East Lancashire Hospitals NHS Trust

East Lancashire Hospitals NHS Trust
Audited Financial Statements
Year ended 31st March 2014

Version 1.5.1

Foreword to the accounts

These accounts for the year ended 31st March 2014 have been prepared by the East Lancashire Hospitals NHS Trust in accordance with schedule 15 of the National Health Service Act 2006

2013-14 Annual Accounts of East Lancashire Hospitals NHS Trust

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

Signed James Birrell .... 4th June 2014

Mr James Birrell
Interim Chief Executive

Signed .... 4th June 2014

Mr Jonathan Wood
Director of Finance

2013-14 Annual Accounts of East Lancashire Hospitals NHS Trust

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Chief Executive of the NHS Trust Development Authority has designated that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Chief Executive of the NHS Trust Development Authority. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

- value for money is achieved from the resources available to the trust;

- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

- effective and sound financial management systems are in place; and

- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed........James Birrell.. 4th June 2014

Mr James Birrell
Interim Chief Executive

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF EAST LANCASHIRE HOSPITALS NHS TRUST

We have audited the financial statements of East Lancashire Hospitals 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. 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
- the table of pension benefits of senior managers and related narrative notes
- the table of pay multiples and related narrative notes.

This report is made solely to the Board of Directors of East Lancashire Hospitals 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's directors and the Trust as a body, for our audit work, for this report, or for opinions we have formed.

Respective responsibilities of Directors and auditor

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.

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 East Lancashire Hospitals 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 auditor

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
- 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.

Basis for qualified conclusion

In seeking to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered the following matter in relation to challenging how it secures economy, efficiency and effectiveness.

In July 2013 a review led by Sir Bruce Keogh, the Medical Director of NHS England, identified shortcomings in the quality of care delivered by the Trust and the Trust was placed under a special measures regime with close performance management by the NHS Trust Development Authority. The Trust has developed an action plan to rectify the shortcomings identified in the Keogh review and is currently awaiting the outcome of an inspection by the Chief Inspector of Hospitals that could determine whether the Trust will be removed from Special Measures.

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, with the exception of the matter reported in the basis for qualification paragraph above, in all significant respects, East Lancashire Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to provide assurance over the Trust's annual quality account. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Jackie Bellard

Jackie Bellard
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

9 June 2014

Contents

Statement of comprehensive income for year ended 31 March 2014

	note	2013-14 £000s	2012-13 Restated* £000s
Gross employee benefits	6.1	**(279,572)**	(260,212)
Other operating costs	4	**(130,844)**	(126,898)
Revenue from patient care activities	2	**398,947**	384,531
Other operating revenue	3	**21,632**	20,455
Operating surplus		**10,163**	17,876
Investment revenue	8	**215**	121
Other gains and (losses)	9	**1,778**	(439)
Finance costs	10	**(9,318)**	(9,281)
Surplus for the financial year		**2,838**	8,277
Public dividend capital dividends payable	29.2	**(3,296)**	(3,612)
Retained (loss)/surplus for the year		**(458)**	4,665

Other comprehensive income

	2013-14 £000s	2012-13 £000s
Transfers under modified absorption accounting	**9,795**	0
Net gain on revaluation of property, plant & equipment [1]	**17,622**	1,407
Impairments and reversals taken to the revaluation reserve [2]	**(5,248)**	(3,912)
New PDC received	**16,601**	1,115
New PDC received - PCT legacy items paid for by Department of Health	**252**	0
Total comprehensive income for the year	**38,564**	3,275

Financial performance for the year

	2013-14	2012-13
Retained (loss)/surplus for the year	**(458)**	4,665
IFRIC 12 impairments and reversals	**(5,946)**	1,145
Non IFRIC12 impairments	**12,908**	2,046
Adjustments in respect of donated government grant asset reserve elimination	**96**	155
Adjusted retained surplus	**6,600**	8,011

The notes on pages 5 to 33 form part of these accounts.

* Other comprehensive income has been restated to include new PDC received in 2012-13

[1] This represents gains in the value of assets which are taken to the revaluation reserve

[2] This represents reductions (impairments) in the value of assets for which there is a previously accumulated revaluation reserve

Statement of financial position as at 31 March 2014

	note	31 March 2014 £000s	31 March 2013 £000s
Non-current assets:			
Property, plant and equipment	11	**278,888**	248,102
Intangible assets	12	**2,578**	922
Trade and other receivables	17	**2,213**	1,522
Total non-current assets		**283,679**	250,546
Current assets:			
Inventories	16	**2,171**	1,818
Trade and other receivables	17	**22,343**	13,104
Other financial assets	17	**147**	118
Other current assets		**10**	10
Cash and cash equivalents	18	**29,462**	31,656
Total current assets		**54,133**	46,706
Non-current assets held for sale		**0**	2,820
Total current assets		**54,133**	49,526
Total assets		**337,812**	300,072
Current liabilities			
Trade and other payables	19	**(44,907)**	(43,266)
Provisions	22	**(1,367)**	(1,029)
Borrowings	20	**(3,830)**	(2,774)
Capital loan from Department of Health	20	**(1,300)**	(1,300)
Total current liabilities		**(51,404)**	(48,369)
Net current assets		**2,729**	1,157
Non-current assets plus net current assets		**286,408**	251,703
Non-current liabilities			
Trade and other payables	19	**(1,460)**	0
Provisions	22	**(2,659)**	(2,853)
Borrowings	20	**(117,044)**	(120,869)
Capital loan from Department of Health	20	**(650)**	(1,950)
Total non-current liabilities		**(121,813)**	(125,672)
Total assets employed:		**164,595**	126,031
Financed by:			
Taxpayers' equity			
Public dividend capital		**177,320**	160,467
Retained earnings		**(50,037)**	(60,143)
Revaluation reserve		**37,312**	25,707
Total taxpayers' equity:		**164,595**	126,031

The notes on pages 5 to 33 form part of this account.

The financial statements on pages 1 to 4 were approved by the Audit Committee on 4th June 2014 and were signed and authorised for issue on its behalf by:

Interim Chief Executive:.... James Birrell .... **Date:** **4th June 2014**

Mr James Birrell

Statement of changes in taxpayers' equity for the year ended 31 March 2014

	note	Public dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
Balance at 1 April 2013		**160,467**	**(60,143)**	**25,707**	**126,031**
Changes in taxpayers' equity for 2013-14					
Retained deficit for the year		0	(458)	0	**(458)**
Net gain on revaluation of property, plant, equipment	11.1	0	0	17,622	**17,622**
Impairments and reversals		0	0	(5,248)	**(5,248)**
Transfers between reserves		0	2,228	(2,228)	**0**
New PDC received - cash		16,601	0	0	**16,601**
Transfers from PCTs under modified absorption accounting		0	9,795	0	**9,795**
New PDC received - PCT legacy items paid for by Department of Health		252	0	0	**252**
Other Movements		0	0	0	**0**
Net recognised revenue for the year		**16,853**	**11,565**	**10,146**	**38,564**
Transfers between reserves in respect of modified absorption accounting		0	(1,459)	1,459	**0**
Balance at 31 March 2014		**177,320**	**(50,037)**	**37,312**	**164,595**
Balance at 1 April 2012		**159,352**	**(65,400)**	**28,804**	**122,756**
Changes in taxpayers' equity for the year ended 31 March 2013					
Retained surplus for the year		0	4,665	0	4,665
Net gain on revaluation of property, plant, equipment	11.2	0	0	1,407	1,407
Impairments and reversals		0	0	(3,912)	(3,912)
Transfers between reserves		0	592	(592)	0
New PDC received		1,115	0	0	1,115
Net recognised revenue/(expense) for the year		**1,115**	**5,257**	**(3,097)**	**3,275**
Balance at 31 March 2013		**160,467**	**(60,143)**	**25,707**	**126,031**

Statement of cash flows for the year ended 31 March 2014

	note	**2013-14 £000s**	2012-13 £000s
Cash flows from operating activities			
Operating surplus		**10,163**	17,876
Depreciation and amortisation	4	**10,955**	11,007
Net impairments and reversals	13	**6,962**	3,191
Donated assets received credited to revenue but non-cash		**(137)**	(62)
Interest paid		**(9,248)**	(9,052)
Dividend paid		**(3,105)**	(3,726)
(Increase)/decrease in inventories		**(353)**	1,599
(Increase)/decrease in trade and other receivables	16	**(7,361)**	837
Decrease in other current assets		**0**	18
Increase in trade and other payables		**3,621**	13,968
Provisions utilised		**(451)**	(622)
Increase in provisions		**525**	660
Net Cash inflow/(outflow) from operating activities		**11,571**	35,694
Cash flow from investing activities			
Interest received		**178**	121
Payments for property, plant and equipment		**(26,859)**	(9,524)
Payments for intangible assets		**(1,947)**	(637)
(Payments) for/proceeds from other financial assets		**(29)**	23
Proceeds of disposal of assets held for sale and PPE		**2,108**	1,501
Net cash (outflow) from investing activities		**(26,549)**	(8,516)
Net cash (outflow)/inflow before financing		**(14,978)**	27,178
Cash flows from financing activities			
Public dividend capital received		**16,853**	1,115
Loans repaid to DH - capital investment loans repayment of principal	20	**(1,300)**	(1,300)
Capital element of payments in respect of on-SoFP PFI	20	**(2,769)**	(2,734)
Net cash inflow/(outflow) from financing activities		**12,784**	(2,919)
Net (decrease)/increase in cash and cash equivalents		**(2,194)**	24,259
Cash and cash equivalents at beginning of the period		**31,656**	7,397
Cash and cash equivalents at year end		**29,462**	31,656

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* (IFRS) 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 Movement of assets within the DH group

Transfers as part of reorganisation are accounted for by use of absorption accounting in line with the *'Treasury Financial Reporting Manual'* (FReM). The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Income (SOCI), and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS20 and similarly give rise to income and expenditure entries.

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the SOCI.

1.4 Charitable funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with NHS Trust's own returns is removed. Under the provisions of IAS27 '*Consolidated and Separate Financial Statements*', those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS1 '*Presentation of Financial Statements*', restated prior period accounts are presented where the adoption of the new policy has a material impact. The Trust has not consolidated the accounts of the East Lancashire Hospitals NHS Charities on the basis of immateriality.

Notes to the accounts - 1. Accounting policies (continued)

1.5 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.

1.5.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Segmental reporting

The Trust has one material segment, being the provision of healthcare. Divisions within the Trust all have similar economic characteristics; healthcare activity is undertaken via ward-based hospital care and through a range of primary care and community services, provided to NHS patients. Private patient activity is not considered material enough to warrant segmental reporting.

Charities consolidation

Management have considered the East Lancashire Hospital Charity, of which the Trust is a corporate Trustee, to have an immaterial impact on the group results. Therefore these accounts do not include a consolidated position under the requirements of IAS27.

Going concern

After making enquiries, the directors have a reasonable expectation that the NHS Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the accounts have been prepared on a going concern basis.

Fair value of PFI liabilities (Note 24)

The PFI liability is rebased on an annual basis using the most current applicable RPI indices. On this basis, the Trust does not consider the fair value of these liabilities to differ materially from the reported carrying value.

1.5.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Non-current asset valuations (note 11)

A desk top valuation was undertaken on 1st April 2013 by the District Valuer, who is a qualified surveyor registered with the Royal Institute of Chartered Surveyors. The impact of this valuation has been reflected in these accounts as at 1st April 2013. Subsequently, a full valuation of the Trust Estate was obtained on 1st April 2014 and this has been the basis for the valuation as at 31st March 2014. This valuation reflects the current economic conditions and the location factor for the North West of England. The Trust will undertake to commission annual valuation exercises in order to accurately reflect the value of its estate.

Provision for impairment of receivables (note 17)

The Trust recognises the credit and liquidity risk of receivables which are past their due date. The impairment of such debt is based on a combination of the age of the debt and likelihood of payment and information held by management on the individual circumstances surrounding the debt.

Notes to the accounts - 1. Accounting policies (continued)

Analysis of injury cost recovery (ICR)
The analysis of ICR receivables due within 1 year and after more than 1 year is based on the assumption that claims take an average of 12 months to settle.

Part completed spells
Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of bed occupancy rates and length of stay at the end of the reporting period compared to expected total length of stay/costs incurred to date compared to total expected costs.

Provisions for injury benefits (note 22)
The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the year, taking into account the risks and uncertainties. The carrying amount of injury benefit provisions is estimated as the present value of those cash flows using HM Treasury's discount rate of 1.8% in real terms (2012-13 2.35%). The period over which future cash flows will be paid is estimated using the England life expectancy tables as published by the Office of National Statistics.

Private Finance Initiative (PFI) - unitary payment (note 24)
The PFI Unitary payment is split between three elements, the payment for services, payment for property (comprising repayment of the liability, finance cost and contingent rental) and lifecycle replacement. The Trust has adopted the national PFI Accounting guidance to determine the split between these elements as detailed in note 27 to these accounts.

1.6 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.

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

In 2014-15, the payment mechanism to the Trust for maternity services changed from a cost per appointment/admission basis to a maternity pathway payment. Patients who started care in 2012-13 under the previous charging mechanism were not charged for in 2013-14. As a result, no deferred income adjustment has been made for activity that has been paid in full in 2013-14 for care that will continue into 2014-15.

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.

1.7 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.

Notes to the accounts - 1. Accounting policies (continued)

1.8 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.

1.9 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 Trust;
- 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. The Trust has changed its valuation techinique for 2013-14 from previously valuing assets on a block basis to now accounting for changes on an asset basis.

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 IAS23 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)

1.10 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 £5,000.

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.

1.11 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.

Notes to the accounts - 1. Accounting policies (continued)

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.

1.12 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.

1.13 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.

1.14 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.

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.

Notes to the accounts - 1. Accounting policies (continued)

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.

1.15 Private finance initiative (PFI) transactions
HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received
The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS16.

PFI liability
A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement
Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

Notes to the accounts - 1. Accounting policies (continued)

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Trust to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trust's SoFP.

Other assets contributed by the Trust to the operator
Assets contributed (e.g. cash payments, surplus property) by the Trust to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the Trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.16 Inventories
Inventories are valued at current cost. This is considered to be a reasonable approximation to determine fair value due to the high turnover of stocks. Where stock levels have remained stable year on year the Trust has taken a decision to no longer carry out stock takes in these areas in the interests of efficiency. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.17 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.

1.18 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 rate of 1.8% (2012-13 2.35%) 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 on-going activities of the entity.

Notes to the accounts - 1. Accounting policies (continued)

1.19 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's. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 25.

1.20 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.

1.21 Carbon reduction commitment scheme (CRC)

CRC and similar allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

1.22 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.

1.23 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 derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are classified as 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.

Notes to the accounts - 1. Accounting policies (continued)

Fair value is determined by reference to quoted market prices where possible.

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.

1.24 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.

Financial liabilities are classified as other financial liabilities. The classification depends on the nature and purpose of the financial liability and is determined at the time of initial recognition.

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.

1.25 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.

1.26 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 in the period in which they arise.

Notes to the accounts - 1. Accounting policies (continued)

1.27 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 18 to the accounts.

1.28 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.

1.29 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).

1.30 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.

1.31 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 charged to the SOCI on an accruals 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. Revenue from patient care activities

	2013-14 £000s	2012-13 £000s
NHS England	**36,229**	0
Clinical Commissioning Groups	**355,155**	0
Primary Care Trusts	**0**	379,846
NHS Foundation Trusts	**644**	272
NHS other (including Public Health England and NHS Property Services)	**98**	56
Non-NHS:		
Local authorities	**3,555**	1,298
Private patients	**416**	678
Overseas patients (non-reciprocal)	**285**	59
Injury costs recovery	**2,360**	2,232
Other	**205**	90
Total revenue from patient care activities	**398,947**	384,531

There have been a number of changes to NHS commissioning landscape following the dissolution of Primary Care Trusts on 1st April 2013. The Trust has commissioned its main contract income with Clinical Commissioning Groups and The Specialist Commissioning Area teams within NHS England.

3. Other operating revenue

	2013-14 £000s	2012-13 £000s
Education, training and research	**11,917**	11,005
Charitable contributions to revenue expenditure	**12**	188
Charitable contributions for capital acquisitions	**137**	62
Non-patient care services to other bodies	**5,753**	7,439
Income generation	**3,813**	1,730
Other revenue	**0**	31
Total other operating revenue	**21,632**	20,455
Total operating revenue	**420,579**	404,986

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

4. Operating expenses

	2013-14	2012-13
		Restated*
	£000s	£000s
Purchase of healthcare from non-NHS bodies	1,172	1,487
Trust Chair and non-executive directors	62	62
Supplies and services - clinical	60,789	59,416
Supplies and services - general	5,589	4,799
Consultancy services	265	367
Establishment	5,406	5,488
Transport	1,698	1,421
Premises	23,895	27,093
Impairments and reversals of receivables	51	449
Depreciation	10,664	10,861
Amortisation	291	146
Impairments and reversals of property, plant and equipment	6,962	3,191
Audit fees	116	131
Other auditor's remuneration	19	0
Clinical negligence	8,413	7,566
Research and development (excluding staff costs)	121	0
Education and training	717	542
Change in discount rate	153	0
Other operating expenses	4,461	3,879
Total operating expenses (excluding employee benefits)	**130,844**	126,898
Employee benefits		
Employee benefits excluding Trust board members	278,726	259,401
Trust board members	846	811
Total employee benefits	**279,572**	260,212
Total operating expenses	**410,416**	387,110

*Expenditure previously classified as '*Services from NHS Foundation Trusts*' has been classified as 'Supplies and services - clinical' in 2013-14 (2012-13 £1.9m)

5. Operating leases

Trust as lessee

	2013-14	2012-13
	Total	Total
	£000s	£000s
Payments recognised as an expense		
Minimum lease payments	5,323	4,751
Total	**5,323**	4,751
Payable:		
No later than one year	2,055	1,279
Between one and five years	2,266	1,671
Total	**4,321**	2,950

Operating leases predominantly relate to payments for the occupation of properties by the Trust's community services where there is no future commitment and lease cars.

6. Employee benefits and staff numbers

6.1 Employee benefits

	2013-14 Permanently employed £000s	Other £000s	Total £000s
Employee benefits - gross expenditure			
Salaries and wages	204,106	34,907	**239,013**
Social security costs	15,031	517	**15,548**
Employer Contributions to NHS BSA - Pensions Division	24,514	798	**25,312**
Other pension costs	4	0	**4**
Termination benefits	130	0	**130**
Total employee benefits	**243,785**	**36,222**	**280,007**
Employee costs capitalised	358	77	**435**
Gross employee benefits excluding capitalised costs	**243,427**	**36,145**	**279,572**

Employee benefits - gross expenditure	2012-13 Permanently employed £000s	Other £000s	Total £000s
Salaries and wages	196,117	24,262	220,379
Social security costs	14,594	420	15,014
Employer contributions to NHS BSA - Pensions division	23,489	675	24,164
Termination benefits	900	0	900
Total - including capitalised costs	235,100	25,357	260,457
Employee costs capitalised	245	0	245
Gross employee benefits excluding capitalised costs	234,855	25,357	260,212

6.2 Staff numbers

	2013-14 Permanently employed Number	2013-14 Other Number	2013-14 Total Number	2012-13 Total Number
Average staff numbers				
Medical and dental	431	286	718	701
Administration and estates	1,909	165	2,074	1,823
Healthcare assistants and other support staff	1,138	80	1,217	1,000
Nursing, midwifery and health visiting staff	2,088	92	2,180	2,127
Scientific, therapeutic and technical staff	751	21	771	951
Other	6	0	6	6
Total average staff numbers	**6,323**	**643**	**6,966**	6,608
Of the above - staff engaged on capital projects	8	2	10	5

6.3 Staff sickness absence and ill health retirements

	2013-14	2012-13
	Number	Number
Total days lost	58,562	58,076
Total staff years	6,539	6,103
Average working days lost	8.96	9.52

	2013-14	2012-13
	Number	Number
Number of persons retired early on ill health grounds	**14**	15
	£000s	£000s
Total additional pensions liabilities accrued in the year	**671**	663

6.4 Exit packages agreed in 2013-14

	2013-14			2012-13		
Exit package cost band (including any special payment element)	**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	0	0	**0**	0	9	9
£10,000-£25,000	0	0	**0**	0	16	16
£25,001-£50,000	0	0	**0**	0	8	8
£50,001-£100,000	0	0	**0**	0	2	2
£100,001 - £150,000	1	0	**1**	1	0	1
Total number of exit packages by type	**1**	**0**	**1**	1	35	36
Total resource cost (£000s)	**130**	**0**	**130**	147	752	900

Redundancy and other departure costs have been paid in accordance with the provisions of '*NHS Agenda for Change - Section 16 Redundancy arrangements*'. Redundancy costs in 2013-14 relate to a restructuring of the finance department. Exit costs in this note are accounted for in full in the year of departure. 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. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

6.5 Exit packages - other departures analysis

	2013-14		2012-13	
	Agreements	**Total value of agreements**	Agreements	Total value of agreements
	Number	**£000s**	Number	£000s
Mutually agreed resignations - voluntary severance scheme (VSS)	**0**	**0**	35	900
Total	**0**	**0**	35	900

This disclosure reports the number and value of exit packages agreed in the year. Note: the expense associated with these departures may have been recognised in part or in full in a previous period. In 2012-13, the Trust operated a voluntary severance scheme. This did not operate in 2013-14.

6.6 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 IAS19, 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.

There are a small number of staff who are not entitled to join the NHS pension scheme. These staff are enrolled into the National Employment Saving Trust (NEST) scheme.

7. Better payment practice code

Measure of compliance	2013-14		2012-13	
	Number	**£000s**	Number	£000s
Non-NHS payables				
Total Non-NHS trade Invoices paid in the year	**92,161**	**131,975**	83,090	117,479
Total Non-NHS trade invoices paid within target	**88,444**	**127,038**	79,678	112,721
Percentage of NHS trade invoices paid within target	**95.97%**	**96.26%**	95.89%	95.95%
NHS payables				
Total NHS trade invoices paid in the year	**2,831**	**38,627**	2,755	**32,117**
Total NHS trade invoices paid within target	**2,708**	**38,042**	2,629	**31,559**
Percentage of NHS trade invoices paid within target	**95.66%**	**98.49%**	95.43%	98.26%

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.

8. Investment revenue

	2013-14	2012-13
	£000s	£000s
Bank interest	**215**	121
Total investment revenue	**215**	121

9. Other gains and losses

	2013-14	2012-13
	£000s	£000s
Gain/(loss) on disposal of assets held for sale and PPE	**1,778**	(439)
Total other gains and losses	**1,778**	(439)

The majority of the gain in 2013-14 relates to the sale of the Rossendale Hospital site which was brought forward into 2013-14 as an Asset Held for Sale.

10. Finance costs

	2013-14	2012-13
	£000s	£000s
Interest		
Interest on loans and overdrafts	**67**	98
Interest on obligations under PFI contracts:		
- main finance cost	**5,633**	5,692
- contingent finance cost	**3,548**	3,262
Other interest	**0**	146
Provisions - unwinding of discount	**70**	83
Total finance costs	**9,318**	9,281

11.1 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2013	**16,895**	**218,404**	**2,028**	**6,073**	**30,794**	**1,083**	**15,374**	**6,468**	**297,119**
Transfers under modified absorption accounting	**1,975**	**4,838**	**0**	**3,184**	**42**	**8**	**0**	**0**	**10,047**
Additions of assets under construction	**0**	**0**	**0**	**14,501**	**0**	**0**	**0**	**0**	**14,501**
Additions purchased	0	4,971	0	**0**	2,287	55	3,763	367	**11,443**
Additions donated	0	0	0	0	137	0	0	0	**137**
Reclassifications	0	14,459	0	(14,618)	159	0	0	0	**0**
Disposals	0	(20)	0	(45)	(616)	(68)	0	(26)	**(775)**
Upward revaluation	1,388	16,156	78	0	0	0	0	0	**17,622**
Impairments taken to revaluation reserve	(579)	(4,639)	(30)	0	0	0	0	0	**(5,248)**
Accumulated deprn eliminated on revaluation	(1,205)	(22,288)	(36)	0	0	0	0	0	**(23,529)**
At 31 March 2014	**18,474**	**231,881**	**2,040**	**9,095**	**32,803**	**1,078**	**19,137**	**6,809**	**321,317**
Depreciation									
At 1 April 2013	**0**	**10,720**	**(177)**	**0**	**22,578**	**959**	**10,864**	**4,073**	**49,017**
Disposals	0	0	0	0	(598)	(68)	0	(19)	**(685)**
Impairments	1,208	20,831	221	0	0	0	548	0	**22,808**
Reversal of impairments	(3)	(15,755)	(88)	0	0	0	0	0	**(15,846)**
Charged during the year	0	6,492	80	**0**	1,672	59	1,798	563	**10,664**
Accumulated deprn eliminated on revaluation	(1,205)	(22,288)	(36)	**0**	0	0	0	0	**(23,529)**
At 31 March 2014	**0**	**0**	**0**	**0**	**23,652**	**950**	**13,210**	**4,617**	**42,429**
Net book value at 31 March 2014	**18,474**	**231,881**	**2,040**	**9,095**	**9,151**	**128**	**5,927**	**2,192**	**278,888**
Asset financing:									
Owned - purchased	18,474	132,372	2,040	9,095	8,426	93	2,895	2,192	**175,587**
Owned - donated	0	756	0	0	687	35	3	0	**1,481**
On-SoFP PFI contracts	0	98,753	0	0	38	0	3,029	0	**101,820**
Total at 31 March 2014	**18,474**	**231,881**	**2,040**	**9,095**	**9,151**	**128**	**5,927**	**2,192**	**278,888**

Revaluation reserve balance for property, plant & equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	6,296	16,896	1,660	0	756	44	0	55	**25,707**
Movements	1,215	11,745	(881)	0	(671)	(44)	0	241	**11,605**
At 31 March 2014	**7,511**	**28,641**	**779**	**0**	**85**	**0**	**0**	**296**	**37,312**

11.2 Property, plant and equipment prior-year

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2012	19,251	216,827	3,240	813	31,460	1,142	14,607	6,655	293,995
Additions - Assets under construction	0	0	0	5,525	0	0	0	0	5,525
Additions - purchased	0	1,496	0		1,410	30	1,560	(1)	4,495
Additions - donated	0	0	0	0	62	0	0	0	62
Reclassifications	0	795	0	(265)	(392)	0	(27)	(111)	0
Disposals other than by sale	(413)	(6)	(1,364)	0	(1,740)	(89)	(766)	(75)	(4,453)
Revaluation & indexation gains	35	1,213	165	0	(6)	0	0	0	1,407
Impairments	(1,978)	(1,921)	(13)	0	0	0	0	0	(3,912)
At 31 March 2013	**16,895**	**218,404**	**2,028**	**6,073**	**30,794**	**1,083**	**15,374**	**6,468**	**297,119**
Depreciation									
At 1 April 2012	0	0	0	0	22,689	991	9,997	3,634	37,311
Reclassifications	0	220	0	0	(140)	0	(13)	(67)	0
Disposals other than for sale	0	0	0	0	(1,451)	(89)	(737)	(69)	(2,346)
Impairments	0	3,936	12	0	0	0	0	0	3,948
Reversal of impairments	0	(475)	(282)	0	0	0	0	0	(757)
Charged during the year	0	7,039	93		1,480	57	1,617	575	10,861
At 31 March 2013	**0**	**10,720**	**(177)**	**0**	**22,578**	**959**	**10,864**	**4,073**	**49,017**
Net book value at 31 March 2013	**16,895**	**207,684**	**2,205**	**6,073**	**8,216**	**124**	**4,510**	**2,395**	**248,102**
Asset financing:									
Owned - purchased	16,895	115,306	2,205	6,073	7,429	89	2,937	2,395	153,329
Owned - donated	0	756	0	0	745	35	5	0	1,541
On-SoFP PFI contracts	0	91,622	0	0	42	0	1,568	0	93,232
Total at 31 March 2013	**16,895**	**207,684**	**2,205**	**6,073**	**8,216**	**124**	**4,510**	**2,395**	**248,102**

Revaluation reserve balance for property, plant & equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	8,239	17,610	2,093	0	761	44	0	57	**28,804**
Movements	(1,943)	(714)	(433)	0	(5)	0	0	(2)	**(3,097)**
At 31 March 2013	**6,296**	**16,896**	**1,660**	**0**	**756**	**44**	**0**	**55**	**25,707**

11.3 Property, plant and equipment

The Trust instructed the District Valuation Office to undertake two valuations during the financial year. An initial desktop valuation dated 1st April 2013 resulted in an overall reduction of £5.166m to the value of Land and Buildings.

A full revaluation of the Trust estate was also undertaken at 1st April 2014 which has been used as the basis of the valuation of PPE assets as at 31 March 2014. The net impact of the valuation resulted in £13.729m increase in the value of Property, Plant and Equipment. The increase is mainly attributable to an 8.1% increase in the Building Cost Information Service (BCIS) national Tender Price Index (TPI) on 1st April 2014 compared to the 1st April 2013 BCIS factor. The BCIS location factor applied to national TPI also increased from 90% at the beginning of the financial year to 93% on 1st April 2014.

During the year the Trust disposed of the Rossendale General Hospital site which was disclosed as an Asset Held for Sale in the previous year. The Trust sold the asset for £4.782m of which £1.929m cash has been received in year. The balance of £2.853m cash is receivable in two equal instalments of £1.427m and is due on 23rd September 2014 and 23rd September 2015 respectively.

On 1st April 2013 the Trust received £10.0m of assets which were transferred from former Primary Care Trusts. These transfers have been accounted for under the Modified Absorption Accounting rules as detailed in note 1.3 to these accounts.

Minimum and maximum asset lives for each class of asset are as follows:

	Min Life Years	Max Life Years
Property, Plant and Equipment		
Buildings excluding dwellings	9	94
Dwellings	22	47
Plant & machinery	3	25
Transport equipment	5	8
Information technology	5	10
Furniture and fittings	5	25
Intangible assets		
Software licenses	5	5

12. Intangible non-current assets

	2013-14	2012-13
Cost	**£000's**	**£000's**
Gross cost at start of period as at 1 April	**2,019**	1,382
Additions - purchased	1,947	637
Gross cost at end of period as at 31 March	**3,966**	2,019
Amortisation at start of period as at 1 April	**1,097**	951
Charged during the year	291	146
Amortisation at end of period as at 31 March	**1,388**	1,097
Net book value as at 31 March	**2,578**	922

All intangible assets relate to purchased software licences.

The Trust does not hold any revaluation reserve balances in respect of Intangible assets (2012-13 £nil).

13. Analysis of impairments and reversals

	2013-14 Total £000s	**2012-13 Total £000s**
Property, plant and equipment impairments and reversals taken to SoCI		
Other	3,149	179
Changes in market price	3,813	3,012
Total charged to annually managed expenditure	**6,962**	3,191
Property, plant and equipment impairments and reversals taken to the SoFP		
Other	0	116
Changes in market price	5,248	3,796
Total charged to annually managed expenditure	**5,248**	3,912
Total impairments of property, plant and equipment	12,210	7,103

14. Commitments

Capital commitments

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

	31 March 2014 £000s	31 March 2013 £000s
Property, plant and equipment	**1,675**	6,821
Total	**1,675**	6,821

15. Intra-government and other balances

	Current Receivables	Current Payables	Non-current Receivables	Non-current Payables
	£000s	£000s	£000s	£000s
Balances with other central government bodies	6,716	10,240	0	0
Balances with local authorities	749	0	0	0
Balances with NHS bodies outside the departmental group	0	27	0	0
Balances with NHS Trusts and Foundation Trusts	1,960	2,096	0	0
Balances with bodies external to government	12,918	32,544	2,213	1,460
At 31 March 2014	**22,343**	**44,907**	**2,213**	**1,460**
Prior period:				
Balances with other central government bodies	2,596	8,980	0	0
Balances with local authorities	494	0	0	0
Balances with NHS bodies outside the departmental group	18	3	0	0
Balances with NHS Trusts and Foundation Trusts	1,507	2,619	0	0
Balances with bodies external to government	8,489	31,664	1,522	0
At 31 March 2013	**13,104**	**43,266**	**1,522**	**0**

16. Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Loan Equipment £000s	Total £000s
Balance at 1 April 2013	**827**	**991**	**0**	**0**	**1,818**
Additions	27,806	30,253	2,513	1,270	**61,842**
Inventories recognised as an expense in the period	(27,561)	(30,145)	(2,513)	(1,270)	**(61,489)**
Balance at 31 March 2014	**1,072**	**1,099**	**0**	**0**	**2,171**
Inventories recognised as an expense in the previous year	(25,259)	(31,687)	(2,733)	(1,014)	(60,693)

17. Trade and other receivables

	Current 31 March 2014 £000s	Current 31 March 2013 £000s	Non-current 31 March 2014 £000s	Non-current 31 March 2013 £000s
NHS receivables - revenue	5,508	3,197	0	0
NHS prepayments and accrued income	2,477	0	0	0
Non-NHS receivables - revenue	4,071	3,228	934	1,741
Non-NHS receivables - capital	1,426	165	1,426	0
Non-NHS prepayments and accrued income	4,887	2,032	0	0
Provision for the impairment of receivables	(1,055)	(939)	(147)	(219)
VAT	691	917	0	0
PFI prepayments	4,165	4,430	0	0
Interest receivables	36	0	0	0
Other receivables	137	74	0	0
Total	**22,343**	13,104	**2,213**	1,522
Total current and non current	**24,556**	14,626		

The great majority of trade is with Clinical Commissioning Groups (CCGs). As CCGs are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Non-NHS debts over 270 days old are considered for impairment. The total considered for impairment is adjusted for the amount of debt referred to the debt collection agency, taking into account their success rate on recovery. Any specific debts which are disputed are also

NHS receivables have been impaired initially using an age-related recoverability ratio and then subsequently adjusted for any known disputes or resolutions. Injury Cost recovery debt has been impaired using the Department of Health rate of 15.8% (2012-13 12.6%) of the total debt irrespective of the age of the claim.

18. Cash and cash equivalents

	31 March 2014 £000s	31 March 2013 £000s
Opening balance	**31,656**	7,397
Net change in year	**(2,194)**	24,259
Closing balance	**29,462**	31,656
Made up of		
Cash with Government Banking Service	**29,451**	31,648
Cash in hand	**11**	8
Cash and cash equivalents as in SoFP and SoCF	**29,462**	31,656

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

Patients' money held by the Trust	**3**	2

19. Trade and other payables

	Current		Non-current	
	31 March 2014	31 March 2013 *Restated	31 March 2014	31 March 2013
	£000s	£000s	£000s	£000s
NHS payables - revenue	**3,869**	3,277	**0**	0
NHS accruals and deferred income	**1**	170	**0**	0
Non-NHS payables - revenue	**2,590**	10,034	**0**	0
Non-NHS payables - capital	**2,874**	3,682	**0**	0
Non-NHS accruals and deferred income	**23,574**	15,557	**300**	0
Social security costs	**2,454**	2,353	**0**	0
Tax	**2,558**	2,569	**0**	0
Other payables	**6,987**	5,624	**1,160**	0
Total	**44,907**	43,266	**1,460**	**0**

Included in '*other payables*' above:	**£000s**	£000s
Research and development funds	**2,410**	2,327
Outstanding pension contributions at the year end	**3,481**	3,163

* NHS payables have restated to separately disclose NHS accruals and deferred income

20. Borrowings

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Loans from Department of Health	**1,300**	1,300	**650**	1,950
PFI liabilities	**3,830**	2,774	**117,044**	120,869
Total	**5,130**	4,074	**117,694**	122,819
Total other liabilities (current and non-current)	**122,824**	126,893		

Loans - repayment of principal falling due in:	31 March 2014			31 March 2013
	Department of Health £000s	Other £000s	Total £000s	Total £000s
0 - 1 years	1,300	3,830	**5,130**	4,074
1 - 2 years	650	1,808	**2,458**	5,137
2 - 5 years	0	9,375	**9,375**	8,696
Over 5 years	0	105,861	**105,861**	108,986
TOTAL	**1,950**	**120,874**	**122,824**	126,893

21. Deferred income

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
Opening balance at 1 April 2013	**2,692**	1,454	**0**	0
Deferred revenue addition	**1,273**	1,890	**300**	0
Transfer of deferred revenue	**(998)**	(652)	**0**	0
Deferred income at 31 March 2014	**2,967**	2,692	**300**	0
Total deferred income at 31 March 2014	**3,267**	2,692		

22. Provisions

	Legal Claims £000s	Other £000s	Total £000s
Balance at 1 April 2013	312	3,570	**3,882**
Arising during the year	298	1,170	**1,468**
Utilised during the year	0	(451)	**(451)**
Reversed unused	(222)	(874)	**(1,096)**
Unwinding of discount	0	70	**70**
Change in discount rate	0	153	**153**
Balance at 31 March 2014	**388**	**3,638**	**4,026**

Expected timing of cash flows:	£000s	£000s	**£000s**
No later than one year	388	979	**1,367**
Later than one year and not later than five years	0	702	**702**
Later than five years	0	1,957	**1,957**

The accounts of the NHS Litigation Authority includes provisions of £85.706 million (2012-13 £67.988 million) in respect of cases covered by the Clinical Negligence Scheme for Trusts and £5.405 million (2012-13 £5.463 million) in respect of employer/public liability cases of the Trust. The Trust is liable only up to a maximum excess level for these cases which is disclosed in the provisions above.

Other provisions includes £2.474 million (2012-13 £2.945 million) in respect of personal injury benefit awards.

23. Contingencies

	31 March 2014 £000s	31 March 2013 £000s
Contingent liabilities		
Employer's/public liability cases	**(139)**	(86)
Net value of contingent liabilities	**(139)**	(86)

Contingent liabilities relate to the excess not yet provided for on employer's/public liability cases of the Trust and is based on the probability calculated by NHS Litigation Authority.

24. PFI schemes on Statement of Financial Position (SoFP)

The Trust has two separate PFI schemes in operation on each of its main sites as detailed below:-

Royal Blackburn Hospital - Single Site
This scheme has provided a single hospital site within the Blackburn locality and has been operational since 8th July 2006. The contract term is 35 years.

Burnley General Hospital - Phase 5
The phase 5 unit on the Burnley General site has been in operation since May 2006 and accommodates hospital facilities including elective care, radiology, outpatients and renal services. The contract term is 30 years and will terminate at the end of this term.

The contracts in place for these schemes are for the construction and provision of healthcare facilities. At the end of the agreement term the sites will revert back to the ownership of the Trust without the need for further payments. Both contracts include options for early termination where there has been a event of default by the Project Company. During the term of the contracts there is provision for planned replacement at regular intervals of components included in these facilities. This ensures that the assets are maintained in the required condition throughout the life of the contract. The Trust is charged for these lifecycle costs through the unitary payments although the charges remain fixed irrespective of the actual pattern of lifecycle costs incurred by the operators. Both contracts include provision for performance and availability deductions against the unitary charge. Unitary charges are subject to an annual inflation uplift which is linked to the published retail price index.

Under IFRIC 12, the assets are treated as assets of the Trust; the substance of the contracts is that the Trust has a finance lease and the payments made comprise two elements – imputed finance lease charges and service charges. As well as provision of the infrastructure assets, the contract for the Blackburn PFI also includes facilities management provision both for the PFI asset and parts of the wider estate, and managed equipment services. The contract for the Burnley PFI scheme also includes facilities management but just for the PFI asset.

24.1 PFI - additional information

	2013-14	2012-13
Charges to operating expenditure and future commitments in respect of ON SoFP PFI	**£000s**	£000s
Service element of on SoFP PFI charged to operating expenses in year	**5,911**	5,647
Total	**5,911**	5,647
Payments committed to in respect of the service element of on SoFP PFI		
No later than one year	**6,052**	5,911
Later than one year, no later than five years	**25,945**	25,208
Later than five years	**192,469**	199,258
Total	**224,466**	230,377

The estimated annual payments in future years are not expected to be materially different from those which the Trust is committed to make during the next year.

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2013-14**	2012-13
	£000s	£000s
No later than one year	**9,384**	8,388
Later than one year, no later than five years	**32,118**	33,245
Later than five years	**172,052**	179,966
Subtotal	**213,554**	221,599
Less: interest element	**(92,680)**	(97,956)
Total	**120,874**	123,643

25. Impact of IFRS treatment - current year

	2013-14	2012-13
	£000s	£000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12		
Depreciation charges	**2,980**	2,915
Interest expense	**9,181**	8,954
Impairment charge	**(5,946)**	1,145
Other expenditure	**6,055**	5,877
Impact on PDC dividend payable	**(906)**	(972)
Total IFRS expenditure (IFRIC12)	**11,364**	**17,919**
Revenue consequences of PFI schemes under UK GAAP	**(19,871)**	(19,327)
Net IFRS change (IFRIC12)	**(8,507)**	**(1,408)**

Capital Consequences of IFRS : PFI schemes	**£000s**	£000s
Capital expenditure 2013-14	**3,232**	769
UK GAAP capital expenditure 2013-14 (residual interest)	**1,612**	1,508

26. Financial instruments

26.1 Financial risk management

Financial reporting standard IFRS7 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 Clinical Commissioning Groups and the way those Clinical Commissioning Groups 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 NHS 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 primary care Clinical Commissioning Groups, 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.

26.2 Financial assets - loans and receivables	**2013-14**	2012-13
	£000s	**£000s**
Receivables - NHS	7,955	3,167
Receivables - non-NHS	5,183	1,634
Cash and cash equivalents	29,462	31,656
Other financial assets	147	118
Total at 31 March	**42,747**	36,575

26.3 Financial liabilities - other	**2013-14**	2012-13
	£000s	**£000s**
NHS payables	3,889	3,447
Non-NHS payables	28,028	30,003
Other borrowings	1,950	3,250
PFI obligations	120,874	123,643
Total at 31 March	**154,741**	160,343

The fair value of financial instruments does not differ from the transaction values.

27. Related party transactions

During the year none of the Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with East Lancashire Hospitals NHS Trust

The Department of Health is regarded as a related party. During the year East Lancashire Hospitals NHS 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, ordered by highest gross value, are :

Blackburn With Darwen Clinical Commissioning Group
Calderstones Partnership NHS Foundation Trust
Chorley And South Ribble Clinical Commissioning Group
Community Health Partnerships
East Lancashire Clinical Commissioning Group
Greater Preston Clinical Commissioning Group
Health Education England
Her Majesty's Revenue & Customs (HMRC)
Lancashire Care NHS Foundation Trust
Lancashire Teaching Hospitals NHS Foundation Trust
National Health Service Pension Scheme
National Insurance Fund
NHS Blood & Transplant
NHS Business Authority
NHS England
NHS Litigation Authority
Pennine Acute Hospitals NHS Trust

In addition, the Trust has had a number of notable transactions with other government departments and other central and local government bodies. Most of these transactions have been with Lancashire County Council and Blackburn with Darwen Unitary Authority.

The Trust has also received revenue and capital payments from a number of charitable funds, for which certain trustees are also members of the Trust board. The latest set of audited accounts of the Funds Held on Trust relate to the year ended 31st March 2013 and are available on request from Trust headquarters.

The Trust provides financial and administrative support to the Charity for which it is re-imbursed. In 2013-14 this re-imbursement amounted to £50,000 (£57,000 2012-13).

28. 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	**12,688**	**140**
Special payments	**163,163**	**131**
Total losses and special payments	**175,851**	**271**

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	168,646	302
Special payments	139,812	98
Total losses and special payments	308,458	400

29. 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.

29.1 Breakeven performance	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s
Turnover	273,952	289,933	304,992	316,210	336,952	342,027	389,797	404,986	**420,579**
Retained surplus/(deficit) for the year	153	310	223	133	(45,779)	(9,381)	13,867	4,665	**(458)**
Adjustment for:									
Timing/non-cash impacting distortions:									
2007/08 PPA (relating to 1997/98 to 2006/07)	0	(439)	0	0	0	0	0	0	0
Adjustments for impairments	0	0	0	0	19,529	12,831	(7,096)	3,191	**6,962**
Adjustments for impact of policy change re donated assets	0	0	0	0	0	0	57	155	**96**
Consolidated Budgetary Guidance - Adjustment for dual accounting under IFRIC12*	0	0	0	0	26,537	(2,727)	(3,803)	0	**0**
Other agreed adjustments	4,025	0	0	0	0	0	0	**0**	**0**
Break-even in-year position	4,178	(129)	223	133	287	723	3,025	8,011	**6,600**
Break-even cumulative position	153	24	247	380	667	1,390	4,415	12,426	**19,026**

*

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring breakeven performance. From 2012/13 onwards where the IFRIC12 costs (excluding impairments) are lower than under the UK GAAP treatment the gain is not excluded from the breakeven duty position. Where there is an additional cost under the IFRIC12 treatment the incremental revenue expenditure will be treated as a technical adjustment and added back to the reported breakeven position.

Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset reserves) to maintain comparability year to year.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
Break-even in-year position as a percentage of turnover	1.53	-0.04	0.07	0.04	0.09	0.21	0.78	1.98	1.57
Break-even cumulative position as a percentage of turnover	0.06	0.01	0.08	0.12	0.20	0.41	1.13	3.07	4.52

The amounts in the above tables in respect of financial years 2005-06 to 2008-09 inclusive have not been restated to IFRS and remain on a UK GAAP basis.

29.2 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%.

29.3 External financing

	2013-14	2012-13
	£000s	£000s
External financing limit (EFL)	**16,143**	(8,137)
Cash flow financing	**14,978**	(27,178)
Unwinding of discount adjustment*	**70**	0
External financing requirement	**15,048**	(27,178)
Underspend against the EFL	**1,095**	19,041

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

*The External financing requirement for 2013-14 has been increased in respect of the unwinding of discount on provisions. This adjustment is a new requirement for 2013-14 and as such there is no equivalent adjustment in the comparative figures.

29.4 Capital resource limit

	2013-14	2012-13
	£000s	£000s
Capital resource limit (CRL)	**28,373**	12,895
Gross capital expenditure	**28,027**	10,719
Less: book value of assets disposed of	**(3,018)**	(2,107)
Less: donations towards the acquisition of non-current assets	**(137)**	(62)
Charge against the capital resource limit	**24,872**	8,550
Underspend against the capital resource limit	**3,501**	4,345

The Trust is given a capital resource limit which it is not permitted to exceed. The CRL underspend relates to slippage on the Trust's annual capital programme. The cash available as a result of this slippage will be carried forward into 2014-15 to enable the completion of these capital schemes.

30 Events after the end of the reporting period

There are no material events after the end of the reporting period to disclose.