University Hospitals of Leicester NHS Trust

Trust Board Paper M

To:	Trust Board
From:	Andrew Seddon – Director of Finance & Business Services
Date:	30th May 2013
CQC regulation:	All applicable

Title: Annual Accounts 2012-13

Author/Responsible Director:
Andrew Seddon – Director of Finance & Business Services

Purpose of the Report:
To present the annual accounts to the Trust Board.

The Report is provided to the Board for:

Decision	√	Discussion	
Assurance		Endorsement	

Summary : The report covers the following:
The Trust's performance against its statutory and administrative targets:

- Break even - £91k surplus.
- External Financing Limit - A permissible undershoot of £1,434k
- Capital Resource Limit - A permissible undershoot of £8,320k.
- Better Payments Practice Code - *Non-NHS:* value 85%; volume 85%; *NHS:* value 90%; volume 68%. The target of 95% was not met due to actions agreed within the Trust's liquidity plan.

Key points from the accounts:

- The Trust's income has risen by 5.4% to £757.7 million.
- The Trust's expenditure has increased by 5.4% to £757.6 million.

Recommendations:
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.

Strategic Risk Register	**Performance KPIs year to date**
N/A	N/A

Resource Implications (eg Financial, HR)
N/A

Assurance Implications
To provide assurance on the Trust's 2012-13 annual accounts

Patient and Public Involvement (PPI) Implications
N/A

Equality Impact
N/A

Information exempt from Disclosure
N/A

Requirement for further review?
N/A

Andrew Seddon
Director of Finance and Business Services

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD

FROM: ANDREW SEDDON, DIRECTOR OF FINANCE & BUSINESS SERVICES

DATE: 30th MAY 2013

SUBJECT: ANNUAL ACCOUNTS 2012-13

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1. INTRODUCTION

1.1 The Trust is required to produce annual statutory accounts for the year ending 31st March, and these are required to be approved by the Trust Board. The accounts for the year ending 31st March 2013 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 2012-13

TARGET	ACHIEVED	NOTES
STATUTORY TARGETS		
Break-even – to generate a surplus of income over spending comparing one year with another	√	£91k operational surplus
External Financing Limit – to control cash within the financing limit	√	A permissible undershoot of £1,434k
Capital Resource Limit – to contain capital spending within an agreed limit	√	A permissible undershoot of £8,320k
ADMINISTRATIVE TARGET		
Better Payments Practice Code – to pay all valid invoices within 30 days of receipt	X	*Non-NHS* value 85%; volume 85% *NHS* value 90%; volume 68%

3. KEY POINTS TO NOTE

3.1 The Trust delivered a year end I&E surplus of £91k.

3.2 The Trust's income has risen by 5.4% to £757.7 million. The key components of this increase of £38.5 million are:

- Increased PCT income of £34.0 million, reflecting changes in activity, increased income for readmissions and transformational support.
- Increased income from overseas patients of £1.3 million.
- Increased income from private patients of £1.1 million.

3.3 The Trust's expenditure has increased by 5.4% to £757.6 million. This £38.5 million increase reflects:

- Increased pay expenditure of £14.7 million.
- An increase in non-pay spend of £24.5 million (9.2%), predominantly due to:
  - an increase of £11.6 million on clinical supplies and services costs including additional investment in high cost therapies and drugs of £7.4 million;
  - an increase of £2.7 million on premises costs as a consequence of price increases in utilities of £1.0 million; and computer hardware and software maintenance contracts of £1.4 million;
  - an increase of £3.5 million on clinical negligence insurance costs over 2011-12 levels due to the inflationary increase on the contract and the full year impact of the Trust falling a level during 2011-12; and
  - an increase in other expenditure of £3.6 million from the 2011-12 total of £3.3 million.

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

Description	Increase/Decrease	Reason
Cash	Increase of £1.6m to £20.0m.	This was a planned increase to improve liquidity
Receivables	Increase of £16.5m to £45.6m	The increase includes £14m in relation to 2012-13 contract performance billed at the year end.
Payables	Increase of £14.3m to £76.6m	This reflects a planned increase in the level of non-NHS payables, linked to a review of payment terms and the active management of cash balances.

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 2012-13 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 The Trust is also providing specific representations on the new significant contracts it has entered into in 2012-13; income recognition; and the agreement of NHS balances exercise.

5.3 The letter from the Trust to the external auditors will be tabled at the meeting on the 30th May 2013.

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 & BUSINESS SERVICES
30th MAY 2013

Data entered below will be used throughout the workbook:

Trust name	University Hospitals of Leicester NHS Trust
This year	2012-13
Last year	2011-12
This year ended	31 March 2013
Last year ended	31 March 2012
This year commencing:	1 April 2012
Last year commencing:	1 April 2011

Manual for Accounts 2012-13

Statement of Comprehensive Income for year ended 31 March 2013

	NOTE	2012-13 £000	2011-12 £000
Gross employee benefits	10.1	**(455,142)**	(440,415)
Other costs	8	**(290,721)**	(294,234)
Revenue from patient care activities	5	**649,145**	615,066
Other Operating revenue	6	**109,520**	104,088
Operating surplus/(deficit)		**12,802**	(15,495)
Investment revenue	12	**77**	66
Finance costs	14	**(612)**	(459)
Surplus/(deficit) for the financial year		**12,267**	(15,888)
Public dividend capital dividends payable		**(11,090)**	(12,097)
Retained surplus/(deficit) for the year		**1,177**	(27,985)

Other Comprehensive Income	2012-13 £000	2011-12 £000
Impairments and reversals	**0**	(30,852)
Net gain/(loss) on revaluation of property, plant & equipment	**0**	1,472
Total comprehensive income for the year*	**1,177**	(57,365)

Financial performance for the year

	2012-13 £000	2011-12 £000
Retained surplus/(deficit) for the year	**1,177**	(27,985)
Impairments	**0**	28,073
Adjustment to remove the impact of donated asset receipts and depreciation	**1,086**	0
Adjusted retained surplus/(deficit)	**91**	88

PDC dividend: balance receivable at 31 March 2013	**199**
PDC dividend: balance receivable at 1 April 2012	**1,259**

The notes on pages 32 to 55 form part of this account.

Statement of Financial Position as at 31 March 2013

	NOTE	**31 March 2013** £000s	31 March 2012 £000s
Non-current assets:			
Property, plant and equipment	15	**354,658**	349,363
Intangible assets	16	**5,308**	5,242
Trade and other receivables	22.1	**3,155**	2,188
Total non-current assets		**363,121**	356,793
Current assets:			
Inventories	21	**13,064**	12,262
Trade and other receivables	22.1	**45,649**	29,126
Other current assets	25	**40**	0
Cash and cash equivalents	26	**19,986**	18,369
Total current assets		**78,739**	59,757
Total assets		**441,860**	416,550
Current liabilities			
Trade and other payables	28	**(76,594)**	(62,277)
Provisions	35	**(1,906)**	(789)
Borrowings	30	**(2,727)**	(4,038)
Total current liabilities		**(81,227)**	(67,104)
Non-current assets plus/less net current assets/liabilities		**360,633**	349,446
Non-current liabilities			
Provisions	35	**(2,406)**	(2,121)
Borrowings	30	**(10,906)**	(1,427)
Total non-current liabilities		**(13,312)**	(3,548)
Total Assets Employed:		**347,321**	345,898
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**277,733**	277,487
Retained earnings		**4,960**	3,705
Revaluation reserve		**64,628**	64,706
Total Taxpayers' Equity:		**347,321**	345,898

The notes on pages 32 to 55 form part of this account.

The financial statements on pages 17 to 55 were approved by the Board on 30th May 2013 and signed on its behalf by

Chief Executive: Date:

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013

	Public Dividend capital	Retained earnings	Revaluation reserve	Total reserves
	£000s	£000s	£000s	£000s
Balance at 1 April 2012	**277,487**	**3,705**	**64,706**	**345,898**
Changes in taxpayers' equity for 2012-13				
Retained surplus/(deficit) for the year	0	1,177	0	**1,177**
Transfers between reserves	0	78	(78)	**0**
New PDC Received	246	0	0	**246**
Net recognised revenue/(expense) for the year	**246**	**1,255**	**(78)**	**1,423**
Balance at 31 March 2013	**277,733**	**4,960**	**64,628**	**347,321**
Balance at 1 April 2011	**273,903**	**17,093**	**108,680**	**399,676**
Changes in taxpayers' equity for the year ended 31 March 2012				
Retained surplus/(deficit) for the year	0	(27,985)	0	(27,985)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	1,472	1,472
Impairments and reversals	0	0	(30,852)	(30,852)
Transfers between reserves	0	14,597	(14,597)	0
Release of reserves to Statement of Comprehensive Income	0	0	3	3
New PDC Received	3,584	0	0	3,584
Net recognised revenue/(expense) for the year	3,584	(13,388)	(43,974)	(53,778)
Balance at 31 March 2012	**277,487**	**3,705**	**64,706**	**345,898**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2013

	2012-13	2011-12
	£000s	£000s
Cash Flows from Operating Activities		
Operating Surplus/(Deficit)	12,802	(15,495)
Depreciation and amortisation	32,097	30,764
Impairments and reversals	0	28,072
Donated Assets received credited to revenue but non-cash	(1,617)	(763)
Interest Paid	(540)	(361)
Dividend paid	(10,030)	(13,356)
(Increase) in Inventories	(802)	(378)
(Increase) in Trade and Other Receivables	(18,283)	(6,058)
Increase in Trade and Other Payables	11,289	3,252
Provisions Utilised	(667)	(498)
Increase in Provisions	2,069	509
Net Cash Inflow/(Outflow) from Operating Activities	26,318	25,688
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	77	65
(Payments) for Property, Plant and Equipment	(18,838)	(15,790)
(Payments) for Intangible Assets	(1,938)	(1,254)
Net Cash Inflow/(Outflow) from Investing Activities	(20,699)	(16,979)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	5,619	8,709
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital received	246	3,584
Capital element of payments in respect of finance leases	(4,248)	(4,230)
Net Cash Inflow/(Outflow) from Financing Activities	(4,002)	(646)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,617	8,063
Cash and Cash Equivalents (and Bank Overdraft) at beginning of the period	18,369	10,306
Cash and Cash Equivalents (and Bank Overdraft) at year end	19,986	18,369

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 2012-13 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 Transforming Community Services (TCS) transactions

The Trust had no TCS transactions in the year.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

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)

1.5 Revenue

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

Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the 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.

1.6 Employee Benefits

Short-term employee benefits

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

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

Retirement benefit costs

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

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

1.7 Other expenses

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

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

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has 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)

Fair values are determined as follows:

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

1.9 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.

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

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.

1.10 Depreciation, amortisation and impairments

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

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

1.11 Donated and government granted assets

Donated assets

Following the accounting policy change outlined in the Treasury 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.

Government grants

Following the accounting policy change outlined in the Treasury 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.

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.

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

The Trust as lessor

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

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.

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.

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

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.

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.

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

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.

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 2011-12 and 2012-13 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 2012-13.

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 2012-13.

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 2012-13.

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 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

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

2 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.

5. Revenue from patient care activities	2012-13	2011-12
	£000s	£000s
Strategic Health Authorities	**8,446**	12,388
NHS Trusts	**631**	13
Primary Care Trusts - tariff	**417,805**	404,801
Primary Care Trusts - non-tariff	**193,922**	173,449
Primary Care Trusts - market forces factor	**18,134**	17,570
NHS Foundation Trusts	**621**	639
Non-NHS:		
Private patients	**3,883**	2,794
Overseas patients (non-reciprocal)	**1,362**	1,102
Injury costs recovery	**2,725**	1,765
Other	**1,616**	545
Total Revenue from patient care activities	**649,145**	615,066

Non-NHS Other includes £1,436k income from health bodies in Wales, Scotland and Northern Ireland (2011-12 - £351k).

6. Other operating revenue	2012-13	2011-12
	£000s	£000s
Recoveries in respect of employee benefits	**6,214**	5,620
Education, training and research	**76,436**	75,885
Receipt of donations for capital acquisitions - NHS Charity	**1,617**	763
Non-patient care services to other bodies	**3,194**	5,147
Rental revenue from operating leases	**1,427**	958
Other revenue	**20,632**	15,715
Total Other Operating Revenue	**109,520**	104,088
Total operating revenue	**758,665**	719,154

Other revenue includes all other income which does not fall within the specific categories listed above, and includes car parking, catering, accommodation.

7. Revenue

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

8. Operating expenses (excluding employee benefits)	**2012-13**	2011-12
	£000s	£000s
Services from other NHS trusts	**3,977**	3,385
Services from PCTs	**1,452**	1,224
Services from other NHS bodies	**295**	247
Services from foundation trusts	**2,419**	2,501
Purchase of healthcare from non NHS bodies	**7,006**	5,885
Trust Chair and Non-executive Directors	**68**	69
Supplies and services - clinical	**149,374**	137,004
Supplies and services - general	**24,116**	23,107
Consultancy services	**1,304**	2,065
Establishment	**4,969**	5,155
Transport	**2,118**	2,025
Premises	**26,412**	23,702
Impairments and reversals of receivables	**259**	273
Depreciation	**30,025**	29,161
Amortisation	**2,072**	1,603
Impairments and reversals of property, plant and equipment	**0**	28,072
Audit fees	**209**	327
Other auditor's remuneration	**174**	0
Clinical negligence	**17,545**	14,014
Research and development (excluding staff costs)	**8,344**	10,025
Education and Training	**1,099**	1,072
Other	**7,484**	3,318
Total Operating expenses (excluding employee benefits)	**290,721**	294,234

Supplies and services - clinical includes £65,653k expenditure on drugs (2011-12 - £58,007k). There were no impairments of property, plant and equipment in 2012-13.

Employee benefits		
Employee benefits excluding Board members	**454,237**	439,595
Board members	**905**	820
Total employee benefits	**455,142**	440,415
Total operating expenses	**745,863**	734,649

9 Operating Leases

9.1 Trust as lessee

	2012-13		2011-12
	Other	Total	
	£000s	£000s	£000s
Payments recognised as an expense			
Minimum lease payments		**5,044**	5,085
Contingent rents		**0**	0
Sub-lease payments		**0**	0
Total		**5,044**	5,085
Payable:			
No later than one year	3,950	**3,950**	3,810
Between one and five years	10,692	**10,692**	4,579
After five years	1,235	**1,235**	978
Total	**15,877**	**15,877**	9,367

Of the total minimum lease payments for 2012-13, £3,950k (£3,810k in 2011-12) 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. These agreements were extended during 2012-13 and this has increased the amounts disclosed as payable over one year from the amounts disclosed in 2011-12.

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.

	2012-13	2011-12
	£000	£000s
Recognised as income		
Rental revenue	1,427	958
Total	**1,427**	958
Receivable:		
No later than one year	1,340	1,324
Between one and five years	2,389	3,376
After five years	0	0
Total	**3,729**	4,700

10 Employee benefits and staff numbers

10.1 Employee benefits

	2012-13		
	Total	Permanently employed	Other
	£000s	£000s	£000s
Employee Benefits - Gross Expenditure			
Salaries and wages	**387,483**	364,001	23,482
Social security costs	**28,186**	28,186	0
Employer Contributions to NHS BSA - Pensions Division	**40,452**	40,452	0
Termination benefits	**27**	27	0
Total employee benefits	**456,148**	**432,666**	**23,482**
Less recoveries in respect of employee benefits (table below)	**(6,214)**	(6,214)	0
Total - Net Employee Benefits including capitalised costs	**449,934**	**426,452**	**23,482**
Employee costs capitalised	**1,006**	797	209
Gross Employee Benefits excluding capitalised costs	**455,142**	**431,869**	**23,273**

	2012-13		
	£000s	£000s	£000s
Employee Benefits 2012-13 - income			
Salaries and wages	**5,277**	5,277	0
Social Security costs	**385**	385	0
Employer Contributions to NHS BSA - Pensions Division	**552**	552	0
TOTAL excluding capitalised costs	**6,214**	**6,214**	**0**

	2011-12		
	Total	Permanently employed	Other
	£000s	£000s	£000s
Employee Benefits & Net expenditure 2011-12			
Salaries and wages	**372,870**	354,099	18,771
Social security costs	**28,126**	28,126	0
Employer Contributions to NHS BSA - Pensions Division	**40,079**	40,079	0
Termination benefits	**181**	181	0
TOTAL - including capitalised costs	**441,256**	**422,485**	**18,771**
Less recoveries in respect of employee benefits	**(5,620)**	(5,620)	0
Total - Net Employee Benefits including capitalised costs	**435,636**	**416,865**	**18,771**
Recognised as			
Employee costs capitalised	841		
Net Employee Benefits excluding capitalised costs	440,415		

10.2 Staff Numbers

	2012-13			2011-12
	Total	Permanently employed	Other	Total
	Number	Number	Number	Number
Average Staff Numbers				
Medical and dental	**1,461**	1,242	219	1,473
Administration and estates	**1,781**	1,739	42	1,842
Healthcare assistants and other support staff	**865**	862	3	977
Nursing, midwifery and health visiting staff	**4,386**	4,303	83	4,331
Nursing, midwifery and health visiting learners	**0**	0	0	6
Scientific, therapeutic and technical staff	**1,268**	1,247	21	1,325
Other	**241**	234	7	216
TOTAL	**10,002**	**9,627**	**375**	10,170
Of the above - staff engaged on capital projects	**22**	16	6	18

10.3 Staff Sickness absence and ill health retirements

	2012-13	2011-12
	Number	Number
Total Days Lost	76,176	79,671
Total Staff Years	10,012	10,160
Average working Days Lost	7.6	7.8

	2012-13	2011-12
	Number	Number
Number of persons retired early on ill health grounds	**16**	16
	£000s	£000s
Total additional pensions liabilities accrued in the year	**989**	842

10.4 Exit Packages agreed in 2012-13

	2012-13			2011-12		
Exit package cost band (including any special payment element)	***Number of compulsory redundancies**	***Number of other departures agreed**	**Total number of exit packages by cost band**	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	0	0	0	7	0	7
£10,001-£25,000	0	0	0	1	0	1
£25,001-£50,000	1	0	1	2	0	2
£50,001-£100,000	0	0	0	1	0	1
Total number of exit packages by type (total cost)	**1**	**0**	**1**	11	0	11
Total resource cost (£000s)	**27**	**0**	**27**	181	0	181

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 pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages 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. 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

	2012-13 Number	2012-13 £000s	2011-12 Number	2011-12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**123,289**	**364,150**	119,616	342,818
Total Non-NHS Trade Invoices Paid Within Target	**104,995**	**307,704**	104,118	299,328
Percentage of non-NHS Trade Invoices Paid Within Target	**85.16%**	**84.50%**	87.04%	87.31%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**4,857**	**147,687**	4,762	131,696
Total NHS Trade Invoices Paid Within Target	**3,320**	**132,473**	2,633	120,200
Percentage of NHS Trade Invoices Paid Within Target	**68.35%**	**89.70%**	55.29%	91.27%

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

The Trust has not incurred any costs from claims made under this legislation in either 2012-13 or 2011-12.

12 Investment Income

	2012-13 £000s	2011-12 £000s
Interest Income		
Bank interest	**77**	63
Other financial assets	**0**	3
Total investment income	**77**	66

13 Other Gains and Losses

The Trust had no other gains and losses

14 Finance Costs

	2012-13 £000s	2011-12 £000s
Interest		
Interest on obligations under finance leases	**553**	393
Provisions - unwinding of discount	**59**	66
Total	**612**	459

15.1 Property, plant and equipment

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2012	**52,490**	**266,172**	**8,664**	**1,430**	**132,226**	**536**	**48,687**	**2,089**	**512,294**
Additions of Assets Under Construction	0	0	0	**5,691**	0	0	0	0	**5,691**
Additions Purchased	244	8,688	56	0	5,236	22	1,674	55	**15,975**
Additions Donated	0	1,291	0	0	282	13	30	0	**1,616**
Additions Government Granted	0	0	0	0	0	0	0	0	**0**
Additions Leased	0	0	0	0	9,893	0	2,523	0	**12,416**
Reclassifications	0	1,351	3	(1,354)	0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(9,189)	(434)	(669)	(221)	**(10,513)**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairments/negative indexation	0	0	0	0	0	0	0	0	**0**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**52,734**	**277,502**	**8,723**	**5,767**	**138,448**	**137**	**52,245**	**1,923**	**537,479**
Depreciation									
At 1 April 2012	**5,612**	**25,422**	**463**	**0**	**90,147**	**421**	**38,900**	**1,966**	**162,931**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(8,879)	(366)	(669)	(221)	**(10,135)**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairments	0	0	0	0	0	0	0	0	**0**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	14,313	422	0	10,129	27	5,109	25	**30,025**
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**5,612**	**39,735**	**885**	**0**	**91,397**	**82**	**43,340**	**1,770**	**182,821**
Net Book Value at 31 March 2013	**47,122**	**237,767**	**7,838**	**5,767**	**47,051**	**55**	**8,905**	**153**	**354,658**
Purchased	47,122	231,042	7,838	5,767	46,139	37	8,855	66	**346,866**
Donated	0	5,883	0	0	912	18	50	87	**6,950**
Government Granted	0	842	0	0	0	0	0	0	**842**
Total at 31 March 2013	**47,122**	**237,767**	**7,838**	**5,767**	**47,051**	**55**	**8,905**	**153**	**354,658**
Asset financing:									
Owned	47,122	237,767	7,838	5,767	26,623	55	6,677	153	**332,002**
Held on finance lease	0	0	0	0	20,428	0	2,228	0	**22,656**
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2013	**47,122**	**237,767**	**7,838**	**5,767**	**47,051**	**55**	**8,905**	**153**	**354,658**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	12,633	37,967	13,979	0	126	1	0	0	**64,706**
Movements (specify)	0	7,663	(7,663)	0	(77)	(1)	0	0	**(78)**
At 31 March 2013	**12,633**	**45,630**	**6,316**	**0**	**49**	**0**	**0**	**0**	**64,628**

15.2 Property, plant and equipment prior-year

2011-12	Land £000s	Buildings excluding dwellings £000s	Dwellings £000s	Assets under construction & payments on account £000s	Plant & machinery £000s	Transport equipment £000s	Information technology £000s	Furniture & fittings £000s	Total £000s
Cost or valuation:									
At 1 April 2011	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
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	1	339	0	(761)	2,155	(1)	(41)	0	1,692
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	(14,007)	(5,875)	0	0	(8,103)	(19)	(862)	(213)	(29,079)
Revaluation & indexation gains	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)
Reversals of impairments	0	0	0	0	0	0	0	0	0
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(38,476)	(1,532)	0	0	0	0	0	(40,008)
At 31 March 2012	52,490	266,172	8,664	1,430	132,226	536	48,687	2,089	512,294
Depreciation									
At 1 April 2011	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
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	(103)	0	0	(8,088)	(19)	(862)	(213)	(9,285)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	5,612	21,997	463	0	0	0	0	0	28,072
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	0	13,707	514	0	10,178	23	4,714	25	29,161
Transfers to NHS Bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(38,476)	(1,532)	0	0	0	0	0	(40,008)
At 31 March 2012	5,612	25,422	463	0	90,147	421	38,900	1,966	162,931
Net book value at 31 March 2012	46,878	240,750	8,201	1,430	42,079	115	9,787	123	349,363
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
Total at 31 March 2012	46,878	240,750	8,201	1,430	42,079	115	9,787	123	349,363
Asset financing:									
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
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	46,878	240,750	8,201	1,430	42,079	115	9,787	123	349,363

15.3 (cont). 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:

- £1,174k of building works including £1,059k for the refurbishment and equipping of the OurSpace Childrens and Young Adult's Cancer unit
- £282k for medical and dental equipment including £25k for a Thulium Laser system; Fibroscan machine and £26k for a Luminex machine for use in the Renal transplant laboratory.
- £40k of other equipment.

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 (FReM) 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 2013	31 March 2012
	£000	£000
Plant & Machinery (Purchased)	**47,082**	46,963
Plant & Machinery (Donated)	**6,648**	6,921
Transport Equipment (Purchased)	**39**	354
Tangible IM&T (Purchased)	**32,334**	22,942
Tangible IM&T (Donated)	**157**	260
Intangible IM&T (Purchased)	**3,302**	50
Furniture & Fittings (Purchased)	**1,634**	1,698
Furniture & Fittings (Donated)	**114**	129
	91,310	**79,317**

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

2012-13	Software purchased £000's	Total £000's
At 1 April 2012	**9,616**	**9,616**
Additions - purchased	2,138	**2,138**
At 31 March 2013	**11,754**	**11,754**
Amortisation		
At 1 April 2012	**4,374**	**4,374**
Charged during the year	2,072	**2,072**
At 31 March 2013	**6,446**	**6,446**
Net Book Value at 31 March 2013	**5,308**	**5,308**
Net book value at 31 March 2013 comprises:		
Purchased	5,304	**5,304**
Donated	4	**4**
Total at 31 March 2013	**5,308**	**5,308**

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 prior year

2011-12	Software purchased £000s	Total £000s
Cost or valuation:		
At 1 April 2011	7,890	7,890
Additions - purchased	1,307	1,307
Reclassifications	419	419
At 31 March 2012	9,616	9,616
Amortisation		
At 1 April 2011	2,771	2,771
Charged during the year	1,603	1,603
At 31 March 2012	4,374	4,374
Net book value at 31 March 2012	5,242	5,242
Net book value at 31 March 2012 comprises:		
Purchased	5,236	5,236
Donated	6	6
Total at 31 March 2012	5,242	5,242

16.3 Intangible non-current assets

The accounting policies in relation to intangible assets are included in note 1.9.

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 £6.6m 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

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:

	31 March 2013	31 March 2012
	£000s	£000s
Property, plant and equipment	**8,970**	2,165
Total	**8,970**	2,165

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

	Current receivables £000s	**Non-current receivables £000s**	**Current payables £000s**	**Non-current payables £000s**
Balances with other Central Government Bodies	33,908	0	16,628	0
Balances with Local Authorities	14	0	30	0
Balances with NHS Trusts and Foundation Trusts	1,576	0	2,549	0
At 31 March 2013	**35,498**	**0**	**19,207**	**0**
prior period:				
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

21 Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Total £000s
Balance at 1 April 2012	3,323	8,632	307	**12,262**
Additions	55,604	55,950	42	**111,596**
Inventories recognised as an expense in the period	(55,801)	(54,923)	(70)	**(110,794)**
Balance at 31 March 2013	3,126	9,659	279	**13,064**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**33,679**	19,015	**0**	0
Non-NHS receivables - revenue	**9,819**	5,459	**3,180**	2,420
Non-NHS prepayments and accrued income	**2,327**	3,263	**372**	0
Provision for the impairment of receivables	**(1,123)**	(1,170)	**(397)**	(232)
VAT	**748**	1,301	**0**	0
Other receivables	**199**	1,258	**0**	0
Total	**45,649**	29,126	**3,155**	2,188
Total current and non current	**48,804**	31,314		

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.

Other receivables are amounts owing to the Trust in relation to dividends paid on our Public Dividend Capital (PDC) balances in the year. We calculate the final total PDC dividends payable for the year at the year end, and we can therefore have an amount either owing to or from the Trust depending whether we have actually over or under paid in the year.

22.2 Receivables past their due date but not impaired

	31 March 2013 £000s	31 March 2012 £000s
By up to three months	**1,586**	1,820
By three to six months	**520**	218
By more than six months	**109**	295
Total	**2,215**	2,333

22.3 Provision for impairment of receivables

	2012-13 £000s	2011-12 £000s
Balance at 1 April 2012	**(1,402)**	(1,828)
Amount written off during the year	**141**	699
Amount recovered during the year	**321**	693
(Increase)/decrease in receivables impaired	**(580)**	(966)
Balance at 31 March 2013	**(1,520)**	(1,402)

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 12.6% of injury cost recovery debts based on Department of Health guidance. This percentage increased during 2012-13 from 9.6% in the prior year. The total injury cost recovery provision is £397k (2011-12: £318k).

23 NHS LIFT investments

The Trust has no NHS LIFT investments.

24 Other Financial Assets - Current

The Trust has no other financial assets.

25 Other current assets

	31 March 2013	31 March 2012
	£000s	£000s
EU Emissions Trading Scheme Allowance	40	0
Total	40	0

26 Cash and Cash Equivalents

	31 March 2013	31 March 2012
	£000s	£000s
Opening balance	18,369	0
Net change in year	1,617	0
Closing balance	19,986	0
Made up of		
Cash with Government Banking Service	19,974	18,362
Commercial banks	0	7
Cash in hand	12	0
Cash and cash equivalents as in statement of financial position	19,986	18,369
Cash and cash equivalents as in statement of cash flows	19,986	18,369
Patients' money held by the Trust, not included above	4	5

28 Trade and other payables

	Current	
	31 March 2013	31 March 2012
	£000s	£000s
NHS payables - revenue	**3,517**	7,669
NHS accruals and deferred income	**875**	1,251
Non-NHS payables - revenue	**29,325**	17,292
Non-NHS payables - capital	**5,407**	2,379
Non_NHS accruals and deferred income	**21,516**	17,558
Social security costs	**4,324**	3,967
Tax	**4,991**	4,537
Other	**6,639**	7,624
Total	**76,594**	62,277
Total payables (current and non-current)	**76,594**	**62,277**
Included above:		
Outstanding Pension Contributions at the year end	5,404	4,699

29 Other liabilities

The Trust has no other liabilities.

30 Borrowings

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000s	£000s	**£000s**	£000s
Finance lease liabilities	**2,727**	4,038	**10,906**	1,427
Total	**2,727**	**4,038**	**10,906**	**1,427**
Total other liabilities (current and non-current)	**13,633**	**5,465**		

Further details of finance lease liabilities are shown in note 33.

Loans - repayment of principal falling due in:

	31 March 2013		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 years	0	2,727	**2,727**
1 - 2 Years	0	10,906	**10,906**
TOTAL	**0**	**13,633**	**13,633**

31 Other financial liabilities

The Trust has no other financial liabilities.

32 Deferred income

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2012	7,657	11,865	0	0
Deferred income addition	1,348	0	0	0
Transfer of deferred income	(355)	(4,208)	**0**	0
Current deferred Income at 31 March 2013	**8,650**	7,657	**0**	0
Total deferred income (current and non-current)	**8,650**	**7,657**		

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

Picture Archiving and Communications Service (PACS)

The Trust has a finance lease in relation to its PACS system as defined by IAS 17 *Leases.*
Commencement date: 2012
End date: 2017

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 for the MES scheme are provided to the Trust by the Lessor. The asset lives for the PACS system are calculated by the Trust.

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

Any assets, or asset components 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 (MES only).

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 payments**	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000s	£000s	**£000s**	£000s
Within one year	**2,727**	4,038	**2,727**	4,038
Between one and five years	**11,952**	1,556	**10,906**	1,427
After five years	**0**	0	**0**	0
Less future finance charges	(1,046)	(129)		
Present value of minimum lease payments	**13,633**	5,465	**13,633**	5,465
Included in:				
Current borrowings			**2,727**	4,038
Non-current borrowings			**10,906**	1,427
			13,633	5,465

34 Finance lease receivables as lessor

The Trust has no finance lease receivables.

35 Provisions

	Total	Comprising:			
		Pensions to Former Directors	Pensions Relating to Other Staff	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	**2,910**	346	1,441	965	158
Arising During the Year	**2,197**	8	32	463	1,694
Utilised During the Year	**(667)**	(22)	(192)	(453)	0
Reversed Unused	**(187)**	0	0	(71)	(116)
Unwinding of Discount	**59**	9	36	14	0
Balance at 31 March 2013	**4,312**	**341**	**1,317**	**918**	**1,736**
Expected Timing of Cash Flows:					
No Later than One Year	**1,906**	22	173	385	1,326
Later than One Year and not later than Five Years	**1,595**	88	659	516	332
Later than Five Years	**811**	231	485	17	78

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

As at 31 March 2013	115,991
As at 31 March 2012	115,991

36 Contingencies

	31 March 2013	31 March 2012
	£000s	£000s
Contingent liabilities		
Other	**(101)**	(89)
Net Value of Contingent Liabilities	**(101)**	(89)

The Trust's contingent liabilities relate to property, employer and public liability cases. All of these are administered by the NHS Litigation Authority and are expected to be resolved in 2013-14. Provisions for these are also included at note 35.

The Trust has a contingent asset in relation to PPE assets which will be transferred from Interserve to UHL at the completion of the facilities management contract, or at any point the contract is terminated. We have not disclosed a value for these assets as we will not know the net book value of these assets until the point of transfer and we are unable to estimate these costs at this stage.

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 NHS 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 NHS trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS trust in undertaking its activities.

The trust’s treasury management operations are carried out by the finance department, within parameters defined formally within the trust’s standing financial instructions and policies agreed by the board of directors. Trust treasury activity is subject to review by the trust’s internal auditors.

Currency risk

The trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The trust has no overseas operations. The trust therefore has low exposure to currency rate fluctuations.

Interest rate risk

The trust borrows from government for capital expenditure, subject to affordability as confirmed by the 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 2013 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.

39.2 Financial Assets	**At ‘fair value through profit and loss’ £000s**	**Loans and receivables £000s**	**Available for sale £000s**	**Total £000s**
Cash at bank and in hand	0	19,986	0	**19,986**
Total at 31 March 2013	**0**	**19,986**	**0**	**19,986**
Cash at bank and in hand	0	18,369	0	18,369
Total at 31 March 2012	0	18,369	0	18,369

39.3 Financial Liabilities	**At ‘fair value through profit and loss’ £000s**	**Other £000s**	**Total £000s**
Finance lease obligations		13,633	**13,633**
Total at 31 March 2013	**0**	**13,633**	**13,633**
Finance lease obligations		5,464	5,464
Total at 31 March 2012	0	5,464	5,464

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.

Material Department of Health entities

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:

Birmingham East & North PCT
Derbyshire Community Healthcare Services
East Midlands Strategic Health Authority
East Midlands Specialised Commissioning Group (hosted by Leicestershire County and Rutland PCT)
East Of England Specialised Commissiong Group
Kettering General Hospital NHS Foundation Trust
Leicester City PCT
Leicestershire Partnership NHS Trust
Lincolnshire Teaching PCT
London Strategic Health Authority
Nhs Blood & Transplant
Nhs Business Services Authority
Leicestershire County And Rutland PCT
Nhs Litigation Authority
Nhs Northamptonshire
Nhs Supply Chain
Northampton General Hospital NHS Trust
Nottingham University Hospitals NHS Trust
Other NHS Trusts, Foundation Trusts and PCTs

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 £8,799k. 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 2013 a sum of £46k is included in creditors in respect of the University of Leicester.

The Trust's Chairman is a member of the Council of the University of Leicester for an initial three year period, effective from 1 April 2012

£1,490k is included in debtors in respect of the University of Leicester and we were paid £4,441k to the University in total. This relates primarily to research work.

Leicester City Council:

The Trust paid a total of £3,098k to Leicester City Council in the year, relating primarily to business rates.

NHS Supply Chain:

The Trust paid a total of £17,001k 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 totalling £63,903k for the year.

HM Revenue & Customs:

The Trust paid over other taxes and duties totalling £59,208k in the year.

National Insurance Fund:

The Trust paid over employer's and employees national insurance contributions totalling £51,552k in the year.

Related party transactions - continued

Transition from Primary Care Trusts (PCTs) to Clinical Commissioning Groups (CCGs)

From the 1st April 2013 the responsibilities for commissioning the Trust's services moved from PCTs to the newly formed Clinical Commissioning Groups (CCGs). The Trust 's service level agreements have been signed with the CCGs and, in future, material levels of income will be received from the organisations listed below.

Nhs Commissioning Board
Nhs Leicester City CCG
Nhs East Leicestershire And Rutland CCG
Nhs West Leicestershire CCG
Other NHS Trusts, Foundation Trusts and CCGs

Leicester Hospitals Charity

The Trust is the Corporate Trustee for Leicester Hospitals Charity which is an independent charity registered with the Charity Commission. In 2012-13 the Trust received total asset donations of £1,497k (£675k in 2011-12). Full details will be included in the Charity's accounts as submitted to the Charity Commission.

Facilities management contract

The Trust has entered into a material contract with Interserve for the provision of facilities management services incorporating a range of facilities and estates management services which had previously been undertaken by the Trust or provided by other suppliers. These services include catering, cleaning and portering, and commenced on the 1st March 2013 for a period of 7 years.

IM&T managed business services contract

The Trust has entered into a material managed business partnership contract with IBM for the delivery of IT services and transformational projects across the Trust over the next 10 years.

Non-Executive Director

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.

42 Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	195,096	372
Special payments	157,065	124
Total losses and special payments	352,161	496

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

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

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**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Turnover	556,656	588,666	615,155	652,159	697,692	696,257	719,154	**758,665**
Retained surplus/(deficit) for the year	60	61	577	3,018	(3,992)	(2,542)	(27,985)	**1,177**
Adjustment for:								
Adjustments for Impairments	0	0	0	0	4,043	3,555	28,073	**0**
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	0	**(1,086)**
Break-even in-year position	**60**	**61**	**577**	**3,018**	**51**	**1,013**	**88**	**91**
Break-even cumulative position	**254**	**315**	**892**	**3,910**	**3,961**	**4,974**	**5,062**	**5,153**

* 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**	**2012-13**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
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	**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	**0.68**

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 (rather than forecast) 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.

	2012-13		2011-12
	£000s	**£000s**	£000s
External financing limit		**(4,185)**	(8,310)
Cash flow financing	**(5,619)**		(8,709)
External financing requirement		**(5,619)**	(8,709)
Undershoot/(overshoot)		**1,434**	399

43.4 Capital resource limit

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

	2012-13	2011-12
	£000s	£000s
Gross capital expenditure	**25,421**	38,316
Less: book value of assets disposed of	**(378)**	(19,790)
Less: donations towards the acquisition of non-current assets	**(1,617)**	(763)
Charge against the capital resource limit	**23,426**	17,763
Capital resource limit	**31,746**	26,912
(Over)/underspend against the capital resource limit	**8,320**	9,149

44 Third party assets

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

	31 March 2013	31 March 2012
	£000s	£000s
Third party assets held by the Trust	**4**	5

Appendix 2: UHL Management Responses to ISA 260 Recommendations

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/ Responsible Officer/Due Date
1	❶	**Contracts** The Trust has entered into a number of new contractual agreements during the year regarding a range of outsourced services, including those relating to IM&T and the facilities management outsourcing. We had planned to review these contracts and their associated accounting treatment as part our interim work. However, the Finance Services Team did not receive sufficient and appropriate information to enable them to assess such contracts against IFRS requirements until March 2013. The Trust should ensure that there is involvement from Finance Services Team at an appropriately early stage of the contract discussions so that the relevant financial accounting implications of such agreements can be confirmed prior to agreements being signed. Additionally, the Trust should ensure that sufficient and appropriate documentation and contract information is provided to the Finance Team in a timely manner to enable a timely evaluation of accounting treatment to be undertaken in reference to provided evidence. This will ensure the timely provision of sufficient and appropriate audit evidence.	**Accepted.** Financial services will take this forward in relation to the Managed Business Partner (MBP) through regular attendance at the MBP Commercial Sub Board and MBP Transformation Sub Board meetings. We will establish appropriate communication links between procurement and financial services to ensure that early and appropriate consideration is given to accounting issues within all significant contracts. Financial services will produce guidance on common IFRS accounting implications relating to contracts such as embedded leases, asset transfers and service concession arrangements. We will share this with relevant internal stakeholders involved in the contracting process, including procurement and divisional finance teams. **Nick Sone – Financial Controller** **July 2013**

Appendix 2: UHL Management Responses to ISA 260 Recommendations

#	Risk	Issue, Impact and Recommendation	Management Response/ Responsible Officer/Due Date
2	2	**Financial Resilience** The Trust's 2013/14 CIP aims to achieve £40.4m of savings, of which £40.3m of schemes have already been identified. The Trust recognises that this is a demanding plan, and whilst there has been an improvement since March 2013 in the percentage of schemes that classified as low risk, there has been little progress in high risk schemes which currently account for £9.3m (23.1%) of the plan. The Trust should also ensure that with the development of Service Line Management, it continues to develop and embed more robust financial reporting on CIP schemes, as well as ensuring schemes are regularly risk assessed to understand the ongoing potential impact on clinical quality and outcomes. This increased rigour, alongside greater clinical engagement, will enable earlier identification of emerging risks or under delivery, and provide greater accountability so that mitigating actions and turnaround plans can be put in place immediately.	**Accepted.** **Simon Sheppard - Deputy Director of Finance and Procurement** **July 2013**
3	2	**Contracts** The two new major contracts entered into during the year by Trust, IBM and Interserve, commenced during the final quarter of the financial year. As a result both contracts operated under a 'steady state' / 'business as usual' basis until the year end. This simplified both the accounting and disclosure requirements for the financial year. However, we note that additional areas within these contracts, such as potential sub-leases and capital spend, may be activated in the forthcoming financial year. The Trust should ensure that as the services provided under new contracts evolve, that all relevant information pertaining to these later stages is obtained and reviewed on a timely basis to ensure that the accounting treatment and disclosures remain appropriate.	**Accepted.** We will keep up to date with all developments on the IBM contract through ongoing attendance at the MBP Commercial Sub Board and MBP Transformation Sub Board meetings. We will liaise with the LLRFMC to schedule regular update discussions with them throughout the year in order to review progress on the Interserve contract and ensure that all relevant information is obtained and reviewed at an early stage. **Nick Sone – Financial Controller** **July 2013**

Appendix 2: UHL Management Responses to ISA 260 Recommendations

#	Risk	Issue, Impact and Recommendation	Management Response/ Responsible Officer/Due Date
4	❷	**Off-Payroll Arrangements** All Trusts received notification in March 2013 of the requirement to disclose information regarding 'off-payroll engagements, following the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012. To prepare the mandatory disclosure, which was not subject to audit in 2012/13, the finance team had to make inquiries of staff and undertake a review of its purchase ledger. For each off-payroll engagement, the Trust is required to include contractual clauses allowing the Trust to seek assurance from the individual that they have complied with their tax obligations. The Human Resources department should look to further improve this process through implementation of best practice, maintaining a central database of all individuals not paid through the payroll system, in line with clearly defined guidance concerning who should be included. This is important, both to ensure that relevant contractual clauses are included in these individuals' contracts, but also to ensure that the Board can readily access and scrutinise this information. As an area of increasing profile both with the public and HMRC, the Audit Committee may wish to receive regular updates on the number of these arrangements , the costs associated with them and the reason behind them in the same way that it scrutinises waivers to tendering processes.	**Accepted.** HR maintain a central register of off-payroll engagements but need to review further in line with HMRC guidance to ensure we are including the correct staff. We will review the current register against the Treasury guidance to ensure it captures sufficient detail for all relevant staff. We will make appropriate amendments to the format and content of the register where necessary. Financial Services will build into its year end timetable an appropriate and timely review of this register, to ensure full disclosure in the Trust's Annual Report. These requirements will be reported to the Audit Committee and we will agree the frequency and content of any further reporting of the register to the Committee. **Nick Sone – Financial Controller / Kate Bradley – Director of Human Resources** **July 2013**
5	❷	**Analytical Reviews** As part of our Prepared By Client (PBC) list issued on 30 January 2013 we requested that the Trust prepare analytical reviews to support our understanding over the reasonableness of the reported balances and the financial statements overall. These working papers are key to aiding our overall understanding of the Trust's activities throughout the year, and our PBC provided specific guidance on our approach and requirements. Whilst we commenced our audit on 24 April 2013, analytical reviews were not provided until 21 May 2013. Furthermore, these analytical reviews did not meet the criteria set out in our PBC and were not sufficient quality to enable us to place reliance on them as part of our audit evidence. The Trust should ensure that all analytical review working papers are made available to a high standard and quality by the start of the onsite audit. These should be in line with agreed requests as per our Prepared by Client requirements to enable us to utilise these fully in support of our audit work and conclusion.	**Accepted.** We will establish clear timetables for the production of the analytical reviews at the year end and will consider producing this information on a 6- monthly basis. **Nick Sone – Financial Controller / Simon Sheppard - Deputy Director of Finance and Procurement** **September 2013**