The Leeds Teaching Hospitals NHS Trust

Annual Accounts 2014/15

ANNUAL REPORT 2014/15 – FINANCIAL REVIEW

	Plan 2014/15	Actual 2014/15		Actual 2013/14
Income and Expenditure Reported Deficit/Surplus	-£50m	-£24m		£2m
Cash	£3m	£3m		£23m
Capital Spend	£32m	£42m		£29m
Cost Improvements	£54m	£54m		£39m
Continuity of Services Risk Rating - Score	1	2		3
Better Payments Practice Code	95%	90%		67%

The Trust commenced 2014/15 planning a revenue deficit of £50 million and having to find efficiency savings of £54 million. Both of these targets were achieved in a very challenging year for the NHS generally. As described elsewhere in this report they were delivered alongside improvements in patient care and safety.

The financial plans for 2014/15 were the first stage in a recovery plan which will see the Trust returned to sustainable breakeven in 2017/18. The plans have been agreed by our regulator, the Trust Development Authority. Inherent within that agreement is access to cash support to enable the Trust to meet all of its payment obligations in the years when it is reporting deficits.

Revenue Position

The Trust delivered a £24 million deficit against a planned deficit of £50 million as a result of the factors summarised below:

	£m
Planned Deficit	**50**
Non-recurrent Income Support	14
Depreciation Savings	9
Winter Pressures Funding	2
Income Improvement	1
Reported Deficit	24

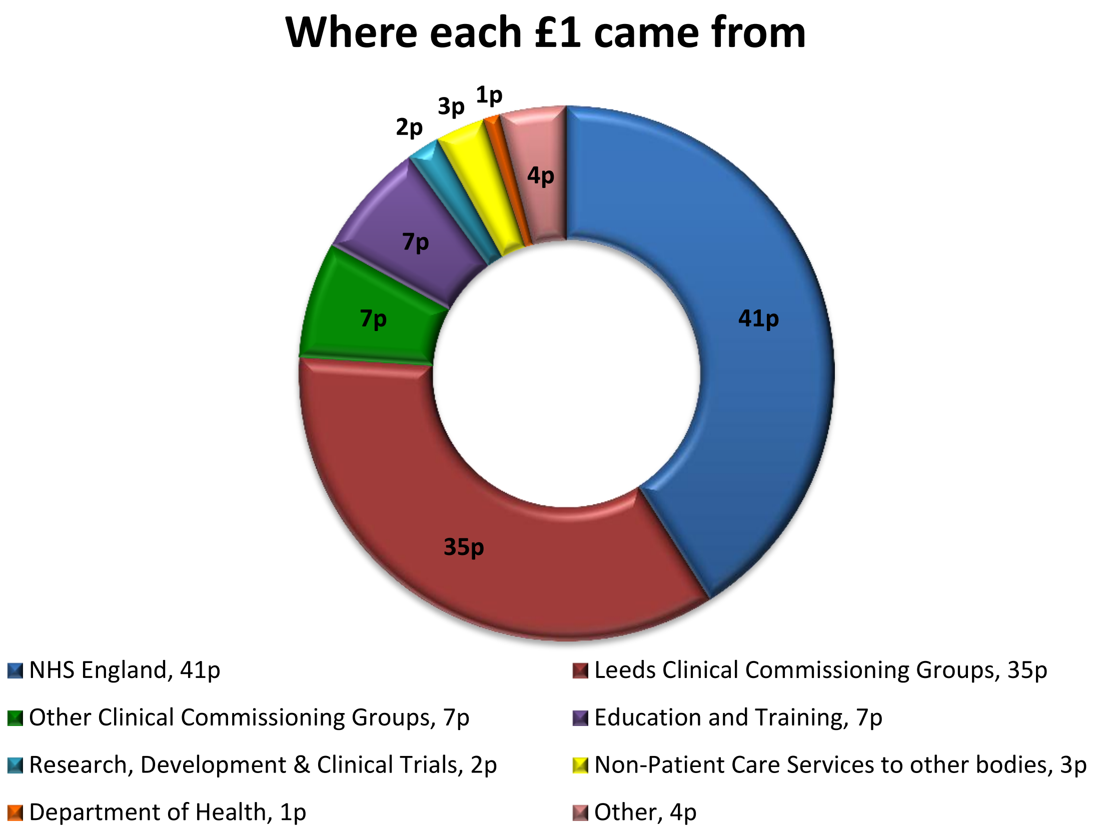
Like a number of other trusts across the country we received a non-recurrent income payment from the Trust Development Authority to support the delivery of healthcare services.

In the summer of 2014 the Trust engaged the services of DTZ Debenham Tie Leung Limited to conduct a full cyclical valuation of its land and buildings. This resulted in some buildings being impaired (fall in value), others having previous impairments reversed (increase in value) and extensions to the remaining economic lives of most having taken account of their age, condition and fitness for purpose. The net impact on the value of our estate was a reduction of £2 million and depreciation savings as identified above.

The difficulties faced by the NHS over the winter months were well publicised. The Trust received an additional £2 million as part of the national “winter pressures” allocation to help it through this traditionally challenging period.

Operating Income

The chart below gives an indication of where income came from in 2014/15.



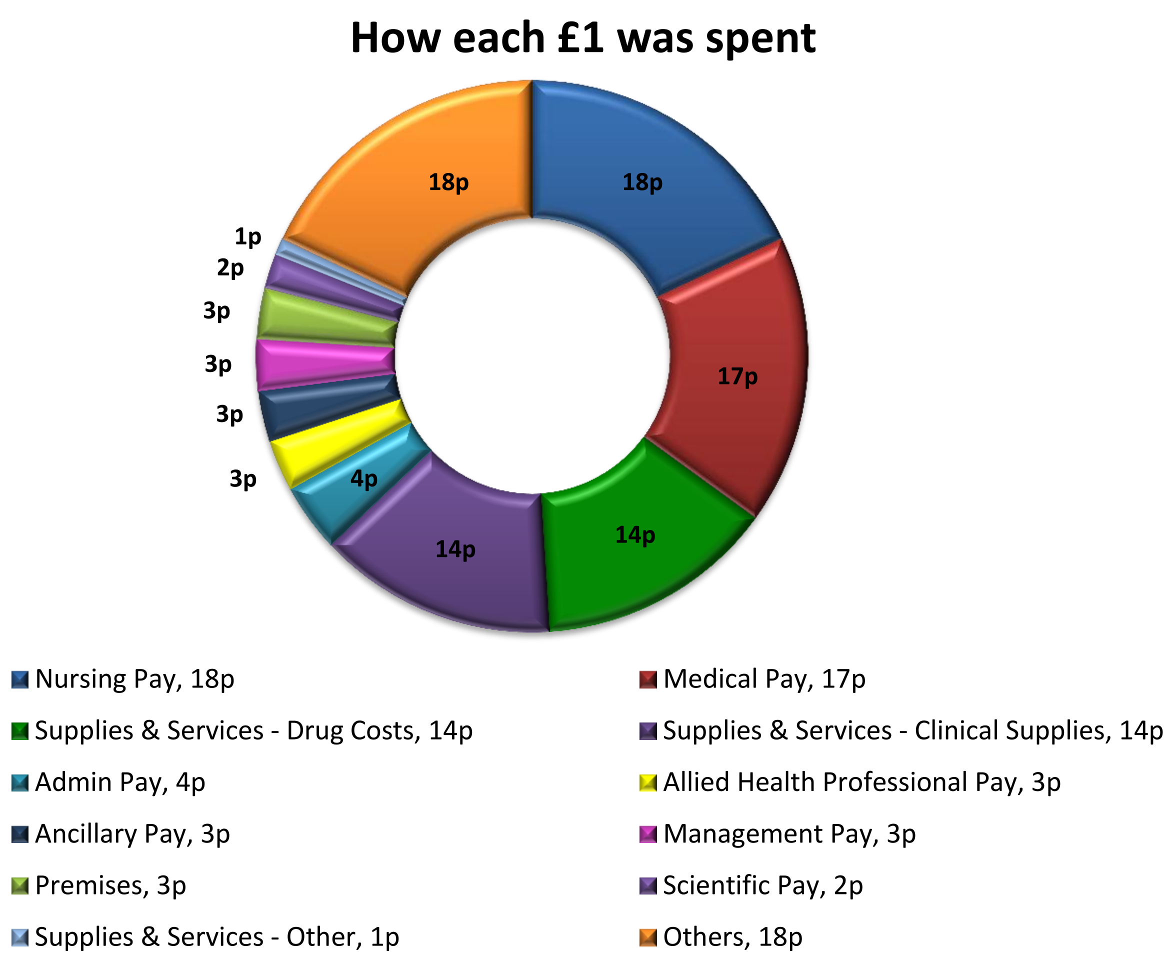
Income from our Clinical Commissioning Groups and NHS England (which commissions specialist services) increased in total by £35 million on the previous year and exceeded our plan by almost £40 million. This reflects an overall 2% increase in patient related activity with the Trust over performing against its two principal contracts (NHS England and the Leeds

CCGs). Income for other patient care related services remained broadly consistent when compared to 2013/14.

Other operating income fell in total by £8 million. Of this figure, £5m is due to hosting arrangements for Research & Development on behalf of the National Institute for Health Research transferring from Leeds to Sheffield. The income reduction is however matched by a corresponding fall in expenditure. There was also a change in the way medical education funding is allocated nationally and this resulted in a reduction of £2 million in income received by the Trust.

Operating Expenditure and Cost Improvements

The chart below gives an indication of how the Trust spent its resources in 2014/15.



The challenging target of £54 million of cost improvements was achieved in the year. A total of £30 million came from schemes originally planned for 2014/15 and the balance from newer schemes identified in year. The schemes themselves varied enormously in their nature and value but included almost £3 million efficiencies in drug procurement and a further £1 million from our project aimed at asking patients to assist us improve their care by bringing their own medicines into hospital with them.

The costs associated with paying staff increased from £600 million in 2013/14 to £632 million in 2014/15. The national pay award increased costs by almost £9 million. The Trust invested a further £8 million in recruiting additional staff, many of which were nurses. The cost of agency staff increased by £17 million. In part this was due to the fact that many of our new nurses commenced mid-way through the year on completion of their training and in the early months agency staff filled those posts.

Non pay related costs saw a net increase of £30 million year on year. Total expenditure on drugs and other clinical supplies rose by £40 million reflecting general price rises and increased clinical activity. Use of the private sector to treat patients within waiting time targets showed a cost increase of £3 million. These increases were offset by £9m savings in depreciation and £3 million impairment reversals arising from the estate revaluation.

Working Capital

In 2014/15 a successful bid was made to the Independent Trust Financing Facility (ITFF) for cash support of £34 million. This was necessary to enable us to meet all of our day to day payment obligations in a year when we were planning a revenue deficit. The Trust Development Authority, our regulator, was fully behind our bid, which followed the process set down by them for trusts to access working capital. The support agreed by the ITFF came to the Trust in March as Public Dividend Capital (PDC) and the cash enabled us to repay temporary drawings of PDC cash of £29 million which had helped us to meet our obligations during the course of the year. This enabled us to improve our performance against the Better Payment Practice Code which requires organisations to pay suppliers within 30 days or other agreed terms. We improved from 67% compliance in 2013/14 to 90% in 2014/15.

The Trust's cash balance at the end of the year was £3 million, a £20 million reduction on the previous year. It was necessary to use our own brought forward funds to make payments during the year to mitigate the amount of support we required. Given that further cash support will be required in 2015/16 the planned cash balance at 31 March 2016 will again be £3m.

Going Concern

In view of the fact that the Trust has required cash support in 2014/15 and will do so again in 2015/16 it is appropriate to consider briefly why we should be considered a going concern for the purpose of preparing and reporting our accounts.

The reported and planned deficits are part of a longer term recovery plan which has been agreed by the Trust Development Authority. In 2014/15 we did receive the support we required to enable us to meet out payment commitments but we also achieved our £54 million of planned savings. In looking to 2015/16 and beyond there is every reason to believe that the cash support we require will be available to us through the Department of Health's recently implemented Working Capital Facility. The Trust Development Authority has written separately confirming that access to cash will be available throughout 2015/16. We have agreed contracts in place with all of our principal commissioners for 2015/16 and the Board approved a budget in March which is consistent with our longer term plan. The Trust has robust planning; efficiency delivery and external cash support arrangements in place. For these reasons it is entirely appropriate that the Trust presents its accounts on the basis that it is a going concern.

Capital Investment

Investment in our buildings, equipment and information technology amounted to £42 million, an increase of £13 million on the previous year. The table below shows how the money was spent.

Capital Expenditure Summary 2014/15

Description	£m
Equipment	
Endoscopy Equipment	2.3
MRI Scanner	1.4
Anaesthetic Equipment	0.8
Paediatric Surgical Robot	0.8
Patient Monitors	0.7
CT Scanner	0.6
Bedside Ventilators	0.6
Mobile X-Ray Units	0.5
Ultrasound Scanners	0.5
Other	8.9
Sub Total	17.1
Building and Engineering Schemes	
Electrical Infrastructure	4.5
Alterations to Surgical Assessment Unit	1.9
Clarendon Wing Generator Replacement	1.4
Fire Precautions	0.8
Improvement to Critical Care	0.6
Alterations to Jubilee Wing Wards	0.5
Infection Control / Hygiene	0.3
Other	5.5
Sub Total	**15.5**
Informatics	
Electronic Patient Record	1.9
Hosted Data Centre	1.2
E-Prescribing	1.0
Windows 7	1.0
Inpatient Mobile Point of Care	0.8
Maternity System	0.3
Other	3.5
Sub Total	**9.7**
Grand Total	**42.3**

A capital investment loan of £11 million was secured in addition to our revenue support from the Independent Trust Financing Facility. This increase to our planned expenditure was used to bring forward renewal of ageing medical equipment and thereby take prompt action to deal with recommendations made by the Care Quality Commission following their visit in early 2014.

Capital investment was once again enhanced by generous donations from a number of charitable organisations which work closely with us to help improve the general environment for our patients, support research and purchase medical equipment. During 2014/15 we received almost £3 million in capital donations which included:

Description	£m
Donated	
Paediatric Surgical Robot	0.8
Patient Monitors	0.2
Paediatric Intensive Care Ventilators	0.2
Other	1.6
Grand Total	**2.8**

Looking ahead

In 2014/15 the Trust made important progress moving towards achievement of its 4 year financial recovery plan and its strategic objective of financial sustainability. In order to continue with this progress and meet the financial challenges of 2015/16 the Trust will have to deliver £67 million in cost improvements, an increase of £13 million on the previous year. The planned revenue deficit is £40 million which, once again, will require cash support.

Delivery of such a programme presents significant difficulties. The scale of the savings requirement could be daunting and non-delivery presents a major risk not only to achievement of the planned deficit in 2015/16 but to the full financial recovery programme which ultimately is required if the Trust is to achieve Foundation status.

While these risks must be acknowledged, together with the possibility of external influences or constraints beyond our control, there is confidence in the Trust that the challenge can be met. Our achievement in delivering the 2014/15 savings requirement provides a platform and a framework on which to take our planning forward. There exists within the organisation the staffing resource and infrastructure to ensure specific savings plans are identified, monitored, reported and delivered alongside maintaining high quality safe care for our patients. The support provided to the Trust by the Finance Directorate has been strengthened and remodelled during the course of 2014/15 to ensure effective partnership working. The budget for 2015/16 was agreed by the Board before the commencement of the financial year and our relationship with our principal commissioning organisations is high. Contract agreements are in place to underpin confidence in our income plans.

TONY WHITFIELD

Director of Finance

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

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

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

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

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

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

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

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

JULIAN HARTLEY
Chief Executive

28th May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

JULIAN HARTLEY
Chief Executive

TONY WHITFIELD
Director of Finance

28th May 2015

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

1.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively.

2. The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Leeds Teaching Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

3.1 The Board of Directors provides leadership on the overall governance agenda. The Board of Directors is supported by a range of Committees that scrutinise and review assurances on internal control; such Committees include the Audit, Quality, Finance & Investment, Workforce and Research, Education and Training. The Risk Management Committee is an executive committee reporting to the Board of Directors, established in March 2014. The Risk Management Committee focusses on all high or significant risk exposures and oversees risk treatment to ensure: (a) the correct strategy is adopted for managing risk; (b) controls are present and effective; and (c) action plans are robust for those risks that remain intolerant. The Risk Management Committee is chaired by myself as Chief Executive and comprises of all Executive Directors. Senior managers and specialist advisors routinely attend each meeting. The Trust has kept under review and updated risk management policies during the course of the year. While the Risk Management Committee reports directly to the Board through me, it also works closely with front line Clinical Service Units (CSU's) and all Committees of the Board in order to anticipate, triangulate and prioritise risk - working together to continuously enhance risk treatment.

3.2 Training is provided to relevant staff on risk assessment, incident reporting and incident investigation. In addition, the Board has set out the minimum requirements for staff training required to control key risks. A training needs analysis informs the Trust's mandatory training requirements and has been kept under review; this sets out the training requirements for all members of staff and includes the frequency of training in each case.

3.3 Incidents, complaints, claims and patient feedback are routinely analysed to identify lessons for learning and improve internal control. Lessons for learning are disseminated to staff using a variety of methods including 'Quality Matters' briefings, Learning Points Bulletin and personal feedback where required.

3.4 I have ensured that all significant risks of which I have become aware are reported to the Board of Directors and Risk Management Committee at each formal meeting. All new significant risks are escalated to me as Chief Executive and subject to validation by the Executive Team and Risk Management Committee. The residual risk score determines the escalation of risk.

3.5 The Board of Directors regularly scans the horizon for emergent opportunities or threats, and considers the nature and timing of the response required in order to ensure risk is kept under prudent control at all times.

4. The risk and control framework

4.1 The risk management process is set out in 6 key steps as follows:

(i) Determine priorities

The Board of Directors determines corporate objectives annually and these establish the priorities for Executive Directors and clinical services.

(ii) Risk Identification

Risk is identified in many ways. We identify risk proactively by assessing corporate objectives, work related activities, analysing adverse event trends and outcomes, and anticipating external possibilities or scenarios that may require mitigation by the Trust.

(iii) Risk Assessment

Risk assessment involves the analysis of individual risks, including analysis of potential risk aggregation where relevant. The assessment evaluates the severity and likelihood of each risk and determines the priority based on the overall level of risk exposure.

(iv) Risk Response (Risk Treatment)

For each risk, controls are ascertained (or where necessary developed), documented and understood. Controls are implemented to *avoid risk*; *seek risk* (take opportunity); *modify risk*; *transfer risk* or *accept risk*. Gaps in control are subject to action plans which are implemented to reduce residual risk. The Board of Directors has considered its appetite for taking risk, and developed and communicated a risk appetite statement to guide the management of risk throughout the Trust.

(v) Risk Reporting

Significant risks are reported at each formal meeting of the Board of Directors and Risk Management Committee. In addition, in the event of a significant risk arising, arrangements are in place to escalate a risk to the Chief Executive and Executive Team. The level at which risk must be escalated is clearly set out in the Risk Management Policy. The risk report to the Board of Directors also details what action is being taken, and by whom, to mitigate the risk and monitor delivery. The Audit Committee and Board of Directors have reviewed assurance on the effective operation of controls to manage potential significant risk. The Board of Directors has in place an up-to-date Board Assurance Framework.

(vi) Risk Review

a. Those responsible for managing risk regularly review the output from the risk register to ensure it remains valid, reflects changes and supports decision making. In addition risk profiles for all CSU's remain subject to detailed scrutiny as part of a rolling programme by the Risk Management Committee. The purpose of the Trust's risk review is to track how the risk profile is changing over time; evaluate the progress of actions to treat material risk; ensure controls are aligned to the risk; risk is managed in accordance with the Board's appetite; resources are reprioritised where necessary; and risk is escalated appropriately.

b. Incident reporting and investigation is recognised as a vital component of risk and safety management. It is key to the success of a learning organisation. An electronic incident reporting system is operational throughout the organisation and is accessible to all colleagues. Incident reporting is promoted through induction and routine mandatory training programmes, regular communications, patient safety walk rounds or other visits and inspections that take place. In addition, arrangements are in place to raise any concerns at work confidentially and anonymously if necessary.

Risk Profile

5. Significant Risks Facing the Trust

5.1 As at 31st March 2015, Leeds Teaching Hospitals NHS Trust has identified a range of significant risks, which are currently being mitigated, whose impact could have a direct bearing on compliance, CQC registration or the achievement of corporate objectives in the following areas should the mitigation plans be ineffective. The significant risk profile captures risk in the following areas:

- **National Standards** (A&E, 18-week RTT, 62-day Cancer, 2-week Breast Symptomatic, 6-week Diagnostic Wait targets, waiting times for endoscopy and rate of Cancelled Operations not re-booked within 28 days)
- **Finance** The Trust is an organisation in financial recovery; the new leadership team is working with the TDA with the aim to return financial sustainability over the next 2-3 years. The key risks have been ensuring we are paid appropriately for the activity we deliver, alongside the rigorous scrutiny of costs to ensure CIP plans are delivered without compromise to clinical safety.
- **Fundamental Standards of Safety & Quality** (Nurse Staffing Levels, Medical Staffing, Mandatory Training, C. *difficile* and MRSA targets, Failure to Rescue a Deteriorating Patient, and Endoscopy accreditation/decontamination)
- **Performance & Regulation** (Inadequate data quality/governance, electrical plant replacement at LGI, Catheter Lab imaging equipment replacement at LGI, and a combination of demand and capacity factors giving rise to unsustainable levels of medical outlying and delayed discharges)
- **Strategy** (Genomics Centre bid, and viability of reproductive medicine services)

Detailed risk registers have been developed. These set out arrangements for risk treatment, risk appetite thresholds and further mitigating actions planned. We have established arrangements to allow a review of significant risk exposures by the full Board at each formal meeting, and we also subject each significant risk to detailed controls assurance (documented in the Board Assurance Framework), the results of which are examined by the Audit Committee and have been used to underpin this Statement.

6. Care Quality Commission Registration

6.1 Compliance with the provisions of the Health & Social Care Act 2008 (Registration Regulations) 2010 is co-ordinated by the Director of Quality. The Director of Quality oversees compliance by:

- reporting and keeping under review matters highlighted within the Care Quality Commission's Intelligent Monitoring Report and inspections;
- liaising with the Care Quality Commission and local Clinical Support Units to address specific concerns;
- engaging with the Care Quality Commission on the inspection process, co-ordinating the Trust's response to inspections and recommendations/actions arising from this;
- analysing trends from incident reporting, complaints, and patient and staff surveys to detect potential non-compliance or concerns in Clinical Service Units;
- reviewing assurances on the effective operation of controls;
- receiving details of assurances provided by Internal Audit, and being notified of any Clinical Audit conclusions which provide only limited assurance on the operation of controls; and
- challenging assurances or gaps in assurance by attending meetings of Risk Management Committee, Quality Committee, Workforce Committee and Audit Committee.

6.2 The Trust is registered with the Care Quality Commission, has no compliance actions in force and is fully compliant with the *Essential Standards for Quality and Safety*. There were no unannounced inspections by the Care Quality Commission during 2014/15; the most recent inspection took place in March 2014 with the report published in July 2014. The Trust received good ratings within the Effective and Caring domains, and requires improvement in the Safe, Responsive and Well-Led domains. Overall the Trust was rated as 'Requires Improvement' by the CQC. The Board welcomed the report and accepted the findings. The Trust has met with local Clinical Commissioning Groups and the NHS Trust Development Authority to review progress. Progress has been made and continues in accordance with the plan.

7. Pensions

7.1 As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

8. Carbon Reduction

8.1 The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that the Trust's obligations under the Climate Change Act 2008 and the Adaptation Reporting requirements are complied with.

9. Review of economy, efficiency and effectiveness of the use of resources

9.1 As Accounting Officer, I am responsible for ensuring that the Trust has arrangements in place for securing value for money in the use of its resources. To do this I have maintained systems to:

- Set, review and implement strategic and operational objectives;
- Engage actively with patients, staff, members and other stakeholders to ensure key messages about services are received and acted upon;
- Monitor and improve organisational performance; and
- Establish plans to deliver cost improvements.

9.2 The Trust is required to submit to the NHS Trust Development Authority an Annual Plan incorporating a supporting financial plan approved by the Board of Directors. This informs the detailed operational plans and budgets which are also approved by the Board. The Trust actively engages Commissioners, the NHS Trust Development Authority and others as necessary to develop and agree detailed financial and operational plans. Prior to approval the Board takes the views obtained from stakeholders into account.

9.3 The Board agrees annually a set of corporate objectives which are communicated to colleagues. This provides the basis for performance reviews at CSU level. Operational performance is kept under constant review by the Executive Team and Board of Directors. In order to keep under review the delivery of the corporate objectives, the Board reviews at each formal meeting a Quality & Performance Report covering patient safety, quality, access and experience metrics, and a Finance Performance Report. Since my appointment as Chief Executive, I have continued to oversee the development of the Trust's Quality Account in readiness for publication.

9.4 Assurances on the operation of controls are commissioned and reviewed by the Audit Committee and, where appropriate, other Committees of the Board of Directors as part of their annual cycle of business. The implementation of recommendations made by Internal Audit is overseen by the Audit Committee.

10. Annual Quality Report

10.1 The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year.

10.2 The Trust has continued to embed strong clinical leadership for the development of the Quality Account during 2014/15 and this has been provided by the Chief Medical Officer in close collaboration with the Chief Nurse / Deputy Chief Executive and the wider Executive Team. Assurances relating to the outcomes highlighted within the Annual Quality Account were provided to the Quality Committee (QC), a formal committee of the Trust Board, which is chaired by a Non-Executive Director. The Quality Committee is responsible for overseeing the production of the Quality Account and for overseeing monitoring indicators and data quality. The Trust has engaged with partner organisations, including Leeds Healthwatch and commissioners at NHS West Leeds CCG to agree priority quality goals for the year ahead, relating to the key quality domains: safety, effectiveness, experience. A limited scope assurance report is provided by external audit on the content of the quality account and selected key performance indicators.

11. Review of effectiveness

11.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Internal Audit and Clinical Audit, in addition to formal letters of representation from Executive Directors and Chairs of the Board's Committees. My review is also informed by comments made by the External Auditor in their management letter and other reports. I have been advised on the implications of the result of my review of internal control by the Board and the Board's committees, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

12. The Board of Directors

12.1 The Board has set out the governance arrangements including the committee structure within the Standing Orders. In summary, the Board's committee structure comprised of the following: (i) Finance & Investment Committee; (ii) Audit Committee, (iii) Quality Committee; (iv) Workforce Committee; (v) Remuneration Committee; (vi) Research, Education and Training Committee; supported by (vii) an executive Risk Management Committee. Chairs of the Board's Committees report to the Board at the first available Board meeting after each Committee meeting. Urgent matters are escalated by the Committee Chair to the Board as deemed appropriate.

12.2 The Board commissioned an independent review into Board governance and committee effectiveness during the year. The review found no material concerns, but outlined a range of opportunities to advance governance arrangements. With external support, the Board devised a set of proposals to further develop the committee structure alongside a new and innovative approach to Board governance and assurance using the 'three lines of defence' model. These new arrangements came into effect in May 2015.

12.3 The Board assign high importance to risk management and internal control. The effectiveness of the Board's risk management and internal control framework is subject to independent review by Internal Audit on an annual basis. Substantial progress has been made during the year culminating in a 'significant assurance' opinion by the Head of Internal Audit, a notable improvement on the previous year. As a result of their work in 2014/15, the internal auditors have provided assurance that the Trust has adequate and effective arrangements in place to support the achievement of management's objectives over risk management, internal control, governance and value for money.

13. Internal Audit

13.1 With respect to the internal audits concluded during 2014/15, there were 3 (out of 41) assignments for which Internal Audit reported the level of assurance as limited for the year ended 31st March 2015. These audits provide limited assurance as a result of weaknesses in the design and/or operation of controls. Management action plans are developed and implemented, or are in the process of being implemented, to address identified weaknesses. Progress is reviewed by the Audit Committee.

14. External Audit

14.1 External audit provides independent assurance on the accounts, annual report, Annual Governance Statement and on the Annual Quality Report.

15. Significant In-Year Matters

(i) There were 94 reported events during the year that crossed the seriousness threshold and were declared a Serious Incident. Pressure ulcers and falls involving serious harm account for the majority of cases. Each case has been thoroughly investigated and reported to local commissioners. Detailed action plans are developed and implemented in response to specific cases.

(ii) There were five incidents which qualified for reporting as a Never Event. Cases involved retained foreign body post procedure (n=4), and wrong site procedure (n=1). Each case has been thoroughly investigated and reported to local commissioners. Detailed action plans are developed and implemented in response to specific cases.

(iii) There were five formal *Prevention of Future Death Reports* (formerly known as *Rule 43*) issued by the Coroner. At the time of report, the Trust has addressed the concerns raised by the Coroner in four cases, and is on schedule to conclude the required action for the matter in hand.

(iv) There were 68 events that crossed the threshold for reporting to the Health & Safety Executive under the provisions of the *Reporting of Injuries, Diseases or Dangerous Occurrences* (RIDDOR) Regulations. The Trust has been raising the profile of safety management during the year, and has reviewed and making some changes to the Safety Management System.

(v) The Trust did not meet the national requirement to treat a minimum of 90% of patients within 18-weeks of referral for those patients on the admitted pathway. We closed the year with 88.3% of admitted patients being treated within 18 weeks. The Trust faced unprecedented emergency pressures and unplanned increases in demand during the year, including in particular challenges to discharge patients due to pressures on out of hospital healthcare infrastructure. A Board-level recovery programme has been in place throughout the year and continues with a plan for compliance by quarter 3 2015/16.

(vi) The Trust did not meet the national requirement to treat a minimum of 85% of patients referred for suspected cancer within 62 days of referral from a GP or Dentist. We closed the year with 76.1% of patients with suspected cancer being treated within 62-days of referral. Capacity in Thoracic and Urology Surgery, combined with late referrals, adversely affected our ability to meet this standard in full. The Trust continues to work closely with neighbouring providers, GPs, commissioners and other stakeholders to improve the timeliness of referrals to the Trust and also working to improve internal systems and processes and build capacity to improve performance. The Trust is exploring options to increase theatre capacity and utilisation within Urology and Thoracic surgery to improve resilience and performance during the year ahead.

(vii) After making good progress during the beginning of 2014/15, unprecedented emergency pressures and unplanned increases in demand, combined with challenges to discharge patients due to pressures on out of hospital healthcare infrastructure, resulted in the Trust not meeting the national requirement for all last minute cancelled operations to be rebooked within 28 days. Improvement work is aligned to delivering action across a range of clinical pathways and also the plans associated with improving 18-week, cancer and urgent care performance.

(viii) The Trust did not meet the national requirement to undertake 99% diagnostic tests within six weeks of referral by a GP. We closed the year with 98.49% of diagnostic tests undertaken within six weeks of referral. Achievement has been challenged by staffing levels and particular problems in respect of the endoscopy programme. The Trust is making progress against this requirement but remains challenging going into quarter 1 2015/16.

(ix) The Trust did not meet the national requirement to see a minimum of 93% of patients within two weeks of an urgent referral for breast symptoms where cancer was not initially suspected. The Trust closed the year with 92.71% of patients referred urgently for breast symptoms seen within two weeks. Achievement was compromised by capacity problems within the Breast Surgery team, which were addressed mid-year, and compliance achieved from that point forward.

(x) The Trust has continued to make good progress to reduce hospital acquired infection, reducing the incidence of Clostridium *difficile* and Methicillin-resistant Staphylococcus Aureus (MRSA) infection during the year. However, the Trust did not meet the requirement for zero cases of MRSA. We closed the year with 7 cases of MRSA infection. A detailed infection prevention plan is in place to continue reduce the risk for patients and staff.

(xi) The Trust has faced a number of financial challenges in 2014/15, and had a planned deficit. The Trust has received support from Commissioners and the Independent Trust Financing Facility (ITFF) to fund the deficit during the year. A further deficit is forecast for 2015/16 for which we anticipate continued support.

(xii) The Trust commissioned an independent review of arrangements for decontamination across the Trust. This highlighted areas for improvement and action is underway to strengthen compliance with relevant standards.

16. Concluding Remarks

16.1 As Accounting Officer with responsibility for maintaining a sound system of internal control at Leeds Teaching Hospitals NHS Trust, I have reviewed the system of internal control. Good progress has been made to address financial challenges and deliver the financial plan, however the Trust remains in Level 2 escalation with the NHS Trust Development Authority and is forecasting a deficit during 2015/16. I have focused on assessing the breadth and depth of problems leading to control weakness in order to understand the effectiveness of the system of internal control and I have taken steps to address the issues of which I am aware. My review confirms that Leeds Teaching Hospitals NHS Trust has a system of internal control in operation, and progress has been made, but further improvement is underway across a range of priorities to better support the achievement of the Trust's policies, aims and objectives going forward. Those control issues highlighted in this statement have been or are currently being addressed. I confirm that there are no other significant breaches of internal control that have been brought to my attention in respect of the financial year ended 31st March 2015 and up to the date of approval of the annual report and accounts.

Julian Hartley
Chief Executive
28 May 2015

Notes

I. Matters highlighted in section 15 have been identified in accordance with 2014/15 *Annual Governance Statement Guidance (Annex B)* issued by the NHS Trust Development Authority, and also using the qualifying criteria below, developed by the Trust.

II. A qualifying significant breach of internal control has been evaluated using the following criteria: *a significant breach of internal control is a breach where the Directors are satisfied that the issue was directly relevant to: (i) a failure to achieve a corporate objective; (ii) put the achievement of corporate objectives at significant risk of failure; or (iii) put any Licence to operate at significant risk (i.e. CQC Registration).*

III. At the review meeting held on 13/05/2015 the NHS Trust Development Authority have informed the Trust of new definitions relating to escalation. Level 2 escalation now replaces Stage 4 escalation.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF THE LEEDS TEACHING HOSPITALS NHS TRUST

We have audited the financial statements of The Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes

- the table of pension benefits of senior managers and related narrative notes

- the table of pay multiples and related narrative notes.

This report is made solely to the Board of Directors of The Leeds Teaching Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2014. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's directors and the Trust as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities in respect of the accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report which comprises the Chair's and Chief Executive's statement, the Trust's highlights of the year, the operating and financial review, the Directors' report and the section on Patient care and experience to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of The Leeds Teaching Hospitals NHS Trust as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report if we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

On 26 May 2015, we referred two matters to the Secretary of State under section 19 of the Audit Commission Act 1998 in relation to:

- the Trust's outturn deficit for 2014/15, and approval of a financial plan which includes budgeted deficits in 2015/16 and 2016/17 and a forecast breakeven position in 2017/18. Over this three year period, the financial plan includes a planned cumulative deficit of £90 million, as a result of which, the Trust will fail to achieve its three year statutory breakeven duty;
- payments to two non-executive directors which breached the maximum remuneration set by the Secretary of State for Health.

We report to you if:

- in our opinion the governance statement does not reflect compliance with the NHS Trust Development Authority's Guidance; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Trust and auditor

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Trust has proper arrangements for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the Trust's arrangements for securing financial resilience, we identified the following matter:

- The Trust delivered a deficit of £24.4 million in 2014-15 (after receipt of £14 million of non-recurrent provider deficit funding) and is projecting a deficit of £40.2 million for 2015-16. The actual and planned deficits are evidence of weaknesses in arrangements in respect of the Trust's strategic financial planning. The deficit plans in both years have been agreed with relevant stakeholders and include the provision of additional cash support and liquidity requirements.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects The Leeds Teaching Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of The Leeds Teaching Hospitals NHS Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Phil Jones
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

No1 Whitehall Riverside
Leeds
LS1 4BN

28 May 2015

Statement of Comprehensive Income for the year ended 31 March 2015

	NOTE	**2014-15 £000**	2013-14 £000
Gross employee benefits	10.1	**(632,102)**	(599,030)
Other operating costs	8	**(452,179)**	(422,624)
Revenue from patient care activities	5	**925,514**	875,760
Other operating revenue	6	**161,124**	169,156
Operating surplus		**2,357**	23,262
Investment revenue	12	**111**	87
Other gains and (losses)	13	**112**	53
Finance costs	14	**(12,438)**	(12,759)
(Deficit)/surplus for the financial year		**(9,858)**	10,643
Public dividend capital dividends payable		**(10,130)**	(10,147)
Retained (deficit)/surplus for the year		**(19,988)**	496

Other comprehensive income

	2014-15 £000	2013-14 £000
Net (loss)/gain on revaluation of property, plant & equipment	**(4,558)**	5,050
On disposal of available for sale financial assets	**0**	(5,050)
Total comprehensive income for the year	**(24,546)**	496

Financial performance for the year

	2014-15 £000	2013-14 £000
Retained (deficit)/surplus for the year	**(19,988)**	496
IFRIC 12 adjustment (including IFRIC 12 impairments)	**5,243**	969
Impairments (excluding IFRIC 12 impairments)	**(8,140)**	0
Adjustment in respect of donated asset reserve elimination	**(1,501)**	150
Adjusted retained (deficit)/surplus	**(24,386)**	1,615

The Trust's financial performance for the year is derived from its retained deficit which is adjusted to take account of the revenue implications of bringing its PFI assets onto the Statement of Financial Position, in line with International Financial Reporting Standards, from 2009/10. HM Treasury guidelines require the Trust's financial position to be aligned with how wider government departmental expenditure is measured. The revenue implications arising from bringing the PFI schemes onto the Statement of Financial Position are therefore excluded from the Trust's reported financial position.

Impairments arising from estate valuation falls are similarly excluded from the reported financial position as a technical adjustment. In 2014/15 the Trust commissioned a full valuation of its entire estate from an independent valuer. See Note 15.3

The retained deficit is adjusted to take account of the costs of a change in the national accounting treatment of donated assets (Note 1.11). The cost represents the difference in value between depreciation on donated assets which, until 2011/12, was funded from a reserve account and donations credited to income in the year which, until 2011/12, were credited to the reserve.

The notes on pages 5 to 37 form part of these financial statements.

Statement of Financial Position as at 31 March 2015

	NOTE	**31 March 2015 £000**	31 March 2014 £000
Non-current assets:			
Property, plant and equipment	15	**615,948**	598,468
Intangible assets	16	**2,225**	840
Trade and other receivables	21.1	**11,165**	11,615
Total non-current assets		**629,338**	610,923
Current assets:			
Inventories	20	**17,484**	17,635
Trade and other receivables	21.1	**61,955**	48,141
Cash and cash equivalents	22	**3,298**	23,236
Total current assets		**82,737**	89,012
Non-current assets held for sale	23	**0**	0
Total current assets		**82,737**	89,012
Total assets		**712,075**	699,935
Current liabilities			
Trade and other payables	24	**(89,469)**	(93,923)
Provisions	28	**(2,292)**	(3,172)
Borrowings	25	**(4,702)**	(4,459)
DH capital loan	25	**(4,927)**	(3,356)
Total current liabilities		**(101,390)**	(104,910)
Net current (liabilities)		**(18,653)**	(15,898)
Total assets less current liablilities		**610,685**	595,025
Non-current liabilities			
Trade and other payables	24	**(2,109)**	(2,315)
Provisions	28	**(5,679)**	(5,517)
Borrowings	25	**(198,069)**	(202,771)
DH capital loan	25	**(44,715)**	(38,642)
Total non-current liabilities		**(250,572)**	(249,245)
Total assets employed		**360,113**	345,780
FINANCED BY:			
Public Dividend Capital		**332,833**	293,954
Retained earnings		**(49,978)**	(29,990)
Revaluation reserve		**77,258**	81,816
Total Taxpayers' Equity		**360,113**	345,780

The notes on pages 5 to 37 form part of these financial statements.

The financial statements on pages 1 to 37 were approved by the Board on 28th May 2015 and signed on its behalf by

JULIAN HARTLEY
Chief Executive

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

	Public Dividend Capital	Retained earnings	Revaluation reserve	Total reserves
	£000	£000	£000	£000
Balance at 1 April 2014	**293,954**	**(29,990)**	**81,816**	**345,780**
Changes in taxpayers' equity for 2014-15				
Retained (deficit) for the year	0	(19,988)	0	**(19,988)**
Net (loss) on revaluation of property, plant, equipment	0	0	(4,558)	**(4,558)**
New temporary and permanent PDC received - cash	68,679	0	0	**68,679**
New temporary PDC repaid in year	(29,800)	0	0	**(29,800)**
Net recognised revenue/(expense) for the year	**38,879**	**(19,988)**	**(4,558)**	**14,333**
Balance at 31 March 2015	**332,833**	**(49,978)**	**77,258**	**360,113**
Balance at 1 April 2013	**290,811**	**(35,536)**	**81,816**	**337,091**
Changes in taxpayers' equity for 2013-14				
Retained surplus for the year	0	496	0	496
Net gain on revaluation of property, plant, equipment	0	0	5,050	5,050
On disposal of available for sale financial assets	0	0	(5,050)	(5,050)
New permanent PDC received - cash	3,143	0	0	3,143
Other movements	0	5,050	0	5,050
Net recognised revenue for the year	**3,143**	**5,546**	**0**	**8,689**
Balance at 31 March 2014	**293,954**	**(29,990)**	**81,816**	**345,780**

Statement of Cash Flows for the year ended 31 March 2015

	2014-15	2013-14
	£000	£000
Cash Flows from Operating Activities		
Operating surplus	**2,357**	23,262
Depreciation and amortisation	**21,658**	31,842
Impairments and (reversals)	**(2,897)**	0
Interest paid	**(12,437)**	(12,763)
Dividend paid	**(10,370)**	(10,014)
Decrease/(increase) in inventories	**151**	(959)
(Increase) in trade and other receivables	**(14,417)**	(17,282)
(Decrease)/increase in trade and other payables	**(6,825)**	10,053
Provisions utilised	**(2,775)**	(1,269)
Increase in movement in non cash provisions	**2,057**	1,614
Net cash (outflow)/inflow from Operating Activities	**(23,498)**	24,484
Cash Flows from Investing Activities		
Interest received	**111**	87
(Payments) for property, plant and equipment	**(37,229)**	(26,704)
(Payments) for intangible assets	**(1,655)**	(340)
Proceeds of disposal of assets held for sale (PPE)	**269**	5,607
Net cash (outflow) from Investing Activities	**(38,504)**	(21,350)
Net cash (outflow)/inflow before Financing	**(62,002)**	3,134
Cash Flows from Financing Activities		
Gross temporary and permanent PDC received	**68,679**	3,143
Gross temporary and permanent PDC repaid	**(29,800)**	0
Loans received from DH - New Capital Investment Loans	**11,000**	0
Loans repaid to DH - Capital Investment Loans repayment of principal	**(3,356)**	(3,356)
Capital element of payments in respect of finance leases and on-SoFP PFI	**(4,459)**	(4,228)
Capital grants and other capital receipts	**0**	195
Net cash inflow/(outflow) from Financing Activities	**42,064**	(4,246)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(19,938)**	(1,112)
Cash and Cash Equivalents at 1 April 2014	**23,236**	24,348
Cash and Cash Equivalents at 31 March 2015	**3,298**	23,236

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health's Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the Group Manual for Accounts 2014-15 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 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 financial statements.

1.1 Accounting convention

These financial statements 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 Going concern

The Trust prepares its financial statements on the basis that for the foreseeable future it will remain a going concern. This policy is reviewed each year by the Directors who consider the financial position and other evidence to determine whether or not it is appropriate to continue to adopt the going concern basis in preparing the financial statements. See note 36.1.

1.3 Charitable Funds

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. The Trust does not have control over any charitable funds. The Leeds Teaching Hospitals Charitable Foundation is independently managed by its own Trustees and prepares its own financial statements. There is therefore no consolidation.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

1.4.1 Critical judgements in applying accounting policies

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

Bexley Wing and Wharfedale Hospital, constructed under the Private Finance Initiative (PFI), meet the criteria for inclusion in the financial statements as Finance Leases as the Trust bears the risks and rewards of ownership. See paragraphs 1.14 Leases and 1.15 PFI transactions.

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

1.4.2 Key sources of estimation uncertainty

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

- Plant, Property and Equipment - Para. 1.8 and Note 15
- Provision for Impairment of Receivables - Note 21
- Provisions - Para 1.18 and Note 28

1.5 Revenue

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

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, which is 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.

Goods are sold on an incidental basis. Income is recognised at the point the sale transaction occurs.

1.6 Employee benefits

1.6.1 Short-term employee benefits

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

1.6.2 Retirement benefit costs

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

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

The Trust provides certain employees, who are not enrolled into the NHS Pensions Scheme, with cover from the defined contributions scheme which is managed by the National Employment Savings Trust (NEST). The cost to the Trust is taken as equal to the contributions payable to the scheme for the accounting period.

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

1.7 Other expenses

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

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

Valuation

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

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

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

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

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. In the Trust's case no alternative site has been sought and the valuation covers all of the existing hospital sites.

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.

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

1.9 Intangible assets

1.9.1 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.

1.9.2 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.

1.10 Depreciation, amortisation and impairments

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

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

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

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

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.

1.11 Donated assets

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

1.12 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.

1.13 Non-current assets held for sale

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

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

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

1.14 Leases

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

The Trust as lessee

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

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

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

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

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

The Trust as lessor

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

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

1.15 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

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

PFI asset

The PFI assets are recognised as property, plant and equipment when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

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

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

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

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

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

Lifecycle replacement

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

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

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

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

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

Other assets contributed by the Trust to the operator

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

On initial recognition of the asset, an equivalent deferred income balance is recognised, representing the future service potential to be received by the Trust through the asset being made available to third party users.

The balance is subsequently released to operating income over the life of the concession on a straight-line basis.

1.16 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.

1.17 Cash and cash equivalents

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

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

1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of -1.5% in real terms (1.3% for employee early departure obligations).

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

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

1.19 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 28.

1.20 Non-clinical risk pooling

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

1.21 Carbon Reduction Commitment Scheme (CRC)

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

1.22 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefit is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.23 Financial assets

Financial assets are recognised when the NHS 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 Loans and Receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, or failing that by reference to similar arms length transactions between knowledgeable and willing parties.

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.

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

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.

1.24 Financial liabilities

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

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

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.25 Value Added Tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.26 Foreign currencies

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

1.27 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 37 to the accounts.

1.28 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and 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.

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

1.29 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS bodies not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.30 Joint arrangements

Material entities over which the NHS Trust has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the Trust is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

1.31 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is 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.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2014-15. The application of the Standards as revised would not have a material impact on the accounts for 2014-15, were they applied in that year:

- IFRS 9 Financial Instruments - subject to consultation
- IFRS 13 Fair Value Measurement - subject to consultation
- IFRS 15 Revenue from Contracts with Customers.

2. Pooled budgets

The Trust had no pooled budgets in 2014/15 or in the previous year.

3. Operating segments

The Trust engages in its activity as a single operating segment i.e. the provision of healthcare. Financial results are reported under the single segment of healthcare. Whilst internally the Trust operates via 19 clinical service units, they each provide essentially the same service (patient care) and face fundamentally the same risks.

The main source of revenue for the Trust is from commissioners of healthcare services which are principally NHS England and Clinical Commissioning Groups (CCGs). The Department of Health has deemed that as NHS England and CCGs are under common control, they are classed as a single customer for the purpose of segmental analysis. No other customer generates in excess of 10% of total revenue.

4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of these schemes exceed £1 million nor are they otherwise material.

5. Revenue from patient care activities

	2014-15	2013-14
	£000	£000
NHS England	**439,566**	411,423
Clinical Commissioning Groups	**456,501**	450,126
NHS Other (including Public Health England and Prop Co)	**1,853**	1,918
Additional income for delivery of healthcare services	**14,000**	0
Non-NHS:		
Local Authorities	**4,197**	4,268
Private patients	**4,832**	4,060
Overseas patients (non-reciprocal)	**656**	335
Injury costs recovery	**3,309**	2,948
Other	**600**	682
Total revenue from patient care activities	**925,514**	875,760

The £14 million additional income for delivery of healthcare services was a payment of non recurrent provider deficit funding from the Trust Development Authority.

6. Other operating revenue

	2014-15	2013-14
	£000	£000
Recoveries in respect of employee benefits	**9,057**	9,327
Education, training and research	**102,026**	108,765
Charitable and other contributions to revenue expenditure - NHS	**1,102**	1,087
Charitable and other contributions to revenue expenditure - non NHS	**941**	1,020
Receipt of donations for capital acquisitions - Charity	**2,824**	1,223
Non-patient care services to other bodies	**36,916**	36,613
Rental revenue from operating leases	**681**	658
Other revenue	**7,577**	10,463
Total other operating revenue	**161,124**	169,156
Total operating revenue	**1,086,638**	1,044,916

7. Overseas visitors disclosure

	2014-15	2013-14
	£000	£000
Income recognised during 2014-15 (invoiced amounts and accruals)	**656**	335
Cash payments received in-year (re receivables at 31 March 2014)	**11**	270
Cash payments received in-year (iro invoices issued 2014-15)	**281**	60
Amounts added to provision for impairment of receivables (re receivables at 31 March 2014)	**291**	182
Amounts added to provision for impairment of receivables (iro invoices issued 2014-15)	**73**	10
Amounts written off in-year (irrespective of year of recognition)	**194**	212

8. Operating expenses

	2014-15	2013-14
	£000	£000
Purchase of healthcare from non-NHS bodies	**11,849**	8,309
Trust Chair and Non-executive Directors	**89**	91
Supplies and services - clinical	**302,187**	263,281
Supplies and services - general	**8,705**	8,803
Consultancy services	**1,161**	2,208
Establishment	**8,009**	7,380
Transport	**3,084**	3,146
Service charges - on-SoFP PFIs and other service concession arrangements	**14,911**	12,195
Business rates paid to local authorities	**4,574**	3,986
Premises	**37,807**	34,773
Hospitality	**154**	217
Insurance	**1,069**	1,134
Legal fees	**663**	502
Impairments and reversals of receivables	**1,401**	774
Inventories write down	**0**	498
Depreciation	**21,388**	31,636
Amortisation	**270**	206
Impairments and reversals of property, plant and equipment	**(2,897)**	0
Audit fees	**160**	162
Other auditor's remuneration - quality accounts	**12**	0
Clinical Negligence Scheme for Trusts - membership contribution	**19,296**	17,006
Education and training	**3,202**	3,143
Change in discount rate	**112**	112
Other	**14,973**	23,062
Total operating expenses (excluding employee benefits)	**452,179**	422,624
Employee benefits		
Employee benefits excluding Board members	**630,686**	597,689
Board members	**1,416**	1,341
Total employee benefits	**632,102**	599,030
Total operating expenses	**1,084,281**	1,021,654

9 Operating leases

The Trust has operating leases for items of medical equipment, vehicles and short term property lets. None of these are individually significant. The amounts recognised in the financial statements are:

9.1 Trust as lessee

	Buildings	Other	2014-15 Total	2013-14 Total
	£000	£000	£000	£000
Payments recognised as an expense				
Minimum lease payments			**7,859**	6,532
Payable:				
No later than one year	1,295	3,489	**4,784**	5,093
Between one and five years	3,502	3,224	**6,726**	7,652
After five years	3,139	75	**3,214**	2,532
Total	**7,936**	**6,788**	**14,724**	15,277

9.2 Trust as lessor

The generating station complex at the Leeds General Infirmary is leased to a third party supplier under the terms of a power generation agreement. The lease has a twenty year term, due to expire in 2015. Annual income is £250k. Other leases relate to various retail facilities provided across the Trust's sites. The lease of the retail facilities at Leeds General Infirmary expires in 2015.

	2014-15	2013-14
	£000	£000
Recognised as revenue		
Rental revenue	**681**	658
Receivable:		
No later than one year	**246**	662
Between one and five years	**688**	750
After five years	**2,339**	2,450
Total	**3,273**	3,862

10 Employee benefits and staff numbers

10.1 Employee benefits

	Total £000	Permanently employed £000	Other £000
Employee benefits - Gross expenditure 2014-15			
Salaries and wages	**539,718**	473,032	66,686
Social security costs	**35,687**	35,687	0
Employer contributions to NHS BSA - Pensions Division	**56,089**	56,089	0
Other pension costs	**1,442**	1,442	0
Termination benefits	**55**	55	0
Total employee benefits	**632,991**	**566,305**	**66,686**
Employee costs capitalised	**889**	889	0
Gross employee benefits excluding capitalised costs	**632,102**	**565,416**	**66,686**

Employee benefits - Gross expenditure 2013-14	Total £000	Permanently employed £000	Other £000
Salaries and wages	509,481	473,305	36,176
Social security costs	35,078	35,078	0
Employer Contributions to NHS BSA - Pensions Division	55,011	55,011	0
Other pension costs	193	193	0
Termination benefits	455	455	0
Total - including capitalised costs	600,218	564,042	36,176
Employee costs capitalised	1,188	1,188	0
Gross employee benefits excluding capitalised costs	599,030	562,854	36,176

10.2 Staff numbers

	2014-15 Total Number	Permanently employed Number	Other Number	2013-14 Total Number
Average staff numbers				
Medical and dental	**1,922**	1,831	91	1,893
Administration and estates	**2,447**	2,047	400	2,311
Healthcare assistants and other support staff	**3,023**	2,789	234	2,872
Nursing, midwifery and health visiting staff	**4,017**	3,778	239	3,848
Nursing, midwifery and health visiting learners	**9**	9	0	13
Scientific, therapeutic and technical staff	**2,656**	2,559	97	2,555
Social care staff	**12**	12	0	14
Other	**401**	392	9	383
Total	**14,487**	**13,417**	**1,070**	13,889
Of the above - staff engaged on capital projects	**19**	19	0	23

10.3 Staff sickness absence and ill health retirements

	2014-15 Number	2013-14 Number
Total days lost	123,022	123,434
Total staff years	13,225	13,028
Average working days lost	9.30	9.47

	2014-15 Number	2013-14 Number
Number of persons retired early on ill health grounds	**25**	20
	£000	£000
Total additional pensions liabilities accrued in the year	**1,238**	1,579

10.4 Exit packages agreed in 2014-15

Exit package cost band (including any special payment element)	**2014-15** Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2013-14 Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
£25,001-£50,000	0	0	0	0	1	1
£50,001-£100,000	1	0	1	0	2	2
£100,001 - £150,000	0	0	0	0	1	1
£150,001 - £200,000	0	0	0	0	1	1
Total number of exit packages by type (total cost)	**1**	**0**	**1**	0	5	5
Total resource cost (£s)	**54,935**	**0**	**54,935**	0	543,712	543,712

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

10.5 Exit packages - Other departures analysis

	2014-15 Agreements	Total value of agreements	2013-14 Agreements	Total value of agreements
	Number	**£000**	Number	£000
Early retirements in the efficiency of the service contractual costs	0	0	1	88
Contractual payments in lieu of notice	0	0	4	456
Total	0	0	5	544

These disclosures reports the number and value of exit packages agreed in the year. All expenses associated with these departures are recognised in full in the same financial year as the packages are agreed.

The Remuneration Report includes disclosure of exit payments payable to individuals named in that report.

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.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015, is based on valuation data as 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used

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

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience) and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

10.7 Pension costs - Other scheme

Under the terms of the Pensions Act 2008 the Trust is required to provide a pension scheme for employees who are not eligible for membership of the NHS Pension Scheme. Qualifying employees are enrolled in the National Employment Savings Trust (NEST) managed scheme.

NEST is a defined contribution scheme managed by a third party organisation. It carries no possibility of actuarial gain or loss to the Trust and there are no financial liabilities other than payment of the 1% employers contribution of qualifying earnings. This contribution will increase to 2% in October 2017 and 3% in 2018. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly. At 31st March there were 122 employees enrolled in the scheme. Further details of the scheme can be found at www.nestpensions.org.uk.

11 Better Payment Practice Code

11.1 Measure of compliance

	2014-15 Number	2014-15 £000	2013-14 Number	2013-14 £000
Non-NHS payables				
Total non-NHS trade invoices paid in the year	**232,738**	**526,444**	209,644	416,828
Total non-NHS trade invoices paid within target	**208,856**	**459,267**	140,055	274,411
Percentage of non-NHS trade invoices paid within target	**90%**	**87%**	67%	66%
NHS payables				
Total NHS trade invoices paid in the year	**6,345**	**60,328**	6,023	50,641
Total NHS trade invoices paid within target	**3,835**	**47,695**	881	7,464
Percentage of NHS trade invoices paid within target	**60%**	**79%**	15%	15%

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.

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

The Trust has not made any payments under the terms of this legislation in either the current or preceding financial years.

12 Investment revenue

	2014-15 £000	2013-14 £000
Interest revenue		
Bank interest receivable	**111**	87

13 Other gains and losses

	2014-15 £000	2013-14 £000
Gain on disposal of assets held for sale (note 23)	**112**	53

14 Finance costs

	2014-15 £000	2013-14 £000
Interest		
Interest on loans and overdrafts	**1,189**	1,272
Interest on obligations under finance leases	**9**	10
Interest on obligations under PFI contracts:		
- main finance cost	**11,203**	11,433
Total interest expense	**12,401**	12,715
Provisions - unwinding of discount	**37**	44
Total	**12,438**	12,759

15.1 Property, plant and equipment

2014-15	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2014	**20,475**	**565,739**	**3,583**	**12,083**	**184,032**	**884**	**45,311**	**1,387**	**833,494**
Additions of assets under construction	0	0	0	11,295	0	0	0	0	**11,295**
Additions purchased	0	3,997	0		14,941	0	7,680	0	**26,618**
Additions - Purchases from cash donations	0	180	0	35	2,144	0	414	0	**2,773**
Reclassifications	0	1,594	0	(4,061)	0	0	2,467	0	**0**
Reclassifications as held for sale and reversals	0	0	0	0	(1,037)	0	0	0	**(1,037)**
Revaluation	0	(3,327)	(1,231)	0	0	0	0	0	**(4,558)**
At 31 March 2015	**20,475**	**568,183**	**2,352**	**19,352**	**200,080**	**884**	**55,872**	**1,387**	**868,585**
Depreciation:									
At 1 April 2014	**0**	**50,772**	**437**	**0**	**147,776**	**818**	**33,924**	**1,299**	**235,026**
Reclassifications as held for sale and reversals	0	0	0	0	(880)	0	0	0	**(880)**
Impairments	0	8,356	0	0	0	0	0	0	**8,356**
Reversal of impairments charged to operating expenses	(639)	(10,614)	0	0	0	0	0	0	**(11,253)**
Charged during the year	0	8,641	36	0	8,822	22	3,797	70	**21,388**
At 31 March 2015	**(639)**	**57,155**	**473**	**0**	**155,718**	**840**	**37,721**	**1,369**	**252,637**
Net Book Value at 31 March 2015	**21,114**	**511,028**	**1,879**	**19,352**	**44,362**	**44**	**18,151**	**18**	**615,948**
Asset financing:									
Owned - Purchased	21,114	341,947	1,879	19,317	29,460	44	17,732	18	**431,511**
Owned - Donated	0	10,931	0	35	5,079	0	419	0	**16,464**
Held on finance lease	0	649	0	0	0	0	0	0	**649**
On-SoFP PFI contracts	0	157,501	0	0	9,823	0	0	0	**167,324**
Total at 31 March 2015	**21,114**	**511,028**	**1,879**	**19,352**	**44,362**	**44**	**18,151**	**18**	**615,948**

Revaluation reserve balance for property, plant & equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014	310	74,220	0	0	5,953	14	364	955	**81,816**
Movements (impairments)	0	(4,558)	0	0	0	0	0	0	**(4,558)**
At 31 March 2015	**310**	**69,662**	**0**	**0**	**5,953**	**14**	**364**	**955**	**77,258**

Additions to assets under construction in 2014-15	£000
Buildings excl dwellings	11,295

15.2 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	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2013	20,475	549,813	3,583	7,891	179,516	884	44,412	1,437	**808,011**
Additions of assets under construction	0	0	0	10,470	0	0	0	0	**10,470**
Additions purchased	0	9,663	0		6,479	0	898	0	**17,040**
Additions - Purchases from cash donations	0	0	0	0	1,200	0	0	0	**1,200**
Reclassifications	0	6,263	0	(6,278)	0	0	15	0	**0**
Reclassifications as held for sale and reversals	(5,050)	0	0	0	(3,163)	0	(14)	(50)	**(8,277)**
Upward revaluation	5,050	0	0	0	0	0	0	0	**5,050**
At 31 March 2014	**20,475**	**565,739**	**3,583**	**12,083**	**184,032**	**884**	**45,311**	**1,387**	**833,494**
Depreciation:									
At 1 April 2013	0	32,929	292	0	140,743	796	30,093	1,260	**206,113**
Reclassifications as held for sale and reversals	0	0	0	0	(2,659)	0	(14)	(50)	**(2,723)**
Charged during the year	0	17,843	145		9,692	22	3,845	89	**31,636**
At 31 March 2014	**0**	**50,772**	**437**	**0**	**147,776**	**818**	**33,924**	**1,299**	**235,026**
Net Book Value at 31 March 2014	**20,475**	**514,967**	**3,146**	**12,083**	**36,256**	**66**	**11,387**	**88**	**598,468**
Asset financing:									
Owned - Purchased	20,475	338,201	3,146	12,083	21,215	66	11,376	88	**406,650**
Owned - Donated	0	11,738	0	0	4,143	0	11	0	**15,892**
Held on finance lease	0	146	0	0	0	0	0	0	**146**
On-SoFP PFI contracts	0	164,882	0	0	10,898	0	0	0	**175,780**
Total at 31 March 2014	**20,475**	**514,967**	**3,146**	**12,083**	**36,256**	**66**	**11,387**	**88**	**598,468**

15.3 Property, plant and equipment

All land and building assets were revalued as at 1st April 2014 by an independent, qualified valuer at depreciated replacement cost using the Modern Equivalent Asset (MEA) approach (Note 1.8). In assessing values, regard was given to various factors, including physical and functional obsolence of buildings and where active markets exist, e.g. land and residences, sales comparison. To assess fair value at the balance sheet date of 31 March 2015 a further exercise was undertaken by the valuer to assess movement in building cost indices since 1st April 2014 and the impact of capital expenditure during the year. The results of this subsequent assessment of value were not considered sufficiently material to warrant changing carrying values.

As part of their inspection and assessment of Trust buildings the valuers advised changes to asset lives. These changes were accepted by the Trust. Building lives which had previously ranged from 23 to 43 years now vary between 1 and 88 years. The average life of a building in the Trust's estate has increased from 29 to 53 years.

Property, plant and equipment assets are depreciated over their useful economic lives. The Trust applies the following standard lives to these classes of assets.

	Min life years	**Max life years**
Buildings (including dwellings)	**1**	**88**
Plant and machinery	**5**	**15**
Transport equipment	**5**	**10**
Information technology	**5**	**10**
Furniture and fittings	**5**	**5**

During the year the Trust received donated assets from the following:

	2014-15 £000	2013-14 £000
Leeds Teaching Hospitals Charitable Foundation	**1,857**	976
Children's Heart Surgery Fund	**207**	215
Take Heart	**0**	20
Yorkshire Cancer Centre	**68**	0
Macmillan Cancer Support	**66**	0
British Heart Foundation	**113**	0
Others	**513**	12
Total	**2,824**	1,223

16.1 Intangible non-current assets

2014-15	IT - in-house & 3rd party software	Computer licenses	Total
	£000	£000	£000
Cost or valuation:			
At 1 April 2014	**2,640**	**704**	**3,344**
Additions - purchased	1,395	209	**1,604**
Additions - purchases from cash donations	20	31	**51**
At 31 March 2015	**4,055**	**944**	**4,999**
Amortisation:			
At 1 April 2014	**2,367**	**137**	**2,504**
Charged during the year	102	168	**270**
At 31 March 2015	**2,469**	**305**	**2,774**
Net Book Value at 31 March 2015	**1,586**	**639**	**2,225**
Asset financing:			
Purchased	1,539	611	**2,150**
Donated	47	28	**75**
Total at 31 March 2015	**1,586**	**639**	**2,225**

16.2 Intangible non-current assets

2013-14	IT - in-house & 3rd party software	Computer licenses	Total
	£000	£000	£000
Cost or valuation:			
At 1 April 2013	**2,608**	**397**	**3,005**
Additions - purchased	9	307	316
Additions - donated	23	0	23
At 31 March 2014	**2,640**	**704**	**3,344**
Amortisation			
At 1 April 2013	**2,281**	**17**	**2,298**
Charged during the year	86	120	206
At 31 March 2014	**2,367**	**137**	**2,504**
Net Book Value at 31 March 2014	**273**	**567**	**840**
Asset Financing:			
Purchased	233	567	800
Donated	40	0	40
Total at 31 March 2014	**273**	**567**	**840**

16.3 Intangible non-current assets

The Trust's intangible assets are not considered sufficiently material to warrant revaluation. They have been measured at historic cost less amortisation (Note 1.9). The carrying amount if assets had been held at historic cost would be £4,999k.

Intangible assets are amortised over their useful economic lives which are all judged to be finite. The Trust applies the following standard lives to these classes of assets.

	Min life years	Max life years
IT - in house & 3rd party software	5	5
Computer licenses	5	5
Licences and trademarks	5	5

17 Analysis of impairments and reversals recognised in 2014-15

	2014-15 Total	2014-15 Property plant and equipment
	£000	£000
Property, plant and equipment impairments and reversals taken to SoCI		
Loss or damage resulting from normal operations	0	0
Over-specification of assets	0	0
Abandonment of assets in the course of construction	0	0
Total charged to Departmental Expenditure Limit	**0**	**0**
Unforeseen obsolescence	0	0
Loss as a result of catastrophe	0	0
Other	0	0
Changes in market price	(2,897)	(2,897)
Total charged to Annually Managed Expenditure	**(2,897)**	**(2,897)**
Total impairments charged to SoCI - DEL	**0**	**0**
Total impairments charged to SoCI - AME	**(2,897)**	**(2,897)**
Overall total impairments	**(2,897)**	**(2,897)**

All impairments relate to changes in the value of estate assets as a result of the valuation exercise. (Note 15.3)

18 Capital commitments

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

	31 March 2015	31 March 2014
	£000	£000
Property, plant and equipment	**7,015**	11,591
Intangible assets	**268**	364
Total	**7,283**	11,955

19 Intra-government and other balances

2014-15	**Current receivables £000**	**Non-current receivables £000**	**Current payables £000**	**Non-current payables £000**
Balances with other Central Government Bodies	2,238	0	20,093	0
Balances with Local Authorities	407	0	157	0
Balances with NHS bodies outside the Departmental Group	396	0	292	0
Balances with NHS bodies inside the Departmental Group	33,688	0	11,147	44,715
Balances with Public Corporations and Trading Funds	0	0	469	0
Balances with bodies external to Government	25,226	11,165	66,940	200,178
At 31 March 2015	**61,955**	**11,165**	**99,098**	**244,893**

2013-14				
Balances with other Central Government Bodies	24,503	0	22,549	0
Balances with Local Authorities	0	0	302	0
Balances with NHS bodies outside the Departmental Group	232	0	99	0
Balances with NHS Trusts and Foundation Trusts	5,165	0	4,882	0
Balances with Public Corporations and Trading Funds	0	0	1,709	0
Balances with bodies external to Government	18,271	11,585	64,382	2,315
At 31 March 2014	**48,171**	**11,585**	**93,923**	**2,315**

20 Inventories

	Drugs £000	**Consumables £000**	**Energy £000**	**Total £000**
Balance at 1 April 2014	**7,045**	**10,407**	**183**	**17,635**
Additions	151,834	98,507	206	**250,547**
Inventories recognised as an expense in the period	(151,664)	(98,912)	(122)	**(250,698)**
Balance at 31 March 2015	**7,215**	**10,002**	**267**	**17,484**

21.1 Trade and other receivables

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
NHS receivables - revenue	**29,800**	27,609	**0**	0
NHS prepayments and accrued income	**4,079**	0	**0**	0
Non-NHS receivables - revenue	**12,678**	7,112	**0**	0
Non-NHS receivables - capital	**291**	0	**0**	0
Non-NHS prepayments and accrued income	**6,284**	5,486	**0**	0
PDC Dividend prepaid to DH	**205**	0	**0**	0
Provision for the impairment of receivables	**(2,744)**	(1,726)	**(654)**	(559)
VAT	**1,956**	2,021	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**3,329**	1,905	**8,357**	8,640
Other receivables	**6,077**	5,734	**3,462**	3,534
Total	**61,955**	48,141	**11,165**	11,615
Total current and non current	**73,120**	59,756		

The great majority of trade is with NHS England and Clinical Commissioning Groups . As NHS bodies are funded by Government to buy NHS patient care services, credit scoring of them is not considered necessary.

21.2 Receivables past their due date but not impaired

	31 March 2015	31 March 2014
	£000	£000
By up to three months	**5,881**	1,992
By three to six months	**264**	324
By more than six months	**499**	824
Total	**6,644**	3,140

All receivables are reviewed regularly throughout the year to assess their credit risk. Those which are neither past due nor subject to impairment are deemed to represent a low risk of default.

21.3 Provision for impairment of receivables

	31 March 2015	31 March 2014
	£000	£000
Balance at 1 April 2014	**(2,285)**	(1,767)
Amount written off during the year	**288**	256
Increase in receivables impaired	**(1,401)**	(774)
Balance at 31 March 2015	**(3,398)**	(2,285)

Receivables are impaired when there is evidence to indicate that the Trust may not recover sums due. This can be on the basis of legal advice, insolvency of debtors or other economic factors. Impaired receivables are only written off when all possible means of recovery have been attempted. The nature of the Trust's business generally means that no collateral is held against outstanding receivables.

22 Cash and cash equivalents

	31 March 2015	31 March 2014
	£000	£000
Balance at 1 April 2014	**23,236**	24,348
Net change in year	**(19,938)**	(1,112)
Balance at 31 March 2015	**3,298**	23,236
Comprising:		
Cash with Government Banking Service	**3,221**	23,094
Commercial banks	**60**	125
Cash in hand	**17**	17
Cash and cash equivalents as in Statement of Financial Position and Statement of Cash Flows	**3,298**	23,236
Patients' money held by the Trust, not included above (note 37)	**17**	5

23 Non-current assets held for sale

	Land	Plant and machinery	Total
	£000	£000	£000
Balance at 1 April 2014	**0**	**0**	**0**
Plus assets classified as held for sale in the year	0	157	**157**
Less assets sold in the year	0	(157)	**(157)**
Balance at 31 March 2015	**0**	**0**	**0**
Balance at 1 April 2013	**0**	**0**	**0**
Plus assets classified as held for sale in the year	5,050	504	**5,554**
Less assets sold in the year	(5,050)	(504)	**(5,554)**
Balance at 31 March 2014	**0**	**0**	**0**

The Trust purchased a paediatric surgical robot during the year to replace an obsolete model which was part exchanged. The machine disposed of accounts for £150k of the sales in the year with the balance being for minor items of equipment sold. The sales realised a total profit of £112k (Note 13).

24 Trade and other payables

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
NHS payables - revenue	**3,534**	5,751	**0**	0
NHS accruals and deferred income	**2,978**	2,430	**0**	0
Non-NHS payables - revenue	**29,786**	41,189	**0**	0
Non-NHS payables - capital	**7,152**	4,953	**0**	0
Non-NHS accruals and deferred income	**24,577**	19,737	**2,109**	2,315
Social security costs	**5,626**	5,482	**0**	0
PDC Dividend payable to DH	**0**	35	**0**	0
Tax	**6,320**	6,131	**0**	0
Other payables	**9,496**	8,215	**0**	0
Total	**89,469**	93,923	**2,109**	2,315
Total payables (current and non-current)	**91,578**	96,238		
Included above:				
Outstanding pension contributions at the year end	**8,144**	7,735		

25 Borrowings

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
Loans from Department of Health	**4,927**	3,356	**44,715**	38,642
PFI liabilities:				
- Main liability	**4,665**	4,423	**197,622**	202,287
Finance lease liabilities	**37**	36	**447**	484
Total	**9,629**	**7,815**	**242,784**	**241,413**
Total other liabilities (current and non-current)	**252,413**	**249,228**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2015		
	DH	**Other**	**Total**
	£000	**£000**	**£000**
0 - 1 years	4,927	4,702	**9,629**
1 - 2 years	4,627	4,957	**9,584**
2 - 5 years	13,880	21,950	**35,830**
Over 5 years	26,208	171,162	**197,370**
Total	**49,642**	**202,771**	**252,413**

The loans from the Department of Health are Capital Investment Loans. Other loans consist of PFI liabilities and a finance lease. (Notes 27 and 30)

26 Deferred revenue

	Current		Non-current	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
Opening balance at 1 April 2014	**4,358**	1,756	**2,376**	2,154
Deferred revenue addition	**2,810**	3,858	**1,222**	1,232
Transfer of deferred revenue	**(1,322)**	(1,256)	**(1,307)**	(1,010)
Current deferred Income at 31 March 2015	**5,846**	4,358	**2,291**	2,376
Total deferred income (current and non-current)	**8,137**	6,734		

27 Finance lease obligations as lessee

Finance lease obligations relate to the Catering Receipt and Distribution Unit (RADU) at Seacroft Hospital. The unit was constructed in 2002 by a private partner and will revert to Trust ownership upon expiry of the lease in 2027. The arrangement has been determined as a finance lease on the grounds that the Trust has the substantive risks and rewards associated with control of the facility. Accounting treatment is in line with the policy described in note 1.14.

Amounts payable under finance leases (Buildings)	Minimum lease payments		Present value of minimum lease payments	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
Within one year	**45**	45	**37**	36
Between one and five years	**179**	179	**153**	150
After five years	**313**	358	**294**	334
Less future finance charges	**(53)**	(62)	**0**	0
Minimum lease payments / Present value of minimum lease payments	**484**	520	**484**	520
Included in:				
Current borrowings			**37**	36
Non-current borrowings			**447**	484
			484	520

28 Provisions

		Comprising:		
	Total	**Early departure Costs**	**Legal claims**	**Other**
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2014	**8,689**	4,550	473	3,666
Arising during the year	**2,064**	1,624	284	156
Utilised during the year	**(2,775)**	(366)	(315)	(2,094)
Reversed unused	**(156)**	0	(19)	(137)
Unwinding of discount	**37**	37	0	0
Change in discount rate	**112**	112	0	0
Balance at 31 March 2015	**7,971**	**5,957**	**423**	**1,591**
Expected timing of cash flows:				
No later than one year	**2,292**	370	331	1,591
Later than one year and not later than five years	**1,572**	1,480	92	0
Later than five years	**4,107**	4,107	0	0

Amount included in the provisions of the NHS Litigation Authority in respect of clinical negligence liabilities:

As at 31 March 2015	**164,851**
As at 31 March 2014	161,769

Early Departure costs represent amounts payable to the NHS Business Services Authority - Pensions Division to meet the costs of early retirements and industrial injury benefits. Amounts are determined by the NHS Business Services Authority - Pensions Division based on actuarial estimates of life expectancy and there is therefore, a degree of uncertainty regarding the value of future payments.

Legal claims relate to personal injury and other claims where the Trust has received advice that settlement is probable. The final amounts and timings of payments remain subject to negotiation or legal judgement. Included are claims with a value of £258k (£273k in 2013/14) which are being handled on behalf of the Trust by the NHS Litigation Authority who have advised on their status. The reversal of unused legal claims relates to provisions against disputes which are now subject to formal settlement offers from the claimants.

Other provisions include those for employment related claims where the Trust disputes liability but recognises some probability of payment. Provision has been made also to meet the future costs of payments to staff in line with the Trust's pay protection policy. The provision will meet the cost of agreed additional payments to staff who transferred to revised working arrangements in 2013/14.

29 Contingencies

	31 March 2015	31 March 2014
	£000	£000
Contingent liabilities		
NHS Litigation Authority legal claims	**(162)**	0
Employment Tribunal and other employee related litigation	**(9)**	0
Other	**(998)**	(418)
Net value of contingent liabilities	**(1,169)**	(418)

NHS Litigation Authority contingent liabilities consist entirely of claims for personal injury (£163k in 2013/14) where the probability of settlement is very low. The NHS Litigation Authority have advised on their status. In all cases, quantum has been assessed on a "worst case scenario" and represents the maximum of any payment which may be made. Other personal injury claims to a value of £418k (£255k in 2013/14) are being managed internally by the Trust. In all cases, the potential payment values have been assessed on a "worst case scenario" basis by reference to independent advice. Settlement of these claims is considered highly improbable but the values quoted represent the Trust's maximum exposure to loss.

The remaining contingent liabilities in "other" relate to an initial assesment of the Trust's potential exposure in light of recent Employment Tribunal decisions which may have future implications for leave related pay. The assesment is based on independent advice and recognises a maximum future exposure. It is not an exposure to current claims against the Trust and the probability of any future payment is highly uncertain, as is the timescale involved.

30 PFI - additional information

The information below is required by the Department of Heath for inclusion in national statutory accounts:

Charges to operating expenditure and future commitments in respect of on and off SoFP PFI	2014-15 £000	2013-14 £000
Service element of on SoFP PFI charged to operating expenses in year	14,911	12,195
Total	**14,911**	12,195

Payments committed to in respect of off SoFP PFI and the service element of on SoFP PFI		
No later than one year	10,207	9,976
Later than one year, No later than five years	43,254	42,271
Later than five years	181,228	192,418
Total	**234,689**	244,665

Imputed "finance lease" obligations for on SoFP PFI contracts due	2014-15 £000	2013-14 £000
No later than one year	15,625	15,625
Later than one year, No later than five years	67,774	65,472
Later than five years	267,521	285,447
Sub-total	**350,920**	366,544
Less: Interest element	(148,633)	(159,834)
Total	**202,287**	206,710

Present value imputed "finance lease" obligations for on SoFP PFI contracts due analysed by when PFI payments are due	2014-15 £000	2013-14 £000
No later than one year	4,665	4,423
Later than one year, No later than five years	26,754	23,244
Later than five years	170,868	179,043
Total	**202,287**	206,710

Number of on SoFP PFI Contracts		
Total number of on PFI contracts	2	2
Number of on SoFP PFI contracts which individually have a total commitments value in excess of £500m	1	1

31 Impact of IFRS treatment

The information below is required by the Department of Heath for budget reconciliation purposes:	2014-15 £000	2013-14 £000
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)		
Depreciation charges	4,471	6,915
Interest expense	11,201	11,432
Impairment charge - AME	5,243	0
Other expenditure	14,911	12,195
Impact on PDC dividend payable	(765)	(708)
Total IFRS expenditure (IFRIC12)	**35,061**	**29,834**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)	(31,550)	(28,865)
Net IFRS change (IFRIC12)	**3,511**	**969**
Capital consequences of IFRS : PFI and other items under IFRIC12		
Capital expenditure 2014-15	1,258	3,415
UK GAAP capital expenditure 2014-15 (Reversionary Interest)	2,911	2,800

32 Financial instruments

32.1 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. Due to the continuing service provider relationship that the NHS 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 NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the Board of Directors. The Trust treasury activity is subject to review by its 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 Trust Development Authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets.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

Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31st March 2015 are in receivables from customers, as disclosed in the trade and other receivables note (Note 21).

Liquidity risk

The Trust's operating costs are incurred under contracts with NHS commissioning organisations, 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.

32.2 Financial assets

	Loans and receivables	Total
2014-15	**£000**	**£000**
Receivables - NHS	30,825	**30,825**
Receivables - non-NHS	16,873	**16,873**
Cash at bank and in hand	3,298	**3,298**
Total at 31 March 2015	**50,996**	**50,996**
2013-14		
Receivables - NHS	27,609	27,609
Receivables - non-NHS	8,742	8,742
Cash at bank and in hand	23,236	23,236
Total at 31 March 2014	59,587	59,587

32.3 Financial liabilities

	Other	Total
2014-15	**£000**	**£000**
NHS payables	12,128	**12,128**
Non-NHS payables	59,790	**59,790**
Other borrowings	49,642	**49,642**
PFI & finance lease obligations	202,771	**202,771**
Total at 31 March 2015	**324,331**	**324,331**
2013-14		
NHS payables	13,486	13,486
Non-NHS payables	67,734	67,734
Other borrowings	41,998	41,998
PFI & finance lease obligations	207,130	207,130
Total at 31 March 2014	330,348	330,348

33 Events after the end of the reporting period

There are no events that have occurred after the end of the reporting period that have a material impact on these financial statements.

34 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 Leeds Teaching Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year the Leeds Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. For example :

	Income £000	Expenditure £000
NHS Airedale, Wharfedale and Craven CCG	6,212	0
NHS Bradford Districts CCG	9,061	0
NHS Calderdale CCG	5,052	0
NHS Greater Huddersfield CCG	6,387	0
NHS Harrogate And Rural District CCG	5,592	0
NHS Leeds North CCG	83,571	0
NHS Leeds South And East CCG	138,837	0
NHS Leeds West CCG	155,709	0
NHS North Kirklees CCG	7,639	0
NHS Vale Of York CCG	7,820	0
NHS Wakefield CCG	14,545	0
NHS England	448,392	86
Leeds Community Healthcare NHS Trust	3,522	503
Mid Yorkshire Hospitals NHS Trust	3,301	1,817
Bradford Teaching Hospitals NHS Foundation Trust	7,990	945
Leeds And York Partnership NHS Foundation Trust	3,502	122
Sheffield Teaching Hospitals NHS Foundation Trust	7,774	113
Leeds City Council	4,714	5,673
NHS Professionals	0	10,198
NHS Health Education England	73,004	0
NHS Litigation Authority	0	20,062
NHS Blood and Transplant	2,177	8,011
TOTAL	**994,801**	**47,530**

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with the Department for Education and Skills in respect of University Hospitals, Leeds City Council in respect of joint enterprises and the University of Leeds.

The Trust has also received revenue and capital payments from a number of charitable funds, including the Leeds Teaching Hospitals Charitable Foundation. The Trust's Chair, Linda Pollard, is a Trustee of the Leeds Teaching Hospitals Charitable Foundation. The Chairman of Trustees, Edward Ziff, is also Chairman and Chief Executive of Town Centre Securities Plc. The Trust made no payments to Town Centre Securities in 2014/15 but in early 2015/16 awarded a contract with a value of £90k to the firm to provide estates consultancy advice. The financial statements of the Charitable Foundation are published separately and can be obtained from:

www.leedshospitalsfundraising.org.uk/index.php

The Trust's Director of Finance, Tony Whitfield is a Trustee of the Healthcare Financial Management Association. In 2014/15 the Trust made payments totalling £63 k to the Association for corporate membership, training materials and attendance at training events.

35 Losses and special payments

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

	Total value of cases £	Total number of cases No
Losses	**273,839**	**740**
Special payments	**252,272**	**210**
Total losses and special payments	**526,111**	**950**

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

	Total value of cases £	Total number of cases No
Losses	317,761	338
Special payments	349,110	197
Total losses and special payments	666,871	535

36. 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.

36.1 Breakeven performance	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover	721,415	757,446	793,445	871,680	910,556	934,527	970,709	1,002,444	1,044,916	**1,086,638**
Retained surplus/(deficit) for the year	309	355	3,093	471	(43,426)	5,799	2,829	1,498	496	**(19,988)**
Adjustment for:										
Adjustments for impairments	0	0	0	0	42,075	(5,813)	0	0	0	**(2,897)**
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	0	353	150	**(1,501)**
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12	0	0	0	0	2,314	2,065	1,378	1,238	969	**0**
Break-even in-year position	**2,360**	**355**	**3,093**	**471**	**963**	**2,051**	**4,207**	**3,089**	**1,615**	**(24,386)**
Break-even cumulative position	**(51)**	**304**	**3,397**	**3,868**	**4,831**	**6,882**	**11,089**	**14,178**	**15,793**	**(8,593)**

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**	**2013-14**	**2014-15**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Materiality test (I.e. is it equal to or less than 0.5%):										
Breakeven in-year position as a percentage of turnover	0.33	0.05	0.39	0.05	0.11	0.22	0.43	0.31	0.15	**(2.24)**
Breakeven cumulative position as a percentage of turnover	(0.01)	0.04	0.43	0.44	0.53	0.74	1.14	1.41	1.51	**(0.79)**

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.

In preparing the financial statements the Directors have considered the Trust's overall financial position and expectation of future financial support. The Trust has put forward a plan to the NHS Trust Development Authority (TDA) which will deliver a deficit of £40 million in 2015/16. The planned deficit is after taking account of cost improvement plans of approximately £67 million in the year. The TDA have agreed to support the Trust in its planned return to breakeven in 2017/18 by providing cash support to enable the Trust to pay its suppliers and staff. The TDA have confirmed this agreement in writing. In light of the fact that there is reasonable assurance that the Trust will be in a position to meet its financial obligations during the next two years and has an agreed financial recovery plan in place, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

36.2 Capital Cost Absorption Rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual Capital Cost Absorption Rate is automatically 3.5%.

36.3 External Financing Limit

The Trust is given an External Financing Limit which it is permitted to undershoot.

	2014-15	2013-14
	£000	£000
External Financing Limit (EFL)	**62,199**	(2,542)
Cash flow financing	**62,002**	(3,134)
Unwinding of Discount Adjustment	**0**	44
Other capital receipts	**0**	(195)
External financing requirement	**62,002**	(3,285)
Undershoot against External Financing Limit	**197**	743

36.4 Capital Resource Limit

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

	2014-15	2013-14
	£000	£000
Capital Resource Limit	**40,819**	22,785
Gross capital expenditure	**42,341**	29,049
Less: book value of assets disposed of	**(157)**	(5,554)
Less: donations towards the acquisition of non-current assets	**(2,824)**	(1,223)
Charge against the Capital Resource Limit	**39,360**	22,272
Underspend against the Capital Resource Limit	**1,459**	513

37 Third party assets

The Trust held cash which relate to monies held on behalf of patients at 31st March as shown below. This has been excluded from the cash and cash equivalents figure reported in the accounts (see Note 22).

	31 March 2015	31 March 2014
	£000	£000
Patient monies held by the Trust	**17**	5

Glossary

Accruals basis of accounting
Under the accruals concept, expenses are recognised when incurred, not when the cash is actually paid out, and revenue is recognised when it is earned, not when the cash is actually received.

Amortisation
The term used for depreciation of intangible assets such as the annual charge in respect of some computer licences the NHS trust has purchased.

Asset
An asset is something the NHS trust owns such as buildings, equipment, consumables, cash or monies owed to it.

Assets held for sale
Assets are held for sale if their value will be recovered through a sale transaction rather than through continuing use.

Auto enrolment
Following the Pensions Act 2008 UK employers have to automatically enroll their staff into a workplace pension if they meet certain criteria as part of the government’s aim to help people save more for their retirement.

Break even
A statutory duty of NHS trusts to achieve, taking one year with the next. Break even is deemed to be achieved if revenue is greater than or equal to expenditure.

Capital resource limit
A limit on capital expenditure set for the NHS trust by the Department of Health.

Cash and cash equivalents
Cash includes cash held in bank accounts and cash in hand. Cash equivalents are assets that can be readily converted into cash such as deposits and short-term investments.

Clinical commissioning group
Organisations set up under the Health and Social Care Act 2012 covering GP practices within their local area. They are responsible for agreeing commissioning and monitoring the care that patients registered with their component GP practices require. CCGs formally came into existence on 1 April 2013.

Commissioners
Organisations that contract with the NHS trust to purchase healthcare. In the main these are NHS Clinical Commissioning Groups and NHS England.

Contingent asset or liability
An asset or liability that is not recognised in the accounts due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.

Current asset or liability
An asset or liability that the NHS trust expects to hold or discharge for a period of less that one year from the balance sheet date.

Depreciation
The accounting charge representing the use of property, plant and equipment assets which spreads the cost or value of the asset over its useful life.

Employee benefits
All forms of consideration given to employees for services rendered. These are salaries and wages, social security costs (national insurance), superannuation contributions, paid sick leave, paid annual and long service leave and termination payments.

External financing limit
A limit on cash movements and borrowings set for the NHS trust by the Department of Health.

Going concern basis
The underlying assumption used in producing the accounts that the NHS trust will continue to operate for at least 12 months from the balance sheet date.

Health education England
Organisation set up under the Health and Social Care Act 2012 which provides national leadership, oversight and funding in support of the planning and development of the NHS workforce.

Impairment
A fall in the value of an asset.

Inventories
Stocks held by the NHS trust such as drugs, consumables etc.

Lease
An agreement where one party conveys the use of an asset for a specified period of time in return for a payment or series of payments.

Liability
An amount owing to a third party such as a loan or unpaid invoice from a supplier.

Net assets
Total assets less total liabilities.

NHS England
Organisation set up under the Health and Social Care Act 2012 which oversees the planning, delivery and day to day operation of the NHS in England. It also commissions specialised clinical services on behalf of the clinical commissioning groups and their patients.

NHS Trust Development Authority
Organisation set up under the Health and Social Care Act 2012 which oversees all remaining NHS trusts and supports them as they move towards becoming foundation trusts.

NHS trusts manual for accounts
The annual Department of Health publication which sets out the detailed requirements for NHS trust accounts.

Non Current asset/liability
An asset or liability that the NHS trust expects to hold or discharge for a period of more that one year from the balance sheet date.

Payables
An amount that the NHS trust owes to another party such as suppliers (previously known as creditors under UK GAAP).

Payment by results
This refers to the flow of money in the NHS. Under payment by results the money received by the NHS trust directly relates to the number of operations and other activity undertaken by it.

Primary care trust
NHS organisations responsible for commissioning all types of healthcare services on behalf their local populations. Primary care trusts were abolished on 31 March 2013 and replaced by clinical commissioning groups.

Private finance initiative
A partnership with private sector organisations to fund major investments without immediate recourse to public funds. Under PFI, the private sector will design, build and often manage major projects and lease them to the NHS trust over a long period, typically 30 years.

Provision
A liability which is probable but uncertain in terms of the timing and amount of its final settlement.

Public dividend capital
The taxpayers stake in the NHS trust representing the government's initial investment in the Trust when it was established along with subsequent investments made by the Department of Health such as central funding for capital expenditure.

Receivables
An amount that is owed to the NHS trust by another party such as primary care trusts (previously known as debtors under UK GAAP)

Reserves
Reserves represent the overall increase in the value of the net assets of the NHS trust since it was established.

Statement of cash flows
A primary financial statement which shows the flows of cash in and out of the NHS trust during the financial year (previously known as Cash Flow Statement under UK GAAP).

Statement of change in taxpayers equity
A primary financial statement showing the movements in public dividend capital and reserves during the financial year.

Statement of comprehensive income
A primary financial statement showing the revenue earned and expenditure in the financial year (previously known as the income and expenditure account under UK GAAP).

Statement of financial position
A primary statement showing the assets and liabilities of the NHS trust at a particular date, along with how these have been funded (previously known as the balance sheet under UK GAAP).

Tariff
The national price published annually by the Department of Health which the NHS trust receives as income from its commissioners under the Payment by Results system for healthcare provided to its patients.

Unrealised gains and losses
Unrealised gains and losses are those which have been recognised by the NHS trust in its accounts but are only potential gains as they have yet to be realised such as rises and falls in the value of land and buildings due to changes in the property market. The gain or loss only becomes realised when the property is sold.

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