East Lancashire Hospitals NHS
NHS Trust

East Lancashire Hospitals NHS Trust Financial Statements Year ended 31st March 2016

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Foreword to the accounts

These accounts for the year ended 31st March 2016 have been prepared by the East Lancashire Hospitals NHS Trust in accordance with schedule 15 of the National Health Service Act 2006

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.

I confirm that, as far as I am aware, there is no relevant audit information of which the trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the trust's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

....

Kevin McGee 1st June 2016
Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

1st June 2016..Chief Executive

1st June 2016..Finance Director

Contents

Statement of comprehensive income for year ended 31 March 2016

Presented in £000s	note	2015-16	2014-15
Gross employee benefits	7.1	**(298,592)**	(286,817)
Other operating costs	5	**(150,164)**	(137,409)
Revenue from patient care activities	2	**440,304**	413,186
Other operating revenue	3	**26,463**	21,921
Operating surplus		**18,011**	10,881
Investment revenue	9	**178**	239
Other gains and (losses)	10	**(21)**	(76)
Finance costs	11	**(8,644)**	(9,953)
Surplus for the financial year		**9,524**	1,091
Public dividend capital dividends payable		**(4,780)**	(4,722)
Retained surplus / (deficit) for the year		**4,744**	(3,631)

Other comprehensive income

Net gain on revaluation of property, plant & equipment [1]	**15,802**	16,115
Impairments and reversals taken to the revaluation reserve [2]	**(23,990)**	(1,321)
New PDC received	**30**	523
PDC repaid in year	**(3,700)**	0
Total other comprehensive income for the year	**(11,858)**	15,317
Total comprehensive income for the year	**(7,114)**	11,686

Financial performance for the year

Retained surplus / (deficit) for the year	**4,744**	(3,631)
IFRIC 12 impairments and reversals	**(11,262)**	8,216
Non IFRIC12 impairments	**14,358**	(2,911)
Adjustments in respect of donated government grant asset reserve elimination	**47**	(332)
Adjusted retained surplus	**7,887**	1,342

During the year the Trust received non-recurrent revenue of £19.3m following a capital to revenue exercise, supported by HM Treasury.

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

[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

Statement of financial position as at 31 March 2016

Presented in £000s	note	**31 March 2016**	31 March 2015
Non-current assets			
Property, plant and equipment	12.1	**282,650**	288,442
Intangible assets	13	**4,605**	3,649
Trade and other receivables	18	**1,172**	1,158
Total non-current assets		**288,427**	293,249
Current assets			
Inventories	17	**2,450**	2,248
Trade and other receivables	18	**21,021**	20,529
Other financial assets		**0**	0
Cash and cash equivalents	19	**32,165**	30,984
Total current assets		**55,636**	53,761
Non-current assets held for sale	20	**0**	614
Total current assets		**55,636**	54,375
Total assets		**344,063**	347,624
Current liabilities			
Trade and other payables	21	**(52,769)**	(44,406)
Provisions	24	**(1,322)**	(722)
Borrowings	22	**(3,399)**	(1,827)
Capital loan from Department of Health	22	**(200)**	(850)
Total current liabilities		**(57,690)**	(47,805)
Net current assets		**(2,054)**	6,570
Non-current assets plus net current assets		**286,373**	299,819
Non-current liabilities			
Trade and other payables	21	**(307)**	(3,787)
Provisions	24	**(3,482)**	(2,738)
Borrowings	22	**(111,815)**	(115,213)
Capital loan from Department of Health	22	**(1,600)**	(1,800)
Total non-current liabilities		**(117,204)**	(123,538)
Total assets employed		**169,169**	176,281
Financed by:			
Taxpayers' equity			
Public dividend capital		**174,173**	177,843
Retained earnings		**(44,932)**	(51,679)
Revaluation reserve		**39,928**	50,117
Total taxpayers' equity		**169,169**	176,281

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 1st June 2016 and were signed and authorised for issue on its behalf by:

Chief Executive:…………………………………………………………………….. **1st June 2016**

Mr Kevin McGee

Statement of changes in taxpayers' equity for the year ended 31 March 2016

Presented in £000s	note	Public dividend capital	Retained earnings	Revaluation reserve	Total reserves
Balance at 1 April 2015		**177,843**	**(51,679)**	**50,117**	**176,281**
Changes in taxpayers' equity for 2015-16					
Retained surplus for the year		**0**	**4,744**	**0**	**4,744**
Net gain on revaluation of property, plant, equipment	12.1	**0**	**0**	**15,802**	**15,802**
Impairments and reversals		**0**	**0**	**(23,990)**	**(23,990)**
Transfers between reserves		**0**	**2,861**	**(2,861)**	**0**
New PDC received - cash		**30**	**0**	**0**	**30**
PDC repaid in year		**(3,700)**	**0**	**0**	**(3,700)**
Other movements		**0**	**(858)**	**860**	**2**
Net recognised revenue for the year		**(3,670)**	**6,747**	**(10,189)**	**(7,112)**
Balance at 31 March 2016		**174,173**	**(44,932)**	**39,928**	**169,169**

Balance at 1 April 2014		**177,320**	**(50,037)**	**37,312**	**164,595**
Changes in taxpayers' equity for 2014-15					
Retained deficit for the year		0	(3,631)	0	**(3,631)**
Net gain on revaluation of property, plant, equipment	12.2	0	0	16,115	**16,115**
Impairments and reversals		0	0	(1,321)	**(1,321)**
Transfers between reserves		0	1,989	(1,989)	**0**
New PDC received - cash		523	0	0	**523**
Net recognised revenue for the year		**523**	**(1,642)**	**12,805**	**11,686**
Balance at 31 March 2015		**177,843**	**(51,679)**	**50,117**	**176,281**

Statement of cash flows for the year ended 31 March 2016

Presented in £000s	Note	**2015-16**	2014-15
Cash flows from operating activities			
Operating surplus		**18,011**	10,881
Depreciation and amortisation	5	**9,878**	11,999
Net impairments and reversals	14	**3,096**	5,305
Donated Assets received credited to revenue but non-cash		**(192)**	(529)
Interest paid		**(8,611)**	(9,906)
Dividend paid		**(5,682)**	(4,666)
(Increase) in inventories	17	**(202)**	(77)
Decrease in trade and other receivables		**(6,573)**	(992)
Decrease in other current assets		**0**	10
Increase in trade and other payables		**3,752**	1,714
Provisions utilised		**(614)**	(603)
Increase in provisions		**1,925**	(8)
Net cash inflow from operating activities		**14,788**	13,128
Cash flow from investing activities			
Interest received		**178**	239
Payments for property, plant and equipment		**(5,584)**	(8,747)
Payments for intangible assets		**(1,992)**	(1,863)
Payments for other financial assets		**0**	(51)
Proceeds of disposal of assets held for sale and PPE		**137**	1,427
Net cash (outflow) from investing activities		**(7,261)**	(8,995)
Net cash inflow/(outflow) before financing		**7,527**	4,133
Cash flows from financing activities			
Public dividend capital received		**30**	523
Public dividend capital repaid	2	**(3,700)**	2,000
Loans repaid to DH - capital investment loans repayment of principal	22	**(850)**	(1,300)
Capital element of payments in respect of on-SoFP PFI	22	**(1,826)**	(3,834)
Net cash (outflow) from financing activities		**(6,346)**	(2,611)
Net increase in cash and cash equivalents		**1,181**	1,522
Cash and cash equivalents at beginning of the period		**30,984**	29,462
Cash and cash equivalents at year end		**32,165**	30,984

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 '*Department of Health Group Manual for Accounts*', which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2015-16 '*Department of Health Group 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 Charitable funds

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. The Trust has not consolidated the accounts of the East Lancashire Hospitals NHS Charities on the basis of immateriality.

1.4 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.

1.4.1 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 IFRS10.

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 26)

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.

1.4.2 Key sources of estimation uncertainty

Non-current asset valuations (note 12)

During the financial year the Trust changed its valuer to DTZ (now Cushman & Wakefield), a team of qualified surveyors registered with the Royal Institute of Chartered Surveyors, and at this point also changed the valuation basis for non-current assets from component to block based. A full valuation was provided as at the 1st April 2015, which is reflected in these accounts as at that date and has been treated as an in-year movement. This change in the valuation basis is considered to be a change in estimation techniques, for which a prior period adjustment is not required. A desktop valuation was also undertaken as at 31st March 2016 by DTZ. The impact of this valuation has been reflected in these accounts as at 31st March 2016. 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. The valuation for PFI assets excludes VAT as the Trust assumes that the replacement of these assets would be carried out under a special purchase vehicle where VAT would be recoverable.

Provision for impairment of receivables (note 18)

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.

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.

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

Provisions for injury benefits (note 24)

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 1.37% in real terms (2014-15 1.3%). 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 26)

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 26 to these accounts.

1.5 Revenue

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

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred. Where the Trust has received monies in full in respect of the maternity pathway, where the birth will take place in the following year, a proportion of this income has been deferred.

1.6 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.7 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.

1.8 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.

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

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.

A full valuation of non-current assets was undertaken as at 1st April 2015 when the Trust changed its Valuers to DTZ (now Cushman & Wakefield), a team of qualified surveyors registered with the Royal Institution of Chartered Surveyors. Previous valuations had been undertaken by the District Valuer. The change resulted in a change in valuation approach and the impact of this valuation has been reflected in these accounts. This valuation reflects the current economic conditions and the location factor for the North West of England. The opening valuation as at 1st April 2015 has also been revalued to this basis and the movement has been treated as an in year movement. This change in the valuation basis is considered to be a change in estimation techniques, for which a prior period adjustment is not required.

The Trust also commissioned a desk-top valuation as at the 31s March 2016 in line with its policy in order to accurately reflect the value of its estate. The valuation for PFI assets excludes VAT as the Trust has assumed that the replacement of these assets would be carried out under a special purchase vehicle where VAT would be recoverable.

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 Borrowing Costs* 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)

1.9 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately 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 depreciated historic cost as a proxy for fair value on materiality grounds.

1.10 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 are 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.

1.11 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.

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

The Trust as lessee

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

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

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

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

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.

1.14 Private finance initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where

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 IAS 17. 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 IAS 16.

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 Statement of Financial Position.

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.

1.15 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.

1.16 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.

1.17 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 1.37% (2014-15 1.3%) 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)

1.18 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 26.

1.19 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.

1.20 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.

1.21 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.

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

Loans and receivables

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

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.

1.23 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.

1.24 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.

1.25 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)

1.26 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 19 to the accounts.

1.27 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the 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 and average daily cleared 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.

1.28 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).

1.29 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. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The 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.

1.30 Research and development

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

1.31 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 2015-16. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implmentation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

IFRS 9 Financial Instruments - subject to consultation
IFRS 15 Revenue from Contracts with Customers - subject to consultation
IFRS 16 Leases - subject to consultation

2. Revenue from patient care activities

	2015-16	2014-15
	£000s	£000s
NHS England	**39,918**	38,350
Clinical Commissioning Groups	**372,758**	368,679
NHS Foundation Trusts	**789**	657
Additional income for delivery of healthcare services	**19,300**	0
NHS other (including Public Health England and NHS Property Services)	**142**	7
Non-NHS	**7,397**	5,493
Total revenue from patient care activities	**440,304**	413,186

Non-NHS income includes injury costs recovery income, income from Local Authorities, overseas visitors and private patient income and additional income for the delivery of healthcare services

3. Other operating revenue

	2015-16	2014-15
	£000s	£000s
Education, training and research	**12,636**	12,202
Charitable contributions to revenue expenditure	**28**	12
Charitable contributions for capital acquisitions	**192**	529
Non-patient care services to other bodies	**9,625**	5,982
Income generation	**3,982**	3,196
Total other operating revenue	**26,463**	21,921
Total operating revenue	**466,767**	435,107

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

4. Overseas visitors disclosure

	2015-16	2014-15
	£000	£000s
Income recognised during 2015-16	**31**	53
Cash payments received in-year (iro; receivables at 31 March 2015)	**11**	64
Cash payments received in-year (iro: invoices issued 2015-16)	**14**	19
Amounts added to provision for impairment of receivables (iro: receivables at 31 March 2015)	**23**	62
Amounts added to provision for impairment of receivables (iro: invoices issued 2015-16)	**4**	2
Amounts written off in-year (irrespective of year of recognition)	**0**	6

5. Operating expenses

	2015-16	2014-15
	£000s	£000s
Services from NHS Foundation Trusts	**12**	0
Total Services from NHS bodies*	**12**	0
Purchase of healthcare from non-NHS bodies	**648**	437
Trust Chair and non-executive directors	**59**	61
Supplies and services - clinical	**74,920**	66,579
Supplies and services - general	**5,763**	5,615
Consultancy services	**207**	390
Establishment	**5,367**	5,322
Transport	**1,953**	1,781
Service charges - on-SOFP PFIs	**6,198**	6,052
Business rates paid to local authorities	**3,019**	2,778
Premises	**15,686**	15,751
Hospitality	**32**	25
Insurance	**167**	158
Legal fees	**599**	251
Impairments and reversals of receivables	**181**	528
Inventories write down	**6**	0
Depreciation	**8,842**	11,207
Amortisation	**1,036**	792
Impairments and reversals of property, plant and equipment	**3,096**	5,305
Internal audit fees	**148**	136
Audit fees	**77**	104
Other auditor's remuneration	**7**	12
Clinical negligence scheme for Trusts	**16,140**	10,506
Research and development (excluding staff costs)	**121**	90
Education and training	**794**	785
Impact of the change in discount rate	**(35)**	141
Other operating expenses	**5,121**	2,603
Total operating expenses (excluding employee benefits)	**150,164**	137,409

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

Employee benefits

	2015-16	2014-15
	£000s	£000s
Employee benefits excluding Trust board members	**297,420**	286,003
Trust board members	**1,172**	814
Total employee benefits	**298,592**	286,817
Total operating expenses	**448,756**	424,226

6. Operating leases

Trust as lessee

	2015-16	2014-15
	£000s	£000s
Payments recognised as an expense		
Minimum lease payments	**5,125**	4,776
Total	**5,125**	4,776
Payable:		
No later than one year	**2,158**	2,210
Between one and five years	**2,034**	1,828
Total	**4,192**	4,038

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.

7. Employee benefits and staff numbers

7.1 Employee benefits

	2015-16		
	Permanently employed £000s	**Other £000s**	**Total £000s**
Employee benefits - gross expenditure			
Salaries and wages	**222,549**	**29,970**	**252,519**
Social security costs	**19,048**	**0**	**19,048**
Employer Contributions to NHS BSA - Pensions Division	**27,344**	**0**	**27,344**
Other pension costs	**4**	**0**	**4**
Termination benefits	**267**	**0**	**267**
Total employee benefits	**269,212**	**29,970**	**299,182**
Employee costs capitalised	**590**	**0**	**590**
Gross employee benefits excluding capitalised costs	**268,622**	**29,970**	**298,592**

	2014-15		
Employee benefits - gross expenditure	Permanently employed £000s	Other £000s	Total £000s
Salaries and wages	216,779	28,633	245,412
Social security costs	15,921	0	15,921
Employer contributions to NHS BSA - Pensions division	26,068	0	26,068
Other pension costs	5	0	5
Total - including capitalised costs	258,773	28,633	287,406
Employee costs capitalised	589	0	589
Gross employee benefits excluding capitalised costs	258,184	28,633	286,817

7.2 Staff numbers

	2015-16			2014-15
	Permanently employed Number	**Other Number**	**Total Number**	Total Number
Average staff numbers				
Medical and dental	**532**	**222**	**754**	733
Administration and estates	**2,037**	**132**	**2,169**	2,047
Healthcare assistants and other support staff	**1,243**	**175**	**1,418**	1,274
Nursing, midwifery and health visiting staff	**2,248**	**117**	**2,365**	2,249
Scientific, therapeutic and technical staff	**610**	**23**	**633**	626
Healthcare Science Staff	**186**	**0**	**186**	193
Other	**7**	**0**	**7**	6
Total average staff numbers	**6,863**	**669**	**7,532**	7,128
Of the above - staff engaged on capital projects	**16**	**0**	**16**	15

7.3 Staff sickness absence and ill health retirements

	2015-16	2014-15
	Number	Number
Total days lost	75,094	70,652
Total staff years	6,807	6,877
Average working days lost	**11.03**	10.27

	2015-16	2014-15
	Number	Number
Number of persons retired early on ill health grounds	8	9
	£000s	£000s
Total additional pensions liabilities accrued in the year	304	555

7.4 Exit packages agreed in 2015-16

	2015-16			2014-15		
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	0	0
£10,000-£25,000	0	1	1	0	0	0
£25,001-£50,000	0	1	1	0	0	0
£50,001-£100,000	1	1	2	0	0	0
£100,001 - £150,000	1	0	1	0	0	0
Total number of exit packages by type	**2**	**3**	**5**	0	0	0
Total resource cost (£000s)	**224**	**102**	**326**	0	0	0

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.

7.5 Exit packages - other departures analysis

	2015-16		2014-15	
	Agreements	**Total value of agreements**	Agreements	Total value of agreements
	Number	**£000s**	Number	£000s
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	3	102	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	0	0	0	0
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval*	0	0	0	0
Total	3	102	0	0
Non-contractual payments made to individuals	0	0	0	0

7.6 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that 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 scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) 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 scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. 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 2012.

The Scheme Regulations allow for the level of contribution rates to be changed 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.

8. Better payment practice code

Measure of compliance	2015-16		2014-15	
	Number	**£000s**	Number	£000s
Non-NHS payables				
Total Non-NHS trade Invoices paid in the year	**92,302**	**137,004**	96,568	134,478
Total Non-NHS trade invoices paid within target	**87,858**	**130,151**	90,006	123,172
Percentage of NHS trade invoices paid within target	**95.19%**	**95.00%**	93.20%	91.59%
NHS payables				
Total NHS trade invoices paid in the year	**3,123**	**36,402**	2,882	33,941
Total NHS trade invoices paid within target	**2,972**	**35,236**	2,717	31,647
Percentage of NHS trade invoices paid within target	**95.16%**	**96.80%**	94.27%	93.24%

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.

9. Investment revenue

	2015-16	2014-15
	£000s	£000s
Bank interest	**178**	239
Total investment revenue	**178**	239

10. Other gains and losses

	2015-16	2014-15
	£000s	£000s
(Loss) on disposal of assets held for sale and PPE	**(21)**	(76)
Total other gains and losses	**(21)**	(76)

11. Finance costs

	2015-16	2014-15
	£000s	£000s
Interest		
Interest on loans and overdrafts	**32**	40
Interest on obligations under PFI contracts:		
- main finance cost	**5,157**	5,553
- contingent finance cost	**3,422**	4,315
Provisions - unwinding of discount	**33**	45
Total finance costs	**8,644**	9,953

12.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport and equipment	Information technology	Furniture & fittings	Total
2015-16	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Cost or valuation:									
At 1 April 2015	**19,336**	**246,708**	**1,576**	**895**	**35,582**	**1,027**	**20,014**	**7,158**	**332,296**
Additions purchased	0	2,584	0	0	5,213	64	713	471	**9,045**
Additions non cash donations	0	0	0	0	192	0	0	0	**192**
Additions leased (including PFI)	0	1,686	0	0	0	0	2,955	0	**4,641**
Reclassifications	0	2,092	(1,197)	(895)	0	0	0	0	**0**
Reclassifications as held for sale and reversals	115	0	345	0	0	0	0	0	**460**
Disposals other than for sale	0	(516)	0	0	(491)	(107)	(69)	0	**(1,183)**
Upward revaluation	0	15,653	149	0	0	0	0	0	**15,802**
Impairments/reversals charged to operating expenses	(6,161)	3,065	0	0	0	0	0	0	**(3,096)**
Impairments/reversals charged to reserves	(7,666)	(20,134)	(17)	0	0	0	0	0	**(27,817)**
At 31 March 2016	**5,624**	**251,138**	**856**	**0**	**40,496**	**984**	**23,613**	**7,629**	**330,340**
Depreciation									
At 1 April 2015	**0**	**632**	**3**	**0**	**22,013**	**926**	**15,057**	**5,223**	**43,854**
Reclassifications	0	3	(3)	0	0	0	0	0	**0**
Reclassifications as held for sale and reversals	0	0	4	0	0	0	0	0	**4**
Disposals other than for sale	0	(516)	0	0	(491)	(107)	(69)	0	**(1,183)**
Impairments/reversals charged to reserves	0	(3,827)	0	0	0	0	0	0	**(3,827)**
Charged during the year	0	3,708	23	0	2,716	26	1,668	701	**8,842**
At 31 March 2016	**0**	**0**	**27**	**0**	**24,238**	**845**	**16,656**	**5,924**	**47,690**
Net book value at 31 March 2016	**5,624**	**251,138**	**829**	**0**	**16,258**	**139**	**6,957**	**1,705**	**282,650**
Asset financing:									
Owned - purchased	5,624	143,783	829	0	15,207	124	2,278	1,705	**169,550**
Owned - donated	0	371	0	0	1,019	15	0	0	**1,405**
On-SoFP PFI contracts	0	106,984	0	0	32	0	4,679	0	**111,695**
Total at 31 March 2016	**5,624**	**251,138**	**829**	**0**	**16,258**	**139**	**6,957**	**1,705**	**282,650**

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 2015	**8,499**	**41,044**	**353**	**0**	**47**	**0**	**0**	**174**	**50,117**
Movements	(7,860)	(2,449)	120	0	0	0	0	0	**(10,189)**
At 31 March 2016	**639**	**38,595**	**473**	**0**	**47**	**0**	**0**	**174**	**39,928**

12.2 Property, plant and equipment

2014-15	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 2014	**18,474**	**231,881**	**2,040**	**9,095**	**32,803**	**1,078**	**19,137**	**6,809**	**321,317**
Additions of assets under construction	**0**	**0**	**0**	**385**	**0**	**0**	**0**	**0**	**385**
Additions purchased	**0**	**2,031**	**0**	**0**	**5,630**	**2**	**394**	**361**	**8,418**
Additions non cash donations	**0**	**0**	**0**	**0**	**529**	**0**	**0**	**0**	**529**
Additions leased (including PFI)	**0**	**2,111**	**0**	**0**	**0**	**0**	**520**	**0**	**2,631**
Reclassifications	**0**	**8,585**	**0**	**(8,585)**	**0**	**0**	**0**	**0**	**0**
Reclassifications as held for sale and reversals	**(155)**	**0**	**(465)**	**0**	**0**	**0**	**0**	**0**	**(620)**
Disposals other than for sale	**0**	**0**	**0**	**0**	**(3,380)**	**(53)**	**(37)**	**(12)**	**(3,482)**
Upward revaluation	**988**	**15,118**	**9**	**0**	**0**	**0**	**0**	**0**	**16,115**
Impairments charged to reserves	**0**	**(1,321)**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,321)**
Accumulated deprn eliminated on revaluation	**29**	**(11,697)**	**(8)**	**0**	**0**	**0**	**0**	**0**	**(11,676)**
At 31 March 2015	**19,336**	**246,708**	**1,576**	**895**	**35,582**	**1,027**	**20,014**	**7,158**	**332,296**
Depreciation									
At 1 April 2014	**0**	**0**	**0**	**0**	**23,652**	**950**	**13,210**	**4,617**	**42,429**
Reclassifications as held for sale and reversals	0	0	(6)	0	0	0	0	0	**(6)**
Disposals other than for sale	0	0	0	0	(3,304)	(53)	(37)	(11)	**(3,405)**
Impairments/reversals charged to reserves	0	16,969	0	0	0	0	208	0	**17,177**
Impairments/reversals charged to operating expenses	(29)	(11,815)	(28)	0	0	0	0	0	**(11,872)**
Charged during the year	0	7,175	45	0	1,665	29	1,676	617	**11,207**
Accumulated deprn eliminated on revaluation	29	(11,697)	(8)	0	0	0	0	0	**(11,676)**
At 31 March 2015	**0**	**632**	**3**	**0**	**22,013**	**926**	**15,057**	**5,223**	**43,854**
Net book value at 31 March 2015	**19,336**	**246,076**	**1,573**	**895**	**13,569**	**101**	**4,957**	**1,935**	**288,442**
Asset financing:									
Owned - purchased	19,336	154,307	1,573	895	12,485	79	2,457	1,935	**193,067**
Owned - donated	0	571	0	0	1,049	22	2	0	**1,644**
On-SoFP PFI contracts	0	91,198	0	0	35	0	2,498	0	**93,731**
Total at 31 March 2015	**19,336**	**246,076**	**1,573**	**895**	**13,569**	**101**	**4,957**	**1,935**	**288,442**

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 2014	7,511	28,641	779	0	85	0	0	296	**37,312**
Movements	988	12,403	(426)	0	(38)	0	0	(122)	**12,805**
At 31 March 2015	**8,499**	**41,044**	**353**	**0**	**47**	**0**	**0**	**174**	**50,117**

12.3 Property, plant and equipment

For 2015/16, the full valuation land and buildings provided by the Trust's external Valuer as at 1st April 2016 resulted in a £17.479m reduction in the value of these assets. The most significant aspect of this revaluation was a £13.827m reduction in the value of land, which was mainly due to the assumption applied by the Valuer that a hypothetical buyer for a modern equivalent asset would purchase the least expensive site which would be suitable and appropriate for the existing operations. As a result, the modern equivalent sites for the Trust are assumed to be smaller and/or in a different location.

The desktop valuation provided as at 31st March 2016 resulted in a £6.195m increase in the value of assets. The increase is mainly attributable to an 5.75% increase in the Building Cost Information Service (BCIS) national Tender Price Index (TPI) 31st March 2016 (1Q16) compared to the 1st April 2015 (2Q15) BCIS factor. The BCIS location factor applied to national TPI remains unchanged at 96.

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	**5**	**97**
Dwellings	**7**	**51**
Plant & machinery	**4**	**15**
Transport equipment	**5**	**9**
Information technology	**4**	**7**
Furniture and fittings	**5**	**15**
Intangible assets		
Software licenses	**0**	**5**

13. Intangible non-current assets

	2015-16	2014-15
	£000's	£000's
Gross cost at start of period as at 1 April	**5,829**	3,966
Additions - purchased	1,992	1,863
Gross cost at end of period as at 31 March	**7,821**	5,829
Amortisation at start of period as at 1 April	**2,180**	1,388
Charged during the year	1,036	792
Amortisation at end of period as at 31 March	**3,216**	2,180
Net book value as at 31 March	**4,605**	3,649

All intangible assets relate to purchased software licences, which are amortised over 5 years.

The Trust does not hold any revaluation reserve balances in respect of Intangible assets (2014-15 £nil).

14. Analysis of impairments and reversals

	2015-16	2014-15
	£000s	£000s
Property, plant and equipment impairments and reversals taken to SoCI		
Other	**0**	319
Changes in market price	**3,096**	4,986
Total charged to annually managed expenditure	**3,096**	5,305
Property, plant and equipment impairments and reversals taken to the SoFP		
Changes in market price	**(27,817)**	(1,321)
Total charged to annually managed expenditure	**(27,817)**	(1,321)
Total impairments of property, plant and equipment	**(24,721)**	3,984

15. Commitments

Capital commitments

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

	31 March 2016	31 March 2015
	£000s	£000s
Property, plant and equipment	**212**	1,091
Total	**212**	1,091

16. 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	**1,065**	**8,741**	**0**	**0**
Balances with local authorities	**809**	**0**	**0**	**0**
Balances with NHS bodies outside the departmental group	**0**	**41**	**0**	**0**
Balances with NHS bodies inside the departmental group	**11,860**	**4,393**	**0**	**1,600**
Balances with bodies external to government	**7,287**	**43,193**	**1,172**	**112,122**
At 31 March 2016	**21,021**	**56,368**	**1,172**	**113,722**
Prior period[1]:				
Balances with other central government bodies	523	8,663	0	0
Balances with local authorities	2,590	0	0	0
Balances with NHS bodies outside the departmental group	0	192	0	0
Balances with NHS bodies inside the departmental group	8,425	5,925	0	1,800
Balances with bodies external to government	8,991	32,303	1,158	119,000
At 31 March 2015	**20,529**	**47,083**	**1,158**	**120,800**

17. Inventories

	Drugs	Consumables	Energy	Loan Equipment	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Balance as at 1 April 2015	**1,256**	**992**	**0**	**0**	**2,248**
Additions	**39,000**	**32,689**	**2,299**	**1,370**	**75,358**
Inventories recognised as an expense in the period	**(38,828)**	**(32,653)**	**(2,299)**	**(1,370)**	**(75,150)**
Write-down of inventories (including losses)	**0**	**(6)**	**0**	**0**	**(6)**
Balance as at 31 March 2016	**1,428**	**1,022**	**0**	**0**	**2,450**

	£000s	£000s	£000s	£000s	£000s
Balance as at 1 April 2014	1,072	1,099	0	0	2,171
Additions	27,795	33,023	2,727	1,158	64,703
Inventories recognised as an expense in the previous year	(27,611)	(33,130)	(2,727)	(1,158)	(64,626)
Balance as at 31 March 2015	1,256	992	0	0	2,248

18. Trade and other receivables

	Current		Non-current	
	31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**8,612**	6,694	**0**	0
NHS prepayments and accrued income	**2,438**	1,731	**0**	0
Non-NHS receivables - revenue	**4,273**	5,781	**1,502**	1,428
Non-NHS receivables - capital	**0**	1,426	**0**	0
Non-NHS prepayments and accrued income	**2,062**	2,395	**0**	0
PDC Dividend prepaid to DH	**810**	0	**0**	0
Provision for the impairment of receivables	**(1,376)**	(1,281)	**(330)**	0
VAT	**957**	454	**0**	(270)
PFI prepayments	**2,624**	2,390	**0**	0
Interest receivables	**92**	36	**0**	0
Other receivables	**529**	903	**0**	0
Total	**21,021**	20,529	**1,172**	1,158
Total current and non current	**22,193**	21,687		

The great majority of trade is with Clinical Commissioning Groups (CCGs). As CCGs are funded by Government to buy NHS patient care services,

Non-NHS and NHS receivables are considered for impairment use 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 21.9% (2014-15 18.9%) of the total debt irrespective of the age of the claim.

19. Cash and cash equivalents

	31 March 2016	31 March 2015
	£000s	£000s
Opening balance	**30,984**	29,462
Net change in year	**1,181**	1,522
Closing balance	**32,165**	30,984
Made up of		
Cash with Government Banking Service	**32,153**	30,971
Cash in hand	**12**	13
Cash and cash equivalents as in SoFP	**32,165**	30,984
Cash and cash equivalents as in SoFP and SoCF	**32,165**	30,984

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

Patients' money held by the Trust	**3**	5

20. Non current assets held for sale

The Trust currently has no assets held for sale at the 31st March 2016 (2014-15 £614,000).

21. Trade and other payables

	Current		Non-current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000s	£000s	£000s	£000s
NHS payables - revenue	**2,859**	1,002	**0**	0
NHS accruals and deferred income	**1,383**	4,178	**0**	0
Non-NHS payables - revenue	**6,646**	6,270	**0**	0
Non-NHS payables - capital	**4,963**	2,930	**0**	0
Non-NHS accruals and deferred income	**23,082**	19,873	**307**	1,200
Social security costs	**2,602**	2,482	**0**	0
PDC dividend payable to DH	**0**	90	**0**	0
Accrued interest on DH loans	**3**	0	**0**	0
Tax	**2,405**	2,531	**0**	0
Other payables	**8,826**	5,050	**0**	2,587
Total	**52,769**	44,406	**307**	3,787

	2015-16	2014-15
Included in '*other payables*' above:	**£000s**	£000s
Research and development funds	**2,730**	2,697
Outstanding pension contributions at the year end	**3,726**	3,647

22. Borrowings

	Current		Non-current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000s	£000s	£000s	£000s
Loans from Department of Health	**200**	850	**1,600**	1,800
PFI liabilities	**3,399**	1,827	**111,815**	115,213
Total	**3,599**	2,677	**113,415**	117,013

Total borrowings (current and non-current)	**117,014**	119,690

Loans - repayment of principal falling due in:	31 March 2016			31 March 2015
	Department of Health	Other	Total	Total
	£000s	£000s	£000s	£000s
0 - 1 years	**200**	**3,399**	**3,599**	2,677
1 - 2 years	**200**	**3,026**	**3,226**	3,547
2 - 5 years	**600**	**9,195**	**9,795**	9,442
Over 5 years	**800**	**99,594**	**100,394**	104,024
TOTAL	**1,800**	**115,214**	**117,014**	119,690

23. Deferred income

	Current		Non-current	
	31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
	£000s	£000s	**£000s**	£000s
Opening balance	**5,424**	2,967	**1,200**	300
Deferred revenue addition	**1,251**	4,787	**0**	1,000
Transfer of deferred revenue	**(2,446)**	(2,330)	**(893)**	(100)
Closing balance	**4,229**	5,424	**307**	1,200
Total deferred income	**4,536**	6,624		

£1.2m of deferred income relates to income in respect of the maternity pathway payment (2014-15 £1.2m).

24. Provisions

	2015-16				2014-15
	Legal Claims	**Redundancy**	**Other**	**Total**	Total
	£000s	**£000s**	**£000s**	**£000s**	£000s
Balance at 1 April	**51**	**154**	**3,255**	**3,460**	4,026
Arising during the year	**383**	**9**	**1,660**	**2,052**	601
Utilised during the year	**(154)**	**(163)**	**(297)**	**(614)**	(603)
Reversed unused	**(5)**	**0**	**(87)**	**(92)**	(750)
Unwinding of discount	**0**	**0**	**33**	**33**	45
Change in discount rate	**0**	**0**	**(35)**	**(35)**	141
Balance at 31 March	**275**	**0**	**4,529**	**4,804**	3,460

Expected timing of cash flows:	**£000s**	**£000s**	**£000s**	**£000s**	£000s
No later than one year	**275**	**0**	**1,047**	**1,322**	722
Later than one year and not later than five years	**0**	**0**	**788**	**788**	461
Later than five years	**0**	**0**	**2,694**	**2,694**	2,277

The accounts of the NHS Litigation Authority includes provisions of £192.7 million (2014-15 £127.0 million) in respect of cases covered by the Clinical Negligence Scheme for Trusts and £13.1 million (2014-15 £5.1 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 £3.488 million (2014-15 £2.511 million) in respect of personal injury benefit awards.

25. Contingencies

	31 March 2016	31 March 2015
	£000s	£000s
Contingent liabilities		
Employer's/public liability cases	**(178)**	(185)
Net value of contingent liabilities	**(178)**	(185)

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.

26. 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 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.

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.

26.1 PFI - additional information

	2015-16	2014-15
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	**6,198**	6,052
Total	**6,198**	6,052
Payments committed to in respect of the service element of on SoFP PFI		
No later than one year	**6,392**	6,198
Later than one year, no later than five years	**27,398**	26,756
Later than five years	**178,426**	185,460
Total	**212,216**	218,414

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	**2015-16**	2014-15
	£000s	£000s
No later than one year	**8,414**	6,983
Later than one year, no later than five years	**30,833**	31,969
Later than five years	**151,977**	161,949
Subtotal	**191,224**	200,901
Less: interest element	**(76,010)**	(83,861)
Total	**115,214**	117,040

27. Impact of IFRS treatment - current year

	2015-16	2014-15
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12	**£000s**	£000s
Depreciation charges	**1,985**	2,888
Interest expense	**5,157**	9,868
Impairment charge	**(11,262)**	8,216
Other expenditure	**9,913**	6,988
Impact on PDC dividend payable	**(457)**	(742)
Total IFRS expenditure (IFRIC12)	**5,336**	27,218
Revenue consequences of PFI schemes under UK GAAP	**(20,619)**	(20,424)
Net IFRS change (IFRIC12)	**(15,283)**	6,794

Capital Consequences of IFRS : PFI schemes	**£000s**	£000s
Capital expenditure 2015-16	**4,641**	2,631
UK GAAP capital expenditure 2015-16 (residual interest)	**1,795**	1,714

28. Financial instruments

28.1 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 2016 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.

28.2 Financial assets - loans and receivables	2015-16	2014-15
	£000s	£000s
Receivables - NHS	**10,996**	8,341
Receivables - non-NHS	**4,634**	4,848
Cash and cash equivalents	**32,165**	30,984
Other financial assets	**0**	198
Total at 31 March	**47,795**	44,371

28.3 Financial liabilities - other	2015-16	2014-15
	£000s	£000s
NHS payables	**3,042**	3,980
Non-NHS payables	**33,556**	26,555
Other borrowings	**1,800**	2,650
PFI obligations	**115,214**	117,040
Total at 31 March	**153,612**	150,225

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

29. 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 alphabetically, are :

Blackburn With Darwen Clinical Commissioning Group
Calderstones Partnership NHS Foundation Trust
Central Manchester University Hospital NHS Foundation Trust
Chorley And South Ribble Clinical Commissioning Group
Community Health Partnerships
Department of Health
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.

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 2015 and are available on request from Trust headquarters.

The Trust provides financial and administrative support to the Charity for which it is reimbursed. In 2015-16 this reimbursement amounted to £52,200.

30. Losses and special payments

The total number of losses cases in 2015-16 and their total value was as follows:

	Total value of cases	**Total number of cases**
	£s	
Losses	**43,193**	**292**
Special payments	**129,836**	**104**
Total losses and special payments	**173,029**	**396**
Recovered losses	**9,949**	**1**

The total number of losses cases in 2014-15 and their total value was as follows:

	Total value of cases	Total Number of cases
	£s	
Losses	184,634	558
Special payments	166,290	109
Total losses and special payments	350,924	667
Recovered losses	114,652	1

31. Financial performance targets

31.1 Breakeven performance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Turnover	289,933	304,992	316,210	336,952	342,027	389,797	404,986	420,579	435,107	466,767
Retained surplus/(deficit) for the year	310	223	133	(45,779)	(9,381)	13,867	4,665	(458)	(3,631)	4,744
Adjustment for:										
Adjustments for impairments	0	0	0	19,529	12,831	(7,096)	3,191	6,962	5,305	3,096
Adjustments for impact of policy change re donated assets	0	0	0	0	0	57	155	96	(332)	47
Consolidated Budgetary Guidance - Adjustment for dual accounting under IFRIC12*	0	0	0	26,537	(2,727)	(3,803)	0	0	0	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	(129)	223	133	287	723	3,025	8,011	6,600	1,342	7,887
Break-even cumulative position	24	247	380	667	1,390	4,415	12,426	19,026	20,368	28,255

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.

*

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.

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	%	%	%	%	%	%	%	%	%	%
Break-even in-year position as a percentage of turnover	-0.04	0.07	0.04	0.09	0.21	0.78	1.98	1.57	0.31	1.69
Break-even cumulative position as a percentage of turnover	0.01	0.08	0.12	0.20	0.41	1.13	3.07	4.52	4.68	6.05

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.

31.2 Capital cost absorption rate

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

31.3 External financing

	2015-16	2014-15
	£000s	£000s
External financing limit (EFL)	**15,838**	1,086
Cash flow financing	**(7,527)**	(4,133)
Unwinding of discount adjustment*	**0**	0
External financing requirement	**(7,527)**	(4,133)
Underspend against the EFL	**23,365**	5,219

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

*The unwinding of discount is no longer adjusted for the purposes of calculating the External Financing Requirement.

31.4 Capital resource limit

	2015-16	2014-15
	£000s	£000s
Capital resource limit (CRL)	**16,938**	17,955
Gross capital expenditure	**15,870**	13,827
Less: book value of assets disposed of	**(158)**	(77)
Less: donations towards the acquisition of non-current assets	**(192)**	(529)
Charge against the capital resource limit	**15,520**	13,221
Underspend against the capital resource limit	**1,418**	4,734

The Trust is given a capital resource limit which it is not permitted to exceed. The Trust has underspent against this limit as a result of slippage in a number of schemes which will be expended in 2016-17.

32. Events after the end of the reporting period

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