University Hospitals of Leicester NHS Trust

To:	Trust Board
From:	Peter Hollinshead – Interim Director of Financial Strategy
Date:	29th May 2014
CQC regulation:	

Title: **Annual Accounts 2013-14**

Author/Responsible Director:
Peter Hollinshead – Interim Director of Financial Strategy

Purpose of the Report:
To present the annual accounts 2013-14 and the process for adoption by 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 - £39.7m deficit.
- External Financing Limit - A permissible undershoot of £1,265k.
- Capital Resource Limit - A permissible undershoot of £52k.
- Better Payments Practice Code - *Non-NHS:* value 69%; volume 46%; *NHS:* value 82%; volume 55%. 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 1.5% to £770.4 million.
- The Trust's expenditure has increased by 6.9% to £809.9 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 2013-14 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

Peter Hollinshead – Interim Director of Financial Strategy

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: **TRUST BOARD**

FROM: **PETER HOLLINSHEAD, INTERIM DIRECTOR OF FINANCIAL SERVICES**

DATE: **29th MAY 2014**

SUBJECT: **ANNUAL ACCOUNTS 2013-14**

---

1. INTRODUCTION

1.1 The Trust is required to produce annual statutory accounts for the year ending 31st March which are required to be approved by the Trust Board. The accounts for the year ending 31st March 2014 are attached (Appendix 1).

1.2 These accounts have been subject to external audit by KPMG, who will report as a separate agenda item to the Trust Board.

2. STATUTORY & ADMINISTRATIVE TARGETS 2013-14

TARGET	ACHIEVED	NOTES
STATUTORY TARGETS		
Break-even – to generate a surplus of income over spending comparing one year with another	**X**	£39.7m retained deficit
External Financing Limit – to control cash within the financing limit	√	A permissible undershoot of £1,265k
Capital Resource Limit – to contain capital spending within an agreed limit	√	A permissible undershoot of £52k
ADMINISTRATIVE TARGET		
Better Payments Practice Code – to pay all valid invoices within 30 days of receipt	**X**	*Non-NHS* value 69%; volume 46% *NHS* value 82%; volume 55%

3. KEY POINTS TO NOTE

3.1 The Trust delivered a year end I&E deficit of £39.7m.

3.2 The Trust's income has risen by 1.5% to £770.4m. The key components of this increase of £11.7m are:

- £19.3m increase in revenue from patient care activities via the CCGs and NHS England, including increases due to the sexual health service being commissioned via Local Authorities in 2013-14. The Trust has seen a significant increase in activity particularly in inpatients and critical care.

- (£1.3m) reduction in private patient and overseas visitors income. This is due to activity levels which have fallen from 1,101 in 2012/13 to 902 in 2013/14.
- (£4.9m) reduction in education, training and research income due to:
    - SIFT - £2.6m reduction reflecting the implementation of the national review of the payment mechanism. This is now based on an average tariff per student week.
    - MADEL - £1.5m reduction driven by reduce training doctors plus non recurrent income received in 2012/13.
    - CEA - £0.3m reduction due to the reduction in the number of Doctors receiving the national CEA awards.

3.3 The Trust's expenditure has increased by 6.9% to £809.9m This £38.5m increase reflects:

- An increase in pay spend of £18.9m. This is primarily due to:
    - Transfer of staff (over 300 WTE) from Facilities and IMT to Interserve and IBM respectively. These costs were treated as pay in 2012/13 but are now recharge to the Trust within non pay.
    - Significant increase in nursing and midwifery staffing numbers on the back of the ward staffing acuity review.
    - Increases in the Consultant workforce across many specialties including the Emergency Department and the Medical areas.
    - Increases in premium staffing costs (agency, locums, bank, overtime and WLI) to ensure clinical areas are safely staffed.
- An increase in non-pay spend of £34.5m (11.9%) predominantly due to:
    - £15m increase in clinical supplies and services costs (10.4%). This category includes a number of areas including drugs, dressings, medical and surgical equipment, appliances and diagnostic costs.
        - Drugs: increase of £7.9m reflecting activity increases particularly around NICE and High Cost Therapies.
        - Dressings and Medical and surgical supplies increases of £4.3m reflecting the marginal cost volume increases in activity.
        - Other clinical supplies increase of £3.3m.
    - The premises category has seen the most significant change in year. This category includes the utilities (gas, electricity, and water), business rates, and external contracts. The £8.9m increase, 33%, is as a consequence of;
        - £1.0m increase in electricity prices.
        - £0.3m decrease in gas.
        - £4.2m in general contracts for the Interserve contract.
        - £3.9m due to the managed business partner with IBM.

- Supplies and services – general, have increased by £3.2m (13%). The significant movement £3.4m in this category is the contracting out of the facilities contract and associated staffing to Interserve.

- Consultancy costs have increased by £1.1m reflecting the increased support within the Trust for a number of Trust wide projects including the reconfiguration programme, the CIP programme, Trust Board review and quality reviews.

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

Description	**Increase/Decrease**	**Reason**
Cash	Decreased £19.5m to £0.5m.	This was a planned decrease in line with our reset External Financing Limit to ensure that we reduced our backlog of creditor payments at the year end.
Receivables	Increase of £4.2m to £49.9m	The increase includes £9m in relation to winter pressures funding billed at the year end and the prior year contained some large performance related invoices.
Payables	Increase of £32.5m to £109.1m	The increase in total payables can be attributed to an increase in capital payables of £7.5m; an increase in deferred income of £5.5m due to the change in the way maternity pathways are funded; and a general increase in the backlog of supplier invoices that remained unpaid at the year end due to the low levels of cash resulting from the Trust's financial performance.

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 2013-14 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.

3.6 The year end cash balance was reduced to £0.5m following agreement with the NTDA to reset our External Financing Limit (EFL). This enabled us to minimise the backlog of creditor invoices that were outstanding at the year-end although a significant amount of overdue and unpaid invoices were carried forward into 2014-15.

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 Agreed management responses have been incorporated into KPMG's memorandum, and are included in Appendix 2. 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; and
- post balance sheets & contingent liabilities.

5.2 The Trust is also providing specific representations on the significant contracts that the Trust has in place; income recognition; and the agreement of NHS balances exercise.

5.4 The Annual Governance Statement is a key element of the accounts and is presented as a separate agenda item by the Director of Corporate & Legal Affairs.

6. RECOMMENDATIONS

6.1 The Trust Board is asked to:

- Approve the accounts and Letter of Representation (to be tabled at the Trust Board on 29 May 2014).

- Note the management responses to the recommendations made by External Audit in their ISA 260 report (Appendix 2).

- 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.

PETER HOLLINSHEAD
INTERIM DIRECTOR OF FINANCIAL STRATEGY
29th MAY 2014

Data entered below will be used throughout the workbook:

Trust name	University Hospitals of Leicester NHS Trust
This year	2013-14
Last year	2012-13
This year ended	31 March 2014
Last year ended	31 March 2013
This year commencing:	1 April 2013
Last year commencing:	1 April 2012

Accounts 2013-14

Statement of Comprehensive Income for year ended 31 March 2014

	NOTE	**2013-14** £000s	2012-13 £000s
Gross employee benefits	10.1	**(474,090)**	(455,142)
Other operating costs	8	**(325,181)**	(290,721)
Revenue from patient care activities	5	**675,045**	649,145
Other Operating revenue	6	**95,348**	109,520
Operating surplus/(deficit)		**(28,878)**	12,802
Investment revenue	12	**66**	77
Other gains and (losses)	13	**(51)**	0
Finance costs	14	**(263)**	(612)
Surplus/(deficit) for the financial year		**(29,126)**	12,267
Public dividend capital dividends payable		**(10,388)**	(11,090)
Retained surplus/(deficit) for the year		**(39,514)**	1,177
Total Comprehensive Income for the year		**(39,514)**	1,177

Financial performance for the year

Retained surplus/(deficit) for the year		**(39,514)**	1,177
Adjustments in respect of donated gov't grant asset reserve elimination		**(141)**	(1,086)
Adjusted retained surplus/(deficit)		**(39,655)**	91

Total Comprehensive Income of (£39,514k) includes £141k relating to the receipt of donated assets (net of donated asset depreciation). This figure is removed from the final retained surplus/(deficit) figure in accordance with Department of Health Accounting guidance. This removes the effect on the Trust's financial performance of no longer having a donated asset or government granted asset reserve and ensures that performance can be measured consistently.

The Trust delivered a £39.7m deficit for the year against a planned surplus of £3.7m. Total income of £770.4m was £25.1m above the plan of £745.3m and expenditure of £809.9m was £68.3m above the plan of £741.6m. The principal drivers for the Trust's deficit were:

• The Trust did not receive £15m strategic transitional support which was expected at the 2013-14 planning stage.
• £5.3m less non-recurrent transformation funding was received from commissioners than expected.
• £14.3m relating to in year operating cost pressures and a deliberate investment in nurse staffing to sustain quality of care and patient safety standards.
• Contractual penalties and deductions of £5.2m, including a £3.4m increase in MRET deductions.

Note 26 details the impact of the Trust's deficit on its cash position and Note 28 details the impact on Trade and Other Payables.

Details of the impact of the Trust's deficit on its breakeven requirement, and future plans are included in note 43.1

Statement of Financial Position as at 31 March 2014

	NOTE	**31 March 2014** £000s	31 March 2013 £000s
Non-current assets:			
Property, plant and equipment	15	**362,465**	354,658
Intangible assets	16	**8,019**	5,308
Trade and other receivables	22.1	**3,123**	3,155
Total non-current assets		**373,607**	363,121
Current assets:			
Inventories	21	**13,937**	13,064
Trade and other receivables	22.1	**49,892**	45,649
Other current assets	25	**0**	40
Cash and cash equivalents	26	**515**	19,986
Total current assets		**64,344**	78,739
Non-current assets held for sale	27	**0**	0
Total current assets		**64,344**	78,739
Total assets		**437,951**	441,860
Current liabilities			
Trade and other payables	28	**(109,135)**	(76,594)
Provisions	35	**(1,585)**	(1,906)
Borrowings	30	**(6,590)**	(2,727)
Total current liabilities		**(117,310)**	(81,227)
Net current liabilities		**(52,966)**	(2,488)
Total non-current assets less net current liabilities		**320,641**	360,633
Non-current liabilities			
Provisions	35	**(2,070)**	(2,406)
Borrowings	31	**(5,890)**	(10,906)
Total non-current liabilities		**(7,960)**	(13,312)
Total Assets Employed:		**312,681**	347,321
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**282,625**	277,733
Retained earnings		**(34,542)**	4,960
Revaluation reserve		**64,598**	64,628
Total Taxpayers' Equity:		**312,681**	347,321

The notes on pages 16 to 40 form part of this account.

The financial statements on pages 1 to 40 were approved by the Board on 29th May and signed on its behalf by

Chief Executive: Date:

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

	2013-14			
	Public Dividend capital	**Retained earnings**	**Revaluation reserve**	**Total reserves**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April 2013	**277,733**	**4,960**	**64,628**	**347,321**
Changes in taxpayers' equity for the year ended 31 March 2014				
Retained deficit for the year	0	(39,514)	**0**	**(39,514)**
Transfers between reserves	0	30	(30)	**0**
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	(18)	**0**	**(18)**
New PDC Received - Cash	5,219	0	0	**5,219**
New PDC Received - PCT Legacy items paid for by Department of Health	50	0	0	**50**
PDC Repaid In Year	(377)	0	0	**(377)**
Net recognised revenue/(expense) for the year	**4,892**	**(39,502)**	**(30)**	**(34,640)**
Balance at 31 March 2014	**282,625**	**(34,542)**	**64,598**	**312,681**

The new Public Dividend Capital (PDC) received in 2013-14 relates to the following schemes:

	£000s
Safer Hospitals Technology Fund	2,350
Improving Maternity Care Settings	100
Nursing Technology Fund	622
Energy Efficiency Schemes	1,770
	4,842

	2012-13			
	Public Dividend capital	**Retained earnings**	**Revaluation reserve**	**Total reserves**
Balance at 1 April 2012	**277,487**	**3,705**	**64,706**	**345,898**
Changes in taxpayers' equity for the year ended 31 March 2013				
Retained surplus 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**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

	2013-14	2012-13
	£000s	£000s
Cash Flows from Operating Activities		
Operating Surplus/(Deficit)	**(28,878)**	12,802
Depreciation and Amortisation	**31,245**	32,097
Donated Assets received credited to revenue but non-cash	**(765)**	(1,617)
Interest Paid	**(468)**	(540)
Dividend paid	**(10,232)**	(10,030)
(Increase)/Decrease in Inventories	**(873)**	(802)
(Increase)/Decrease in Trade and Other Receivables	**(4,211)**	(18,283)
(Increase)/Decrease in Other Current Assets	**40**	0
Increase/(Decrease) in Trade and Other Payables	**24,835**	11,289
Provisions Utilised	**(1,229)**	(667)
Increase/(Decrease) in Provisions	**458**	2,069
Net Cash Inflow/(Outflow) from Operating Activities	**9,922**	26,318
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	**66**	77
(Payments) for Property, Plant and Equipment	**(25,691)**	(18,838)
(Payments) for Intangible Assets	**(3,503)**	(1,938)
Net Cash Inflow/(Outflow) from Investing Activities	**(29,128)**	(20,699)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	**(19,206)**	5,619
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital Received	**5,269**	246
Public Dividend Capital Repaid	**(377)**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	**(5,157)**	(4,248)
Net Cash Inflow/(Outflow) from Financing Activities	**(265)**	(4,002)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(19,471)**	1,617
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**19,986**	18,369
Cash and Cash Equivalents (and Bank Overdraft) at year end	**515**	19,986

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2013-14 NHS Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Movement of assets within the DH Group

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

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

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

1.4 Charitable Funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with NHS Trust's own returns is removed. Under the provisions of IAS 27 *Consolidated and Separate Financial Statements*, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 *Presentation of Financial Statements*, restated prior period accounts are presented where the adoption of the new policy has a material impact.

Following Treasury’s agreement to apply IAS 27 to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the Corporate Trustee of the linked NHS Charity (Leicester Hospitals Charity), it effectively has the power to exercise control so as to obtain economic benefits. However the transactions are immaterial in the context of the group and transactions have not been consolidated. Details of the transactions with the Charity are included in the related parties’ notes.

1.5 Pooled Budgets

The Trust has no pooled budget arrangements.

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

1.6 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 1.10.

1.7 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.

Univer

Notes

1.8

1.9

1.10

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

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

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

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

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

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

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

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

1.11 Intangible assets

Recognition

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

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

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

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), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.12 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 University Hospitals of Leicester NHS Trust expects to obtain economic benefits or service potential from the asset. This is specific to the University Hospitals of Leicester NHS Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

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

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

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

1.13 Donated assets

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

1.14 Government grants

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

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

1.15 Non-current assets held for sale

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

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

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

1.16 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 University Hospitals of Leicester NHS Trust as lessee

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

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

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

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

The University Hospitals of Leicester NHS Trust as lessor

The University Hospitals of Leicester NHS Trust has no income from 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.

1.17 Private Finance Initiative (PFI) transactions

The Trust has no PFI schemes

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

1.18 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.

1.19 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.

1.20 Provisions

Provisions are recognised when the University Hospitals of Leicester NHS Trust has a present legal or constructive obligation as a result of a past event, it is probable that the University Hospitals of Leicester NHS Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 1.8% and 2.7% for inflation.

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

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

1.21 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 35.

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

1.22 Non-clinical risk pooling

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

1.23 Carbon Reduction Commitment Scheme (CRC)

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

1.24 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.

1.25 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

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

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.

1.26 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 historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

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

1.27 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.

1.28 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.

1.29 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.

1.30 Public Dividend Capital (PDC) and PDC dividend

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

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

1.31 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 Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.32 Subsidiaries

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

Subsidiaries that are classified as ‘held for sale’ are measured at the lower of their carrying amount or ‘fair value less costs to sell’

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

1.33 Associates

Material entities over which the University Hospitals of Leicester NHS 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 University Hospitals of Leicester NHS Trust’s accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the University Hospitals of Leicester NHS 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 University Hospitals of Leicester NHS Trust had no Associates in 2013-14.

1.34 Joint ventures

Material entities over which the University Hospitals of Leicester NHS Trust has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures.

The University Hospitals of Leicester NHS Trust had no Joint Ventures in 2013-14.

1.35 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 University Hospitals of Leicester NHS Trust had no Joint Operations in 2013-14.

1.36 Research and Development

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

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

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

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

2. Pooled budget

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

	2013-14	2012-13
	£000s	£000s
NHS:		
NHS Trusts	**7,948**	631
NHS England	**222,614**	0
Clinical Commissioning Groups	**431,416**	0
Primary Care Trusts	**0**	629,861
Strategic Health Authorities	**0**	8,446
NHS Foundation Trusts	**2,659**	621
NHS Other	**509**	0
Non-NHS:		
Local Authorities	**3,547**	0
Private patients	**3,002**	3,883
Overseas patients (non-reciprocal)	**975**	1,362
Injury costs recovery	**1,271**	2,725
Other	**1,104**	1,616
Total Revenue from patient care activities	**675,045**	649,145

Non-NHS: Other includes £726k income from health bodies in Wales, Scotland and Northern Ireland (2012-13 - £1,436k).

Primary Care Trusts and Strategic Health Authorities no longer exist. The income that was received from these organisations in 2012-13 is now received from NHS England, Clinical Commissioning Groups, NHS Trust's and Local Authorities.

6. Other operating revenue

	2013-14	2012-13
	£000s	£000s
Recoveries in respect of employee benefits	**6,595**	6,214
Education, training and research	**71,502**	76,436
Receipt of donations for capital acquisitions - NHS Charity	**765**	1,617
Non-patient care services to other bodies	**3,481**	3,194
Rental revenue from operating leases	**8,857**	1,427
Other revenue	**4,148**	20,632
Total Other Operating Revenue	**95,348**	109,520
Total operating revenue	**770,393**	758,665

Other revenue includes all other income which does not fall within the specific categories listed above, including staff car parking £1.0m (2012-13: £1.0m) and accommodation £1.6m (2012-13: £1.4m).

Rental revenue from operating leases includes £7.4m of income from our facilities management service provider in relation to car parking and catering. This arrangement commenced in March 2013 and, in accordance with International Financial Reporting Standards, we classify these income elements as operating lease income.

7. Revenue

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

8. Operating expenses

	2013-14	2012-13 (restated)
	£000s	£000s
Services from other NHS Trusts	**4,353**	3,977
Services from other NHS bodies	**833**	295
Services from NHS Foundation Trusts	**2,002**	2,419
Services from Primary Care Trusts	0	1,972
Total Services from NHS bodies	**7,188**	8,663
Purchase of healthcare from non-NHS bodies	**7,678**	7,006
Trust Chair and Non-executive Directors	**73**	68
Supplies and services - clinical	**164,900**	149,374
Supplies and services - general	**27,288**	24,116
Consultancy services	**2,439**	1,304
Establishment	**5,812**	4,969
Transport	**2,626**	2,118
Premises	**35,308**	26,412
Insurance**	**38**	36
Legal Fees***	**500**	681
Impairments and Reversals of Receivables	**1,135**	259
Depreciation	**29,484**	30,025
Amortisation	**1,761**	2,072
Audit fees	**209**	209
Other auditor's remuneration	**0**	174
Clinical negligence	**17,733**	17,545
Research and development (excluding staff costs)	**14,340**	12,356
Education and Training	**1,084**	1,099
Other	**5,585**	2,235
Total Operating expenses (excluding employee benefits)	**325,181**	290,721

*Services from NHS bodies does not include expenditure which falls into any other category.

**Insurance and ***Legal Fees are new categories for 2013-14. 2012-13 totals have been restated to include these amounts.

Supplies and services - clinical includes £73,601k expenditure on drugs (2012-13 - £65,653k). There were no impairments of property, plant and equipment in 2013-14.

A change in accounts coding structure for research and development in 2013-14 has enabled an improved identification of these costs. 2012-13 comparatives have been restated.

	2013-14	2012-13
	£000s	£000s
Employee Benefits		
Employee benefits excluding Board members	**473,222**	454,237
Board members	**868**	905
Total Employee Benefits	**474,090**	455,142
Total Operating Expenses	**799,271**	745,863

9 Operating Leases

9.1 University Hospitals of Leicester NHS Trust as lessee

	2013-14				2012-13
	Land £000s	**Buildings £000s**	**Other £000s**	**Total £000s**	Total £000s
Payments recognised as an expense					
Minimum lease payments				**5,391**	5,044
Total				**5,391**	5,044
Payable:					
No later than one year	0	0	4,433	**4,433**	3,950
Between one and five years	0	0	12,164	**12,164**	10,692
After five years	0	0	689	**689**	1,235
Total	**0**	**0**	**17,286**	**17,286**	15,877

Of the total minimum lease payments for 2013-14, £4,333k (£3,950k in 2012-13) relates to three contracts for the provision of haemodialysis services as defined under IAS 17 *Leases.* The Trust is provided with haemodialysis services from private sector suppliers from sites at Boston, Leicester and Corby.

9.2 University Hospitals of Leicester NHS Trust as lessor

The Trust leases two properties to a local NHS Trust following the exchange of land and buildings with that Trust.

The Trust also receives lease income from its facilities managed service provider in relation to catering and car parking.

	2013-14	2012-13
	£000	£000s
Recognised as revenue		
Rental revenue	8,857	1,427
Total	**8,857**	1,427
Receivable:		
No later than one year	7,999	1,340
Between one and five years	37,185	2,389
After five years	0	0
Total	**45,184**	3,729

10 Employee benefits and staff numbers

10.1 Employee benefits

	2013-14		
	Total £000s	**Permanently employed £000s**	**Other £000s**
Employee Benefits - Gross Expenditure			
Salaries and wages	**403,871**	373,199	30,672
Social security costs	**29,137**	29,137	0
Employer Contributions to NHS BSA - Pensions Division	**42,133**	42,133	0
Termination benefits	**182**	182	0
Total employee benefits	**475,323**	**444,651**	**30,672**
Employee costs capitalised	**1,233**	703	530
Gross Employee Benefits excluding capitalised costs	**474,090**	**443,948**	**30,142**

	2012-13		
Employee Benefits - Gross Expenditure 2012-13	**Total £000s**	**Permanently employed £000s**	**Other £000s**
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 - including capitalised costs	456,148	432,666	23,482
Employee costs capitalised	1,006	797	209
Gross Employee Benefits excluding capitalised costs	455,142	431,869	23,273

In 2012-13 there were rows for 'other post-employment benefits' and 'other employment benefits'. These are now included within the 'Salaries and wages' row.

10.2 Staff Numbers

	2013-14			2012-13
	Permanently employed	**Other**	**Total**	Total
	Number	**Number**	**Number**	Number
Average Staff Numbers				
Medical and dental	1,092	491	**1,583**	1,461
Administration and estates	1,608	59	**1,667**	1,781
Healthcare assistants and other support staff	598	36	**634**	866
Nursing, midwifery and health visiting staff	3,141	170	**3,311**	3,173
Nursing, midwifery and health visiting learners	1,304	59	**1,363**	1,212
Scientific, therapeutic and technical staff	1,260	281	**1,541**	1,268
Other	268	33	**301**	241
TOTAL	**9,271**	**1,129**	**10,400**	10,002
Of the above - staff engaged on capital projects	14	4	**18**	22

10.3 Staff Sickness absence and ill health retirements

	2013-14	2012-13
	Number	Number
Total Days Lost	73,616	75,560
Total Staff Years	9,966	9,928
Average working Days Lost	7.39	7.61

	Number	Number
Number of persons retired early on ill health grounds	**14**	16

	£000s	£000s
Total additional pensions liabilities accrued in the year	**748**	989

10.4 Exit Packages agreed in 2013-14

2013-14

Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£'s	Number	Number	Number	£'s	Number	£'s
Less than £10,000	0	0	0	0	0	0	0	0
£10,000-£25,000	2	44,652	0	2	2	44,652	0	0
£25,001-£50,000	1	47,087	0	1	1	47,087	0	0
£50,001-£100,000	1	90,252	0	1	1	90,252	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
Totals	4	181,991	0	4	4	181,991	0	0

2012-13

Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages	Number of departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£'s	Number	Number	Number	£'s	Number	£'s
Less than £10,000	0	0	0	0	0	0	0	0
£10,000-£25,000	0	0	0	0	0	0	0	0
£25,001-£50,000	1	26,771	0	0	1	26,771	0	0
£50,001-£100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
Totals	1	26,771	0	0	1	26,771	0	0

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

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

10.5 Exit packages - Other Departures analysis

There were none of the following other departures in the year within the Trust:

Voluntary redundancies including early retirement contractual costs
Mutually agreed resignations (MARS) contractual costs
Early retirements in the efficiency of the service contractual costs
Contractual payments in lieu of notice
Exit payments following Employment Tribunals or court orders
Non-contractual payments requiring HMT approval

10.6 Pension costs

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

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

	2013-14		2012-13	
	Number	**£000s**	Number	£000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**128,364**	**396,204**	123,289	364,150
Total Non-NHS Trade Invoices Paid Within Target	**59,150**	**271,621**	104,995	307,704
Percentage of NHS Trade Invoices Paid Within Target	**46.08%**	**68.56%**	85.16%	84.50%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**4,654**	**163,108**	4,857	**147,687**
Total NHS Trade Invoices Paid Within Target	**2,549**	**133,356**	3,320	**132,473**
Percentage of NHS Trade Invoices Paid Within Target	**54.77%**	**81.76%**	68.35%	89.70%

The Better Payment Practice Code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. The Trust has not complied with this requirement for 2013-14 as its adverse financial performance reduced the cash available to make timely payments to all suppliers during the year.

The Trust will improve its performance against the Better Payment Practice Code (BPPC) in 2014-15 as a result of the cash financing outlined in note 26 The financing solutions will give us sufficient cash to ensure all invoices can be paid within the 30 day payment terms within 2014-15.

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

	2013-14	2012-13
	£000s	£000s
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	0

12 Investment Revenue

	2013-14	2012-13
	£000s	£000s
Bank interest	**66**	77
Total investment revenue	**66**	77

13 Other Gains and Losses

	2013-14	2012-13
	£000s	£000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**(51)**	0
Total	**(51)**	0

14 Finance Costs

	2013-14	2012-13
	£000s	£000s
Interest		
Interest on obligations under finance leases	**109**	553
Total interest expense	**109**	553
Other finance costs	**0**	0
Provisions - unwinding of discount	**154**	59
Total	**263**	612

The reduction in finance lease interest from the prior year is due to a reprofiling by the service provider of the interest chargeable for the finance lease across the full lease term.

15.1 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2013	**52,734**	**277,502**	**8,723**	**5,896**	**138,448**	**137**	**52,245**	**1,923**	**537,608**
Transfers under Modified Absorption Accounting - PCTs & SHAs	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**2**
Additions of Assets Under Construction				**7,243**					**7,243**
Additions Purchased	0	14,888	81		6,285	0	3,538	191	**24,983**
Additions Donated	0	0	0	0	114	0	7	0	**121**
Additions Government Granted	0	313	0	0	320	11	0	0	**644**
Additions Leased	0	0	0		4,353	0	0	0	**4,353**
Reclassifications	0	5,517	0	(5,597)	22	0	41	13	**(4)**
Disposals other than for sale	0	0	0	0	(7,602)	0	(552)	(154)	**(8,308)**
At 31 March 2014	**52,734**	**298,220**	**8,804**	**7,542**	**141,940**	**148**	**55,281**	**1,973**	**566,642**
Depreciation									
At 1 April 2013	**5,612**	**39,735**	**885**	**129**	**91,397**	**82**	**43,340**	**1,770**	**182,950**
Disposals other than for sale	0	0	0		(7,551)	0	(552)	(154)	**(8,257)**
Charged During the Year	0	15,366	424		9,538	14	4,117	25	**29,484**
At 31 March 2014	**5,612**	**55,101**	**1,309**	**129**	**93,384**	**96**	**46,905**	**1,641**	**204,177**
Net Book Value at 31 March 2014	**47,122**	**243,119**	**7,495**	**7,413**	**48,556**	**52**	**8,376**	**332**	**362,465**
Asset financing:									
Owned - Purchased	47,122	236,450	7,495	7,413	25,410	26	6,792	245	**330,953**
Owned - Donated	0	5,870	0	0	1,107	26	41	87	**7,131**
Owned - Government Granted	0	799	0	0	0	0	0	0	**799**
Held on finance lease	0	0	0	0	22,039	0	1,543	0	**23,582**
Total at 31 March 2014	**47,122**	**243,119**	**7,495**	**7,413**	**48,556**	**52**	**8,376**	**332**	**362,465**

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
At 1 April 2013	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Movements	12,633	45,630	6,316	0	49	0	0	0	**64,628**
At 31 March 2014	0	0	0	0	(9)	0	0	0	**(9)**
	12,633	**45,630**	**6,316**	**0**	**40**	**0**	**0**	**0**	**64,619**

Additions to Assets Under Construction in 2013/14

	£000's
Buildings excl Dwellings	6,191
Plant & Machinery	1,052
Balance as at YTD	**7,243**

15.2 Property, plant and equipment prior-year

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2012	52,490	266,172	8,664	1,430	132,226	536	48,687	2,089	512,294
Additions - Assets Under Construction				5,691					5,691
Additions - purchased	244	8,688	56		5,236	22	1,674	55	15,975
Additions - donated	0	1,291	0	0	282	13	30	0	1,616
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
Disposals other than by sale	0	0	0	0	(9,189)	(434)	(669)	(221)	(10,513)
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
Disposals other than for sale	0	0	0		(8,879)	(366)	(669)	(221)	(10,135)
Charged During the Year	0	14,313	422		10,129	27	5,109	25	30,025
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**
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**

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:

- £246K of building works including £78k works to improve the environment on Childrens Ward 27 and £32k refurbishment of the parent rooms.
- £303k for medical and dental equipment including £102k for scalp cooling equipment and £95k for an ultrasound machine for the breast care centre.

15.3.2 Revaluation

The Trust re-values its assets every three years.

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

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

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

The valuations have been prepared in accordance with the Government Financial Reporting Manual 2012-2013 (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 1.10.

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 2014	31 March 2013
	£000	£000
Plant & Machinery (Purchased)	**40,921**	47,082
Plant & Machinery (Donated)	**5,593**	6,648
Transport Equipment (Purchased)	**39**	39
Tangible IM&T (Purchased)	**38,716**	32,334
Tangible IM&T (Donated)	**106**	157
Intangible IM&T (Purchased)	**4,085**	3,302
Furniture & Fittings (Purchased)	**1,520**	1,634
Furniture & Fittings (Donated)	**73**	114
	91,053	**91,310**

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

	2013-14	
	Computer Licenses £000's	Total £000's
At 1 April 2013	**11,754**	**11,754**
Additions - purchased	4,468	**4,468**
Reclassifications	4	**4**
Disposals other than by sale	(125)	**(125)**
At 31 March 2014	**16,101**	**16,101**
Amortisation		
At 1 April 2013	**6,446**	**6,446**
Disposals other than by sale	(125)	**(125)**
Charged during the year	1,761	**1,761**
At 31 March 2014	**8,082**	**8,082**
Net Book Value at 31 March 2014	**8,019**	**8,019**
Asset Financing: Net book value at 31 March 2014 comprises:		
Purchased	8,018	**8,018**
Donated	1	**1**
Total at 31 March 2014	**8,019**	**8,019**

16.2 Intangible non-current assets prior year

	2012-13	
	Computer Licenses £000s	Total £000s
Cost or valuation:		
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
Asset Financing: Net book value at 31 March 2013 comprises:		
Purchased	5,308	5,308
Donated	0	0
Government Granted	0	0
Total at 31 March 2013	5,308	5,308

16.3 Intangible non-current assets

The accounting policies in relation to intangible assets are included in note 1.11.

16.3.1 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.

16.3.2 Amortisation

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

16.3.3 Acquisition

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

16.3.4 Fully amortised assets

The Trust has £4.1m of fully amortised intangible assets still in use.

16.3.5 Recognition

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

16.3.6 Revaluation reserve balance for intangible assets

The Trust has no revaluation reserve balances for intangible assets.

16.3.7 Impairments

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

17 Analysis of impairments and reversals recognised in 2013-14

The Trust has not impaired any assets during 2013-14.

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 2014	31 March 2013
	£000s	£000s
Property, plant and equipment	**7,812**	8,970
Total	**7,812**	8,970

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	35,968	0	23,023	0
Balances with Local Authorities	76	0	237	0
Balances with NHS Trusts and Foundation Trusts	3,116	0	4,492	0
Balances with bodies external to government	10,682	3,123	86,968	0
At 31 March 2014	**49,842**	**3,123**	**114,720**	**0**
prior period:				
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**

21 Inventories

	Drugs	Consumables	Energy	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**3,126**	**9,659**	**279**	**13,064**	**9,659**
Additions	73,600	64,214	46	**137,860**	64,214
Inventories recognised as an expense in the period	(73,401)	(63,485)	(101)	**(136,987)**	(63,485)
Balance at 31 March 2014	**3,325**	**10,388**	**224**	**13,937**	**10,388**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**37,320**	33,679	**0**	0
Non-NHS receivables - revenue	**10,758**	9,819	**3,148**	3,180
Non-NHS prepayments and accrued income	**1,660**	2,327	**372**	372
Provision for the impairment of receivables	**(1,408)**	(1,123)	**(397)**	(397)
VAT	**1,265**	748	**0**	0
Other receivables	**297**	199	**0**	0
Total	**49,892**	45,649	**3,123**	3,155
Total current and non current	**53,015**	48,804		

The great majority of trade is with CCGs, as commissioners for NHS patient care services. As CCGs 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 2014	31 March 2013
	£000s	£000s
By up to three months	**2,162**	1,586
By three to six months	**441**	520
By more than six months	**476**	109
Total	**3,079**	2,215

22.3 Provision for impairment of receivables

	2013-14	2012-13
	£000s	£000s
Balance at 1 April 2013	**(1,520)**	(1,402)
Amount written off during the year	**850**	141
Amount recovered during the year	**241**	321
(Increase)/decrease in receivables impaired	**(1,376)**	(580)
Balance at 31 March 2014	**(1,805)**	**(1,520)**

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. The total injury cost recovery provision is £484k (2012-13: £397k).

23 NHS LIFT investments

The Trust has no NHS LIFT investments.

24.1 Other Financial Assets - Current

The Trust has no other financial assets.

24.2 Other Financial Assets - Non Current

The Trust has no other financial assets.

25 Other current assets

	31 March 2014	31 March 2013
	£000s	£000s
EU Emissions Trading Scheme Allowance	**0**	40
Total	**0**	40

26 Cash and Cash Equivalents

	31 March 2014	31 March 2013
	£000s	£000s
Opening balance	**19,986**	18,369
Net change in year	**(19,471)**	1,617
Closing balance	**515**	19,986
Made up of		
Cash with Government Banking Service	**503**	19,974
Commercial banks	**0**	12
Cash in hand	**12**	0
Cash and cash equivalents as in statement of financial position	**515**	19,986
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**515**	19,986
Patients' money held by the Trust	**2**	4

The Trust's closing cash balance of £0.5m was £18.5m below the planned value of £19m. Following an agreed reset of its External Financing Limit (EFL) by the NTDA, the Trust was able to reduce its cash balances significantly from plan at the year end. This enabled the Trust to maximise its creditor payments at the year end and reduce the backlog of unpaid and overdue supplier invoices which arose due to the Trust's adverse financial position. The Trust achieved met its revised EFL target as shown in Note 43.3.

The financial plan for 2014-15 forecasts that the Trust will require both temporary borrowing and permanent financing as follows:

- £78m permanent PDC financing is required to fund the £40.7m deficit plan for the full year; cover the outstanding creditors brought forward at the start of the year; and provide funding for the capital programme; and

- Temporary borrowing will be drawn down from April to clear the outstanding creditor payments and to fund the deficit plan until permanent PDC financing is received later in the year.

This has been discussed with the NTDA and the Trust received the first tranche of its temporary borrowing (£15.5m) in April 2014. Sufficient liquidity therefore will exist or can be made available to support the operations of the Trust in the coming twelve months from the date of annual accounts.

27 Non-current assets held for sale

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

28 Trade and other payables

	Current	
	31 March 2014	31 March 2013
	£000s	£000s
NHS payables - revenue	**6,419**	3,517
NHS accruals and deferred income	**5,517**	875
Non-NHS payables - revenue	**36,227**	29,325
Non-NHS payables - capital	**12,907**	5,407
Non-NHS accruals and deferred income	**30,053**	21,516
Social security costs	**4,458**	4,324
Tax	**4,951**	4,991
Other	**8,603**	6,639
Total payables (current and non-current)	**109,135**	**76,594**
Included above:		
Outstanding Pension Contributions at the year end	**5,898**	5,404

The increase in total payables can be attributed to an increase in capital payables of £7.5m; an increase in deferred income of £5.5m due to the change in the way maternity pathways are funded; and a general increase in the backlog of supplier invoices that remained unpaid at the year end due to the low levels of cash resulting from the Trust's financial performance.

29 Other liabilities

The Trust has no other liabilities.

30 Borrowings

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Finance lease liabilities	**6,590**	2,727	**5,890**	10,906
Total other liabilities (current and non-current)	**12,480**	**13,633**		

Finance leases - payment of principal falling due in:

	31 March 2014		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 Years	0	6,590	**6,590**
1 - 2 Years	0	5,890	**5,890**
TOTAL	**0**	**12,480**	**12,480**

31 Other financial liabilities

The Trust has no other financial liabilities.

32 Deferred revenue

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2013	**6,442**	7,657	**0**	0
Deferred revenue addition	**7,941**	1,348	**0**	0
Transfer of deferred revenue	**(477)**	(2,563)	**0**	0
Current deferred Income at 31 March 2014	**13,906**	6,442	**0**	0
Total deferred income	**13,906**	6,442		

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 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year	**6,590**	2,727	**6,590**	2,727
Between one and five years	**7,680**	11,952	**5,890**	10,906
Less future finance charges	(1,790)	(1,046)		
Minimum Lease Payments / Present value of minimum lease payments	**12,480**	13,633	**12,480**	13,633
Included in:				
Current borrowings			**6,590**	2,727
Non-current borrowings			**5,890**	10,906
			12,480	13,633

34 Finance lease receivables as lessor

The Trust has no finance lease receivables.

35 Provisions

	Total	Early Departure Costs	Other	Redundancy
		Comprising:		
	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**4,312**	1,658	918	1,736
Arising During the Year	**447**	40	329	78
Utilised During the Year	**(1,229)**	(215)	(212)	(802)
Reversed Unused	**(29)**	0	0	(29)
Unwinding of Discount	**154**	26	128	0
Balance at 31 March 2014	**3,655**	**1,509**	**1,163**	**983**
Expected Timing of Cash Flows:				
No Later than One Year	**1,585**	212	390	983
Later than One Year and not later than Five Years	**933**	676	257	0
Later than Five Years	**1,137**	621	516	0

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

	£000s
As at 31 March 2014	123,061
As at 31 March 2013	115,991

Early departure costs include pensions payable to former directors and other staff.

Other provisions includes £200k for employer and public liability cases as notified to us by the NHS Litigation Authority; £687k permanent injury benefits and £276k for potential litigation or employment tribunals.

36 Contingencies

	31 March 2014	31 March 2013
	£000s	£000s
Contingent liabilities		
Other	**(147)**	(101)
Net Value of Contingent Liabilities	**(147)**	(101)

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 2014-15. Provisions for these are also included at note 35.

The Trust has a contingent asset in relation to 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 but the value is not expected to be material.

37 PFI and LIFT - additional information

The Trust has no PFI or LIFT contracts.

38 Impact of IFRS treatment - current year

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

39 Financial Instruments

39.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with commissioners and the way those commissioners are financed, the NHS trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. 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 rust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at the 31st March 2014 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

39.2 Financial Assets

	Loans and receivables £000s	Total £000s
Receivables - NHS	18,952	**18,952**
Receivables - non-NHS	7,881	**7,881**
Cash at bank and in hand	515	**515**
Total at 31 March 2014	**27,348**	**27,348**
Cash at bank and in hand	19,986	19,986
Total at 31 March 2013	19,986	19,986

39.3 Financial Liabilities

	Other £000s	Total £000s
NHS payables	429	**429**
Non-NHS payables	16,961	**16,961**
Finance lease obligations	12,480	**12,480**
Total at 31 March 2014	**29,870**	**29,870**
Finance lease obligations	13,633	13,633
Total at 31 March 2013	13,633	13,633

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:

Cambridgeshire And Peterborough CCG
Community Health Partnerships
Corby CCG
Coventry And Rugby CCG
Derbyshire Community Health Services NHS Trust
Derbyshire and Nottinghamshire
East Leicestershire and Rutland CCG
East Staffordshire CCG
George Eliot Hospital NHS Trust
Health Education England
HM Revenue and Customs
Kettering General Hospital NHS Foundation Trust
Leicester City CCG
Leicestershire County Council
Leicestershire and Lincolnshire Area Team
Leicestershire Partnership NHS Trust
Lincolnshire East CCG
Lincolnshire West CCG
National Insurance Fund
Nene CCG
Newark & Sherwood CCG
NHS Blood & Transplant
NHS England
NHS Litigation Authority
NHS Pension Scheme
NHS Supply Chain
Northampton General Hospital NHS Trust
Northamptonshire Healthcare NHS Foundation Trust
Northern Lincolnshire and Goole NHS Foundation Trust
Nottingham City CCG
Nottingham University Hospitals NHS Trust
Oxford Health NHS Foundation Trust
Peterborough & Stamford Hospitals NHS Foundation Trust
Rushcliffe CCG
Sherwood Forest Hospitals NHS Foundation Trust
South East Staffs And Seisdon Peninsular CCG
South Lincolnshire CCG
Southern Derbyshire CCG
South West Lincolnshire CCG
Staffordshire and Stoke on Trent Partnership NHS Trust
United Lincolnshire Hospitals NHS Trust
University Hospitals Coventry and Warwickshire NHS Trust
Warwickshire North CCG
West Leicestershire CCG
Department of Energy and Climate Change
Public Health England
Welsh Assembly Government

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 £9,006k. 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 2014 a sum of £425k is included in creditors in respect of the University of Leicester. The University Paid us £6,264k in the year, relating primarily to research work, and £1,363k was included within debtors at the year end

Leicester Hospitals Charity

The Trust is the Corporate Trustee for Leicester Hospitals Charity which is an independent charity registered with the Charity Commission. In 2013-14 the Trust received total asset donations of £1,423k (£1,497k in 2012-13). Full details will be included in the Charity's accounts as submitted to the Charity Commission.

42 Losses and special payments

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

	Total value of cases	Total number of cases
	£000s	Number
Losses		
Bad debts and claims abandoned -		
Private patients	13	66
Overseas visitors	660	249
Other	162	299
Total losses	**835**	**614**
Special payments		
Ex gratia payments -		
Loss of personal effects	38	128
Personal injury with advice	129	25
Maladministration, no financial loss	1	20
Other payments	15	1
Total special payments	**183**	**174**
Total losses and special payments	**1,018**	**788**

Bad debts and claims abandonded are debts written off during 2013-14 and where the original invoice may have been raised in previous periods. The increase in the level of debts written off in 2013-14 over 2012-13 is due to the timing of the write off exercise. An example of this is shown in the table below for overseas debts.

	Financial year invoices were raised				
	2013-14	2012-13	2011-12	2010-11	pre 2010
	£000s	£000s	£000s	£000s	£000s
Overseas visitors debt written off in 2013-14	164	314	148	24	10

The Trust makes appropriate provision for doubtful debts in its accounts and has made and has taken a consistent approach to this in 2012-13 and 2013-14.

There were no individual cases over £250,000.

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

	Total value of cases	Total number of cases
	£000s	Number
Losses		
Losses of Cash Due to -		
Theft, Fraud etc	0	1
Bad debts and claims abandoned -		
Private patients	84	58
Overseas visitors	78	135
Other	33	178
Total losses	**195**	**372**
Special payments		
Ex Gratia Payments -		
Loss of personal effects	24	90
Personal injury with advice	130	23
Other negligence and injury	3	11
Total special payments	**157**	**124**
Total losses and special payments	**352**	**496**

There were no individual cases over £250,000.

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	2013-14
	£000s	£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	**770,393**
Retained surplus/(deficit) for the year	60	61	577	3,018	(3,992)	(2,542)	(27,985)	1,177	**(39,514)**
Adjustment for:									
Adjustments for Impairments				0	4,043	3,555	28,073	0	**0**
Adjustments for impact of policy change re donated/government grants assets							0	(1,086)	**(141)**
Break-even in-year position	**60**	**61**	**577**	**3,018**	**51**	**1,013**	**88**	**91**	**(39,655)**
Break-even cumulative position	**254**	**315**	**892**	**3,910**	**3,961**	**4,974**	**5,062**	**5,153**	**(34,502)**

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, the 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	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	-5.15
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	-4.48

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.

The Trust has submitted the final version of its two year plan to the NTDA. The key details relating to the plan for 2014-15 are as follows:

• An adjusted retained deficit of £40.7m for the year.
• A major CIP plan of £45m.
• A capital expenditure plan of £63.3m, including the Emergency Floor development and vascular services move.
• Permanent PDC funding of £78m to fund the deficit plan; £12m of brought forward creditors; and to part fund the capital programme. The Trust is planning to apply for temporary borrowing at regular stages during the year until the PDC application is submitted.
• A Financial Risk Rating (FRR) of 4 (calculated in accordance with the TDA planning submission guidelines).

The Trust has agreed with the NTDA that a financial recovery plan will be produced by the end of Q1 for the Trust to achieve a recurrent balanced financial position within three years. This will be linked to our 5 year plan and Service Strategy.

The financial recovery plan will be considered in the wider context of the Leicester, Leicestershire and Rutland (LLR) health economy position. The quantum of the Trust's 2013-14 deficit, and the increase in the in-year deficit has increased the need for a joined up approach to planning for the Trust and for the LLR Health Economy. 2013-14 will be the first year that the LLR health economy has not delivered a balanced financial position.

The overall financial plan and resulting deficit position is driven by the Trust's activity and income assumptions, workforce implications and the Cost Improvement Programme (CIP). The Trust has a clear process for deliveri

The Trust does not expect to breakeven on a cumulative basis for several years after 2017-18 and this detail will also be included in the 5 Year Plan.

43.3 External financing

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

	2013-14	2012-13
	£000s	£000s
External financing limit (EFL)	**20,655**	(4,185)
External financing requirement:		
Cash flow financing	**19,156**	(5,619)
Unwinding of Discount Adjustment	**154**	0
Total external financing requirement	**19,310**	(5,619)
Under/(Over) Spend against EFL	**1,345**	1,434

During the year our EFL was adjusted by the Department of Health from a negative (£1,417k) up to £20,655k. We requested an adjustment of £19m to enable us to minimise our cash balances and thereby repay a large backlog of creditor payments that had accumulated due to the Trust's adverse financial performance. The EFL was also adjusted due to the increase in new PDC received in the year, as detailed in the Statement of Changes in Taxpayers' Equity.

43.4 Capital resource limit

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

	2013-14	2012-13
	£000s	£000s
Gross capital expenditure	**37,459**	25,421
Less: book value of assets disposed of	**(46)**	(378)
Less: donations towards the acquisition of non-current assets	**(765)**	(1,617)
Charge against the capital resource limit	**36,648**	23,426
Capital resource limit	**36,700**	31,746
(Over)/underspend against the capital resource limit	**52**	8,320

During the year our CRL was reduced by £6m due to the forecast underspend on our capital programme and our underspend against this revised limit was not material.

44 Third party assets

The Trust held cash and cash equivalents which relate to monies held by the 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	31 March
	£000s	£000s
Third party assets held by the Trust	**2**	4

Appendix 2: Management responses to KPMG ISA260 recommendations

This appendix summarises the recommendations that we have identified from our work. We have given each of our recommendations a risk rating (as explained below) and agreed with management what action you will need to take.

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	**Valuations** The Trust should strengthen the quality assurance procedures in relation to valuation of its land and building asset to ensure that sufficient evidence is provided to support values as per the balance sheet on an annual basis, especially in years when no formal external valuation is received. This should include review of relevant indices, benchmarking and comparison against other NHS and public sector bodies, as well as a detailed review of possible impairments against IAS 36. When valuations are received, these are fully suitable for its needs, and that unusual movements are investigated. This should include a review of: ■ The valuers' methodologies and assumptions, and how these compare to those previously used; ■ The accuracy of property data provided by the Trust; and ■ The appropriateness of accounting transactions in prior periods. The Trust transferred £5.6m of Assets Under Construction during the 2013/14 financial year into operation categories such as buildings, plant and machinery, and IT. The Trust's policy states that *"Assets are revalued and depreciation commences when they are brought into use."* These assets were not revalued during the year, contrary to accounting policy requirements. The Trust should ensure that its capital accounting policies are fully complied with each year.	Agreed We will have a full revaluation of our land and buildings in 2014-15 and agree a policy for gaining assurance on the valuation of our assets in years where no formal revaluation takes place. Nick Sone – Financial Controller Darren Stell – Capital Accountant Due date: November 2014

Appendix 2: Management responses to KPMG ISA260 recommendations

#	Risk	Issue, Impact and Recommendation	Management Response/ Responsible Officer/Due Date
2	1	**Executive Director Contracts** During the financial year, an Executive Director of the Trust resigned from employment. Through reviewing the arrangements regarding this departure, it was discovered that the Trust did not hold a signed contract for the individual in question. The discovery of unsigned contracts for any member of staff is a control weakness, this is even more so when in relation to an Executive Director. The Trust have undertaken a review of the remaining Directors to provide assurance this was an isolated incident. The Trust should review its policies and procedures with regards to ensuring signed copies of contracts for all members of staff are received prior to the commencement of employment.	Agreed We will review our policies and procedures relating to staff contracts of employment. Kate Bradley – Director of Human Resources Due date: Immediate
3	2	**Outsourcing Contracts** The two new major contracts entered into in 2012-13 by the Trust, IBM and Interserve, were signed in December 2012, and commenced during the final quarter of the 2012/13 financial year. As a result both contracts operated under a 'steady state' / 'business as usual' basis until the year end. During 2013/14 the contracts have remain 'business as usual'. The accounting and disclosure requirements have therefore remained minimal during the financial year. However, we continue to note that additional areas within these contracts, such as potential sub-leases and capital spend, may be activated in the forthcoming financial year. Furthermore, as part of the Trust's contractual arrangements with Interserve to provide facilities management, on termination of the contract the Trust is entitled to receive all assets being used in provision of the various services. The Trust is over a year into the contract but currently does not have a list of what these assets will be, nor the value expected to be attached to them. The Trust should ensure that all relevant information pertaining to outsourcing contracts is obtained and reviewed on a timely basis to ensure that the accounting treatment and disclosures remain appropriate;	Agreed We will remain engaged with the Trust's major contracts including IBM and Interserve and review any developments against appropriate accounting standards. Nick Sone – Financial Controller Due Date: Ongoing We will discuss with Interserve the assets that will be transfer back to the Trust at completion of the contract in order to determine the likely value of these assets. Nick Sone – Financial Controller Due date: September 2014

KPMG

Appendix 2: Management responses to KPMG ISA260 recommendations

#	Risk	Issue, Impact and Recommendation	Management Response/ Responsible Officer/Due Date
4	2	**Annual Report** As part of our Prepared By Client (PBC) list issued in January 2014 we requested that the Trust provide us with the annual report during our audit so that we could undertake our required review, including audit of the remuneration contained within. We also requested that the annual report be cross referenced to the requirements in the Manual for Accounts, and provided a schedule to help with this. We commenced our audit on 24 April 2014 and received an initial draft of the annual report, however the completed final draft was not provided until 22 May 2014. This is required so that we can review the full report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. The Trust should ensure that all working papers, reports and supporting documentation requested 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.	Agreed Whilst the final draft version of the Annual Report was provided to audit on the 22nd May, a substantially complete version was provided on the 24th April. We consider that many of the mandatory elements of the report, including the OFR and remuneration report, were included in the 24th April version. However at that stage some content was outstanding from several contributors and this was clearly marked up in the report. There is also some specific content (such as complaints data) that is not available until mid to late May so it is not possible to have a fully completed report by the Audit commencement date. We had a timetable at the end of 2013-14 for the submission of Annual Report content to the Communications team. In light of the issue raised we will review this timetable for 2014-15. If necessary we will bring forward the report's production date, taking into account such factors as the audit date and the Easter holiday period. We will communicate this to all contributors in sufficient time to allow for the Annual Report's completion. Mark Wightman - Director of Communications March 2015