

**GEORGE ELIOT HOSPITAL  
NHS TRUST**

**AUDITED ANNUAL ACCOUNTS**

**2014-15**

## **2014-15 Annual Accounts of George Eliot Hospital NHS Trust**

### **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.

Signed.....

Katherine Kelly  
Acting Chief Executive

Date.....

## 2014-15 Annual Accounts of George Eliot Hospital NHS Trust

### 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

..... Date .....

Katherine Kelly  
Acting Chief Executive

..... Date .....

Shahana Khan  
Director of Finance and Performance

## **GOVERNANCE STATEMENT 2014-15**

### **1 Scope of responsibility**

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

I am accountable to the Board of Directors for ensuring that plans and objectives are implemented and that progress towards implementation is regularly reported to the Board using accurate systems of measurement and data management. The Trust's corporate governance policies and other advice on expected standards of behaviour of staff apply to me as Chief Executive and to other members of staff. I subscribe to the code of conduct for NHS Managers.

Staff throughout the organisation are made aware of their responsibility to maintain high standards of conduct and accountability. In support of good governance, and to ensure the safekeeping and appropriate use of public funds, the Trust also maintains a proactive programme of counter-fraud and a "Raising Concerns" policy (previously whistle blowing policy).

During 2014-15 the Trust had a range of mechanisms in place to facilitate effective working with key partners, in particular the NHS Trust Development Authority, NHS England including Local Area Teams and the local Clinical Commissioning Groups, South Warwickshire NHS Foundation Trust, Nuneaton and Bedworth Borough Council, Warwickshire Overview and Scrutiny Committee, Warwickshire Health and Wellbeing Board and University Hospital Coventry and Warwickshire NHS Trust. I meet regularly with the Chief Executives of each of these organisations, individually, jointly and collectively. Governance and risk issues are regularly discussed at a variety of health economy wide forums, including formal review meetings with the NHS Trust Development Authority and monthly meetings of Chief Executives.

### **2 The Governance Framework**

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 organisation's policies, aims and objectives;
- 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 the George Eliot Hospital for the year ended 31 March 2015 and up to the date of approval of the Annual Report and Accounts.

Governance arrangements in risk management are as follows:-

#### **Chief Executive**

The Chief Executive takes board level responsibility for governance, including risk management and has overall responsibility for maintaining an effective risk management system and for meeting all statutory requirements. Executive directors and clinical directors have delegated responsibility for governance and risk management arrangements within their areas of control.

## Board of Directors

The Trust Board and Chief Executive ensure that the risk management arrangements are implemented monitored and reviewed and meet all legal and regulatory requirements. The Board receives reports from the Audit Committee, the Finance Committee and the Quality Assurance Committee on the Trust's risk control measures. Members of the Board receive annual appraisals on their own performance and regularly attend Board development sessions. Members of the Board have formally adopted the NHS Code of Conduct and Accountability.

## Audit Committee

The committee monitors the effectiveness of the risk management arrangements (operational, non-clinical and financial) on the Board's behalf. Membership of the committee comprises the Non-Executive Directors, one of whom is a qualified accountant. The meeting is attended by the Director of Finance and Performance and Internal and External auditors. The committee has met eight times over the year.

## Finance Committee

The Finance Committee is a subcommittee of the Board of Directors attended by the Non-Executive Directors, chaired by a Non-Executive Director who is a qualified accountant. In 2014-15 the committee has met regularly to scrutinise the process for setting budgets, income and expenditure performance compared to budget, performance against healthcare contracts and delivery of the cost improvement target. This includes the management of financial risks to ensure targets are met.

## Quality Assurance Committee

The Quality Assurance Committee is a subcommittee of the Board of Directors. It is chaired by a Non-Executive Director, with responsibility for managing, mitigating and monitoring risk and quality. The committee regularly updates the audit committee in relation to areas of performance risk and quality.

## Information Governance Group

The Trust has an established Information Governance Group with responsibility for overseeing day to day information governance issues; developing and maintaining policies, standards, procedures and guidance and reviewing related issues and risks, reporting to the Quality Assurance Committee. The Medical Director - the Trust Caldicott Guardian, supported by the Information Governance Manager, is responsible for the establishment of policies for the control and appropriate sharing of patient information with other agencies. The Deputy Chief Executive is the appointed Senior Information Risk Owner (SIRO) and chairs the committee.

## Healthcare Risk Group

The Healthcare Risk Group is responsible for ensuring risk management is operational and embedded throughout the organisation. It is chaired by the Director of Governance and reports to the Quality Assurance Committee.

## Incident reporting

The Trust seeks to learn from incidents and good practice and incidents are discussed in a number of forums which includes Back to Basic meetings, Patient Safety committee and Patient Experience Group, Serious Incident Group, individual divisions' governance meetings and also at Board level.

The Trust reviews governance arrangements every year. The latest review was in March 2015 when the Board updated the Standing Orders and Standing Financial Instructions including the scheme of delegation.

### **3 Risk Assessment**

The Trust has adopted an approach to risk management with the structures and processes in place to successfully deliver the risk management objectives. Leadership arrangements are defined within the Trust and are supported by job descriptions and objectives.

Leadership has been further embedded at divisional level where managers have responsibility for risk identification, assessment and analysis. All staff are required to complete mandatory and essential update training, which covers risk management, risk assessments and health and safety training and all new members of staff are required to attend a mandatory induction (supplemented by local induction) which covers all key elements of risk management.

The Trust policy on the development of policies ensures all trust policies must be equality impact assessed before seeking approval by the Board.

The Trust has an Assurance Framework, embedded in the regular performance reporting and management arrangements, both to the Board and throughout the Trust. The Assurance Framework provides a comprehensive framework for the management of principal risks. The principal risks are mapped to the trust's strategic objectives and the framework also demonstrates the links with the Care Quality Commissions outcomes. The Framework examines the system of internal control and records the actions to be taken to address gaps in control or assurance. The review of the assurance framework is a standing item at the Quality Assurance Committee.

The Assurance Framework identified areas where the control framework needs improvement. The Framework also identified a number of "red" risks where action plans were put in place to mitigate the risks; these are routinely being reported to the Quality Assurance Committee; and include:-

- Delivery of planned deficit.
- Insufficient Capital resources to support business plan
- Increased pressure on the emergency pathway.
- Community services fail to provide appropriate capacity.

The action plans are owned by Executive directors and they are held to account for progress at the Quality Assurance Committee.

During 2014-15 the Trust continued to maintain the controls governing the transfer of patient identifiable data as part of the information governance assurance process.

I am assured by this process that there are no significant deficiencies within the system of control.

### **4. The risk and control framework**

The Trust has adopted an integrated framework for risk management supported by policies and procedures; this provides a comprehensive framework for the management of principal risks and is mapped to the Trust's principal/strategic objectives and to Care Quality Commission outcomes where applicable. These are in turn mapped to the risk register to assess the potential risks that threaten the achievement of the Trust objectives, the existing control measures and assurance in place.

The Risk Management Strategy is approved by the Board and reviewed annually. The strategy is published widely and includes:

- The aims and objectives for risk management in the Trust.
- The relationship and responsibilities of the relevant committees.
- The role of key individuals with responsibility for advising on and co-ordinating risk management
- Risk Appetite
- A description of the processes that the organisation employs in reviewing risk management arrangements and in gaining assurance on risk management.
- Guidance on what is acceptable risk to the organisation.

The strategy defines the risk management process including risk identification, analysis, and evaluation and requires that all hazards are assessed and risks recorded in a standard format risk register and prioritised using a standard scoring methodology.

The Risk Management Strategy was approved by the Board in November 2014, following a number of changes made which include changes to terms of reference of Board sub committees, withdrawal of NHSLA and CNST standards, Directors titles and portfolios, changes to titles of key policy and internal processes.

The strategy clearly states that it is the responsibility of all staff to identify risk and communicate those risks, through the line management structure and, ultimately to the appropriate committee. This responsibility is reinforced through annual statutory update training. Divisions are required to maintain systems and processes that enable them to operate within the Risk Management Strategy.

The risk management system is continually reviewed to ensure that robust systems are in place at all levels within the Trust. The risk register is an integral part of the system. Amendments to the risk register are generated and actioned at both divisional and corporate level.

The Trust recognises the flow of risks from board to ward and vice versa. The Healthcare Risk Group reviews and challenges the risks placed on the divisional risk registers, has an oversight of the plans put in place to mitigate risks to ensure actions are being taken, and also acts as the conduit between the board and ward in disseminating risk both ways. The group escalates significant risks which cannot be managed locally to the corporate risk register and disseminate risks to divisions where appropriate. The corporate and divisional risk registers are a standing agenda item for the Quality Assurance Committee and the corporate risk register is reviewed quarterly by the Board.

Communication and consultation is undertaken with internal and external stakeholders when appropriate. The trust has continued to develop its communication channels with its partners and within the Trust. Regular reports are prepared for divisions, Quality Assurance Committee and the trust board on the incidents reported, both clinical and non clinical.

The Trust completed the Information Governance Toolkit in line with prescribed timescale with a satisfactory score (68%) against the enhanced IG requirements which reflects a realistic view of the challenges faced by the Trust in respect of the requirements. The links to all policies are published on a regular basis. A number of measures remain in place to prevent the loss of data including the encryption of laptops, the use of encrypted memory sticks, and the introduction of email encryption software, all of which have been implemented along with lockdown laptops. Smartcard access rights are regularly reviewed. Security incidents are reported and investigated fully, and operational checks include intrusion detection tests.

There is a fully established Internal Audit programme approved by the Audit Committee in the Internal Audit Work Plan and the Audit Committee receives reports, which provide assurance of the Trust's key internal control objectives. The Internal Auditor presents an Annual Audit opinion to inform those charged with Governance on the overall level of assurance on the system of internal control. Internal audit report recommendations are tracked in a system to record action taken.

All risks identified which involve public stakeholders; including Clinical Care Groups and the NHS Trust Development Authority are dealt with in an open and transparent way using the appropriate recording

mechanisms and include appropriate communication strategies with the public.

The Trust has an established Counter Fraud Service provided by a Local Counter Fraud Specialist. In addition to Investigation work the LCFS also carries out an agreed amount of Proactive work at the Trust which includes Fraud Awareness presentations and workshops, review of Trust policies and procedures to identify key areas of Fraud risk within the Trust and production of newsletters and articles to inform staff of local and national counter fraud work and investigations.

The LCFS regularly attends the Trust Audit Committee meetings and reports back to both the Director of Finance and the Audit Committee on any Proactive or Reactive work undertaken at the Trust. Please refer to page 9 for information on work completed in 2014-15.

The Trust's External Auditors conduct an annual review of the Trust's control environment and present an annual report to those charged with governance in the form of an Annual Audit Letter.

The Trust involves stakeholders by informing and consulting on the management of any significant risks. Stakeholder involvement is sought through:

- monthly open board meetings and information provided on the trust's web site;
- the wide range of communication and consultation mechanisms, which already exist with relevant stakeholders, both internal and external;
- consultation on appropriate policy documents; stakeholders have the opportunity to comment on the risk elements;
- the Trust has introduced a member advocacy panel (MAP) which mirrors to some extent the Board of Governors in a foundation trust. The panel members have no statutory or legal powers, but play an important link to the hospital membership and the wider community.

Control measures are in place to ensure that all the organisations obligations under equality, diversity and human rights legislation are complied with. The Trust has an Equality and Diversity Group, chaired by the Director of Human Resources. Its purpose is to promote equality of opportunity, treatment, dignity and respect for all patients, staff and members of the communities we serve. The group advises and makes recommendations to the board of directors, committees and other groups on equality and diversity matters, compliance with statutory and other requirements and on areas for improvement.

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 in to the Scheme are in accordance with the Scheme's rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Through the Sustainability Group, the Trust continues to work towards the CO<sub>2</sub> emission reduction targets set out within the Climate Change Act 2008. We have invested in a number of 'invest to save' projects which have enabled us to reduce our electricity consumption by 7% compared to the previous year. We continue to work towards ensuring the Trust is well placed to manage the challenges posed by climate change.

The Trust is currently registered with the Care Quality Commission (CQC) without any compliance conditions and is licensed to provide services. The Care Quality Commission has not taken any enforcement action or issued any notices against the Trust during 2014/15.

Following a CQC inspection in 2014, an overall "Good" rating was achieved and the Chief Inspector of Hospitals recommended that George Eliot Hospital NHS Trust was brought out of special measures.



An internal CQC self-assessment process has been introduced to undertake unannounced inspection visits to areas/wards and departments to provide the Trust Board with on-going assurance on compliance or highlight areas of non-compliance and ensuring action plans are completed to address any concerns or issues raised.

The Trust operates a Serious Incident Requiring Investigation (SIRI) system where incidents are recorded, investigated and action is taken to prevent similar incidents in the future. Serious Incidents are reported to the Quality Assurance Committee and Private Board monthly and to the Board of Directors quarterly in public session.

## **5 Review of effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:

- the opinion of both Internal Audit and External Audit, given in reports to the Audit Committee; and
- reports presented to the Quality Assurance Committee, Finance Committee, Executive Group and supporting groups including Human Resources Group and Patient Safety and Experience Group.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, Audit Committee and Quality Assurance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board is assured that there are robust mechanisms in place to ensure that the evidence to support compliance is in place and available, and is routinely monitored and reported upon within the Trust's governance and performance management framework.

The process that has been applied to maintain and review the effectiveness of the system of internal control is as follows:

- The Trust's Audit Committee approves an annual internal audit programme and receives all internal audit reports. The Committee, with the support of the Quality Assurance Committee, reviews the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole organisations activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives. In 2014-15 the Committee submitted an annual report on the previous 12 months to Board of Directors, which highlighted the work of the Committee with regard to the final accounts, joint work with the Quality Assurance Committee on risk management and the assurance framework and work in ensuring improvements in the system of internal control; the report concluded a successful and effective year.
- The Trust's Quality Assurance Committee on behalf of the Board of Directors and Chief Executive reviews the establishment and maintenance of an effective system of risk management across the whole Trust's activities (both clinical and non-clinical) that supports the achievement of the Trust's objectives. The Committee reviews its own effectiveness using the "Burdett Checklist" and has reviewed and annual review of the terms of reference.

The Board receives a monthly Integrated Performance Report which includes exception reports on operations, human resources and finance and includes a governance report which is approved by the Board for submission to the NHS Trust Development Authority. The Board receives a monthly Quality Report which includes hospital acquired infection rates, performance in meeting quality and innovation targets and patient experience.

The Trust is preparing Quality Accounts for 2014-15 in the format required by the Department of Health and build on the experience gained from preparing the accounts in previous year and publications by the Department and Audit Commission including the toolkit. The accounts will be approved by the host commissioner and shared with Healthwatch and the local Overview and Scrutiny Committee. The accounts are to be reviewed by Grant Thornton as part of the audit of the annual report and accounts.

Internal Audit's review of the organisation's overall arrangements for gaining assurance has concluded that:

*"Based on the work undertaken in 2014/15, significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are being generally being consistently applied. However, our review of CIP identified that whilst a number of improvements had been made following our previous review in 2013/14, the Trust did not achieve its CIP target at year end. In addition, our review of additional hours (draft) identified some areas which required improvement around the use and authorisation of bank and agency staff to cover additional hours, specifically the lack of policies and guidance in place."*

*"Based on the work we have undertaken on the Trust's system of internal control we do not consider that within these areas there are any issues that need to be flagged as significant internal control issues within the Annual Governance Statement".*

This view is based on Internal Audit reports prepared in 2014-15 where positive opinions were generally given following the audits.

With regard to arrangements to counter fraud and corruption during 2014-15 there were six referrals which resulted in 5 investigations. 5 were concluded with no further action or no fraud proven, 1 was passed back to the Human Resources department to be dealt with which resulted in a sanction being instigated against the individual concerned. The potential financial value of the referrals was not material to the overall finances of the Trust.

The Local Counter Fraud Specialist has continued to carry out proactive work at the Trust in order to prevent, detect and deter fraud and bribery within the NHS and to also raise awareness of the role of the counter fraud specialist within the Trust and the NHS as a whole. This proactive work has helped to establish an effective anti-fraud and zero tolerance approach within the Trust that is fully supported by the executive and non-executive board members.

During the past 12 months the Trust has recorded 100 incidents (compared to 102 the previous year) which were categorised as Significant Incidents Requiring Investigation (SIRI). The largest single trend (category) reported has been related to pressure damage. Each incident has been investigated using Root Cause Analysis (RCA) and actions put in place to reduce the likelihood of re-occurrence.

To ensure lessons learnt are shared and learning has occurred, all RCA reports are discussed at the Significant Incident Group (SIG) meeting. This multidisciplinary group chaired by the Medical Director is well established providing challenge in a non-threatening arena. The group meets twice a month and reports into the Quality Assurance Committee. The function of the group is to review all SIRI reports to ensure a comprehensive investigation has been undertaken; lessons learnt have been identified and shared within the Trust. The group also monitors implementation of action plans developed to minimise the risk of reoccurrence. The commissioner Head of Quality and Safety is now regular attendee at the meeting, which is a positive addition as the benefits are improved communication and assurance.

An example of sharing lessons learnt follows the investigation into an incident on the orthopaedic ward. The investigation identified patients with diabetes and reduced mobility, were more likely to develop a pressure ulcer on their heels, so dermal pads were introduced to aid prevention. Following the presentation of this at SIG the medical wards now use dermal pads in diabetic patients with reduced mobility.

The Care Quality Commission (CQC) and NHS Litigation Authority (NHSLA) consider Trusts who are high reporters of incidents to have a better and a more effective safety culture. 5805 incidents were reported in 2014-2015, which shows a significant increase of nearly 13% on the previous year. To promote incident reporting the Governance team are working closely with the divisions to improve incident reporting, identifying learning points and providing feedback to staff.

An incident was raised in September when external reports received identified that the air handling units in a number of operating theatres did not pass verification testing. This was escalated and remedial work commenced as soon as was practicable with full incident management commencing within two working days. As a result, it was agreed to suspend surgery until completion of remedial works and further verification to ensure patient safety.

A comprehensive Root Cause Analysis Investigation was undertaken and an Action Plan put in place which identified eight recommendations for implementation to prevent reoccurrence, these have been implemented and include a more robust review of prioritised capital bids that are subject to delay to ensure risks are known and mitigated as far as possible. The incident management and action plan implementation and progress were reported to the Audit Committee and Trust Board.

In 2014-15 the Trust planned for a £12m deficit and on the basis that the planned target is met, the Department of Health has provided funding of £12m for patient care services to enable the Trust to break even. This target has been achieved in the year, with a reported surplus after including this income of £0.4m. The Trust has submitted a draft financial plan for 2015-16 showing a deficit of £16m, which is being reviewed by the NHS Trust Development Authority.

In recent years External Auditors have been required to issue an annual; Section 19 letter to the Secretary of State at the Department of Health because the Trust has not met its statutory duty to break-even. The March 2015 letter informs the Secretary of State that the Trust is in breach of its statutory break-even duty for the 5 years ended 31<sup>st</sup> March 2015.

The Trust is working with local commissioners to support the national QIPP agenda and improve the quality of services.

The Trusts' self-declaration compliance with Monitor Licensing requirements shows the following:

- Clinical quality - The Board is satisfied that, to the best of its knowledge and using its own processes and having had regard to the TDA's oversight model (supported by Care Quality Commission information, its own information on serious incidents, patterns of complaints, and including any further metrics it chooses to adopt), the trust has, and will keep in place, effective arrangements for the purpose of monitoring and continually improving the quality of healthcare provided to its patients. It is satisfied that plans are in place are sufficient to ensure ongoing compliance with the Care Quality Commission's registration requirements and that processes and procedures are in place to ensure all medical practitioners providing care on behalf of the trust have met the relevant registration and revalidation requirements.

Finance - The board is satisfied that the trust shall at all times remain a going concern, as defined by the most up to date accounting standards in force from time to time. The Trust is working with stakeholders, including the Trust Development Authority, on its five year strategy. The board will ensure that the trust remains at all times compliant with the NTDA accountability framework and shows regard to the NHS Constitution at all times.

RISK: The Trust has received assurance from the Trust Development Authority around the going concern opinion for 2014/15.

- Governance- All current key risks to compliance with the NTDA's Accountability Framework have been identified (raised either internally or by external audit and assessment bodies) and addressed – or there are appropriate action plans in place to address the issues in a timely manner. The board has considered all likely future risks to compliance with the NTDA Accountability Framework and has reviewed appropriate evidence regarding the level of severity, likelihood of a breach occurring and the plans for mitigation of these risks to ensure continued compliance. The necessary planning, performance management and corporate and clinical risk management processes and mitigation plans are in place to deliver the annual operating plan, including that all audit committee recommendations accepted by the board are implemented satisfactorily. An Annual Governance Statement is in place, and the trust is compliant with the risk management and assurance framework requirements that support the Statement pursuant to the most up to date guidance from HM Treasury ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).

The Board is satisfied that plans in place are sufficient to ensure ongoing compliance with all existing targets as set out in the NTDA oversight model; and a commitment to comply with all known targets going forward. The trust has achieved a minimum of Level 2 performance against the requirements of the Information Governance Toolkit. The board will ensure that the trust will at all times operate effectively. This includes maintaining its register of interests, ensuring that there are no material conflicts of interest in the board of directors; and that all board positions are filled, or plans are in place to fill any vacancies.

The board is satisfied that all executive and non-executive directors have the appropriate qualifications, experience and skills to discharge their functions effectively, including setting strategy, monitoring and managing performance and risks, and ensuring management capacity and capability. The board is satisfied that: the management team has the capacity, capability and experience necessary to deliver the annual operating plan; and the management structure in place is adequate to deliver the annual operating plan.

RISK: The Trust has put plans in place to deliver existing targets however due to operational pressures the Board cannot be assured that these plans will deliver all existing targets, such as the access target of 4 hours. The plans and the performance against these plans have been shared with the TDA.

- Delivery - Demand for emergency services increased significantly over the winter months, which has been reflected both nationally and regionally. This has impacted upon the Trust's performance in some key operational targets, in particular the A&E 4 hour target (95%), where we have been unable to deliver the target. Of particular concern has been patient flow with challenges in relation to delayed transfers of care. This has also impacted on our 18 weeks waiting time targets where the Trust has had to use premium rate working to ensure delivery of target. A health system wide approach has now been adopted that is particularly focused on improving and reducing patient flows through the hospital.

The Trust has performed well against its RTT aggregate waiting times in relation to admitted, non-admitted and incomplete pathways throughout 14/15. At the specialty level T&O specialty has been a particular challenge and we have failed this for the year. We have also struggled with the diagnostics target and we have failed to deliver this in the last two quarters of the year. The area of challenge has been endoscopy where there have been significant increases in demand and the Trust has been physically constrained to increase the service provided. A plan to build increased capacity has been approved by the Trust Board on the basis that this will be supported by the TDA. In the meantime we are reviewing all options to increase capacity.

The cancer waits for breast symptomatic and the 62 days referral to treatment have been challenging for the Trust and measures have now been put in place for the latter mentioned target where improvements have been made. The Trust is continuing to work with the CCG on the breast symptomatic target as an element of this relates to patient choice.

In line with the continued implementation of our Quality and Safety measures, the Trust remains on course to achieve the challenging threshold of 7 cases of hospital acquired Clostridium Difficile during 2014/15, with 4 avoidable cases reported to date. Though the Trust has performed well against avoidable hospital acquired pressure ulcers it has been unable to achieve the required standard in relation to the Safety Thermometer. A wide ranging action plan for control of infection has been implemented to improve this performance. Falls has also remained an issue for the Trust during the year; a falls care bundle has been developed, including training of all ward staff, which has now been rolled out to all wards.

We have continued the use of our 'Friends and Family' test measure to monitor inpatient and A&E patient feedback. The A&E Friends and Family Test measure has been particularly challenging during 2014/15. A working group has been established for patient feedback and information from the results is shared on a regular basis with front line staff, to help develop new approaches and respond to key issues immediately.

The use of Care bundles have been promoted throughout the Trust, with an additional care bundle for Acute Kidney Injury Failure being developed to support the Heart failure, Sepsis and Pneumonia care bundles already in place. Improvements are reflected in the mortality rates for these groups, which continue to show an improved positive position. In addition, weekday and weekend mortality continue to show no significant variance, which reflects on the improvements made to the admission and treatment processes across 7-days. Both HSMR and SHMI measures have shown continual improvement throughout the year.

The Trust has adhered to the terms and conditions of its acute healthcare contract. There are a number of outstanding performance notices at year end, relating to underperformance in KPIs. However the Trust has made positive improvements and intends to achieve the targets as soon as possible.

The Trust has made progress towards improving staff attendance and reducing the number of vacancies which have led to a lower level of spend on agency staff during the year. Further work is being undertaken to ensure that improvements continue to be made in this area.

I am pleased to report, based on the opinion of Internal Audit; the George Eliot Hospital NHS Trust has sound system of internal control that supports the achievement of its policies, aims and objectives.

**Signed on behalf of the Board of Directors:**

**Kath Kelly, Chief Executive (Acting)**

**Date: 03-Jun-15**

**George Eliot Hospital NHS Trust. (RLT)**

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF GEORGE ELIOT HOSPITAL NHS TRUST**

We have audited the financial statements of George Eliot Hospital 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 George Eliot Hospital NHS Trust 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 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 George Eliot Hospital 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 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 12 May 2015 we referred a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 in relation to a breach of the Trust's five year break even duty in 2014/15.

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 matters:

- The Trust delivered a surplus of £367,000 in 2014/15, which results in a cumulative deficit of £12.172 million at 31 March 2015. The Trust is projecting a deficit of £16 million for 2015/16. The deficit plan for 2015/16 has been agreed with relevant stakeholders and includes the provision of additional cash support and liquidity requirements. The cumulative deficit at 31 March 2015 and planned deficit for 2015/16 are evidence of weaknesses in arrangements in respect of the Trust's strategic financial planning.



**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 matters reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects George Eliot Hospital 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 George Eliot Hospital NHS Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

JD Roberts

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

Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT

4 June 2015

## Statement of Comprehensive Income for year ended 31 March 2015

	NOTE	2014-15 £000s	2013-14 £000s
Gross employee benefits	10.1	(96,827)	(93,495)
Other operating costs	8	(42,511)	(41,695)
Revenue from patient care activities (Note 1 below)	5	129,989	115,186
Other operating revenue	6	11,303	11,452
<b>Operating surplus/(deficit)</b>		<b>1,954</b>	<b>(8,552)</b>
Investment revenue	12	15	24
Other gains and (losses)	13	0	0
Finance costs	14	(5)	(9)
<b>Surplus/(deficit) for the financial year</b>		<b>1,964</b>	<b>(8,537)</b>
Public dividend capital dividends payable		(1,894)	(1,755)
<b>Retained surplus/(deficit) for the year</b>		<b>70</b>	<b>(10,292)</b>

### Other Comprehensive Income

		2014-15 £000s	2013-14 £000s
Impairments and reversals taken to the revaluation reserve		(928)	0
Net gain/(loss) on revaluation of property, plant & equipment (Note 2 below)		5,588	509
<b>Total comprehensive income for the year</b>		<b>4,730</b>	<b>(9,783)</b>

### Financial performance for the year

Retained surplus/(deficit) for the year		70	(10,292)
Prior period adjustment to correct errors and other performance adjustments		0	0
IFRIC 12 adjustment (including IFRIC 12 impairments)		0	0
Impairments (excluding IFRIC 12 impairments) (Note 3 below)		342	0
Adjustments in respect of donated gov't grant asset reserve elimination (Note 4 below)		(45)	127
Adjustment re absorption accounting		0	0
<b>Adjusted retained surplus/(deficit) (Note 5 below)</b>		<b>367</b>	<b>(10,165)</b>

Note 1. Revenue from patient care activities in the year included non-recurrent income of £12m from the Department of Health.

Note 2. The net gain on the revaluation of property was due to the revaluation of land and buildings as at 1 April 2014, together with the indexation of buildings based on the movement in the building cost index in 2014-15, applied as at 31 March 2015. These changes were reported in the revaluation reserve and did not impact on the financial performance of the Trust.

Note 3. There was an impairment charge of £342,000 which arose due to the revaluation of dwellings as at 1 April 2014. The charge, included in the retained surplus/ (deficit) above, was adjusted because it was not included in the Trust's overall financial performance.

Note 4. The value of acquired donated assets was £45,000 more than the value of the depreciation charge in the year. In the prior year the depreciation charge was £127,000 greater than the value of acquired donated assets. This amount, included in the retained surplus/ (deficit) above, was adjusted because it was not included in the Trust's overall financial position.

Note 5. The adjusted retained surplus/ (deficit) of £367,000 represented the financial performance of the Trust in meeting the break-even duty for the year. However, over a three year rolling period, the Trust has not achieved the break-even duty (see page 36).

The notes on pages 5 to 38 form part of these accounts.

**Statement of Financial Position as at  
31 March 2015**

		31 March 2015	31 March 2014
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	64,850	59,431
Intangible assets	16	2,896	2,112
Investment property	18	0	0
Other financial assets		0	0
Trade and other receivables	22.1	278	286
<b>Total non-current assets</b>		<b>68,024</b>	<b>61,829</b>
<b>Current assets:</b>			
Inventories	21	2,300	2,239
Trade and other receivables	22.1	8,713	8,380
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	505	1,054
<b>Sub-total current assets</b>		<b>11,518</b>	<b>11,673</b>
Non-current assets held for sale	27	0	0
<b>Total current assets</b>		<b>11,518</b>	<b>11,673</b>
<b>Total assets</b>		<b>79,542</b>	<b>73,502</b>
<b>Current liabilities</b>			
Trade and other payables	28	(14,591)	(13,284)
Other liabilities	29	0	0
Provisions	35	(915)	(2,096)
Borrowings	30	0	0
Other financial liabilities	31	0	0
DH revenue support loan	30	0	0
DH capital loan	30	(157)	0
<b>Total current liabilities</b>		<b>(15,663)</b>	<b>(15,380)</b>
<b>Net current liabilities</b>		<b>(4,145)</b>	<b>(3,707)</b>
<b>Total assets less current liabilities</b>		<b>63,879</b>	<b>58,122</b>
<b>Non-current liabilities</b>			
Trade and other payables	28	0	0
Other liabilities	31	0	0
Provisions	35	(627)	(585)
Borrowings	30	0	0
Other financial liabilities	31	0	0
DH revenue support loan	30	0	0
DH capital loan	30	(943)	0
<b>Total non-current liabilities</b>		<b>(1,570)</b>	<b>(585)</b>
<b>Total assets employed:</b>		<b>62,309</b>	<b>57,537</b>
<b>FINANCED BY:</b>			
Public Dividend Capital		49,343	49,301
Retained earnings		(5,512)	(5,857)
Revaluation reserve		18,478	14,093
Other reserves		0	0
<b>Total Taxpayers' Equity:</b>		<b>62,309</b>	<b>57,537</b>

The notes on pages 5 to 38 form part of these accounts.

The financial statements on pages 1 to 38 were approved by the Board of Directors on the 3rd June 2015 and signed on its behalf by:

Katherine Kelly  
Acting Chief Executive

Date: 3rd June 2015

**Statement of Changes in Taxpayers' Equity  
For the year ending 31 March 2015**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
<b>Balance at 1 April 2014</b>	<b>49,301</b>	<b>(5,857)</b>	<b>14,093</b>	<b>0</b>	<b>57,537</b>
<b>Changes in taxpayers' equity for 2014-15</b>					
Retained surplus for the year	0	70	0	0	70
Net gain on revaluation of property, plant, equipment (Note 1 below)	0	0	5,588	0	5,588
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0	0	0	0
Impairments and reversals	0	0	(928)	0	(928)
Other gains/(loss) (provide details below)	0	0	0	0	0
Transfers between reserves (Note 2 below)	0	275	(275)	0	0
<b>Reclassification Adjustments</b>		0			
Transfers to/(from) other bodies within the resource account boundary	0	0	0	0	0
Transfers between revaluation reserve & retained earnings in respect of assets transferred under absorption	0	0	0	0	0
On disposal of available for sale financial assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New temporary and permanent PDC received - cash	10,042	0	0	0	10,042
New temporary and permanent PDC repaid in year	(10,000)	0	0	0	(10,000)
<b>Net recognised revenue for the year</b>	<b>42</b>	<b>345</b>	<b>4,385</b>	<b>0</b>	<b>4,772</b>
<b>Balance at 31 March 2015</b>	<b>49,343</b>	<b>(5,512)</b>	<b>18,478</b>	<b>0</b>	<b>62,309</b>
<b>Balance at 1 April 2013</b>	<b>41,396</b>	<b>3,917</b>	<b>14,062</b>	<b>0</b>	<b>59,375</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2014</b>					
Retained deficit for the year	0	(10,292)	0	0	(10,292)
Net gain on revaluation of property, plant, equipment	0	0	509	0	509
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Other gains / (loss)	0	0	0	0	0
Transfers between reserves	0	511	(511)	0	0
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	40	0	0	40
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0
<b>Reclassification Adjustments</b>					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption	0	0	0	0	0
On disposal of available for sale financial assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New temporary and permanent PDC received - cash	10,405	0	0	0	10,405
New PDC received/(repaid) - PCTs and SHAs legacy items paid for by DH	0	0	0	0	0
New temporary and permanent PDC repaid in year	(2,500)	0	0	0	(2,500)
<b>Net recognised revenue/(expense) for the year</b>	<b>7,905</b>	<b>(9,741)</b>	<b>(2)</b>	<b>0</b>	<b>(1,838)</b>
Transfers between reserves in respect of modified absorption - PCTs & SHAs	0	(33)	33	0	0
Other Bodies	0	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>49,301</b>	<b>(5,857)</b>	<b>14,093</b>	<b>0</b>	<b>57,537</b>

Note 1. The increase in the revaluation reserve is due to the revaluation of land and buildings, together with the indexation applied to reflect the increase in the general building cost indices.

Note 2. The transfer of £275,000 between reserves represents the elimination of the additional depreciation charge arising in the accounts due to some of the non current assets being shown at valuation rather than being held at historic cost.

**Statement of Cash Flows for the Year ended 31 March 2015**

	NOTE	2014-15 £000s	2013-14 £000s
<b>Cash Flows from Operating Activities</b>			
Operating surplus/(deficit)		1,954	(8,552)
Depreciation and amortisation		4,072	4,907
Impairments and reversals		342	0
Other gains/(losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		(207)	(47)
Government Granted Assets received credited to revenue but non-cash		0	0
Interest paid		(5)	(1)
Dividend paid		(1,870)	(1,689)
Release of PFI/deferred credit		0	0
Increase in Inventories		(61)	(269)
Increase in Trade and Other Receivables		(349)	(6,072)
(Increase)/Decrease in Other Current Assets		0	0
Increase in Trade and Other Payables		1,095	1,255
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions utilised		(1,357)	(630)
Increase in movement in non cash provisions		218	1,018
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>3,832</b>	<b>(10,080)</b>
<b>Cash Flows from Investing Activities</b>			
Interest Received		15	24
Payments for Property, Plant and Equipment		(4,193)	(6,184)
Payments for Intangible Assets		(1,345)	(498)
<b>Net Cash Outflow from Investing Activities</b>		<b>(5,523)</b>	<b>(6,658)</b>
<b>Net Cash outflow before Financing</b>		<b>(1,691)</b>	<b>(16,738)</b>
<b>Cash Flows from Financing Activities</b>			
Gross Temporary and Permanent PDC Received		10,042	10,405
Gross Temporary and Permanent PDC Repaid		(10,000)	(2,500)
Loans received from DH - New Capital Investment Loans		1,100	0
Loans received from DH - New Revenue Support Loans (previously known as Working Capital Loans)		0	0
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		0	0
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		0	0
Other Loans Repaid		0	(1)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		0	0
<b>Net Cash Inflow from Financing Activities</b>		<b>1,142</b>	<b>7,904</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(549)</b>	<b>(8,834)</b>
<b>Cash and Cash Equivalents at Beginning of the Period</b>		<b>1,054</b>	<b>9,888</b>
Effect of exchange rate changes in the balance of cash held in foreign currencies		0	0
<b>Cash and Cash Equivalents at year end</b>		<b>505</b>	<b>1,054</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

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

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Movement of assets within the DH Group

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

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

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, Treasury agreed that a modified absorption approach should be applied. For these transactions and only in the prior-period, gains and losses are recognised in reserves rather than the Statement of Comprehensive Income.

#### 1.4 Charitable Funds

Under the provisions of IFRS10 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entities' returns.

In accordance with IAS 1 Presentation of Financial Statements, restated prior period accounts are presented where the adoption of the new policy has a material impact. As the value of George Eliot's Charitable Funds do not have a material impact, they have not been consolidated.

#### 1.5 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.

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

### 1.5.1 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.

#### Going concern

International Accounting Standard 1 requires management to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements the Board of Directors have considered the Trust's overall financial position and expectation of future financial support. The Trust was supported by non-recurrent patient care income provided by the Department of Health of £12m in 2014-15, which assisted the Trust in breaking even for the year. In addition, during the year the Trust received temporary cash support in order to meet liabilities as they fell due. This was repaid in full prior to the year end. The Trust has recently submitted a one year financial plan for 2015-16 to the NHS Trust Development Authority. The financial plan includes a deficit of £16m in 2015-16. The NHS Trust Development Authority has provided written assurance that it will make sufficient cash financing available to the Trust over the next twelve month period such that the organisation is able to meet its current liabilities. The deficit total for 2015-16 assumes the delivery of a £7.3 million gross savings programme (net £6.8 million).

The Board of Directors have received confirmation from the NHS Trust Development Authority that it will support the Trust's application for cash support and considers that there is sufficient evidence that the services the Trust provides will continue as a going concern for the foreseeable future.

The Directors consider the contracts it has agreed with commissioning bodies and a letter of support from the Trust Development Authority is sufficient evidence that the Trust will continue as a going concern for the foreseeable future. For this reason the going concern basis has been adopted for preparing the accounts.

#### Other judgements

- Management has declared that the financial statements are free from any misstatement as a result of fraud or any weakness in systems of internal control.
- Impairment reviews were completed on property plant and equipment to ensure values were not overstated at the 31 March 2015.

### 1.5.2 Key assumptions

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.

-A holiday pay accrual for annual leave carried forward at the 31st March 2015 is estimated based on annual leave records maintained by the Trust.

-The Digital Medical Records project and the Lorenzo Electronic Patient Records system project makes assumptions with regard to the split of expenditure between revenue and capital, with the capital costs further split between tangible and intangible assets. For the Digital Medical Records Project the intangible costs are now being amortised over the anticipated life of the digital records, with all new digital records created being amortised over the same life. Lorenzo development costs are being amortised over the life of the project i.e. 6 years.

-Healthcare SLA over/under performance with some commissioners is estimated based on patient activity; the final agreement of income will be made when the information is validated in accordance with the contracting timetable.

-Two former employees are being paid a permanent injury allowance by the Trust. Their life expectancy is calculated using published interim life tables for England published by the Office of National Statistics, with the resulting calculated provision being discounted by 1.3%. Every year their life expectancy and the appropriate discount factor is reviewed and updated.

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

### 1.6 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 is apportioned across the financial years on the basis of costs incurred to date compared to total expected costs.

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

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

### 1.7 Employee Benefits

#### 1.7.1 Short-term employee benefits

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

#### Retirement benefit costs

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

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

### 1.8 Other expenses

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



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

### 1.9 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

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

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

#### Valuation

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

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any 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 as indexed on 31 March 2015 using indices supplied by the valuer, GVA Limited.

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

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

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

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

#### Subsequent expenditure

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

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

**1.10 Intangible assets**

**Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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

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

**Measurement**

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

Following initial recognition, intangible assets are carried at 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.

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

Equipment is depreciated evenly over the estimated life of the asset.

	Years
Medical equipment and engineering plant and equipment	5-15
Furniture	10
Mainframe information technology installations	8
Soft furnishings	7
Software Licences	5
Office and information technology equipment	5
Set-up costs in new buildings	10
Vehicles	8
Development costs are depreciated over the life of the project	

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

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

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

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

### 1.12 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.

### 1.13 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.

### 1.14 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.

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

### 1.15 Leases

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

#### The trust as lessee

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

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

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

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

#### The Trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS 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.

### 1.16 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 NHS trust's cash management.

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

### 1.18 Provisions

Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of -1.50% for cash flows of 1-5 years, -1.05% for cash flows 5-10 years, and 2.20% for cash flows over 10 years in real terms (1.30% for employee early departure obligations).

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

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

### 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 NHS trust'. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 35.

### 1.20 Non-clinical risk pooling

The NHS trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the NHS 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 EU Emissions trading scheme

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

### 1.22 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 NHS 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 NHS trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

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

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

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

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

#### **Held to maturity investments**

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

#### **Available for sale financial assets**

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

#### **Loans and receivables**

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

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 NHS 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.

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.

Fair value is deemed to be book value unless stated otherwise.

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

### 1.24 Financial liabilities

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

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

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

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the NHS trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

#### 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.

Fair value is deemed to be book value unless stated otherwise.

### 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 42 to the accounts.

### 1.28 Public Dividend Capital (PDC) and PDC dividend

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

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

## 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 Trust's not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

### 1.30 Subsidiaries

Material entities over which the NHS trust has the power to exercise control are classified as subsidiaries and are consolidated. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the NHS trust or where the subsidiary's accounting date is not co-terminus.

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

For 2014-15, the Trust has not consolidated the results of George Eliot Hospital NHS Trust Charitable Funds over which it considers it has the power to exercise control. Although this is a departure from IFRS10 requirements, the amounts involved are not material. The Trust will review the materiality of the Charitable Funds in the future and consolidate them if they become material.

### 1.31 Associates

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

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

### 1.32 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.

### 1.33 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 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 – applies to accounting periods on or after 1 January 2018
- IFRS 13 Fair Value Measurement - subject to consultation
- IFRS 14 Regulatory Deferral Accounts – not applicable
- IFRS 15 Revenue from Contracts with Customers



**2. Pooled budgets**

The Trust does not have any pooled budgets.

**3. Operating segments**

The Trust has only one operating segment; that is the provision of healthcare services.

The total amount of income from the provision of healthcare services during the accounting period is £141,292 (2013-14 £126,638k). Total operating expenditure from the provision of healthcare services during the accounting period is £139,338 (2013-14 £135,190k).

The Trust generated over 10% of income from the following organisations:

	2014-15 £000s	2013-14 £000s
NHS Warwickshire North CCG	78,233	74,918

**4. Income generation activities**

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The Trust does not have any income generating activities whose full cost exceeded £1m or were material to the overall income received in the year.

**5. Revenue from patient care activities**

	2014-15 £000s	2013-14 £000s
NHS Trusts	20	0
NHS England	12,921	12,575
Clinical Commissioning Groups	102,527	100,315
Foundation Trusts	8	0
Department of Health	0	0
NHS Other (including Public Health England and Prop Co)	516	0
Additional income for delivery of healthcare services (Note 1 below)	12,000	0
Non-NHS:		
Local Authorities	1,457	1,662
Private patients	5	10
Overseas patients (non-reciprocal)	4	10
Injury costs recovery	470	560
Other	61	54
<b>Total Revenue from patient care activities</b>	<b>129,989</b>	<b>115,186</b>

Note 1. This amount relates to non-recurrent income from the Department of Health for the provision of healthcare services provided by the Trust.

**6. Other operating revenue**

	2014-15 £000s	2013-14 £000s
Recoveries in respect of employee benefits	0	0
Patient transport services	0	0
Education, training and research	6,085	4,983
Charitable and other contributions to revenue expenditure - NHS	0	0
Charitable and other contributions to revenue expenditure -non- NHS	0	110
Receipt of donations for capital acquisitions - Charity	207	47
Support from DH for mergers	0	0
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	2,863	3,890
Income generation	1,201	1,123
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue	947	1,299
<b>Total Other Operating Revenue</b>	<b>11,303</b>	<b>11,452</b>
<b>Total operating revenue</b>	<b>141,292</b>	<b>126,638</b>

Other operating revenue includes £1,489,000 (2013-14 £2,261,000) income to fully offset the costs of the Lorenzo project to implement the replacement system for the Patient Administration System which became operational in 2014-15.

<b>7. Overseas Visitors Disclosure</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000s
Income recognised during 2014-15 (invoiced amounts and accruals)	4	10
Cash payments received in-year (re receivables at 31 March 2014)	0	0
Cash payments received in-year (iro invoices issued 2014-15)	1	9
Amounts added to provision for impairment of receivables (re receivables at 31 March 2014)	10	0
Amounts added to provision for impairment of receivables (iro invoices issued 2014-15)	4	0
Amounts written off in-year (irrespective of year of recognition)	0	20
<b>8. Operating expenses</b>	<b>2014-15</b>	2013-14
	<b>£000s</b>	£000s
Services from other NHS Trusts	3,000	2,892
Services from CCGs/NHS England	49	197
Services from other NHS bodies	45	0
Services from NHS Foundation Trusts	980	903
<b>Total Services from NHS bodies*</b>	<b>4,074</b>	<b>3,992</b>
Purchase of healthcare from non-NHS bodies	1,807	1,796
Trust Chair and Non-executive Directors	56	57
Supplies and services - clinical	18,791	17,203
Supplies and services - general	1,471	1,737
Consultancy services	33	397
Establishment	1,712	1,613
Transport	77	87
Business rates paid to local authorities (Note 1 below)	660	482
Premises	3,618	4,211
Hospitality	7	103
Insurance	17	98
Legal Fees	70	69
Impairments and Reversals of Receivables	22	(63)
Inventories write down	31	22
Depreciation	3,517	4,359
Amortisation	555	548
Impairments and reversals of property, plant and equipment	342	0
Audit fees	73	92
Other auditor's remuneration	116	89
Clinical negligence	3,936	3,409
Research and development (excluding staff costs)	0	0
Education and Training	1,110	842
Change in Discount Rate	43	45
Other	373	507
<b>Total Operating expenses (excluding employee benefits)</b>	<b>42,511</b>	<b>41,695</b>
<b>Employee Benefits</b>		
Employee benefits excluding Board members	96,079	92,797
Executive Board members	748	698
<b>Total Employee Benefits</b>	<b>96,827</b>	<b>93,495</b>
<b>Total Operating Expenses</b>	<b>139,338</b>	<b>135,190</b>

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

Note 1. Business rates are now shown separately instead of being included in the Premises costs. The comparative figure has been adjusted by £482,000 to reflect this change.

**9. Operating Leases**

<b>9.1. Trust as lessee</b>	<b>Land £000s</b>	<b>Buildings £000s</b>	<b>Other £000s</b>	<b>2014-15 Total £000s</b>	<b>2013-14 £000s</b>
<b>Payments recognised as an expense</b>					
Minimum lease payments	0	0	18	<b>18</b>	40
Contingent rents	0	0	0	<b>0</b>	0
Sub-lease payments	0	0	0	<b>0</b>	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>18</b>	<b>40</b>
<b>Payable:</b>					
No later than one year	0	0	8	<b>8</b>	11
Between one and five years	0	0	26	<b>26</b>	27
After five years	0	0	0	<b>0</b>	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>34</b>	<b>38</b>

Total future sublease payments expected to be received £nil (2013-14 £nil)

The only operating leases the Trust had at 31 March 2015 were for 11 cars (11 at 31 March 2014).

The car leases were originally taken out for either 3 or 4 years.

Expiry of the leases is as follows:

	<b>2014-15 Number</b>	<b>2013-14 Number</b>
Other operating leases which expire:		
Within 1 year	<b>8</b>	2
Between 1 and 5 years	<b>26</b>	9
After 5 years	<b>0</b>	0
	<b>34</b>	<b>11</b>

**9.2 Trust as lessor**

The Trust does not have any agreements where it acts as lessor.

**10. Employee benefits and staff numbers****10.1 Employee benefits**

<b>Employee Benefits - Gross Expenditure 2014-15</b>	<b>Total £000s</b>	<b>Permanently employed £000s</b>	<b>Other £000s</b>
Salaries and wages	84,344	63,112	21,232
Social security costs	5,012	4,771	241
Employer Contributions to NHS BSA - Pensions Division	7,759	7,759	0
Other pension costs	0	0	0
Termination benefits	0	0	0
<b>Total employee benefits</b>	<b>97,115</b>	<b>75,642</b>	<b>21,473</b>
<b>Employee costs capitalised</b>	<b>288</b>	<b>254</b>	<b>34</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>96,827</b>	<b>75,388</b>	<b>21,439</b>

<b>Employee Benefits - Gross Expenditure 2013-14</b>	<b>Total £000s</b>	<b>Permanently employed £000s</b>	<b>Other £000s</b>
Salaries and wages	81,514	60,000	21,514
Social security costs (Note 1 below)	4,831	4,647	184
Employer Contributions to NHS BSA - Pensions Division	7,341	7,341	0
Other pension costs	0	0	0
Termination benefits	0	0	0
<b>TOTAL - including capitalised costs</b>	<b>93,686</b>	<b>71,988</b>	<b>21,698</b>
Employee costs capitalised	191	121	70
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>93,495</b>	<b>71,867</b>	<b>21,628</b>

Note 1. The split of social security costs has been amended for 2013-14 to correctly report the element relating to 'other' staff.

**10.2 Staff Numbers****Staff Numbers 2014-15**

	<b>Total Number</b>	<b>2014-15 Permanently employed Number</b>	<b>Other Number</b>
<b>Average Staff Numbers (whole time equivalent)</b>			
Medical and dental	292	225	67
Ambulance staff	0	0	0
Administration and estates	487	413	74
Healthcare assistants and other support staff	195	155	40
Nursing, midwifery and health visiting staff	916	831	85
Nursing, midwifery and health visiting learners	9	9	0
Scientific, therapeutic and technical staff	239	234	5
Social Care Staff	0	0	0
Other	54	54	0
<b>TOTAL</b>	<b>2,192</b>	<b>1,921</b>	<b>271</b>
Of the above - staff engaged on capital projects	6	6	0

**10.2 Staff Numbers (cont.)****Staff Numbers 2013-14**

	<b>Total Number</b>	<b>2013-14 Permanently employed Number</b>	<b>Other Number</b>
<b>Average Staff Numbers (whole time equivalent)</b>			
Medical and dental	309	213	96
Ambulance staff	0	0	0
Administration and estates	452	397	55
Healthcare assistants and other support staff	149	144	5
Nursing, midwifery and health visiting staff	952	786	166
Nursing, midwifery and health visiting learners	7	7	0
Scientific, therapeutic and technical staff	226	214	12
Social Care Staff	0	0	0
Other	50	50	0
<b>TOTAL</b>	<u>2,145</u>	<u>1,811</u>	<u>334</u>
Of the above - staff engaged on capital projects	5	3	2

**10.3 Staff Sickness absence and ill health retirements**

	<b>2014-15 Number</b>	<b>2013-14 Number</b>
Total Days Lost (Note 1 below)	17,626	16,023
Total Staff Years (Note 1 below)	<u>1,852</u>	<u>1,752</u>
<b>Average working Days Lost</b>	<u>9.52</u>	<u>9.15</u>

Note 1. The numbers were calculated using the figures for the year ended 31 December 2014 (year ended 31 December 2013).

	<b>2014-15 Number</b>	<b>2013-14 Number</b>
Number of persons retired early on ill health grounds	4	2
Total additional pensions liabilities accrued in the year	<b>£000s</b> 174	<b>£000s</b> 88

**10.4 Exit Packages agreed in 2014-15**

The Trust made no redundancy payments and there were no exit packages in 2014-15 (£nil 2013-14).

**10.5 Exit packages - Other Departures analysis**

The Trust made no other departure costs in 2014-15 (£nil 2013-14).

**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](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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:

## **Pension Costs (Continued)**

### **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.

The Trust joined the National Employment Savings Trust scheme on 1 November 2013. All employees not in the NHS Pension scheme have been automatically enrolled in the NEST scheme unless they specifically opt out. The NEST scheme is a defined contribution scheme with contribution both by the individual and the Trust.

**11 Better Payment Practice Code****11.1 Measure of compliance**

	2014-15 Number	2014-15 £000s	2013-14 Number	2013-14 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	42,296	48,064	42,565	47,991
Total Non-NHS Trade Invoices Paid Within Target	39,121	44,966	39,341	43,777
Percentage of NHS Trade Invoices Paid Within Target	<u>92.49%</u>	<u>93.55%</u>	<u>92.43%</u>	<u>91.22%</u>
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	1,031	7,420	1,039	8,281
Total NHS Trade Invoices Paid Within Target	768	6,881	737	6,882
Percentage of NHS Trade Invoices Paid Within Target	<u>74.49%</u>	<u>92.74%</u>	<u>70.93%</u>	<u>83.11%</u>

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

The Trust allowed a 2 day buffer period for payments in transit when calculating the amount of invoices paid on time.

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

	2014-15 £000s	2013-14 £000s
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

**12 Investment Revenue**

	2014-15 £000s	2013-14 £000s
<b>Interest revenue</b>		
Bank interest	15	24
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total investment revenue</b>	<u>15</u>	<u>24</u>

**13 Other Gains and Losses**

	2014-15 £000s	2013-14 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	0	0
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other than held for sale	0	0
Gain (Loss) on disposal of assets held for sale	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through the SoCI	0	0
Change in fair value of financial liabilities carried at fair value through the SoCI	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

**14 Finance Costs**

	2014-15 £000s	2013-14 £000s
<b>Interest</b>		
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	1
Interest on late payment of commercial debt	1	0
<b>Total interest expense</b>	<u>1</u>	<u>1</u>
Other finance costs	0	0
Provisions - unwinding of discount	4	8
<b>Total</b>	<u>5</u>	<u>9</u>

## 15.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>2014-15</b>									
<b>Cost or valuation:</b>									
At 1 April 2014	7,766	49,719	1,161	812	18,785	209	4,786	485	83,723
Additions of Assets Under Construction				21					21
Additions Purchased	0	1,672	6		1,868	0	788	56	4,390
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	207	0	0	0	207
Additions - Purchases from Cash									
Donations & Government Grants	0	0	0	0	0	0	0	0	0
Additions Leased	0	0	0		0	0	0	0	0
Reclassifications	0	79	0	(389)	15	0	295	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(1,021)	(33)	0	0	(1,054)
Upward revaluation/positive indexation	0	(3,582)	0	0	0	0	0	0	(3,582)
Impairments/negative indexation	(731)	0	(197)	0	0	0	0	0	(928)
Reversal of Impairments	0	0	0	0	0	0	0	0	0
<b>Transfers (to)/from Other Public Sector Bodies under Absorption Accounting</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 31 March 2015	7,035	47,888	970	444	19,854	176	5,869	541	82,777
<b>Depreciation</b>									
At 1 April 2014	0	9,125	45	0	12,428	154	2,302	238	24,292
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(1,021)	(33)	0	0	(1,054)
Upward revaluation/positive indexation	0	(9,125)	(45)		0	0	0	0	(9,170)
Impairments	0	0	342	0	0	0	0	0	342
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	0	1,469	20		1,282	13	685	48	3,517
<b>Transfers (to)/from Other Public Sector Bodies under Absorption Accounting</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 31 March 2015	0	1,469	362	0	12,689	134	2,987	286	17,927
Net Book Value at 31 March 2015	7,035	46,419	608	444	7,165	42	2,882	255	64,850
<b>Asset financing:</b>									
Owned - Purchased	7,035	46,094	608	444	6,502	42	2,882	255	63,862
Owned - Donated	0	325	0	0	663	0	0	0	988
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2015	7,035	46,419	608	444	7,165	42	2,882	255	64,850

## Revaluation Reserve Balance for Property, Plant &amp; Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2014	4,086	9,698	151	0	112	0	0	14	14,061
Movements	(637)	5,224	(151)	0	(18)	0	0	(1)	4,417
At 31 March 2015	3,449	14,922	0	0	94	0	0	13	18,478

## Additions to Assets Under Construction in 2014-15

Additions to assets under construction were Buildings excluding dwellings £9,000 and Plant and Machinery £12,000.



**15.2 Property, plant and equipment prior-year**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2013-14									
Cost or valuation:									
At 1 April 2013	7,673	45,988	572	1,682	18,009	164	3,697	448	78,233
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	39	0	0	1	40
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0	0
Additions of Assets Under Construction				185					185
Additions Purchased	93	2,598	589		2,038	45	1,419	59	6,841
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	47	0	0	0	47
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	0	0	0	0	0
Additions Leased	0	0	0		0	0	0	0	0
Reclassifications	0	509	0	(1,055)	0	0	522	24	0
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(1,348)	0	(852)	(47)	(2,247)
Revaluation	0	624	0	0	0	0	0	0	624
Impairments/negative indexation charged to reserves	0	0	0	0	0	0	0	0	0
Reversal of Impairments charged to reserves	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0
At 31 March 2014	<u>7,766</u>	<u>49,719</u>	<u>1,161</u>	<u>812</u>	<u>18,785</u>	<u>209</u>	<u>4,786</u>	<u>485</u>	<u>83,723</u>
Depreciation									
At 1 April 2013	0	6,875	33	0	12,365	146	2,405	241	22,065
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and Reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(1,348)	0	(852)	(47)	(2,247)
Revaluation	0	115	0		0	0	0	0	115
Impairments/negative indexation charged to operating expenses	0	0	0	0	0	0	0	0	0
Reversal of Impairments charged to operating expenses	0	0	0	0	0	0	0	0	0
Charged During the Year	0	2,135	12		1,411	8	749	44	4,359
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	0
At 31 March 2014	<u>0</u>	<u>9,125</u>	<u>45</u>	<u>0</u>	<u>12,428</u>	<u>154</u>	<u>2,302</u>	<u>238</u>	<u>24,292</u>
Net Book Value at 31 March 2014	<u>7,766</u>	<u>40,594</u>	<u>1,116</u>	<u>812</u>	<u>6,357</u>	<u>55</u>	<u>2,484</u>	<u>247</u>	<u>59,431</u>
Asset financing:									
Owned - Purchased	7,766	40,267	1,116	812	5,747	55	2,484	247	58,494
Owned - Donated	0	327	0	0	610	0	0	0	937
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2014	<u>7,766</u>	<u>40,594</u>	<u>1,116</u>	<u>812</u>	<u>6,357</u>	<u>55</u>	<u>2,484</u>	<u>247</u>	<u>59,431</u>

**15.3 Property, plant and equipment - method of valuation**

Donated assets include a flexible video cytoscope, an ultrasound scanner for the breast clinic and an echo machine for the cardio respiratory unit.

Land, Buildings and Dwellings were valued as Modern Equivalent Assets (MEA) at the 1st April 2014 by Stephen Pollock BSc FRICS Cert Acct (Open), RICS Registered Valuer GVA Ltd, Independent Property Valuers, in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards, January 2014, IFRS and FReM guidelines. The value is based on the IFRS 13 definition of Fair Value and the definition adopted by the International Accounting Standards Board (IASB), being the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Depreciated Replacement Cost (DRC) is recognised under IAS 16 as a basis of valuation for financial reporting purposes. DRC assessments were undertaken for those properties considered to be specialised properties. A Specialised Property is a property that is rarely if ever sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location, or otherwise.

**15.3 Property, plant and equipment - method of valuation (cont.)**

The valuation is subject to adequate service potential, which is defined as: "The capacity of an asset to continue goods and services in accordance with the entity's objectives". It is assumed that the current use/services would still have to be provided by the Trust in the locality of Nuneaton. In accordance with Valuation Standard 2 of the RICS Valuation - Professional Standards January 2014, incorporating the International Valuation Standards 2013, the Market Values of the properties for alternative use (on cessation of the existing business) are likely to be materially lower than the Market Value, with continued use and Depreciated Replacement Cost figures reported.

The basis of the valuation for the property, which is all freehold, is as follows:-

-72 Heath End Road -Market Value (IAS16)

-Operational areas.-Fair Value. (DRC) (IAS16)

-Surplus and Non-operational Buildings.-Market Value (IFRS 5)

-Mobile Phone Masts, Retail Shop, Nursery, Private Healthcare Clinic.-Market Value (IAS40). This property and associated land value is reported in note 15 under the heading land and buildings

Since the MEA valuation on 1 April 2014, GVA Ltd has provided indices to the Trust which has been applied to land and building values to ensure they are reported in the accounts at fair value. In 2014-15 there has been no change to the land value but for buildings valued at DRC, based on an increase in the Building Cost Index (BCI) of 5.00% have been valued upwards by £2,198,000; the increase has been added to the revaluation reserve.

**16.1 Intangible non-current assets**

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b>2014-15</b>						
<b>At 1 April 2014</b>	0	3,618	0	0	1,270	4,888
Additions Purchased	0	755	0	0	584	1,339
Additions Internally Generated	0	0	0	0	0	0
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	0
Additions Leased	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	(406)	0	0	0	(406)
Revaluation & indexation gains	0	0	0	0	0	0
Impairments charged to reserves	0	0	0	0	0	0
Reversal of impairments charged to reserves	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>0</b>	<b>3,967</b>	<b>0</b>	<b>0</b>	<b>1,854</b>	<b>5,821</b>
<b>Amortisation</b>						
<b>At 1 April 2014</b>	0	2,516	0	0	260	2,776
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	(406)	0	0	0	(406)
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	348	0	0	207	555
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>0</b>	<b>2,458</b>	<b>0</b>	<b>0</b>	<b>467</b>	<b>2,925</b>
<b>Net Book Value at 31 March 2015</b>	<b>0</b>	<b>1,509</b>	<b>0</b>	<b>0</b>	<b>1,387</b>	<b>2,896</b>
<b>Asset Financing: Net book value at 31 March 2015 comprises:</b>						
Purchased	0	1,509	0	0	1,387	2,896
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
<b>Total at 31 March 2015</b>	<b>0</b>	<b>1,509</b>	<b>0</b>	<b>0</b>	<b>1,387</b>	<b>2,896</b>
<b>Revaluation reserve balance for intangible non-current assets</b>						
	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 1 April 2014</b>	0	0	0	0	0	0
Movements	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**16.2 Intangible non-current assets prior year**

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000s	£000s	£000s	£000s	£000s	£000s
2013-14						
Cost or valuation:						
At 1 April 2013	0	3,082	0	0	1,189	4,271
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0
Additions - purchased	0	536	0	0	81	617
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions Leased	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation & indexation gains	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2014	<u>0</u>	<u>3,618</u>	<u>0</u>	<u>0</u>	<u>1,270</u>	<u>4,888</u>
Amortisation						
At 1 April 2013	0	2,122	0	0	106	2,228
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	394	0	0	154	548
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2014	<u>0</u>	<u>2,516</u>	<u>0</u>	<u>0</u>	<u>260</u>	<u>2,776</u>
Net book value at 31 March 2014	0	1,102	0	0	1,010	2,112
Net book value at 31 March 2014 comprises:						
Purchased	0	1,102	0	0	1,010	2,112
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Total at 31 March 2014	<u>0</u>	<u>1,102</u>	<u>0</u>	<u>0</u>	<u>1,010</u>	<u>2,112</u>

**16.3 Intangible non-current assets**

Intangible assets include £702,000 development costs in respect of the scheme to digitise medical records. Expenditure is capitalised as a intangible asset when the records are prepared and amortised over the life of the asset.

Computer licenses additions during the year include £438,000 for expenditure relating to the medical records system.

The Net Book Value of intangible assets is cost less the amount amortised over the estimated life of the asset. The Trust has no assets with indefinite useful lives. There are no intangible assets funded by government grants.

**17 Analysis of impairments and reversals recognised in 2014-15**

	2014-15 Total £000s
<b>Property, Plant and Equipment impairments and reversals taken to SoCI</b>	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	342
<b>Total charged to Annually Managed Expenditure</b>	<b>342</b>
<b>Total Impairments of Property, Plant and Equipment charged to SoCI</b>	<b>342</b>
<b>Intangible assets impairments and reversals charged to SoCI</b>	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total Impairments of Intangibles charged to SoCI</b>	<b>0</b>
<b>Financial Assets charged to SoCI</b>	
Loss or damage resulting from normal operations	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Loss as a result of catastrophe	0
Other	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total Impairments of Financial Assets charged to SoCI</b>	<b>0</b>
<b>Non-current assets held for sale - impairments and reversals charged to SoCI.</b>	
Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total impairments of non-current assets held for sale charged to SoCI</b>	<b>0</b>
<b>Total Impairments charged to SoCI - DEL</b>	<b>0</b>
<b>Total Impairments charged to SoCI - AME</b>	<b>342</b>
<b>Overall Total Impairments</b>	<b>342</b>

The Trust had no other impairments (31 March 2014 £nil).

## 18 Investment property

The Trust does not have any investment property (31 March 2014 £nil).

## 19 Commitments

### 19.1 Capital commitments

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

	31 March 2015 £000s	31 March 2014 £000s
Property, plant and equipment	570	161
Intangible assets	403	0
<b>Total</b>	<b>973</b>	<b>161</b>

### 19.2 Other financial commitments

The Trust has no other financial commitments (31 March 2014 - none).

## 20 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with Other Central Government Bodies	981	277	2,636	0
Balances with Local Authorities	256	0	5	0
Balances with NHS bodies outside the Departmental Group	0	0	45	0
Balances with NHS bodies inside the Departmental Group	6,849	0	2,092	943
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	627	1	9,970	0
<b>At 31 March 2015</b>	<b>8,713</b>	<b>278</b>	<b>14,748</b>	<b>943</b>
<b>prior period:</b>				
Balances with Other Central Government Bodies	6,094	272	3,457	0
Balances with Local Authorities	97	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and FTs	1,239	0	1,075	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	950	14	8,752	0
<b>At 31 March 2014</b>	<b>8,380</b>	<b>286</b>	<b>13,284</b>	<b>0</b>

## 21 Inventories

	Drugs £000s	Consumables £000s	Work in Progress £000s	Energy (Note 1) £000s	Loan Equipment £000s	Other £000s	Total £000s	Of which held at NRV £000s
<b>Balance at 1 April 2014</b>	<b>733</b>	<b>1,431</b>	<b>0</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>2,239</b>	<b>0</b>
Additions	9,565	3,465	0	0	0	0	13,030	0
Inventories recognised as an expense in the period	(9,479)	(3,446)	0	(13)	0	0	(12,938)	0
Write-down of inventories (including losses)	(31)	0	0	0	0	0	(31)	0
Reversal of write-down previously taken to SOCI	0	0	0	0	0	0	0	0
Transfers (to) Foundation Trusts	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2015</b>	<b>788</b>	<b>1,450</b>	<b>0</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>2,300</b>	<b>0</b>

Note 1. Energy comprises fuel stock. This was included in consumables last year. The opening balance for consumables has been split to reflect this.

**22.1 Trade and other receivables**

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
NHS receivables - revenue	4,044	3,921	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	2,773	2,372	0	0
Non-NHS receivables - revenue	5	2	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income (Note 1 below)	656	806	1	14
PDC Dividend prepaid to DH (Note 1 below)	32	56	0	0
Provision for the impairment of receivables	(250)	(228)	0	0
VAT	335	403	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables (Note 2 below)	1,118	1,048	277	272
<b>Total</b>	<b>8,713</b>	<b>8,380</b>	<b>278</b>	<b>286</b>
<b>Total current and non current</b>	<b>8,991</b>	<b>8,666</b>		
Included in NHS receivables are prepaid pension contributions:	0			

Note 1. PDC dividend prepaid to DH is shown separately instead of being included in the Non-NHS prepayments and accrued income. The comparative figure has been adjusted by £56,000 to reflect this change.

Note 2. Other receivables include payments due to the Trust under the Injury Costs Recovery Scheme of £922,000 (31 March 2014 £908,000)

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

	31 March 2015 £000s	31 March 2014 £000s
By up to three months	23	91
By three to six months	30	33
By more than six months	11	20
<b>Total</b>	<b>64</b>	<b>144</b>

No collateral is held for these receivables.

**22.3 Provision for impairment of receivables**

	2014-15 £000s	2013-14 £000s
<b>Balance at 1 April 2014</b>	<b>(228)</b>	<b>(291)</b>
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0
Amount written off during the year	0	0
Amount recovered during the year	52	74
(Increase)/decrease in receivables impaired	(74)	(11)
Transfer to NHS Foundation Trust	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0
<b>Balance at 31 March 2015</b>	<b>(250)</b>	<b>(228)</b>

**23 NHS LIFT investments**

The Trust had no NHS LIFT investments at 31 March 2015 (31 March 2014 £nil).

**24 Other financial assets**

The Trust had no Other financial assets at 31 March 2015 (31 March 2014 £nil).

**25 Other current assets**

The Trust had no Other current assets at 31 March 2015 (31 March 2014 £nil).

**26 Cash and Cash Equivalents**

	31 March 2015 £000s	31 March 2014 £000s
<b>Opening balance</b>	<b>1,054</b>	9,888
Net change in year	<b>(549)</b>	(8,834)
<b>Closing balance</b>	<b>505</b>	1,054
<b>Made up of</b>		
Cash with Government Banking Service	395	883
Commercial banks	104	163
Cash in hand	6	8
Liquid deposits with NLF	0	0
Current investments	0	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>505</b>	1,054
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>505</b>	1,054
Patients' money held by the Trust, not included above	0	0

**27 Non-current assets held for sale**

The Trust had no Non-current assets held for sale at 31 March 2015 (31 March 2014 £nil).

**28 Trade and other payables**

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
NHS payables - revenue	1,032	974	0	0
NHS payables - capital	0	149	0	0
NHS accruals and deferred income	948	810	0	0
Non-NHS payables - revenue	3,591	2,583	0	0
Non-NHS payables - capital	2,380	2,019	0	0
Non-NHS accruals and deferred income	3,969	4,095	0	0
Social security costs	761	734	0	0
PDC Dividend payable to DH	0	0	0	0
VAT	0	0	0	0
Tax	820	806	0	0
Payments received on account	0	0	0	0
Other	1,090	1,114	0	0
<b>Total</b>	<b>14,591</b>	13,284	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>14,591</b>	13,284		
<b>Included in 'other' above:</b>				
outstanding Pension Contributions at the year end	1,055	1,059		

**29 Other liabilities**

The Trust had no Other liabilities at 31 March 2015 (31 March 2014 £nil).

**30 Borrowings**

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
Bank overdraft - Government Banking Service	0	0	0	0
Bank overdraft - commercial banks	0	0	0	0
Loans from Department of Health	157	0	943	0
Loans from other entities	0	0	0	0
Finance lease liabilities	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>157</b>	<b>0</b>	<b>943</b>	<b>0</b>
<b>Total other liabilities (current and non-current)</b>	<b>1,100</b>	<b>0</b>		

**Borrowings / Loans - repayment of principal falling due in:**

	31 March 2015		Total £000s
	DH £000s	Other £000s	
0-1 Years	157	0	157
1 - 2 Years	157	0	157
2 - 5 Years	471	0	471
Over 5 Years	315	0	315
<b>TOTAL</b>	<b>1,100</b>	<b>0</b>	<b>1,100</b>

The loan from the Department of Health is a Capital Investment Loan. This has a maturity of seven years with a fixed interest rate of 1.09%, repayable in equal six monthly instalments

### 31 Other financial liabilities

The Trust had no other financial liabilities at 31 March 2015 (31 March 2014 £nil).

### 32 Deferred revenue

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
Opening balance at 1 April 2014	1,172	275	0	0
Deferred revenue addition	382	1,172	0	0
Transfer of deferred revenue	0	(275)	0	0
<b>Current deferred Income at 31 March 2015</b>	<b>1,554</b>	<b>1,172</b>	<b>0</b>	<b>0</b>
Total deferred income (current and non-current)	<b>1,554</b>	<b>1,172</b>		

### 33 Finance lease obligations as lessee

#### Amounts payable under finance leases (Buildings)

The Trust does not have any finance lease obligation as lessee for buildings.

#### Amounts payable under finance leases (Land)

The Trust does not have any finance lease obligation as lessee for land.

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

The Trust does not have any finance lease obligation as lessee for other items.

### 34 Finance lease receivables as lessor

The Trust does not have any finance lease receivables as lessor.



**35 Provisions**

Comprising:

	Total	Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2014</b>	<b>2,681</b>	<b>0</b>	<b>674</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,007</b>	<b>0</b>
Arising during the year	1,390	0	115	0	0	0	1,275	0
Utilised during the year	(1,357)	0	(59)	0	0	0	(1,298)	0
Reversed unused	(1,219)	0	(14)	0	0	0	(1,205)	0
Unwinding of discount	4	0	4	0	0	0	0	0
Change in discount rate	43	0	43	0	0	0	0	0
Transfers to NHS Foundation Trusts (for Trusts becoming FTs only)	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies under absorption accounting	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2015</b>	<b>1,542</b>	<b>0</b>	<b>763</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>779</b>	<b>0</b>

**Expected Timing of Cash Flows:**

No Later than One Year	915	0	136	0	0	0	779	0
Later than One Year and not later than Five Years	34	0	34	0	0	0	0	0
Later than Five Years	593	0	593	0	0	0	0	0

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

<b>As at 31 March 2015</b>	<b>12,478</b>
As at 31 March 2014	8,274

**Legal Claims**

Legal claims comprise employer's liability and injury allowance payments which the Trust may be required to pay in the future. It is assumed that all employment liability claims will be paid within one year and that injury allowances are payable over the life of the recipient. The amount over five years is repayable in quarterly instalments. The injury allowance is currently £34,145 per annum, discounted by 1.30%.

**Clinical Negligence**

The NHS Litigation Authority includes £12,478,210 in their accounts at 31 March 2015 in respect of clinical negligence liabilities of the Trust. (31 March 2014: £8,273,874).

**Other**

Other provisions include claims made by employees, former employees, provision for 2014-15 payments in respect of the carbon reduction scheme and potential claims from NHS organisations with regard to the Trust's performance in meeting requirements of the 2014-15 healthcare contracts.

**36 Contingencies**

Financial responsibility for clinical negligence cases passed to the NHS Litigation Authority on 1 April 2002. No contingencies or provisions are left in the accounts in relation to these cases, even though the legal liability for them remains with the Trust.

## 37 Financial Instruments

### 37.1 Financial risk management

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

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

#### Currency risk

The Trust is principally a domestic organisation with the 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 – 7 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

#### Credit risk

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

#### Liquidity risk

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

### 37.2 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables (see Note 1 below)	Available for sale	Total	Fixed Rate Weighted average interest	Weighted average period for which	Non- interest bearing Weighted
	£000s	£000s	£000s	£000s	%	Years	Years
Embedded derivatives	0	0	0	0	0.00	0	0
Receivables - NHS	0	6,817	0	6,817	0.00	0	0
Receivables - non-NHS	0	365	0	365	0.00	0	0
Cash at bank and in hand	0	504	0	504	0.00	0	0
Other financial assets	0	0	0	0	0.00	0	0
<b>Total at 31 March 2015</b>	<b>0</b>	<b>7,686</b>	<b>0</b>	<b>7,686</b>			
Embedded derivatives	0	0	0	0	0.00	0	0
Receivables - NHS	0	6,293	0	6,293	0.00	0	0
Receivables - non-NHS	0	1,200	0	1,200	0.00	0	0
Cash at bank and in hand	0	1,055	0	1,055	0.00	0	0
Other financial assets	0	0	0	0	0.00	0	0
<b>Total at 31 March 2014</b>	<b>0</b>	<b>8,548</b>	<b>0</b>	<b>8,548</b>			

Note 1. The comparatives for Loans and receivables have been restated to include accruals.

<b>37.3 Financial Liabilities</b>	<b>At 'fair value through profit and loss'</b>	<b>Other (see Note 1 below)</b>	<b>Total</b>	<b>Fixed Rate Weighted average interest rate</b>	<b>Weighted average period for which fixed</b>	<b>Non-interest bearing Weighted average term</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>%</b>	<b>Years</b>	<b>Years</b>
Embedded derivatives	0	0	0	0.00	0	0
NHS payables	0	1,185	1,185	0.00	0	0
Non-NHS payables	0	8,439	8,439	0.00	0	0
Other borrowings (Note 2 below)	0	1,100	1,100	1.09	7	0
PFI & finance lease obligations	0	0	0	0.00	0	0
Other financial liabilities	0	0	0	0.00	0	0
<b>Total at 31 March 2015</b>	<b>0</b>	<b>10,724</b>	<b>10,724</b>			
Embedded derivatives	0		0	0.00	0	0
NHS payables		1,933	1,933	0.00	0	0
Non-NHS payables		10,241	10,241	0.00	0	0
Other borrowings		0	0	0.00	0	0
PFI & finance lease obligations		0	0	0.00	0	0
Other financial liabilities	0	0	0	0.00	0	0
<b>Total at 31 March 2014</b>	<b>0</b>	<b>12,174</b>	<b>12,174</b>			

Note 1, The comparatives for Other Financial Liabilities have been restated to include accruals.

## 2. Other Borrowings

The Trust's other borrowings financial liability comprises a capital loan taken out with the Department of Health which is repayable in 14 equal bi-annual instalments, commencing 15 September 2015.

## 37.4 Maturity of financial liabilities

The maturity profile for these financial liabilities is shown below:

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	9,793	12,174
Between one and two years	169	0
Between two and five years	506	0
After five years	338	0
	<b>10,806</b>	<b>12,174</b>

## 38 Events after the end of the reporting period

The Trust does not have any events after the reporting period.

**39. 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 George Eliot Hospital NHS Trust.

The Department of Health is regarded as a related party. During the year George Eliot Hospital 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.

	2014-15 Payments to Related Party £000	2014-15 Receipts from Related Party £000	31 March 2015 Amounts owed to Related Party £000	31 March 2015 Amounts due from Related Party £000
NHS Birmingham Cross City CCG	0	159	0	31
NHS Coventry and Rugby CCG	0	7,277	41	29
NHS East Leicestershire and Rutland CCG	0	1,611	0	22
NHS Leicester City CCG	0	3,918	2	125
NHS Solihull CCG	0	188	0	35
NHS South East Staffordshire and Seisdon Peninsular CCG	0	534	0	19
NHS South Warwickshire CCG	0	150	0	17
NHS Warwickshire North CCG	0	78,233	611	1,782
NHS West Leicestershire CCG	0	10,613	2	512
NHS England	127	12,110	25	2,771
Arden, Herefordshire & Worcestershire Local Area Team	0	2,747	0	1,118
Birmingham and Black Country Local Area Team	0	8,171	0	1,165
Leicestershire and Lincolnshire Local Area Team	30	848	0	365
Shropshire and Staffordshire Local Area Team	11	211	0	15
Coventry and Warwickshire Partnership NHS Trust	174	141	25	22
University Hospitals Coventry and Warwickshire NHS Trust	4,070	1,038	581	266
University Hospitals of Leicester NHS Trust	132	30	27	99
Heart Of England NHS Foundation Trust	86	4	53	9
South Staffordshire NHS Foundation Trust	146	0	48	0
South Warwickshire NHS Foundation Trust	569	237	223	47
NHS Litigation Authority	3,936	0	0	0
Department of Health	0	13,854	141	23

  

	2013-14 Payments to Related Party £000	2013-14 Receipts from Related Party £000	31 March 2014 Amounts owed to Related Party £000	31 March 2014 Amounts due from Related Party £000
NHS Birmingham Cross City CCG	0	126	0	0
NHS Coventry and Rugby CCG	0	7,731	0	143
NHS East Leicestershire and Rutland CCG	6	788	14	0
NHS Leicester City CCG	0	6,462	0	1,278
NHS Solihull CCG	0	85	0	29
NHS South East Staffordshire and Seisdon Peninsular CCG	0	546	0	0
NHS South Warwickshire CCG	0	157	0	0
NHS Warwickshire North CCG	351	74,918	0	923
NHS West Leicestershire CCG	0	9,853	50	6
NHS England	7	115	0	0
Arden, Herefordshire & Worcestershire Local Area Team	0	3,978	0	178
Birmingham and Black Country Local Area Team	0	7,666	0	0
Leicestershire and Lincolnshire Local Area Team	0	545	0	0
Shropshire and Staffordshire Local Area Team	0	0	0	0
Coventry and Warwickshire Partnership NHS Trust	144	150	0	0
University Hospitals Coventry and Warwickshire NHS Trust	4,169	1,096	666	647
University Hospitals of Leicester NHS Trust	128	429	8	434
Heart Of England NHS Foundation Trust	190	63	93	95
South Staffordshire Healthcare NHS Foundation Trust	246	0	5	0
South Warwickshire NHS Foundation Trust	725	212	163	49
NHS Litigation Authority	3,495	0	0	0
Department of Health	0	2,039	0	659

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 HM Revenue and Customs with regard to income tax, national insurance and VAT, The Department of Works and Pensions with regard to the injury allowance scheme and the NHS Pensions Agency with regard to both employee and employer pension contributions.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the Trust board.

**40. Losses and special payments**

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

	Total Value of Cases £s	Total Number of Cases
Losses	42,438	94
Special payments	63,951	24
<b>Total losses and special payments</b>	<b>106,389</b>	<b>118</b>

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

	Total Value of Cases £s	Total Number of Cases
Losses	65,363	188
Special payments	83,937	33
<b>Total losses and special payments</b>	<b>149,300</b>	<b>221</b>

There were no clinical cases where the net payment exceeded £250,000.

There were no fraud cases where the net payment exceeded £250,000.

**41. 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.

**41.1 Breakeven performance**

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s
Turnover	83,064	93,496	95,369	96,352	105,330	108,324	117,011	122,494	126,638	141,292
Retained surplus/(deficit) for the year	(7,294)	1,303	1,382	964	1,008	47	(194)	(38)	(10,292)	70
Adjustment for:										
Timing/non-cash impacting distortions:										
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0									
2007/08 PPA (relating to 1997/98 to 2006/07)	0	54								
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0							
Adjustments for impairments (Note 1 below)				(149)	156	65	155	0	0	342
Adjustments for impact of policy change re donated/government grants assets (Note 2 below)							84	70	127	(45)
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*					0	0	0	0	0	0
Absorption accounting adjustment								0	0	0
Other agreed adjustments	0	791	0	0	0	0	0	0	0	0
Break-even in-year position	<b>(7,294)</b>	<b>2,148</b>	<b>1,382</b>	<b>815</b>	<b>1,164</b>	<b>112</b>	<b>45</b>	<b>32</b>	<b>(10,165)</b>	<b>367</b>
Break-even cumulative position	<b>(8,072)</b>	<b>(5,924)</b>	<b>(4,542)</b>	<b>(3,727)</b>	<b>(2,563)</b>	<b>(2,451)</b>	<b>(2,406)</b>	<b>(2,374)</b>	<b>(12,539)</b>	<b>(12,172)</b>

\* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %
Materiality test (I.e. is it equal to or less than 0.5%):										
Break-even in-year position as a percentage of turnover	-8.78	2.30	1.45	0.85	1.11	0.10	0.04	0.03	-8.03	0.26
Break-even cumulative position as a percentage of turnover	-9.72	-6.34	-4.76	-3.87	-2.43	-2.26	-2.06	-1.94	-9.90	-8.61

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

The Trust has a statutory duty to break even on a cumulative basis. In 2005-06 the Trust incurred a £7.3m deficit and in April 2006 a Public Interest Report was issued under Section 8 of the Audit Commission Act 1998 in relation to the financial standing of the Trust. The Trust developed a 5 year Financial Recovery Plan (FRP) which was agreed with the Strategic Health Authority and the Department of Health to achieve cumulative break even by the end of 2011-12. During the 6 years to March 2013 the Trust generated surplus and was able to repay part of the deficit still leaving a balance of £2.4m to be repaid in the future. In 2011-12 and 2012-13 the Trust required support funding of £2.3m and £5.0m respectively to breakeven. In 2013-14 the Trust incurred a deficit of £10.2m due to the investment in clinical services following the implementation of the Keogh Action plan. The surplus in 2014-15 was achieved with the support of income from the Department of Health amounting to £12m, against a planned deficit of £12m. The cumulative deficit at the 31st March 2015 was £12.2m. Because of the cumulative deficit External Auditors have been required to issue Section 19 letters to the Secretary of State for Health informing him that the Trust has not met its statutory duty to break-even over a 3 year period in accordance with the Audit Commission Act 1998. The Trust recently approved financial plan with planned deficits of £16m and £10m in 2015-16. The NHS Trust Development Authority has provided written assurance that it will make sufficient cash financing available to the Trust over the next twelve month period such that the organisation is able to meet its current liabilities.

**Notes**

1. For 2014-15 this represents the impairment resulting from the revaluation of the dwellings at 1st April 2014.
2. This is required because donated assets received during 2011-12 to 2014-15 were different from the depreciation on all donated assets.

#### 41.2 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%.

#### 41.3 External financing

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

	2014-15 £000s	2013-14 £000s
<b>External financing limit (EFL)</b>	<b>1,698</b>	<b>17,337</b>
Cash flow financing	1,691	16,738
Unwinding of Discount Adjustment		8
Finance leases taken out in the year	0	0
Other capital receipts	0	0
<b>External financing requirement</b>	<b>1,691</b>	<b>16,746</b>
<b>Under spend against EFL</b>	<b>7</b>	<b>591</b>

The Trust has met its External Financing Limit in 2014-15 with a permitted undershoot of £7,000

#### 41.4 Capital resource limit

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

	2014-15 £000s	2013-14 £000s
Gross capital expenditure	5,957	7,689
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(207)	(47)
<b>Charge against the capital resource limit</b>	<b>5,750</b>	<b>7,642</b>
Capital resource limit	5,875	7,944
<b>Underspend against the capital resource limit</b>	<b>125</b>	<b>302</b>

The Trust has met its Capital Resource Limit in 2014-15 with a permitted undershoot of £125,000.

#### 42. Third party assets

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

	31 March 2015 £000s	31 March 2014 £000s
Third party assets held by the Trust	<b>0</b>	<b>0</b>

**43. Pathology Service**

George Eliot Hospital NHS Trust, University Hospitals Coventry and Warwickshire NHS Trust and South Warwickshire General Hospitals NHS Trust formed a single pathology service at 1 April 2008. The service is hosted by University Hospitals Coventry and Warwickshire NHS Trust and there is an accountability agreement approved by the Trusts. The agreement will continue until terminated through agreement of the Stakeholder Board. The agreement includes risk and benefit sharing; the Trust share being 13.6%. Payments for the service are now made in accordance with a service level agreement.

The Pathology Service accounts reported by University Hospital Coventry and Warwickshire NHS Trust were:-

	Reported By University Hospitals Coventry & Warwickshire NHS Trust		George Eliot Hospital NHS Trust's Share	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
Revenue from patient care activities	1,251	1,222	170	166
Other operating revenue	30,361	28,754	4,129	3,911
Operating expenses	(31,612)	(30,026)	(4,299)	(4,084)
<b>Operating (deficit)</b>	<b>0</b>	<b>(50)</b>	<b>0</b>	<b>(7)</b>

University Hospitals Coventry and Warwickshire NHS Trust reported £nil in their accounts for the pathology service in 2014-15 (2013-14 - £50,000), the George Eliot Hospital NHS Trust's share was £nil (2013-14 £7,000).

	Reported By University Hospitals Coventry & Warwickshire NHS Trust		George Eliot Hospital NHS Trust's Share	
	2014-15 £000	2013-14 £000	2014-15 £000	2013-14 £000
<b>Non-current assets</b>	<b>27</b>	<b>1,664</b>	<b>4</b>	<b>226</b>
<b>Current assets</b>				
Inventories and work in progress	730	715	99	97
Trade and other receivables	1,184	1,450	161	198
	<u>1,914</u>	<u>2,165</u>	<u>260</u>	<u>295</u>
<b>Current liabilities</b>	<b>(2,933)</b>	<b>(4,042)</b>	<b>(283)</b>	<b>(434)</b>
<b>Net current (liabilities)</b>	<b>(1,019)</b>	<b>(1,877)</b>	<b>(23)</b>	<b>(139)</b>
<b>Total assets less current liabilities</b>	<b>(992)</b>	<b>(213)</b>	<b>(19)</b>	<b>87</b>
<b>Non current liabilities</b>	<b>0</b>	<b>(779)</b>	<b>0</b>	<b>(106)</b>
<b>Total assets employed</b>	<b>(992)</b>	<b>(992)</b>	<b>(19)</b>	<b>(19)</b>
<b>Financed by taxpayers' equity:</b>				
Public dividend capital	434	434	175	175
Retained earnings	(1,426)	(1,426)	(194)	(194)
<b>Total taxpayers' equity</b>	<b>(992)</b>	<b>(992)</b>	<b>(19)</b>	<b>(19)</b>

University Hospitals Coventry and Warwickshire NHS Trust reported net liabilities of £992,000 (2013-14 net liabilities of £992,000) in their accounts for the pathology service; the George Eliot Hospital NHS Trust's share were net liabilities of £18,900 (2013-14 £18,900) which included £3,700 of non-current assets (2013-14 £226,300).