

<b>To:</b>	Trust Board
<b>From:</b>	Andrew Seddon – Director of Finance & Procurement
<b>Date:</b>	7 <sup>th</sup> June 2012
<b>CQC regulation:</b>	As applicable

<b>Title:</b>	Annual Accounts 2011-12						
<b>Author/Responsible Director:</b>	Andrew Seddon – Director of Finance & Procurement						
<b>Purpose of the Report:</b>	To present the annual accounts to the Trust Board.						
<b>The Report is provided to the Board for:</b>	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 50%;">Decision</td> <td style="width: 50%;">Discussion</td> </tr> <tr> <td>Assurance</td> <td>Endorsement <input checked="" type="checkbox"/></td> </tr> </table>			Decision	Discussion	Assurance	Endorsement <input checked="" type="checkbox"/>
Decision	Discussion						
Assurance	Endorsement <input checked="" type="checkbox"/>						
<b>Summary :</b>	<p>The report covers the following:</p> <p>The Trust's performance against its statutory and administrative targets:</p> <ul style="list-style-type: none"> <li>• Break even - £88k operational surplus and a technical deficit of £27.985m</li> <li>• External Financing Limit - A permissible undershoot of £399k</li> <li>• Capital Resource Limit - A permissible undershoot of £9.149m</li> <li>• Better Payments Practice Code - <i>Non-NHS</i>: value 89%; volume 85%; <i>NHS</i>: value 90%; volume 82%. The target of 95% was not met due to actions agreed within the Trust's liquidity plan.</li> </ul> <p>Key points from the accounts:</p> <ul style="list-style-type: none"> <li>• The technical deficit of £27.985 million reflects an impairment charge resulting from revaluation of the Trust's estate which reduced the fixed asset base by £58.4m.</li> <li>• The Trust's income has risen by 1.4% to £719.9 million.</li> <li>• The Trust's expenditure has increased by 1.5% to £719.8 million.</li> </ul>						
<b>Recommendations:</b>	<p>The Trust Board is asked to:</p> <ul style="list-style-type: none"> <li>• Approve the accounts and Letter of Representation.</li> <li>• Note the management responses to the recommendations made by External Audit in their ISA 260 report</li> <li>• Note that the Annual Governance Statement, which is a key element of the Annual Accounts is presented separately for review by the Director of Corporate &amp; Legal Affairs.</li> </ul>						
<b>Considered at another corporate UHL Committee ? yes – Audit Committee 29 May 2012</b>							
<b>Strategic Risk Register</b>	<b>Performance KPIs year to date</b>						
N/A	N/A						
<b>Resource Implications (eg Financial, HR)</b>							
N/A							
<b>Assurance Implications</b>							
N/A							
<b>Patient and Public Involvement (PPI) Implications</b>							
N/A							
<b>Equality Impact</b>							
N/A							
<b>Information exempt from Disclosure</b>							
N/A							
<b>Requirement for further review?</b>							
N/A							

**Andrew Seddon – Director of Finance and Procurement**

## UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**REPORT TO:** TRUST BOARD  
**FROM:** ANDREW SEDDON, DIRECTOR OF FINANCE & PROCUREMENT  
**DATE:** 7<sup>th</sup> June 2012  
**SUBJECT:** ANNUAL ACCOUNTS 2011-12

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### 1. INTRODUCTION

- 1.1 The Trust is required to produce annual statutory accounts for the year ending 31<sup>st</sup> March, and these are required to be approved by the Trust Board. The accounts for the year ending 31st March 2012 are attached (Appendix 1).
- 1.2 These accounts have been subject to external audit by KPMG, who have reported to the Audit Committee within their Audit Memorandum.

### 2. STATUTORY & ADMINISTRATIVE TARGETS 2011-12

TARGET	ACHIEVED	NOTES
<b>STATUTORY TARGETS</b>		
Break-even – to generate a surplus of income over spending comparing one year with another	√	£88k operational surplus and a technical deficit of £27.985m
External Financing Limit – to control cash within the financing limit	√	A permissible undershoot of £399k
Capital Resource Limit – to contain capital spending within an agreed limit	√	A permissible undershoot of £9.149m
<b>ADMINISTRATIVE TARGET</b>		
Better Payments Practice Code – to pay all valid invoices within 30 days of receipt	X	<i>Non-NHS</i> value 89%; volume 85% <i>NHS</i> value 90%; volume 82%

### 3. KEY POINTS TO NOTE

- 3.1 The Trust delivered an operational surplus position of £88k. The technical deficit of £27.985 million reflects an impairment charge resulting from revaluation of the Trust's estate. This revaluation, undertaken in accordance with Modern Equivalent Asset valuation guidance, resulted in a reduction to the fixed asset base of £58.445 million.

3.2 The Trust's income has risen by 1.4% to £719.9 million. The key components of this increase of £10.1 million are:

- Increased PCT income of £8.5 million, reflecting the reduction in National Tariff, changes in activity and increased income for readmissions and transformational support.
- Increased income from overseas patients of £0.6 million due primarily to increased ECMO activity.

3.3 The Trust's expenditure has increased by 1.5% to £719.8 million. This £10.7 million increase reflects:

- A decrease in pay of £0.9 million.
- An increase in non pay spend of £11.6 million predominantly due to:
  - £8.4 million on clinical supplies and services, including the impact of inflation, activity performance, and additional investment in high cost therapies and drugs of £3.7 million;
  - £1.8 million on premises and fixed plant costs as a consequence of the in year price increases in utilities, predominately electric, gas and water and sewerage (£1.3 million), and business rates of £0.3 million; and
  - £1.6 million on clinical negligence insurance, reflecting inflation of £1.2 million and additional charges of £0.4 million due to the deterioration in the Trust's level of compliance.

3.4 Material current asset and liability changes are as shown below:

<b>Description</b>	<b>Increase/Decrease</b>	<b>Reason</b>
Cash	Increase of £8.1m to £18.4m	This was a planned increase to improve liquidity
Receivables	Increase of £6.4m to £29.1m	The increase includes PDC dividends receivable of £1.2m, £1.5m transformation monies and £4.2m contract performance, offset by a reduction in non-NHS receivables
Payables	Increase of £2.7m to £62.3m	This reflects a planned increase in the level of non-NHS payables, linked to a review of payment terms

3.5 Under the Better Payments Practice Code (BPPC), the Trust is required to pay 95% (value and volume) of NHS and non NHS invoices within 30 days of receipt. The target was not met, due to actions agreed within the Trust's liquidity plan. Pressure on cash throughout 2011/12 meant that the Trust had to actively manage its cash levels, including the value of payment runs to suppliers. Supplier payment terms were also reviewed and the Trust ensured that cash levels were maintained above the minimum target level of £2 million at all times.

#### **4. OUTCOMES FROM THE FINAL ACCOUNTS AUDIT**

- 4.1 KPMG have completed the audit of the accounts and have issued their 'ISA260 Audit Highlights Memorandum', in which they conclude that there were no material adjusted or unadjusted audit differences.
- 4.2 We have provided management responses to all recommendations raised (Appendix 2) and KPMG are satisfied with the responses.

#### **5. LETTER OF REPRESENTATION AND ANNUAL GOVERNANCE STATEMENT**

- 5.1 Auditing standards require written representations from management in respect of the following issues:
- related party disclosures
  - compliance with laws and regulations
  - accuracy of the financial statements
  - unadjusted audit differences
  - fraud
  - fair value measurements & disclosures
  - going concern
  - post balance sheets & contingent liabilities
- 5.2 In addition the Trust is providing specific representations on the revaluation of the estate and treatment of deferred income. The proposed letter from the Trust to the external auditors is included as a separate agenda item.
- 5.3 The Annual Governance Statement is a key element of the accounts and is presented as a separate agenda item by the Director of Corporate & Legal Affairs.

#### **6. RECOMMENDATIONS**

- 6.1 The Trust Board is asked to:
- Approve the accounts and Letter of Representation.
  - Note the management responses to the recommendations made by External Audit in their ISA 260 report
  - Note that the Annual Governance Statement, which is a key element of the Annual Accounts is presented separately for review by the Director of Corporate & Legal Affairs.

**ANDREW SEDDON**  
**DIRECTOR OF FINANCE & PROCUREMENT**

Data entered below will be used throughout the workbook:

Entity name:	University Hospitals Of Leicester NHS Trust
This year	2011-12
Last year	2010-11
This year ended	31 March 2012
Last year ended	31 March 2011
This year commencing:	1 April 2011

**Statement of Comprehensive Income for year ended  
31 March 2012**

	NOTE	2011-12 £000	2010-11 £000
			(restated)
Employee benefits	10.1	(440,415)	(441,265)
Other costs	8	(294,234)	(257,572)
Revenue from patient care activities	5	615,066	606,135
Other operating revenue	6	104,088	103,579
<b>Operating surplus/(deficit)</b>		<b>(15,495)</b>	<b>10,877</b>
Investment revenue	12	66	70
Other gains and (losses)	13	0	0
Finance costs	14	(459)	(459)
<b>Surplus/(deficit) for the financial year</b>		<b>(15,888)</b>	<b>10,488</b>
Public dividend capital dividends payable		(12,097)	(13,325)
<b>Retained (deficit) for the year</b>		<b>(27,985)</b>	<b>(2,837)</b>
<b>Other Comprehensive Income</b>			
Impairments and reversals		(30,852)	(194)
Net gain on revaluation of property, plant & equipment		1,472	0
Net gain/(loss) on revaluation of intangibles		0	0
Net gain/(loss) on revaluation of financial assets		0	0
Net (loss) on other reserves		0	(272)
Net gain/(loss) on available for sale financial assets		0	0
Net actuarial gain/(loss) on pension schemes		0	0
Reclassification adjustment on disposal of available for sale financial assets		0	0
<b>Total comprehensive income for the year</b>		<b>(57,365)</b>	<b>(3,303)</b>
<b>Financial performance for the year</b>			
Retained surplus/(deficit) for the year		(27,985)	(2,837)
Impairments		28,073	3,555
<b>Adjusted retained surplus/(deficit)</b>		<b>88</b>	<b>718</b>
PDC dividend: balance receivable at 31 March 2012		1,259	0

The Trust's retained deficit for the year has been adjusted by the £28,073k impairment following the Trust's revaluation of its fixed assets, resulting in an adjusted retained surplus of £88k.

See notes 15.3.2 and 17 for further details.

The notes on pages 33 to 60 form part of these accounts.

**Statement of Financial Position as at  
31 March 2012**

		<b>31 March 2012</b>	31 March 2011 (restated)	31 March 2010 (restated)
	NOTE	£000	£000	£000
<b>Non-current assets:</b>				
Property, plant and equipment	15	<b>349,363</b>	417,069	417,049
Intangible assets	16	<b>5,242</b>	5,119	4,481
Investment property		<b>0</b>	0	0
Other financial assets	24	<b>0</b>	0	2,910
Trade and other receivables	22.1	<b>2,188</b>	1,878	1,774
<b>Total non-current assets</b>		<b>356,793</b>	424,066	426,214
<b>Current assets:</b>				
Inventories	21	<b>12,262</b>	11,923	12,213
Trade and other receivables	22.1	<b>29,126</b>	22,722	37,263
Other financial assets	24	<b>0</b>	0	198
Other current assets	25	<b>0</b>	0	0
Cash and cash equivalents	26	<b>18,369</b>	10,306	12,495
<b>Total current assets</b>		<b>59,757</b>	44,951	62,169
Non-current assets held for sale	27	<b>0</b>	0	0
<b>Total current assets</b>		<b>59,757</b>	44,951	62,169
<b>Total assets</b>		<b>416,550</b>	469,017	488,383
<b>Current liabilities</b>				
Trade and other payables	28	<b>(62,277)</b>	(59,556)	(73,851)
Other liabilities	29	<b>0</b>	0	0
Provisions	35	<b>(789)</b>	(667)	(1,146)
Borrowings	30	<b>(4,038)</b>	(3,649)	(1,203)
Other financial liabilities		<b>0</b>	0	0
Working capital loan from Department		<b>0</b>	0	0
Capital loan from Department		<b>0</b>	0	0
<b>Total current liabilities</b>		<b>(67,104)</b>	(63,872)	(76,200)
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>349,446</b>	405,145	412,183
<b>Non-current liabilities</b>				
Trade and other payables	28	0	0	0
Other liabilities	31	0	0	0
Provisions	35	(2,121)	(2,232)	(2,762)
Borrowings	30	(1,427)	(3,237)	(6,442)
Other financial liabilities		0	0	0
Working capital loan from Department		0	0	0
Capital loan from Department		0	0	0
<b>Total non-current liabilities</b>		<b>(3,548)</b>	(5,469)	(9,204)
<b>Total Assets Employed:</b>		<b>345,898</b>	399,676	402,979
<b>FINANCED BY:</b>				
<b>TAXPAYERS' EQUITY</b>				
Public Dividend Capital		277,487	273,903	273,903
Retained earnings		3,705	17,093	20,676
Revaluation reserve		64,706	108,680	108,128
Other reserves		0	0	272
<b>Total Taxpayers' Equity:</b>		<b>345,898</b>	399,676	402,979

The financial statements on pages 17 to 60 were approved by the Board on 7th June 2012 and signed on its behalf by

Chief Executive:

Date:

**Statement of Changes in Taxpayers' Equity**  
**For the year ended 31 March 2012**

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2011</b>	273,903	17,284	108,489	0	<b>399,676</b>
Opening balance adjustments	0	(191)	191	0	<b>0</b>
Adjustments for Transforming Community Services transactions	0	0	0	0	<b>0</b>
<b>Restated balance at 1 April 2011</b>	<b>273,903</b>	<b>17,093</b>	<b>108,680</b>	<b>0</b>	<b>399,676</b>
<b>Changes in taxpayers' equity for 2011-12</b>					
Retained (deficit) for the year	0	(27,985)	0	0	<b>(27,985)</b>
Net gain on revaluation of property, plant, equipment	0	0	1,472	0	<b>1,472</b>
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	<b>0</b>
Net gain / (loss) on revaluation of financial assets	0	0	0	0	<b>0</b>
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	<b>0</b>
Impairments and reversals	0	0	(30,852)	0	<b>(30,852)</b>
Movements in other reserves	0	0	0	0	<b>0</b>
Transfers between reserves	0	14,597	(14,597)	0	<b>0</b>
Release of reserves to SOCI	0	0	3	0	<b>3</b>
Transfers to/(from) other bodies within the Resource Account Boundary	0	0	0	0	<b>0</b>
Reclassification adjustment on disposal of available for sale financial assets	0	0	0	0	<b>0</b>
New PDC received	3,584	0	0	0	<b>3,584</b>
PDC repaid In Year	0	0	0	0	<b>0</b>
PDC written Off	0	0	0	0	<b>0</b>
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	<b>0</b>
Net recognised revenue/(expense) for the year	<u>3,584</u>	<u>(13,388)</u>	<u>(43,974)</u>	<u>0</u>	<u>(53,778)</u>
<b>Balance at 31 March 2012</b>	<b><u>277,487</u></b>	<b><u>3,705</u></b>	<b><u>64,706</u></b>	<b><u>0</u></b>	<b><u>345,898</u></b>

Included within "transfers between reserves" above:

Transfer from revaluation reserve to retained earnings in respect of impairments	6,299	(6,299)	0	0
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**Changes in taxpayers' equity for 2010-11**

<b>Balance at 1 April 2010</b>	273,903	20,676	108,128	272	402,979
Retained (deficit) for the year	0	(2,837)	0	0	<b>(2,837)</b>
Net gain / (loss) on revaluation of property, plant, equipment	0	0	0	0	<b>0</b>
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	<b>0</b>
Net gain / (loss) on revaluation of financial assets	0	0	0	0	<b>0</b>
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	<b>0</b>
Impairments and reversals	0	0	(194)	0	<b>(194)</b>
Movements in other reserves	0	0	0	(272)	<b>(272)</b>
Transfers between reserves	0	(555)	555	0	<b>0</b>
Reclassification adjustment on disposal of available for sale financial assets	0	0	0	0	<b>0</b>
New PDC received	0	0	0	0	<b>0</b>
PDC repaid In Year	0	0	0	0	<b>0</b>
PDC written Off	0	0	0	0	<b>0</b>
Transferred to NHS Foundation Trust	0	0	0	0	<b>0</b>
Other movements in PDC In Year	0	0	0	0	<b>0</b>
Net actuarial gain/(loss) on pension	0	0	0	0	<b>0</b>
Net recognised revenue/(expense) for the year	<u>0</u>	<u>(3,392)</u>	<u>361</u>	<u>(272)</u>	<u>(3,303)</u>
<b>Balance at 31 March 2011</b>	<b><u>273,903</u></b>	<b><u>17,284</u></b>	<b><u>108,489</u></b>	<b><u>0</u></b>	<b><u>399,676</u></b>

Included above:

Transfer from revaluation reserve to retained earnings in respect of impairments	0	0	0	0
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED****31 March 2012**

	2011-12 £000	2010-11 £000
<b>Cash Flows from Operating Activities</b>		
Operating Surplus/Deficit	(15,495)	10,877
Depreciation and Amortisation	30,764	29,383
Impairments and Reversals	28,072	3,555
Other Gains / (Losses) on foreign exchange	0	0
Donated Assets received credited to revenue but non-cash	(763)	(486)
Government Granted Assets received credited to revenue but non-cash	0	0
Interest Paid	(361)	(385)
Dividend paid	(13,356)	(13,325)
Release of PFI/deferred credit	0	0
(Increase)/Decrease in Inventories	(378)	290
(Increase)/Decrease in Trade and Other Receivables	(6,058)	13,882
(Increase)/Decrease in Other Current Assets	0	0
Increase/(Decrease) in Trade and Other Payables	3,252	(12,666)
(Increase)/Decrease in Other Current Liabilities	0	0
Provisions Utilised	(498)	(465)
Increase/(Decrease) in Provisions	509	(615)
<b>Net Cash Inflow from Operating Activities</b>	<b>25,688</b>	<b>30,045</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	65	67
(Payments) for Property, Plant and Equipment	(15,790)	(27,496)
(Payments) for Intangible Assets	(1,254)	(1,357)
(Payments) for Investments with DH	0	0
(Payments) for Other Financial Assets	0	0
(Payments) for Financial Assets (LIFT)	0	0
Proceeds of disposal of assets held for sale (PPE)	0	0
Proceeds of disposal of assets held for sale (Intangible)	0	0
Proceeds from Disposal of Investment with DH	0	0
Proceeds from Disposal of Other Financial Assets	0	0
Proceeds from the disposal of Financial Assets (LIFT)	0	0
Loans Made in Respect of LIFT	0	0
Loans Repaid in Respect of LIFT	0	0
Rental Revenue	0	0
<b>Net Cash Outflow from Investing Activities</b>	<b>(16,979)</b>	<b>(28,786)</b>
<b>NET CASH INFLOW BEFORE FINANCING</b>	<b>8,709</b>	<b>1,259</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Public Dividend Capital Received	3,584	0
Public Dividend Capital Repaid	0	0
Loans received from DH - New Capital Investment Loans	0	0
Loans received from DH - New Working Capital Loans	0	0
Other Loans Received	0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal	0	0
Loans repaid to DH - Working Capital Loans Repayment of Principal	0	0
Other Loans Repaid	0	0
Cash transferred to NHS Foundation Trusts	0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	(4,230)	(3,449)
Capital grants and other capital receipts	0	1
<b>Net Cash Outflow from Financing Activities</b>	<b>(646)</b>	<b>(3,448)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,063</b>	<b>(2,189)</b>
<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>10,306</b>	<b>12,495</b>
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies	0	0
<b>Cash and Cash Equivalents at year end</b>	<b>18,369</b>	<b>10,306</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Secretary of State for Health has directed that the Financial Statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following Financial Statements have been prepared in accordance with the 2011-12 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Critical accounting judgements and key sources of estimation uncertainty

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

In the preparation of these Financial Statements, judgements, estimates and assumptions have been made by the Trust's management concerning the selection of useful lives of fixed assets, provisions necessary for certain liabilities and other similar evaluations. Actual amounts could differ from those estimates.

#### Deferred income

The value of deferred income included in the Statement Of Financial Position is based on management's judgement around the deferability of income at the Statement Of Financial Position date. More detail is provided in note 32.

#### Provisions

Provisions included in the Statement Of Financial Position are estimated using appropriate professional advice and are based on circumstances prevailing at the Statement Of Financial Position date.

#### Valuation of assets

There are judgements around the valuation of assets, of which more detail is provided in note 1.7.

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

### 1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services.

Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the Statement Of Financial Position date compared to expected total length of stay.

Revenue from education, training and research is recognised in the period in which services are provided. Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

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

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

### 1.5 Employee Benefits

#### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the Financial Statements to the extent that employees are permitted to carry forward leave into the following period.

#### Retirement benefit costs

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

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

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

### 1.6 Other expenses

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

### 1.7 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the 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 a cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

#### Valuation

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

Land and buildings used for the Trust's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. 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

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

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

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.

## 1.8 Intangible assets

### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

### Measurement

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

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

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

### 1.9 Depreciation, amortisation and impairments

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

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

The annual rates of depreciation and amortisation vary according to the type of asset and are typically based on the following useful lives unless more specific details on asset lives are received:

Freehold land	- Not depreciated
Assets under construction	- Not depreciated
Freehold buildings	- 5 to 96 years
Leasehold property	- term of the lease
Plant and machinery	- 7 years
Furniture and fittings	- 7 years
IT equipment	- 3 to 5 years
Software licenses	- 2 to 5 years

All of the Trust's intangible assets are amortised up to a maximum of 5 years and are not subject to revaluation.

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

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

### 1.10 Donated assets

Following the accounting policy change outlined in the Treasury Financial Reporting Manual (FReM) for 2011-12, a donated asset reserve is no longer maintained. 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.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

### 1.11 Government grants

Following the accounting policy change outlined in the FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

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

### 1.12 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then 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.

#### 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. The Trust is not currently a lessor for any finance leases.

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

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

### 1.14 Inventories

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

### 1.15 Cash and cash equivalents

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

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

### 1.16 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.9% in real terms.

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.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Injury cost recovery income is subject to a provision for impairment of receivables of 9.6% to reflect expected rates of collection.

### 1.17 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The annual contribution is charged to the Statement Of Comprehensive Income.

### 1.18 Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.



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

### **1.19 EU Emissions Trading Scheme**

EU Emission Trading Scheme 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.

### **1.20 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.

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

### 1.21 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 initially recognised at fair value.

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

#### Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the Trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

#### Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

#### Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

#### Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques

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 directly.

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

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

### 1.22 Financial Liabilities

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

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

#### Financial guarantee contract liabilities

Financial guarantee contract liabilities are subsequently measured at the higher of:

- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.
- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

#### 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 historical 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.

### 1.23 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.

### 1.24 Foreign currencies

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

### 1.25 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 44 to the accounts.

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

### **1.26 Public Dividend Capital (PDC) and PDC dividend**

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

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

### **1.27 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).

### **1.28 Subsidiaries**

The Trust has no subsidiaries.

For 2010-11 and 2011-12, in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

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

### 1.29 Associates

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

Associates that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

The Trust had no associates in 2011-12.

### 1.30 Joint ventures

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

Joint ventures that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

The Trust had no joint ventures in 2011-12.

### 1.31 Joint operations

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

The Trust had no joint operations in 2011-12.

### 1.32 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 Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

### 1.33 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 2011-12. The application of the Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of financial statements (Other Comprehensive Income) - subject to consultation

IAS 12 - Income Taxes (amendment) - subject to consultation

IAS 19 Post-employment benefits (pensions) - subject to consultation

IAS 27 Separate Financial Statements - subject to consultation

IAS 28 Investments in Associates and Joint Ventures - subject to consultation

IFRS 7 - Financial Instruments: Disclosures (annual improvements) - effective 2012-13

IFRS 9 Financial Instruments - subject to consultation - subject to consultation

IFRS 10 Consolidated Financial Statements - subject to consultation

IFRS 11 Joint Arrangements - subject to consultation

IFRS 12 Disclosure of Interests in Other Entities - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

**2 Pooled budgets**

The Trust does not participate in any pooled budgets.

**3. Operating segments**

The core principle of IFRS 8 *Operating Segments* is that information should be disclosed to enable users of an organisation's Financial Statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates. IFRS 8 also requires that the amounts reported for each operating segment should be the amounts reported to the Board.

The Trust operates in one material segment, which is the provision of healthcare services and the reporting to the Board is at a total Trust level. The provision of healthcare (including medical treatment, research and education) is within one main geographical segment, the United Kingdom.

#### 4. Income generation activities

The Trust does not undertake any income generation activities which meet the conditions set by the Department of Health for income generation. The Trust does not run any commercial schemes with a view to achieving a profit, and does not market commercial goods or services outside of the NHS.

<b>5. Revenue from patient care activities</b>	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Strategic Health Authorities	<b>12,388</b>	12,726
NHS Trusts	<b>13</b>	0
Primary Tare Trusts - tariff	<b>404,801</b>	374,242
Primary Care Trusts - non-tariff	<b>173,449</b>	194,299
Primary Care Trusts - market forces factor	<b>17,570</b>	18,746
Foundation Trusts	<b>639</b>	0
Department of Health	<b>0</b>	0
NHS other	<b>0</b>	0
Non-NHS:		
Private patients	<b>2,794</b>	2,521
Overseas patients (non-reciprocal)	<b>1,102</b>	513
Injury costs recovery	<b>1,765</b>	1,982
Other	<b>545</b>	1,106
	<b><u>615,066</u></b>	<u>606,135</u>

<b>6. Other operating revenue</b>	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Recoveries in respect of employee benefits	<b>5,620</b>	6,292
Patient transport services	<b>0</b>	0
Education, training and research	<b>75,885</b>	75,146
Receipt of donations for capital acquisitions	<b>763</b>	486
Non-patient care services to other bodies	<b>5,147</b>	5,785
Rental revenue from operating leases	<b>958</b>	0
Other revenue	<b>15,715</b>	15,870
	<b><u>104,088</u></b>	<u>103,579</u>
Total operating revenue	<b><u>719,154</u></b>	<u>709,714</u>

#### 7. Revenue

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

<b>8. Operating expenses (excluding employee benefits)</b>	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Services from other NHS Trusts	<b>3,385</b>	2,058
Services from PCTs	<b>1,224</b>	3,837
Services from other NHS bodies	<b>247</b>	485
Services from Foundation Trusts	<b>2,501</b>	1,651
Purchase of healthcare from non NHS bodies	<b>5,885</b>	4,635
Trust chair and non executive directors	<b>69</b>	67
Supplies and services - clinical	<b>137,004</b>	129,312
Supplies and services - general	<b>23,107</b>	22,987
Consultancy services	<b>2,065</b>	1,244
Establishment	<b>5,155</b>	5,527
Transport	<b>2,025</b>	2,252
Premises	<b>23,702</b>	21,917
Impairments and reversals of receivable	<b>273</b>	(768)
Depreciation	<b>29,161</b>	28,169
Amortisation	<b>1,603</b>	1,214
Impairments and reversals of property, plant and equipment	<b>28,072</b>	3,555
Audit fees	<b>327</b>	340
Clinical negligence insurance premium	<b>14,014</b>	12,066
Research and development (excluding staff costs)	<b>10,025</b>	11,840
Education and training	<b>1,072</b>	1,371
Other	<b>3,318</b>	3,813
	<b><u>294,234</u></b>	<u>257,572</u>
<b>Employee benefits</b>		
Employee benefits excluding Board members	<b>439,595</b>	440,469
Board members	<b>820</b>	796
<b>Total employee benefits</b>	<b><u>440,415</u></b>	<u>441,265</u>
<b>Total operating expenses</b>	<b><u><u>734,649</u></u></b>	<u><u>698,837</u></u>



## 9 Operating Leases

### 9.1 Trust as lessee

	2011-12 Total £000	2010-11 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	5,085	4,899
<b>Total</b>	<b>5,085</b>	<b>4,899</b>

	Land £000	Buildings £000	Other £000	2011-12 Total £000	2010-11 £000
<b>Amounts Payable:</b>					
No later than one year	0	0	3,810	3,810	4,695
Between one and five years	0	0	4,579	4,579	6,892
After five years	0	0	978	978	1,409
<b>Total</b>	<b>0</b>	<b>0</b>	<b>9,367</b>	<b>9,367</b>	<b>12,996</b>

Of the total minimum lease payments for 2011-12, £3.9m (£3.8m in 2010-11) relates to three contracts for the provision of haemodialysis services as defined under IAS 17 *Leases*. The Trust is provided with haemodialysis services from private sector suppliers from sites at Boston, Leicester and Corby.

### 9.2 Trust as lessor

The Trust leases two properties to a local NHS Trust following the exchange of land and buildings with that Trust. Further details are shown in note 15.1.

	2011-12 £000	2010-11 £000
<b>Recognised as income</b>		
Rents	958	0
<b>Total</b>	<b>958</b>	<b>0</b>
<b>Receivable:</b>		
No later than one year	1,324	0
Between one and five years	3,376	0
After five years	0	0
<b>Total</b>	<b>4,700</b>	<b>0</b>

## 10 Employee benefits and staff numbers

### 10.1 Employee benefits

	Total £000	Permanently employed £000	Other £000
<b>Employee Benefits 2011-12 - gross expenditure</b>			
Salaries and wages	372,870	354,099	18,771
Social security costs	28,126	28,126	0
Employer contributions to NHS Pensions scheme	40,079	40,079	0
Termination benefits	181	181	0
<b>Total employee benefits</b>	<u>441,256</u>	<u>422,485</u>	<u>18,771</u>
<b>Less recoveries in respect of employee benefits (table below)</b>	<u>(5,620)</u>	<u>(5,620)</u>	<u>0</u>
<b>Total - Net Employee Benefits including capitalised costs</b>	<u>435,636</u>	<u>416,865</u>	<u>18,771</u>
<b>Employee costs capitalised</b>	<u>841</u>	<u>747</u>	<u>94</u>
<b>Gross Employee Benefits excluding capitalised costs</b>	<u>440,415</u>	<u>421,738</u>	<u>18,677</u>

### Employee Benefits 2011-12 - income

Salaries and wages	5,395	5,395	0
Social Security costs	91	91	0
Employer Contributions to NHS BSA - Pensions Division	134	134	0
<b>TOTAL excluding capitalised costs</b>	<u>5,620</u>	<u>5,620</u>	<u>0</u>

	Total £000	Permanently employed £000	Other £000
<b>Employee Benefits 2010-11 - net expenditure</b>			
Salaries and wages	374,649	352,559	22,090
Social security costs	27,056	27,056	0
Employer contributions to NHS Pensions scheme	40,126	40,126	0
Termination benefits	290	290	0
<b>Total employee benefits</b>	<u>442,121</u>	<u>420,031</u>	<u>22,090</u>
<b>Employee costs capitalised</b>	<u>856</u>		
<b>Total Employee Benefits excluding capitalised costs</b>	<u>441,265</u>		

### 10.2 Staff numbers

	2011-12			2010-11
	Total Number	Permanently employed Number	Other Number	Total Number
<b>Average Staff Numbers</b>				
Medical and dental	1,473	1,372	101	1,438
Administration and estates	1,842	1,745	97	1,988
Healthcare assistants and other support staff	977	950	27	852
Nursing, midwifery and health visiting staff	4,331	4,238	93	4,291
Nursing, midwifery and health visiting learners	6	0	6	0
Scientific, therapeutic and technical staff	1,325	1,283	42	1,433
Social Care Staff	0	0	0	1
Other	216	213	3	222
<b>TOTAL</b>	<u>10,170</u>	<u>9,801</u>	<u>369</u>	<u>10,224</u>
Of the above - staff engaged on capital projects	18	16	2	17

### 10.3 Staff sickness absence

	2011-12 Number	2010-11 Number
Total Days Lost	<u>79,671</u>	<u>82,760</u>
Total Staff Years	<u>10,160</u>	<u>10,211</u>
Average working Days Lost	<u>8</u>	<u>8</u>

The 2011-12 figures for 'total days lost' and 'total staff years' relate to the 2011 calendar year (2010-11 figures relate to the 2010 calendar year).

**10.4 Exit Packages agreed in 2011-12**

	2011-12			2010-11		
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	7	0	7	30	0	30
£10,001-£25,000	1	0	1	10	0	10
£25,001-£50,000	2	0	2	1	0	1
£50,001-£100,000	1	0	1	0	0	0
<b>Total number of exit packages by type (total cost)</b>	<b>11</b>	<b>0</b>	<b>11</b>	<b>41</b>	<b>0</b>	<b>41</b>
<b>Total resource cost (£000s)</b>	181	0	181	291	0	291

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Scheme. Exit costs in this note are accounted for in full in the year of departure. Where the NHS Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages taken by staff leaving in the year.

## 10.5 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

### a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

### c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

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

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

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

## 11 Better Payment Practice Code

### 11.1 Measure of compliance

	2011-12 Number	2011-12 £000	2010-11 Number	2010-11 £000
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	117,656	375,991	125,435	420,823
Total Non-NHS Trade Invoices Paid Within Target	99,823	333,197	117,230	399,899
Percentage of NHS Trade Invoices Paid Within Target	84.84%	88.62%	93.46%	95.03%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	13,796	117,111	5,034	64,821
Total NHS Trade Invoices Paid Within Target	11,254	105,194	4,465	60,684
Percentage of NHS Trade Invoices Paid Within Target	81.57%	89.82%	88.70%	93.62%

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

### 11.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2011-12 £000	2010-11 £000
Amounts included in finance costs from claims made under this legislation	0	3

**12 Investment Income**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
<b>Interest Income</b>		
Bank interest	<b>63</b>	70
Other Financial Assets	<b>3</b>	<u>0</u>
<b>Total investment income</b>	<b><u>66</u></b>	<u>70</u>

**13 Other Gains and Losses**

The Trust has no other gains and losses

**14 Finance Costs**

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
<b>Interest</b>		
Interest on obligations under finance leases	<b>393</b>	385
Provisions - unwinding of discount	<b>66</b>	71
Interest on late payment of commercial debt	<b>0</b>	<u>3</u>
<b>Total</b>	<b><u>459</u></b>	<u>459</u>

**15.1 Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2011-12</b>									
<b>Cost or valuation:</b>									
<b>At 31 March 2011</b>	65,527	303,841	17,761	838	132,638	528	48,625	2,302	572,060
Prior period adjustments	0	0	0	0	0	0	0	0	0
Merger adjustments	0	0	0	0	0	0	0	0	0
<b>At 1 April 2011 restated</b>	65,527	303,841	17,761	838	132,638	528	48,625	2,302	572,060
Additions purchased	9,194	19,568	98	1,149	5,260	19	958	0	36,246
Additions donated	0	267	0	204	276	9	7	0	763
Reclassifications	1	339	0	(761)	2,155	(1)	(41)	0	1,692
Disposals other than for sale	(14,007)	(5,875)	0	0	(8,103)	(19)	(862)	(213)	(29,079)
Upward revaluation	1,472	0	0	0	0	0	0	0	1,472
Impairments	(9,697)	(13,492)	(7,663)	0	0	0	0	0	(30,852)
Cumulative dep'n adjustment following revaluation	0	(38,476)	(1,532)	0	0	0	0	0	(40,008)
<b>At 31 March 2012</b>	<b>52,490</b>	<b>266,172</b>	<b>8,664</b>	<b>1,430</b>	<b>132,226</b>	<b>536</b>	<b>48,687</b>	<b>2,089</b>	<b>512,294</b>
<b>Depreciation</b>									
<b>At 31 March 2011</b>	0	28,297	1,018	0	88,026	417	35,079	2,154	154,991
Prior period adjustments	0	0	0	0	0	0	0	0	0
Merger adjustments	0	0	0	0	0	0	0	0	0
<b>At 1 April 2011 restated</b>	0	28,297	1,018	0	88,026	417	35,079	2,154	154,991
Reclassifications	0	0	0	0	31	0	(31)	0	0
Disposals other than for sale	0	(103)	0	0	(8,088)	(19)	(862)	(213)	(9,285)
Upward revaluation	0	0	0	0	0	0	0	0	0
Impairments	5,612	21,997	463	0	0	0	0	0	28,072
Charged During the Year	0	13,707	514	0	10,178	23	4,714	25	29,161
Cumulative dep'n adjustment following revaluation	0	(38,476)	(1,532)	0	0	0	0	0	(40,008)
<b>At 31 March 2012</b>	<b>5,612</b>	<b>25,422</b>	<b>463</b>	<b>0</b>	<b>90,147</b>	<b>421</b>	<b>38,900</b>	<b>1,966</b>	<b>162,931</b>
<b>Net book value at 31 March 2012</b>	<b>46,878</b>	<b>240,750</b>	<b>8,201</b>	<b>1,430</b>	<b>42,079</b>	<b>115</b>	<b>9,787</b>	<b>123</b>	<b>349,363</b>
Purchased	46,878	235,208	8,201	1,226	41,212	107	9,749	36	342,617
Donated	0	4,658	0	204	867	8	38	87	5,862
Government Granted	0	884	0	0	0	0	0	0	884
<b>Total at 31 March 2012</b>	<b>46,878</b>	<b>240,750</b>	<b>8,201</b>	<b>1,430</b>	<b>42,079</b>	<b>115</b>	<b>9,787</b>	<b>123</b>	<b>349,363</b>
<b>Asset financing:</b>									
Owned	46,878	240,750	8,201	1,430	28,615	115	9,787	123	335,899
Held on finance lease	0	0	0	0	13,464	0	0	0	13,464
<b>Total</b>	<b>46,878</b>	<b>240,750</b>	<b>8,201</b>	<b>1,430</b>	<b>42,079</b>	<b>115</b>	<b>9,787</b>	<b>123</b>	<b>349,363</b>

**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
<b>At 31 March 2011</b>	29,686	64,577	13,943	0	281	1	0	1	108,489
Prior period adjustments	0	191	0	0	0	0	0	0	191
Merger adjustments	0	0	0	0	0	0	0	0	0
<b>At 1 April 2011 restated</b>	29,686	64,768	13,943	0	281	1	0	1	108,680
Movements	(17,053)	(26,801)	36	0	(155)	0	0	(1)	(43,974)
<b>At 31 March 2012</b>	<b>12,633</b>	<b>37,967</b>	<b>13,979</b>	<b>0</b>	<b>126</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>64,706</b>

Included within reclassifications above and in the Trust's Financial Monitoring and Accounts forms (FMAs) is an amount of £2,810k (£3,108k in 2009-10) for plant and machinery which relates to assets capitalised within the Trust's managed equipment service finance lease. This amount is not counted against the Trust's capital resource limit (CRL). Only expenditure which is counted against the Trust's CRL is included within purchased additions.

**15.2 Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2010-11</b>									
<b>Cost or valuation:</b>									
<b>At 1 April 2010</b>	65,527	282,692	17,713	8,597	120,261	548	48,262	2,329	<b>545,929</b>
Additions purchased	0	13,414	48	1,522	10,106	5	1,454	0	<b>26,549</b>
Additions - donated	0	243	0	0	232	0	11	0	<b>486</b>
Additions - government granted	0	0	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	7,686	0	(9,152)	5,661	0	322	0	<b>4,517</b>
Reclassified as held for sale	0	0	0	0	0	0	0	0	<b>0</b>
Disposals other than by sale	0	0	0	0	(3,622)	(25)	(1,424)	(27)	<b>(5,098)</b>
Upward revaluation	0	0	0	0	0	0	0	0	<b>0</b>
Impairments	0	(194)	0	0	0	0	0	0	<b>(194)</b>
Reversals of impairments	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2011</b>	<b>65,527</b>	<b>303,841</b>	<b>17,761</b>	<b>967</b>	<b>132,638</b>	<b>528</b>	<b>48,625</b>	<b>2,302</b>	<b>572,189</b>
<b>Depreciation</b>									
<b>At 1 April 2010</b>	0	11,861	505	0	82,521	417	31,437	2,139	<b>128,880</b>
Reclassifications	0	0	0	0	(387)	0	0	0	<b>(387)</b>
Disposals other than for sale	0	0	0	0	(3,621)	(25)	(1,424)	(27)	<b>(5,097)</b>
Upward revaluation	0	0	0	0	0	0	0	0	<b>0</b>
Impairments	0	3,426	0	129	0	0	0	0	<b>3,555</b>
Reversal of Impairments	0	0	0	0	0	0	0	0	<b>0</b>
Charged During the Year	0	13,010	513	0	9,513	25	5,066	42	<b>28,169</b>
<b>At 31 March 2011</b>	<b>0</b>	<b>28,297</b>	<b>1,018</b>	<b>129</b>	<b>88,026</b>	<b>417</b>	<b>35,079</b>	<b>2,154</b>	<b>155,120</b>
<b>Net book value</b>	<b>65,527</b>	<b>275,544</b>	<b>16,743</b>	<b>838</b>	<b>44,612</b>	<b>111</b>	<b>13,546</b>	<b>148</b>	<b>417,069</b>
Purchased	65,527	267,846	16,743	838	43,762	111	13,498	61	<b>408,386</b>
Donated	0	6,750	0	0	850	0	48	87	<b>7,735</b>
Government Granted	0	948	0	0	0	0	0	0	<b>948</b>
<b>Total at 31 March 2011</b>	<b>65,527</b>	<b>275,544</b>	<b>16,743</b>	<b>838</b>	<b>44,612</b>	<b>111</b>	<b>13,546</b>	<b>148</b>	<b>417,069</b>
<b>Asset financing:</b>									
Owned	65,527	275,544	16,743	838	30,777	111	13,546	148	<b>403,234</b>
Held on finance lease	0	0	0	0	13,835	0	0	0	<b>13,835</b>
	<b>65,527</b>	<b>275,544</b>	<b>16,743</b>	<b>838</b>	<b>44,612</b>	<b>111</b>	<b>13,546</b>	<b>148</b>	<b>417,069</b>

**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
<b>At 1 April 2010 restated</b>	29,686	63,952	13,907	0	575	2	2	4	<b>108,128</b>
Movements	0	625	36	0	(294)	(1)	(2)	(3)	<b>361</b>
<b>At 31 March 2011</b>	<b>29,686</b>	<b>64,577</b>	<b>13,943</b>	<b>0</b>	<b>281</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>108,489</b>



### 15.3. Property, plant and equipment

#### 15.3.1 Donated assets

The majority of donated assets have been purchased on behalf of the Trust by the Leicester Hospitals Charity.

The most notable donated additions from the Leicester Hospitals Charity have included:

- £384k of building works including £116k for the refurbishment and equipping of the Hope Cancer Clinical Trials Unit, and £95k for improvements to various bereavement services locations across the Trust;
- £276k for medical and dental equipment including £80k for a Fibroscan machine and £52k for a video system used in the Trust's operating theatres; and
- £15k of other equipment.

The Trust has also received £88k from MacMillan Cancer Support as a contribution to the funding of the MacMillan Cancer Information Centre.

#### 15.3.2 Revaluation

The Trust re-values its assets every three years.

The Trust's freehold and leasehold properties were valued as at the 31 March 2012 by an external valuer, Gerald Eve LLP, a regulated firm of chartered surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation Standards, Eighth Edition, March 2012, the International Valuation Standards and IFRS. The valuation of each property was on the basis of Fair Value, equivalent to Market Value, subject to the following assumptions:

- for owner occupied property: the property would be valued as part of the continuing business; and
- for surplus property and property held for development: the property would be valued with vacant possession in its existing condition.

The valuer's opinion of Fair Value was primarily derived using the Depreciated Replacement Cost approach, because the specialised nature of the assets means that there are no market transactions of this type of asset except as part of the business or entity. For non-specialised assets regard has been had to comparable recent market transactions and/or an estimate of the future potential net income generated by the use of the property.

The valuations have been prepared in accordance with the Government Financial Reporting Manual 2012-2013 (FRm) to comply with IFRS, specifically with regard to IAS 16 'Property, Plant and Equipment' and IAS 40 'Investment Properties'.

#### 15.3.3 Property plant and equipment

The accounting policies in relation to depreciation, amortisation and impairments are included in accounting policies note 1.9.

#### 15.3.4 Temporarily idle asset values

The Trust does not hold any temporarily idle assets.

#### 15.3.5 Gross carrying value of fully depreciated assets in use at the balance sheet date

The following totals represent total gross carrying value of all assets which have been fully depreciated.

	31 March 2012	31 March 2011
	£000	£000
Plant & Machinery (Purchased)	46,963	49,926
Plant & Machinery (Donated)	6,921	6,864
Transport Equipment (Purchased)	354	344
Tangible IM&T (Purchased)	22,942	23,686
Tangible IM&T (Donated)	260	260
Intangible IM&T (Purchased)	50	0
Furniture & Fittings (Purchased)	1,698	1,911
Furniture & Fittings (Donated)	129	129
	<b>79,317</b>	<b>83,120</b>

#### 15.3.6 Compensation for assets impaired, lost or given up

The Trust has no compensation from third parties for assets impaired, lost or given up, which it needs to include in its surplus.

## 16.1 Intangible non-current assets

	<b>Software purchased</b>	<b>Total</b>
<b>2011-12</b>		
	£000	£000
<b>Cost or valuation:</b>		
<b>At 31 March 2011</b>	7,890	7,890
Prior period adjustments	0	0
Merger adjustments	0	0
<b>At 1 April 2011 restated</b>	<u>7,890</u>	<u>7,890</u>
Additions - purchased	1,307	1,307
Reclassifications	419	419
<b>At 31 March 2012</b>	<u>9,616</u>	<u>9,616</u>
<b>Amortisation</b>		
<b>At 31 March 2011</b>	2,771	2,771
Prior period adjustments	0	0
Merger adjustments	0	0
<b>At 1 April 2011 restated</b>	<u>2,771</u>	<u>2,771</u>
Charged during the year	1,603	1,603
<b>At 31 March 2012</b>	<u>4,374</u>	<u>4,374</u>
<b>Net Book Value at 31 March 2012</b>	5,242	5,242
<b>Net book value at 31 March 2012 comprises:</b>		
Purchased	5,236	5,236
Donated	6	6
<b>Total at 31 March 2012</b>	<u>5,242</u>	<u>5,242</u>

The Trust has not revalued its intangible non-current assets and therefore there are no revaluation reserve balances for these assets.

## 16.2 Intangible non-current assets

	<b>Software purchased</b>	<b>Total</b>
<b>2010-11</b>		
	£000	£000
<b>Cost or valuation:</b>		
<b>At 1 April 2010</b>	6,038	<b>6,038</b>
Additions - purchased	1,161	<b>1,161</b>
Reclassifications	691	<b>691</b>
<b>At 31 March 2011</b>	<u>7,890</u>	<u><b>7,890</b></u>
<b>Amortisation</b>		
<b>At 1 April 2010</b>	1,557	<b>1,557</b>
Charged during the year	1,214	<b>1,214</b>
<b>At 31 March 2011</b>	<u>2,771</u>	<u><b>2,771</b></u>
<b>Net book value at 31 March 2011</b>	5,119	<b>5,119</b>
<b>Net book value at 31 March 2011 comprises:</b>		
Purchased	5,110	<b>5,110</b>
Donated	9	<b>9</b>
<b>Total at 31 March 2011</b>	<u>5,119</u>	<u><b>5,119</b></u>

## **16.2 (cont) Intangible non-current assets**

The accounting policies in relation to intangible assets are included in note 1.8.

### **16.2.1 Internally generated assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

All of the Trust's intangible assets are either purchased or donated, and none have been internally generated.

### **16.2.2 Amortisation**

All of the Trust's intangible assets are amortised up to a maximum of 5 years and are not subject to revaluation.

### **16.2.3 Acquisition**

None of the Trust's intangible assets have been acquired by government grant.

### **16.2.4 Fully amortised assets**

The Trust has £50k of fully amortised intangible assets still in use.

### **16.2.5 Recognition**

The Trust has no significant intangible assets which it does not recognise as assets under IAS 38 *Intangible Assets*.

### **16.2.6 Revaluation reserve balance for intangible assets**

The Trust has no revaluation reserve balances for intangible assets.

### **16.2.7 Impairments**

The Trust has no material impairments for any individual intangible assets.

**17 Analysis of impairments and reversals recognised in 2011-12**

**2011-12**  
**Total**  
**£000**

**Property, Plant and Equipment impairments and reversals taken to SoCI**

Loss of economic value or service potential	12,721
Changes in market price	15,351
<b>Total charged to Annually Managed Expenditure</b>	<b>28,072</b>

**Property, Plant and Equipment impairments and reversals charged to the revaluation reserve**

Changes in market price	30,852
<b>Total impairments for PPE charged to reserves</b>	<b>30,852</b>

**Total Impairments of Property, Plant and Equipment**

Total Impairments charged to Revaluation Reserve	30,852
Total Impairments charged to SoCI - AME	28,072
<b>Overall Total Impairments</b>	<b>58,924</b>

**Of which:**

Impairment on revaluation to "modern equivalent asset" basis	<b>58,924</b>
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**Donated and Gov Granted Assets, included above**

Donated Asset Impairments: amount charged to SOCI - AME	2,157
<b>Subtotal Donated Asset Impairments</b>	<b>2,157</b>

Government Granted Asset Impairments: amount charged to SoCI - AME	26
<b>Subtotal Government Granted asset Impairments.</b>	<b>26</b>

**TOTAL DONATED / GOVERNMENT GRANTED ASSET IMPAIRMENTS**

**2,183**

The impairment values above relate almost entirely to the Trust's revaluation of its property plant and equipment, undertaken as part of its three yearly revaluation exercise.

Further details of the revaluation are given in note 15.3.2.

## 18 Investment property

The Trust has no investment property.

## 19 Commitments

### 19.1 Capital commitments

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

	<b>31 March 2012</b>	31 March 2011
	<b>£000</b>	£000
Property, plant and equipment	<b>2,165</b>	3,622
<b>Total</b>	<b><u>2,165</u></b>	<u>3,622</u>

### 19.2 Other financial commitments

The Trust has no other financial commitments such as non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements).

## 20 Intra-Government and other balances

	<b>Current receivables</b>	<b>Non-current receivables</b>	<b>Current payables</b>	<b>Non-current payables</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Balances with other Central Government Bodies	19,022	0	19,908	0
Balances with Local Authorities	366	0	226	0
Balances with NHS Trusts and Foundation Trusts	1,442	0	2,665	0
Balances with bodies external to government	8,296	2,188	39,478	0
<b>At 31 March 2012</b>	<b><u>29,126</u></b>	<b><u>2,188</u></b>	<b><u>62,277</u></b>	<b><u>0</u></b>

### prior period:

Balances with other Central Government Bodies	12,658	0	17,880	0
Balances with Local Authorities	191	0	0	0
Balances with NHS Trusts and Foundation Trusts	594	0	1,950	0
Balances with bodies external to government	9,279	1,878	39,726	0
<b>At 31 March 2011</b>	<b><u>22,722</u></b>	<b><u>1,878</u></b>	<b><u>59,556</u></b>	<b><u>0</u></b>

## 21 Inventories

	Drugs £000	Consumables £000	Energy £000	Total £000
Balance at 1 April 2011	2,901	8,793	229	11,923
Additions	58,008	44,427	85	102,520
Inventories recognised as an expense in the period	(57,586)	(44,588)	(7)	(102,181)
<b>Balance at 31 March 2012</b>	<b>3,323</b>	<b>8,632</b>	<b>307</b>	<b>12,262</b>

### 22.1 Trade and other receivables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
NHS receivables - revenue	19,015	12,568	0	0
Non-NHS receivables - revenue	5,459	6,436	2,420	2,078
Non-NHS prepayments and accrued income	3,263	4,135	0	0
Provision for the impairment of receivables	(1,170)	(1,628)	(232)	(200)
VAT	1,301	1,211	0	0
Other receivables	1,258	0	0	0
<b>Total</b>	<b>29,126</b>	<b>22,722</b>	<b>2,188</b>	<b>1,878</b>

#### Total current and non current

31 March 2012	31 March 2011
<b>31,314</b>	<b>24,600</b>

Included in NHS receivables are prepaid pension contributions:

31 March 2012	31 March 2011
<b>0</b>	<b>0</b>

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

### 22.2 Receivables past their due date but not impaired

	31 March 2012 £000	31 March 2011 £000
By up to three months	1,820	928
By three to six months	218	195
By more than six months	295	397
<b>Total</b>	<b>2,333</b>	<b>1,520</b>

Note 22.2 does not include Injury cost recovery debtors as these are not covered under the Trust's payment terms.

### 22.3 Provision for impairment of receivables

	2011-12 £000	2010-11 £000
Balance at 1 April 2011	(1,828)	(2,988)
Adjustments	0	0
<b>Restated balance at 1 April 2011</b>	<b>(1,828)</b>	<b>(2,988)</b>
Amount written off during the year	699	392
Amount recovered during the year	693	1,364
(Increase)/decrease in receivables impaired	(966)	(596)
<b>Balance at 31 March</b>	<b>(1,402)</b>	<b>(1,828)</b>

The Trust makes a general provision on non NHS debts over 90 days old, increasing from 25% at 90 days to 100% for debts over a year old. Certain debts incur a higher or lower provision dependent on a risk assessment approved by the Trust. The Trust provides for 9.6% of injury cost recovery debts based on Department of Health guidance. This percentage increased during 2010/11 from 7.8%. The total injury cost recovery provision is £318k (2010/11: £304k).

### 23 NHS LIFT investments

The Trust has no NHS LIFT investments.

### 24 Other financial assets

The Trust has no other financial assets.

### 25 Other current assets

The Trust has no other current assets

### 26 Cash and cash equivalents

	<b>31 March 2012</b>	31 March 2011
	<b>£000</b>	£000
<b>Opening balance at</b>	<b>10,306</b>	12,495
Opening balance adjustment	0	0
Merger adjustments	0	0
<b>Restated</b>	<b>10,306</b>	12,495
Net change in year	<b>8,063</b>	(2,189)
<b>Closing balance</b>	<b>18,369</b>	10,306
<b>Made up of</b>		
Cash with Government Banking Service	<b>18,362</b>	10,306
Cash in hand	7	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>18,369</b>	10,306
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>18,369</b>	10,306
Patients' money held by the Trust, not included above	5	6

### 27 Non-current assets held for sale

The Trust has no non-current assets held for sale.



## 28 Trade and other payables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
NHS payables - revenue	7,669	5,600	0	0
NHS accruals and deferred income	1,251	5,502	0	0
Non-NHS payables - revenue	17,292	13,985	0	0
Non-NHS payables - capital	2,379	2,910	0	0
Non-NHS accruals and deferred income	17,558	14,512	0	0
Social security costs	3,967	4,112	0	0
Tax	4,537	5,120	0	0
Other	7,624	7,815	0	0
<b>Total</b>	<b>62,277</b>	<b>59,556</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>62,277</b>	<b>59,556</b>		

### Included in Other above:

Outstanding Pension Contributions at the year end	4,699	4,998
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## 29 Other liabilities

The Trust has no other liabilities.

## 30 Borrowings

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities	4,038	3,649	1,427	3,237
<b>Total</b>	<b>4,038</b>	<b>3,649</b>	<b>1,427</b>	<b>3,237</b>
<b>Total other liabilities (current and non-current)</b>	<b>5,465</b>	<b>6,886</b>		

**31 Other financial liabilities**

The Trust has no other financial liabilities

**32 Deferred income**

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Opening balance at 01/04/11	11,865	11,240	0	0
Deferred income addition	0	625	0	0
Transfer of deferred income	(4,208)	0	0	0
<b>Current deferred Income at 31 March 2012</b>	<b>7,657</b>	<b>11,865</b>	<b>0</b>	<b>0</b>
Total other liabilities	<b>7,657</b>	<b>11,865</b>		

The Trust has reviewed its deferred income and has accounted for an appropriate level of deferred income in accordance with guidance from the Department of Health.

**33 Finance lease obligations as lessee****Managed Equipment Service (MES) finance lease**

The Trust has a finance lease in relation to its managed equipment service as defined by IAS 17 *Leases*.

Commencement date: 2007

End date: 2026

**Payment for the fair value of the services received**

The annual unitary payment is applied to meet the annual finance cost and to repay the lease liability over the contract term.

**Interest costs charged to revenue**

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.

**Property plant and equipment assets recognised on the balance sheet**

The finance lease assets are recognised as property, plant and equipment. The asset values, life and depreciation are all provided to the Trust by the Lessor.

Depreciation on the property, plant and equipment is charged to revenue.

**Liability**

A liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the assets and is subsequently measured as a finance lease liability in accordance with IAS 17 *Leases*.

**Asset replacement**

Components of the asset replaced by the operator during the contract 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.

**Assets contributed by the Trust to the operator for use in the scheme**

Assets contributed for use in the scheme are recognised as items of property, plant and equipment in the Trust's Statement of Financial Position.

**Amounts payable under finance leases (Other)**

	Minimum lease payments		Present value of minimum lease	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Within one year	4,038	3,649	4,038	3,649
Between one and five years	1,556	3,350	1,427	3,237
Less future finance charges	(129)	(113)	0	0
Present value of minimum lease payments	<b>5,465</b>	<b>6,886</b>	<b>5,465</b>	<b>6,886</b>
Included in:				
Current borrowings			4,038	3,649
Non-current borrowings			1,427	3,237
			<b>5,465</b>	<b>6,886</b>

The Trust has no sublease arrangements for which it will receive income, and has no contingent rents recognised as an expense.

**33.1. Finance lease receivables (i.e. as lessor)**

The Trust has no finance lease receivables.

**34. Finance lease commitments**

The Trust has no commitments to enter into new finance lease arrangements.

The Trust has a rolling managed equipment service (MES) finance lease in place up to 2026. The total payments for the remaining life of the scheme are £183 million.

### 35 Provisions

Comprising:

	Total	Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Restructuring	Continuing Care	Equal Pay	Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 01/04/11	2,899	349	1,539	0	0	0	0	0	989	22
Arising During the Year	632	8	48	0	0	0	0	0	418	158
Utilised During the Year	(498)	(21)	(185)	0	0	0	0	0	(279)	(13)
Reversed Unused	(189)	0	(1)	0	0	0	0	0	(179)	(9)
Unwinding of Discount	66	10	40	0	0	0	0	0	16	0
<b>Balance as at 31/03/12</b>	<b>2,910</b>	<b>346</b>	<b>1,441</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>965</b>	<b>158</b>

#### Expected Timing of Cash Flows:

No Later than One Year	789	22	190	0	0	0	0	0	419	158
Later than One Year and not later than Five Years	866	88	627	0	0	0	0	0	151	0
Later than Five Years	1,255	236	624	0	0	0	0	0	395	0

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

As at 31/03/12	102,341
As at 31/03/11	95,724

Pensions relating to former directors and other staff comprise early retirements commitments outstanding from previous years. Other provisions include injury benefits (£583k) and employer's and public liability cases (£212k). The provisions for outstanding property, employer's and public liability cases have related contingent liability entries included in note 36.

### 36 Contingencies

	31 March 2012	31 March 2011
	£000	£000
<b>Contingent liabilities</b>		
Other	(89)	(116)
<b>Gross value of contingent liabilities</b>	<b>(89)</b>	<b>(116)</b>
<b>Contingent assets</b>		
Contingent assets	0	0
<b>Net value of contingent liabilities</b>	<b>(89)</b>	<b>(116)</b>

The Trust's contingent liabilities relate to property, employer and public liability cases (2010-11 - £116k). All of these are administered by the NHS Litigation Authority and are expected to be resolved in 2012/13. Provisions for these are also included at note 35.

**37 PFI and LIFT - additional information**

The Trust has no PFI or LIFT contracts.

**38 Impact of IFRS treatment - current year**

The Trust is fully compliant with IFRS and therefore there are no transitional impacts under IFRIC12.

## 39 Financial instruments

### 39.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The 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 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. The Trust operates an effective system of control over its treasury management activity and receives assurances on the design and operating effectiveness of these controls from the annual reviews undertaken by internal audit.

#### 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 Strategic Health Authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

#### Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2012 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 Trusts, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

	At 'fair value through profit and loss' £000	Loans and receivables £000	Available for sale £000	Total £000
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### 39.2 Financial Assets

Cash at bank and in hand	0	18,369	0	18,369
<b>Total at 31 March 2012</b>	<b>0</b>	<b>18,369</b>	<b>0</b>	<b>18,369</b>

Cash at bank and in hand	0	10,313	0	10,313
<b>Total at 31 March 2011</b>	<b>0</b>	<b>10,313</b>	<b>0</b>	<b>10,313</b>

	At 'fair value through profit and loss' £000	Other £000	Total £000
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### 39.3 Financial Liabilities

PFI & finance lease obligations	0	5,464	5,464
<b>Total at 31 March 2012</b>	<b>0</b>	<b>5,464</b>	<b>5,464</b>

PFI & finance lease obligations	0	6,885	6,885
<b>Total at 31 March 2011</b>	<b>0</b>	<b>6,885</b>	<b>6,885</b>

## 40 Events after the end of the reporting period

There are no material adjusting post balance sheet events arising subsequent to the date of these financial statements.

#### 41 Related party transactions

During the year none of the Department of Health Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the University Hospitals of Leicester NHS Trust.

The Department of Health is regarded as a related party. During the year the University Hospitals of Leicester 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 are listed below:

Leicestershire County and Rutland PCT  
 NHS Litigation Authority  
 Business Services Authority  
 NHS Blood & Transplant  
 Leicester Partnership NHS Trust  
 Northampton General Hospital NHS Trust  
 Leicester City PCT  
 Oxfordshire & Buckinghamshire Mental Health Trust  
 Kettering General Hospital NHS Trust  
 Nottingham University Hospitals NHS Trust  
 Peterborough & Stamford Hospitals  
 East Midlands Strategic Health Authority  
 Birmingham East and North PCT  
 Cambridgeshire PCT  
 Coventry Teaching PCT  
 Derby City PCT  
 Derbyshire County PCT  
 London Strategic Health Authority  
 Derbyshire Community HealthCare Services  
 Lincolnshire Teaching PCT  
 Northamptonshire Teaching PCT  
 Nottinghamshire County Teaching PCT  
 Peterborough PCT  
 South Essex PCT  
 South Staffordshire PCT  
 Warwickshire PCT  
 Other NHS Trusts, Foundation Trusts and PCTs

The East Midlands Specialised Commissioning Group, who commission specialised patient care on behalf of PCTs within the East Midlands Strategic Health Authority, are hosted by Leicestershire County and Rutland PCT.

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with the following:

##### University of Leicester:

One of the Trust's Non-Executive Directors is Dean of the University of Leicester's Medical School an organisation with which the Trust has had a number of material transactions during the year. The Director has been excluded from any discussions or negotiations relating to the transactions which have all been conducted at arms length on normal commercial terms. During the reporting year, the Trust made payments to the University of Leicester amounting to £14,061k. The majority of these payments relate to the provision of services to the Trust by medical staff employed by the University of Leicester and research payments. As at 31st March 2012 a sum of £908k is included in creditors in respect of the University of Leicester.

£1,196k is included in debtors in respect of the University of Leicester. This relates primarily to research work.

##### Leicester City Council:

The Trust paid a total of £2,843k to Leicester City Council which relates primarily to business rates.

##### NHS Supply Chain:

The Trust paid a total of £18,031k to NHS Supply Chain in relation to the purchase of clinical supplies and services.

##### NHS Pension Scheme:

The Trust paid over employer's and employees pension contributions.

##### HM Revenue & Customs:

The Trust paid over other taxes and duties.

##### National Insurance Fund:

The Trust paid over employer's and employees national insurance contributions.

Kiran Jenkins, one of the Trust's Non-Executive Directors, is employed by Egg Banking PLC which is in the same banking group as the Trust's NHS bankers. There is no pecuniary interest.

The Trust is the Corporate Trustee for Leicester Hospitals Charity which is an independent charity registered with the Charity Commission. In 2011-12 the Trust received total asset donations of £675k (£486k in 2010-11). Full details will be included in the Charity's accounts as submitted to the Charity Commission.

#### 42 Losses and special payments

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases	Total Number of Cases
	£'s	Number
Losses	780,702	532
Special payments	288,815	159
<b>Total losses and special payments</b>	<b>1,069,517</b>	<b>691</b>

The total number of losses cases in 2010-11 and their total value was as follows:

	Total Value of Cases	Total Number of Cases
	£s	Number
Losses	405,329	1,060
Special payments	247,194	128
<b>Total losses and special payments</b>	<b>652,523</b>	<b>1,188</b>

There were no cases exceeding £250,000 in 2011-12.(2010-11 - nil)

43. Financial performance targets

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

43.1 Breakeven performance	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Turnover	556,656	588,666	615,155	652,159	697,692	696,257	719,154
Retained surplus/(deficit) for the year	60	61	577	3,018	(3,992)	(2,542)	(27,985)
Adjustments for Impairments	0	0	0	0	4,043	3,555	28,073
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	(295)	0
Break-even in-year position	60	61	577	3,018	51	718	88
Break-even cumulative position	254	315	892	3,910	3,961	4,679	4,767

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 IFRIC 12 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. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Materiality test (i.e. is it equal to or less than 0.5%):							
Break-even in-year position as a percentage of turnover	0.01	0.01	0.09	0.46	0.01	0.15	0.01
Break-even cumulative position as a percentage of turnover	0.05	0.05	0.15	0.60	0.57	0.71	0.70

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.

#### 43.2 Capital cost absorption rate

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

#### 43.3 External financing

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

	£000	2011-12 £000	2010-11 £000
External financing limit		(8,310)	2,050
Cash flow financing	(8,709)		(1,260)
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		<u>(8,709)</u>	<u>(1,260)</u>
Undershoot		<u>399</u>	<u>3,310</u>

#### 43.4 Capital resource limit

The Trust is given a Capital Resource Limit which it is not permitted to exceed.

	2011-12 £000	2010-11 £000
Gross capital expenditure	38,316	28,196
Less: book value of assets disposed of	(19,790)	(1)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(763)	(486)
Charge against the capital resource limit	<u>17,763</u>	<u>27,709</u>
Capital resource limit	<u>26,912</u>	<u>29,008</u>
Underspend against the capital resource limit	<u>9,149</u>	<u>1,299</u>



**44 Third party assets**

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

	<b>31 March 2012 £000s</b>	<b>31 March 2011 £000s</b>
Third party assets held by the Trust	<u>5</u>	<u>6</u>