GEORGE ELIOT HOSPITAL NHS TRUST

ANNUAL ACCOUNTS

2012-13

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2012-13 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 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 Department of Health. 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..

Kevin McGee - Chief Executive

Date 5th June 2013

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 5th June 2103

Kevin McGee - Chief Executive

.. .. Date 5th June 2103

Christopher Bradshaw – Director of Finance

GOVERNANCE STATEMENT 2012-13

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 "whistle blowing" policy.

During 2012-13 the Trust had a range of mechanisms in place to facilitate effective working with key partners, in particular NHS Midlands and East Strategic Health Authority, NHS Warwickshire, NHS Coventry, Local Clinical Commissioning Groups in north Warwickshire, NHS Leicester County and Rutland, 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 Strategic Health Authority, and monthly meetings of Chief Executives.

New arrangements are being established with the recently constituted Trust Development Authority, NHS England including Local Area Teams and the local Clinical Commissioning Groups, these will be developed in 2013-14.

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; and
- 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 2013 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 financially qualified. The meeting is attended by the Director of Finance and Performance and Internal and External auditors. The committee has met seven times over the year. Members of the Committee are provided with the 2011 NHS Audit Committee Handbook to ensure they are up to date with the latest guidance.

Finance Committee

The Finance Committee is now a formal sub Committee of the Board of Directors attended by the Non Executive Directors, chaired by a Non Executive Director who is a qualified accountant. In 2012-13 it was decided to change the committee structure to provide more opportunity to consider financial matters including the process for setting budgets, the management of financial performance and the delivery of the cost improvement programme. This includes the management of financial risks to ensure targets are met.

Quality Assurance Committee

The Quality Assurance Committee is a formal sub Committee 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. The committee has met ten times in 2012/13.

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 Director of Finance & Performance is the appointed Senior Information Risk Owner.

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 & Quality and reports to the Quality Assurance Committee.

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

The Trust updated governance arrangements in January 2013 when the Board of Directors reviewed Standing Orders and Standing Financial Instructions.

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.

Following an earlier restructure of Divisions, 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 has identified areas where the control framework needs improvement. The Framework also identified a number of "red" risks where action plans are in place to mitigate the risks which are routinely being reported to the Quality Assurance Committee; these include:-

- Reduction in mortality rates not sustained- action taken to maintain reduction.
- Cost improvement plans are not delivered - action has been taken to identify more savings and provide more structure to the process.
- Services are financially unsustainable and cannot be supported - action taken to base savings on service line reporting and all savings are quality checked before approval. The Trust has approved a deficit budget in 2013-14 before support and has applied through the Trust Development Authority to secure support funding to achieve break even in 2013-14 or if this is not available temprorary dividend capital to provide cash to finance operational services.
- Trust unable to secure planned non-recurrent income- actions taken have resulted in security of funds.

The action being taken above has resulted in all the risks, with the exception of services are financially unsustainable, being downgraded to amber or green.

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

During 2012-13 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. 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 activities.
- 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 2012-2015 was approved by the Board in November 2012. The document underwent a fundamental review as a result of a number of significant changes to the committee reporting structure, Directors portfolios and the ongoing development of risk management systems and processes.

A high level internal audit review of the Trust's risk management processes was undertaken in August 2012 which aimed to determine whether the Trust has an effective and efficient risk management process. The report concluded that the Board could take substantial assurance that the controls upon which the organisation relies to manage risk are suitably designed, consistently applied and effective.

One medium level recommendation was made to improve the design of the control framework as follows; “The Trust should determine and incorporate its Risk Appetite within the Risk Management Strategy”. The strategy has been updated to reflect this recommendation and the significant changes and developments within the risk management systems and 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. Additionally regular newsletters advise staff of incidents or near misses in other areas.

The Trust completed the Information Governance Toolkit in line with prescribed timescale with a satisfactory score of 66% against the enhanced IG requirements (Version 10) which reflects a realistic view of the challenges faced by the Trust around areas such as the new requirements for IG training. All relevant IT security related policies, including the Information security policy, have been reviewed, distributed, and added to the share-point catalogue. 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 Strategic Internal Audit Plan of Work 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 Primary Care Trusts, (now Clinical Care Groups) and the Strategic Health Authority, (now the 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's 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.

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 Primary/Community Care. 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.

The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with. During 2012-13 the Trust has established a Sustainability Group to develop and implement a programme to contribute to this important national initiative.

The Trust is subject to NHS Litigation Authority assessments and during 2012-13 the Trust was continued to be assessed at level 1.

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 2012/13.

The Trust had 2 unannounced inspections during 2012/13; the first was a themed review specifically relating to termination of pregnancy. This took place at the end of March 2012 the standard being considered was Regulation 20, Outcome 21: People's personal records, including medical records, should be accurate and kept safe and confidential. The CQC found that the Trust met the part of the regulation which was the subject of this review in relation to the maintenance of HSA1 forms.

The second visit took place in November 2012, this was a routine inspection. The assessment team looked at the personal care or treatment records of people who use the service, reviewed information sent to them by other organisations and observed how people were being cared for at each stage of their treatment, talked with people who use the service, with carers and / or family members and with staff. They were supported on this inspection by an expert-by-experience. This is a person who has personal experience of using or caring for someone who uses this type of care service.

The following standards were reviewed and found to have been met by the Trust:

- Respecting and involving people who use services
- Care and welfare of people who use services
- Management of medicines
- Requirements relating to workers
- Assessing and monitoring the quality of service provision

The Assessment team commented patients and visiting relatives were positive about the staff and treatment that they had received.

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. Incidents are reported to the Quality Assurance Committee 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 Healthcare Operations Board, 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 Trust has continued to monitor data quality issues and regular reports have been made to Board of Directors and sub committees providing assurances on the quality of data. In 2012-13 the Trust has commissioned a local review of PBR data quality based on the national assurance framework and has reviewed data in cardiology and ophthalmology outpatients. In cardiology there was a 15% error rate, in ophthalmology a 0.7% error rate. Compared to performance in other Trusts in cardiology performance was better than average but not in the top 25% of Trusts; in ophthalmology performance was in the top 25% of Trusts. An action plan is being developed to improve performance based on recommendations included in the report prepared following the audit.

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 2012-13 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 updated the terms of reference.

The Board receives a monthly Compliance, Performance & Finance Report (based on Monitor's Compliance Framework for foundation trusts) which includes exception reports on operations, human resources and finance. 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 has prepared Quality Accounts for 2012-13 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 LINKs 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.

Following the review of mortality and the implementation of the action plan approved in 2011-12 the Trust has continued to monitor performance through monthly reports at the Quality Assurance Committee and the Board of Directors. The latest SHMI mortality index for the period to September 2012 continues to show a downward trend. There has been an increase in the monthly HSMR indicator for the 3 months to the end of January based on the outcomes for winter activity being reported. The Trust has been selected for review by the national team in 2013-14.

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

"Based on the work undertaken in 2012/13, significant assurance can be given that there is a sound system of internal control which is designed to meet the organisation's objectives, and that controls are being consistently applied in all the areas reviewed."

"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 2012-13 where positive opinions were given following the audits and is an improvement on previous years when some weaknesses where reported.

With regard to arrangements to counter fraud and corruption during 2012/13 there were a number of referrals which resulted in 5 investigations. 3 were concluded with no further action or no fraud proven, 1 was passed back to the Human Resources department to be dealt with as a disciplinary matter and one was dealt with via a joint investigation involving the UK Borders Agency.

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.

In March 2012 the Acute Services were successful in their re-assessed for level 1 compliance against the NHS Litigation authority standards. Maternity services were also re-assessed in December 2012 and currently hold level 1.

During the past 12 months the Trust has recorded incidents 102 of 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.

The largest single trend (category) reported has been related to pressure damage.

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.

An example of sharing lessons learnt, follows the identification that orthopaedic patients with diabetes which had a higher risk of acquiring pressure ulcers on their heel due to the combination of limited mobility, impaired sensory perception and /or reduced tissue perfusion. These patients are now nursed immediately on heel gel pads before any damage occurs. This course of action has been adopted with diabetic patients with other mobility limited conditions e.g. stroke patients.

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. 4138 incidents were reported in 2012-2013, a small increase 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, the Trust has seen a 20% increase in the numbers of incident reported in the last quarter compared to Q3.

In 2011-12 and 2012-13 the Trust has achieved break-even with £2.3m and £5.0m support funding respectively. The support recognises the strategic objective to plan reduced expenditure in acute hospital services within the local economy and the need to secure a strategic partner through implementing the Securing a Sustainable Future project approved by the Strategic Health Authority and Department of Health.

The Trust suffered a £7.3m revenue deficit in 2005-06 and following agreement of a 5 year Financial Recovery Plan (FRP) has been able to repay all but £1.6m from generating revenue surplus in 2006-07 to 2012-13. In recent years the Trust has only been able to generate small surplus to repay the outstanding deficit and External Auditors have been required to issue Section 19 letters to the Secretary of State at the Department of Health because the Trust has not met its statutory duty to break-even. The March 2013 letter sets out the current financial position of the Trust, the risks to its £7.9m deficit plan for 2013-14 and the plan to identify a strategic partner in order to achieve long term financial sustainability.

The Trust has adhered to the terms and conditions of its acute healthcare contract and had no outstanding performance notices at the end of the year. The Trust is working with local commissioners to support the national QIPP agenda and improve the quality of services.

The Trust has met all its principal operational performance targets in aggregate for the year and has demonstrated significant improvement in a number of areas. The Trust had a Governance Risk Rating of amber-green for each quarter taken in isolation. This was, however, subject to an over-riding red rating being imposed in the third quarter as the 62 day cancer waiting time target was not achieved for three successive quarters. The target was achieved in quarter 4 and the override was then removed.

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:

Kevin McGee. Chief Executive

Date: 5th June 2103

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 NHS Trust for the year ended 31 March 2013 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 on page 35
•the table of pension benefits of senior managers and related narrative notes on page 36
•the table of pay multiples and related narrative notes on page 37.

This report is made solely to the Board of Directors of George Eliot NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 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 Trust; 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. 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 NHS Trust as at 31 March 2013 and of its expenditure and income for the year then ended

•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.

Emphasis of matter – going concern assessment

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 38 to the financial statements concerning the Trust's ability to continue as a going concern. The Directors consider that the contracts it has agreed with commissioning bodies and a letter of support from the NHS Trust Development Authority for additional funding in 2013/14 are sufficient evidence to conclude that the Trust will continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would result if the NHS Trust Development Agency did not provide additional support and the Trust was unable to continue as a going concern.

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

•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 have nothing to report in respect of the following matters where we are required to report to you if:

in our opinion the governance statement does not reflect compliance with the Department of Health's Guidance
we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

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

On 8 May 2013 we referred a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 in response to the following matters identified during our audit:

the Trust has breached its statutory duty to break even taking one year with another;
it is likely that the Trust will be in breach of its statutory break even duty for the year ending 31 March 2014
the Trust requires cash support for the 2013/14 financial year to enable it to continue to operate.

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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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 seeking to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered the following matter in relation to financial resilience:

- •The Trust recorded a small surplus in 2012/13 only following receipt of £5 million of unplanned, non-repayable financial support from its commissioners.
- •The Trust is forecasting deficits of £7.91 million and a £6.25 million in 2013/14 and 2014/15 respectively unless it is able to secure additional financial support. As a result the Trust would continue to be in breach of its breakeven duty.
- •Without the receipt of financial support, the cashflow forecast for 2013/14 currently indicates that the Trust will have insufficient cash holdings to continue to operate from June 2013. The Trust is in discussion with the National Trust Development Authority with regard to obtaining financial support.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, 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 NHS Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to provide assurance over the Trust's annual quality accounts. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Mark Stocks
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

10th June 2013

Statement of Comprehensive Income for year ended 31 March 2013

	NOTE	**2012-13** **£000**	2011-12 £000
Gross employee benefits	10.1	**(81,405)**	(78,166)
Other costs	8	**(39,443)**	(37,111)
Revenue from patient care activities	5	**111,888**	107,306
Other Operating revenue	6	**10,606**	9,705
Operating surplus		**1,646**	1,734
Investment revenue	12	**37**	43
Other gains and (losses)	13	**0**	0
Finance costs	14	**(17)**	(45)
Surplus/(deficit) for the financial year		**1,666**	1,732
Net Gain/(loss) on transfers by absorption		**0**	0
Public dividend capital dividends payable		**(1,704)**	(1,926)
Retained surplus/(deficit) for the year		**(38)**	(194)

Other Comprehensive Income	**2012-13** **£000**	2011-12 £000
Impairments and reversals (Note 1 below)	**(536)**	0
Net gain/(loss) on revaluation of property, plant & equipment (Note 1 below)	**0**	792
Total comprehensive income for the year	**(574)**	598

Financial performance for the year

	2012-13 **£000**	2011-12 £000
Retained surplus/(deficit) for the year	**(38)**	(194)
Impairments (Note 1 below)	**0**	155
Adjustments in respect of donated asset reserve elimination (Note 2 below)	**70**	84
Adjustments re absorption accounting	**0**	0
Adjusted Retained surplus/(deficit) (note 3 below)	**32**	45

PDC dividend: balance receivable at 31 March 2013	**122**

Note 1. The reduction to comprehensive income of £536,000 is the downwards revaluation of buildings in 2012-13. (In the previous year indexation increased the value by £792,000 and is reported on the line below in the accounts) These changes are reported in the revaluation reserve and do not impact on the financial performance of the Trust.

Note 2. The depreciation charge for donated assets was £70,000 (£84,000 in 2011-12) more than the value of acquired donated assets during the year. This charge, included in the retained surplus/(deficit) above, is adjusted because it is not included in the trust's overall financial performance.

Note 3. The adjusted Retained Surplus of £32,000 represents the financial performance of the trust in meeting the break-even duty.

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

Statement of Financial Position as at 31 March 2013

	NOTE	31 March 2013 £000	31 March 2012 £000
Non-current assets:			
Property, plant and equipment	15	**56,168**	61,304
Intangible assets	16	**2,043**	2,083
Investment property		**0**	0
Other financial assets	24	**0**	0
Trade and other receivables	22.1	**262**	297
Total non-current assets		**58,473**	63,684
Current assets:			
Inventories	21	**1,970**	1,854
Trade and other receivables	22.1	**2,398**	2,761
Other financial assets	24	**0**	0
Other current assets	25	**0**	0
Cash and cash equivalents		**9,888**	10,246
Total current assets		**14,256**	14,861
Non-current assets held for sale	27	**0**	0
Total current assets		**14,256**	14,861
Total assets		**72,729**	78,545
Current liabilities			
Trade and other payables	28	**(11,068)**	(12,994)
Other liabilities	29	**0**	0
Provisions	35	**(1,739)**	(794)
Borrowings	30	**(1)**	(5)
Other financial liabilities		**0**	0
Working capital loan from Department		**0**	0
Capital loan from Department		**0**	0
Total current liabilities		**(12,808)**	(13,793)
Non-current assets less net current assets		**59,921**	64,752
Non-current liabilities			
Trade and other payables	28	**0**	0
Other Liabilities	31	**0**	0
Provisions	35	**(546)**	(492)
Borrowings	30	**0**	(1)
Other financial liabilities		**0**	0
Working capital loan from Department		**0**	0
Capital loan from Department		**0**	0
Total non-current liabilities		**(546)**	(493)
TOTAL ASSETS EMPLOYED:		**59,375**	64,259
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**41,396**	41,396
Retained earnings		**3,917**	3,683
Revaluation reserve		**14,062**	19,180
Other reserves		**0**	0
TOTAL TAXPAYERS' EQUITY:		**59,375**	64,259

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 on the 5th June 2013 and signed on its behalf by:

Christopher Bradshaw
Deputy Chief Executive   Date: 5th June 2013

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013	**Public Dividend capital**	**Retained earnings**	**Revaluation reserve**	**Other reserves**	**Total reserves**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2012	41,396	3,683	19,180	0	64,259
Opening Balance Adjustment - Local Prior Period Adjustment	0	(320)	(3,990)	0	(4,310)
Local Accounts - Restated Opening Balance	**41,396**	**3,363**	**15,190**	**0**	**59,949**
Retained surplus/(deficit) for the year	0	(38)	0	0	(38)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	0	0	0
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 (See Note 1 on Page 1)	0	0	(536)	0	(536)
Movements in other reserves	0	0	0	0	0
Transfers between reserves (Note 1 below)	0	592	(592)	0	0
Release of reserves to Statement of Comprehensive Income	0	0	0	0	0
Reclassification adjustment 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 Public Dividend Capital Received	0	0	0	0	0
Public Dividend Capital Repaid In Year	0	0	0	0	0
Public Dividend Capital Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in Public Dividend Capital In Year	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	0
Net recognised revenue/(expense) for the year	**0**	**554**	**(1,128)**	**0**	**(574)**
Balance at 31 March 2013	**41,396**	**3,917**	**14,062**	**0**	**59,375**

For the year ended 31 March 2012	**Public Dividend capital**	**Retained earnings**	**Revaluation reserve**	**Other reserves**	**Total reserves**
	£000	**£000**	**£000**	**£000**	**£000**
Changes in taxpayers' equity for the year ended 31 March 2012					
Balance at 1 April 2011	41,396	2,943	19,322	0	63,661
Retained surplus/(deficit) for the year	0	(194)	0	0	(194)
Net gain / (loss) on revaluation of property, plant, equipment (note 1 page 1)	0	0	792	0	792
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
Movements in other reserves	0	0	0	0	0
Transfers between reserves Note 1 below)	0	934	(934)	0	0
Reclassification adjustment 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 Public Dividend Capital Received	0	0	0	0	0
Public Dividend Capital Repaid In Year	0	0	0	0	0
Public Dividend Capital Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in Public Dividend Capital In Year	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension		0	0	0	0
Net recognised revenue/(expense) for the year	0	740	(142)	0	598
Balance at 31 March 2012	**41,396**	**3,683**	**19,180**	**0**	**64,259**

Note 1, The transfer 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 2013

	NOTE	**2012-13** £000	2011-12 £000
Cash Flows from Operating Activities			
Operating Surplus		**1,646**	1,734
Depreciation and Amortisation		**4,620**	5,117
Impairments and Reversals		**0**	155
Other Gains / (Losses) on foreign exchange		**0**	0
Donated Assets received credited to revenue but non-cash		**(108)**	(39)
Government Granted Assets received credited to revenue but non-cash		**0**	0
Interest Paid		**(2)**	(42)
Dividend paid		**(1,743)**	(1,989)
Release of PFI/deferred credit		**0**	0
(Increase)in Inventories		**(116)**	(117)
Decrease/(Increase) in Trade and Other Receivables		**437**	(359)
(Increase)/Decrease in Other Current Assets		**0**	0
(Decrease)/Increase in Trade and Other Payables		**(2,182)**	2,657
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions Utilised		**(297)**	(91)
Increase in Provisions		**1,282**	432
Net Cash Inflow/(Outflow) from Operating Activities		**3,537**	7,458
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		**37**	43
(Payments) for Property, Plant and Equipment		**(3,608)**	(1,756)
(Payments) for Intangible Assets		**(318)**	(602)
(Payments) for Investments with DH		**0**	0
(Payments) for Other Financial Assets		**0**	0
(Payments) for Financial Assets (LIFT)		**0**	0
Proceeds of disposal of assets held for sale (PPE)		**0**	0
Proceeds of disposal of assets held for sale (Intangible)		**0**	0
Proceeds from Disposal of Investment with DH		**0**	0
Proceeds from Disposal of Other Financial Assets		**0**	0
Proceeds from the disposal of Financial Assets (LIFT)		**0**	0
Loans Made in Respect of LIFT		**0**	0
Loans Repaid in Respect of LIFT		**0**	0
Rental Revenue		**0**	0
Net Cash Inflow/(Outflow) from Investing Activities		**(3,889)**	(2,315)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**(352)**	5,143
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		**0**	0
Public Dividend Capital Repaid		**0**	0
Loans received from DH - New Capital Investment Loans		**0**	0
Loans received from DH - New Working Capital Loans		**0**	0
Other Loans Received		**0**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**0**	0
Loans repaid to DH - Working Capital Loans Repayment of Principal		**0**	(1,026)
Other Loans Repaid		**(6)**	(6)
Cash transferred to NHS Foundation Trusts		**0**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		**0**	0
Capital grants and other capital receipts		**0**	103
Net Cash Inflow/(Outflow) from Financing Activities		**(6)**	(929)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(358)**	4,214
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**10,246**	6,032
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		**0**	0
Cash and Cash Equivalents (and Bank Overdraft) at year end		**9,888**	10,246

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012-13 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Transforming Community Services (TCS) transactions

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

1.41 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.
-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 2013.

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

1.4.2 Key sources of estimation uncertainty

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

-A holiday pay accrual for annual leave carried forward at the 31st March 2013 is estimated based on annual leave records maintained in the Trust.

-The Digital Medical Records 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. The intangible costs are now being amortised over the anticipated life of the digital records, with all new digital records created being amortised with the same life.

-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 2.35%. Every year their life expectancy and the appropriate discount factor is reviewed and updated.

1.5 Revenue

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

1.6 Employee Benefits

1.6.1 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.

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

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

1.7 Other expenses

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

1.8 Property, plant and equipment

Recognition

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

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

Valuation

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

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

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:
- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost as indexed on 31 March 2013 using indices supplied by the valuer, GVA Grimley Limited.

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

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

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

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

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

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

1.9 Intangible assets

Recognition

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

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

1.10 Depreciation, amortisation and impairments

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

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

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

	Years
Medical equipment and engineering plant and equipment	5 to 15
Furniture	10
Mainframe information technology installations	8
Soft furnishings	7
Software Licences	5
Office and information technology equipment	4 to 5
Set-up costs in new buildings	10
Vehicles	8

Development costs are depreciated over the life of the project

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.11 Donated assets

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

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

1.12 Government grants

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

1.13 Non-current assets held for sale

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

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

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

1.14 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

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

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

1.15 Inventories

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

1.16 Cash and cash equivalents

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

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

1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates of -1.8% for cash flows of 1-5 years, -1.0% for cash flows 6-8 years and 2.28% for cash flows over 10 years in real terms (2.35% 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.

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

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

1.18 Clinical negligence costs

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

1.19 Non-clinical risk pooling

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

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

1.20 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.

1.21 Contingencies

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

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

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

1.22 Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

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

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

Loans and receivables

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

1.23 Financial liabilities

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

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

Financial 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 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.

1.24 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.

1.25 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.

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

1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 44 to the accounts.

1.27 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 Accounts. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.28 Losses and Special Payments

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

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

1.29 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

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 2011-12 and 2012-13 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate Trustee.

1.30 Associates

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

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

1.31 Joint ventures

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

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

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

1.32 Joint operations

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

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

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

2. Pooled budgets

The Trust does not have any pooled budgets.

3. Operating segments

The George Eliot Hospital NHS Trust operates within one healthcare segment, which represents 100% of the Trusts turnover.

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	**2012-13**	2011-12
	£000	£000
Strategic health authorities	**0**	0
NHS Trusts	**0**	0
Primary care Trusts - tariff	**71,703**	71,534
Primary care Trusts - non-tariff (Note 1 below)	**36,008**	31,401
Primary care Trusts - market forces factor	**3,638**	3,629
Foundation Trusts	**0**	0
Local authorities	**0**	0
Department of Health	**0**	0
NHS other	**0**	0
Non-NHS:		
Private patients	**9**	13
Overseas patients (non-reciprocal)	**0**	20
Injury costs recovery (Note 2 below)	**482**	660
Other	**48**	49
	111,888	107,306

1. In 2012-13 revenue from Primary Care Trusts includes £5.0m support funding in addition to contracted payments under health care contracts. (£2.3m transformational support in the previous year)

2. Injury cost recovery income is subject to a provision for impairment of receivables of 12.6% (2011-12 10.5%), to reflect expected rates of collection in accordance with the NHS Manual of Accounts. All receivables prior to 1st April 2009 are provided in full.

6. Other operating revenue	**2012-13**	2011-12
	£000	£000
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**5,367**	5,295
Charitable and other contributions to expenditure	**105**	63
Receipt of donations for capital acquisitions	**108**	103
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**2,589**	2,127
Income generation	**1,139**	1,076
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**0**	0
Other revenue	**1,298**	1,041
	10,606	9,705
Total operating revenue	**122,494**	117,011

7. Revenue

Most revenue is from the supply of services. Revenue from the sale of goods is immaterial.

8. Operating expenses (excluding employee benefits)	2012-13 £000	2011-12 £000
Services from other NHS Trusts (Note 1 below)	**3,098**	2,644
Services from PCTs	**176**	176
Services from other NHS bodies	**144**	81
Services from Foundation Trusts	**590**	668
Purchase of healthcare from non NHS bodies	**1,410**	629
Trust chair and non executive directors	**58**	53
Supplies and services - clinical	**17,293**	15,352
Supplies and services - general	**1,798**	2,157
Consultancy services	**394**	472
Establishment	**1,357**	1,032
Transport	**75**	73
Premises	**4,182**	3,654
Impairments and Reversals of Receivables	**(361)**	955
Inventories write down (Note 2 below)	**0**	32
Depreciation	**4,041**	4,660
Amortisation	**579**	457
Impairments and reversals of property, plant and equipment	**0**	155
Impairments and reversals of intangible assets	**0**	0
Impairments and reversals of financial assets [by class]	**0**	0
Impairments and reversals of non current assets held for sale	**0**	0
Impairments and reversals of investment properties	**0**	0
Audit fees	**92**	154
Other auditor's remuneration (Note 3 below)	**115**	114
Clinical negligence premium	**3,140**	2,647
Research and development (excluding staff costs)	**0**	0
Education and Training	**707**	508
Other (Note 4 below)	**555**	438
	39,443	37,111
Employee benefits		
Employee benefits excluding Board members (Note 1 below)	**80,730**	77,489
Board members	**675**	677
Total employee benefits	**81,405**	78,166
Total operating expenses	**120,848**	115,277

1. Services from other NHS Trust include £2,284,000 for the provision of Pathology services by University Hospitals Coventry and Warwickshire NHS Trust (2011-12 £2,234,000). See also note 43.

2. Inventories write down has been included in other exepnse this year because the amount is not material (£24,000).

3. Other auditors remuneration include Internal Audit and Local Counter Fraud services.

4. Other operating expenses include insurance premiums of £84,000 (2011-12 £79,000) and storage and retrieval costs of £67,000 (2011-12 £51,000).

9 Operating Leases

9.1 Trust as lessee

	Land	Buildings	Other	2012-13 Total	2011-12 Total
	£000	£000	£000	£000	£000
Payments recognised as an expense					
Minimum lease payments	0	0	46	**46**	42
Contingent rents	0	0	0	**0**	0
Sub-lease payments	0	0	0	**0**	0
Total	0	0	46	**46**	42
Payable:					
No later than one year	0	0	21	**21**	20
Between one and five years	0	0	17	**17**	23
After five years	0	0	0	**0**	0
Total	0	0	38	**38**	43

Total future sublease payments expected to be received £nil (2011-12 £nil)

The only operating leases the Trust had at 31 March 2013 were for 13 cars (14 at 31 March 2012).

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

Expiry of the leases is as follows:

	2012-13 Number	2011-12 Number
Other operating leases which expire:		
Within 1 year	**6**	8
Between 1 and 5 years	**7**	6
After 5 years	**0**	0
	13	**14**

9.2 As lessor

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

10 Employee benefits and staff numbers

10.1 Employee benefits

	2012-13			2011-12
	Total	Permanently employed	Other	Total
	£000	£000	£000	£000
Employee Benefits - Gross Expenditure				
Salaries and wages	**69,539**	**56,774**	**12,765**	66,281
Social security costs	**5,423**	**4,608**	**815**	5,284
Employer contributions to NHS Pensions scheme	**6,911**	**6,911**	**0**	6,876
Other pension costs	**0**	**0**	**0**	0
Other post-employment benefits	**0**	**0**	**0**	0
Other employment benefits	**0**	**0**	**0**	0
Termination benefits	**0**	**0**	**0**	0
Total employee benefits	**81,873**	**68,293**	**13,580**	78,441
Less recoveries in respect of employee benefits	**0**	**0**	**0**	0
Total - Net Employee Benefits including capitalised costs	**81,873**	**68,293**	**13,580**	78,441
Employee costs capitalised	**468**	**215**	**253**	275
Net Employee Benefits excluding capitalised costs	**81,405**	**68,078**	**13,327**	78,166

10.2 Staff Numbers

	2012-13			2011-12
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	**290**	**199**	**91**	269
Ambulance staff	**0**	**0**	**0**	0
Administration and estates	**377**	**368**	**9**	385
Healthcare assistants and other support staff	**151**	**145**	**6**	168
Nursing, midwifery and health visiting staff	**837**	**763**	**74**	757
Nursing, midwifery and health visiting learners	**8**	**8**	**0**	8
Scientific, therapeutic and technical staff	**209**	**198**	**11**	245
Social Care Staff	**0**	**0**	**0**	0
Other	**45**	**45**	**0**	45
TOTAL	**1,917**	**1,726**	**191**	1,877
Of the above - staff engaged on capital projects	**13**	**9**	**4**	12

10.3 Staff Sickness absence and ill health retirements

	2012-13 Number	2011-12 Number
Total Days Lost	**17,283**	16,396
Total Staff Years	**1,737**	1,725
Average working Days Lost	**9.95**	9.50

The figures show above are annual based on the year 1 January 2012 to 31 December 2012 (2011-12, 1 January 2011 to 31 December 2011).

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	**2**	2
	£000s	£000s
Total additional pensions liabilities accrued in the year	**104**	39

10.4 Exit Packages agreed in 2012-13

There were no exit packages in 2012-13 (1 compulsory redundancy package in 2011-12 costing £7,000).

10.5 Pension costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 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 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to 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.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

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) will be used to replace 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.

11 Better Payment Practice Code

11.1 Measure of compliance

	2012-13 Number	2012-13 £000	2011-12 Number	2011-12 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**33,472**	**34,378**	30,712	26,775
Total Non-NHS Trade Invoices Paid Within Target	**31,542**	**32,473**	29,061	25,312
Percentage of NHS Trade Invoices Paid Within Target	**94.23%**	**94.46%**	94.62%	94.54%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**1,681**	**9,766**	2,569	12,701
Total NHS Trade Invoices Paid Within Target	**1,299**	**9,027**	2,256	11,806
Percentage of NHS Trade Invoices Paid Within Target	**77.28%**	**92.43%**	87.82%	92.95%

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

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

At the start of 2012-13 one supplier who was paid 1,930 invoices with a value of £2,442,337 during the year was moved from NHS Payables to Non NHS Trade Payables.

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

	2012-13 £000	2011-12 £000
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	0

12 Investment Income

	2012-13 £000	2011-12 £000
Interest Income		
Bank interest	**37**	43
Other loans and receivables	**0**	0
Impaired financial assets	**0**	0
Other financial assets	**0**	0
Total investment income	**37**	43

13 Other Gains and Losses

	2012-13 £000	2011-12 £000
Gain/(loss) on disposal of property, plant and equipment	**0**	0
Gain/(loss) on disposal of intangible assets	**0**	0
Gain/(loss) on disposal of financial assets	**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
Total	**0**	0

14 Finance Costs

	2012-13 £000	2011-12 £000
Interest		
Interest on loans and overdrafts	**0**	39
Interest on obligations under finance leases	**3**	3
Interest on late payment of commercial debt	**0**	0
Other interest expense	**0**	0
Total interest expense	**3**	42
Other finance costs	**0**	0
Provisions - unwinding of discount	**14**	3
Total	**17**	45

15.1 Property, plant and equipment

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:									
At 1 April 2012	7,673	52,099	645	353	17,231	164	3,188	454	**81,807**
Opening Balance Adjustment - Local Prior Period Adjustments (Note 1 below)	0	(6,360)	(75)	0	0	0	0	0	**(6,435)**
Local Accounts - Restated Opening Cost or Valuation	**7,673**	**45,739**	**570**	**353**	**17,231**	**164**	**3,188**	**454**	**75,372**
Additions of Assets Under Construction	0	0	0	1,488	0	0	0	0	**1,488**
Additions Purchased	0	669	2	0	992	0	491	1	**2,155**
Additions Donated	0	0	0	0	108	0	0	0	**108**
Reclassifications	0	116	0	(159)	23	0	20	0	**0**
Reclassifications as Held for Sale	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(345)	0	(2)	(7)	**(354)**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairments/negative indexation	0	(536)	0	0	0	0	0	0	**(536)**
At 31 March 2013	**7,673**	**45,988**	**572**	**1,682**	**18,009**	**164**	**3,697**	**448**	**78,233**
Depreciation									
At 1 April 2012	0	7,006	45	0	11,262	138	1,848	204	**20,503**
Opening Balance Adjustment - Local Prior Period Adjustments (Note 1 below)	0	(2,104)	(21)	0	0	0	0	0	**(2,125)**
Local Accounts - Restated Opening Depreciation	**0**	**4,902**	**24**	**0**	**11,262**	**138**	**1,848**	**204**	**18,378**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(345)	0	(2)	(7)	**(354)**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairments	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	1,973	9	0	1,448	8	559	44	**4,041**
At 31 March 2013	**0**	**6,875**	**33**	**0**	**12,365**	**146**	**2,405**	**241**	**22,065**
Net Book Value at 31 March 2013	7,673	39,113	539	1,682	5,644	18	1,292	207	**56,168**
Purchased	7,673	38,782	539	1,682	4,915	18	1,292	207	**55,108**
Donated	0	331	0	0	729	0	0	0	**1,060**
Total at 31 March 2013	**7,673**	**39,113**	**539**	**1,682**	**5,644**	**18**	**1,292**	**207**	**56,168**
Asset financing:									
Owned	7,673	39,113	539	1,682	5,643	18	1,292	207	**56,167**
Held on finance lease	0	0	0	0	1	0	0	0	**1**
Total at 31 March 2013	**7,673**	**39,113**	**539**	**1,682**	**5,644**	**18**	**1,292**	**207**	**56,168**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	**Total**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**
At 1 April 2012	4,086	14,663	209	0	204	0	0	18	**19,180**
Opening Balance Adjustment - Local Prior Period Adjustments	0	(3,958)	(52)	0	20	0	0	0	**(3,990)**
Local Accounts - Restated Opening Balance	**4,086**	**10,705**	**157**	**0**	**224**	**0**	**0**	**18**	**15,190**
Movements	0	(1,031)	(3)	0	(92)	0	0	(2)	**(1,128)**
At 31 March 2013	**4,086**	**9,674**	**154**	**0**	**132**	**0**	**0**	**16**	**14,062**

Additions to Assets Under Construction in 2012-13

Additions to assets under contruction were Buildings excluding dwellings £733,000 and Plant and Machinery £755,000.

Note 1. The Local Prior Period Adjustment arises due to the exclusion of financing costs from the value of buildings which were last valued in 2009 with the inclusion of finance costs. This adjustment is to ensure building are valued in accordance with HM Treasury guidelines for public sector property. Please also refer to Note 15.3 on page 25.

15.2 Property, plant and equipment

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:									
At 1 April 2011	7,673	50,721	588	516	16,082	164	3,222	354	**79,320**
Additions - purchased	0	486	57	257	1,164	0	320	102	**2,386**
Additions - donated	0	90	0	0	13	0	0	0	**103**
Additions - government granted	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	51	0	(420)	0	0	329	40	**0**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals other than by sale	0	(134)	0	0	(28)	0	(683)	(42)	**(887)**
Revaluation & indexation gains	0	885	0	0	0	0	0	0	**885**
Impairments	0	0	0	0	0	0	0	0	**0**
Reversals of impairments	0	0	0	0	0	0	0	0	**0**
Cumulative dep netted off cost following revaluation	0	0	0	0	0	0	0	0	**0**
At 31 March 2012	**7,673**	**52,099**	**645**	**353**	**17,231**	**164**	**3,188**	**454**	**81,807**
Depreciation									
At 1 April 2011	0	4,822	32	0	9,420	131	1,868	206	**16,479**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	(134)	0	0	(28)	0	(683)	(42)	**(887)**
Upward revaluation/positive indexation	0	94	2	0	0	0	0	0	**96**
Impairments	0	155	0	0	0	0	0	0	**155**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	2,069	11	0	1,870	7	663	40	**4,660**
Transfers to NHS Bodies	0	0	0	0	0	0	0	0	
At 31 March 2012	0	7,006	45	0	11,262	138	1,848	204	20,503
Net book value at 31 March 2012	**7,673**	**45,093**	**600**	**353**	**5,969**	**26**	**1,340**	**250**	**61,304**
Purchased	7,673	44,719	600	353	5,178	26	1,340	250	**60,139**
Donated	0	374	0	0	791	0	0	0	**1,165**
Total at 31 March 2012	**7,673**	**45,093**	**600**	**353**	**5,969**	**26**	**1,340**	**250**	**61,304**
Asset financing:									
Owned	7,673	45,093	600	353	5,962	26	1,340	250	**61,297**
Held on finance lease	0	0	0	0	7	0	0	0	**7**
Total at 31 March 2012	**7,673**	**45,093**	**600**	**353**	**5,969**	**26**	**1,340**	**250**	**61,304**

15.3 (cont). Property, plant and equipment

Donated assets include a contribution of £19,000 by the League of Friends for an Ultrasound Scanner. Two upright freezers costing £28,000 were paid for by The University Of Warwick on the Trust's behalf. In addition 5 patient monitors costing £48,000 were purchased by Basics Charity.

Land, Buildings and Dwellings were valued as Modern Equivalent Assets (MEA) on the 31st July 2009 by David Cooney MA MRICS, GVA Grimley Ltd, Independent Property Valuers, in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards, IFRS and FReM guidelines. The Fair Values (FV) and Market Values (MV) outlined below are as defined by UKPS 1.1 of the RICS Valuation Standards (March 2009). Market Value valuations have been carried out in accordance with Practice Statement 3.2 of the RICS Valuation Standards. Depreciated Replacement Cost (DRC) recognised under IAS 16 as a basis of valuation for 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.

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 Practice Statement 6.7 of the RICS Valuation Standards (March 2009), the Market Values of the properties for alternative use (on cessation of the existing business) are likely to be materially lower than the Fair Value, Market Value with continued use and Depreciated Replacement 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

A review of the valuation method adopted at 31 July 2009 for freehold in operational areas confirmed that this valuation included finance costs. It has been confirmed by our valuers, GVA Grimley Ltd, that these finance costs do not have to be included. These freehold assets have therefore been restated excluding finance costs. The effect of this restatement has been reflected as a local accounts- restatement of opening balances adjustment as 1st April 2012 in note 15.1 above. The revaluation reserve and income reserve at 1st April 2012 have also both been restated to reflect the effect of the exclusion of the finance costs.

Since the MEA valuation in 2009-10 GVA Grimley Ltd has provided information to the Trust which has been applied to land and building values to ensure they are reported in the accounts at fair value. In 2012-13 there has been no change to the land value but for buildings valued at DRC, based on an decrease in the Building Cost Index (BCI) of 1.36% have been valued downwards by £536,000; the decrease has been applied against the revaluation reserve.

16.1 Intangible non-current assets

2012-13	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	**£000**
At 1 April 2012	0	2,662	0	0	1,070	**3,732**
Additions - purchased	0	420	0	0	119	**539**
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**
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 charged to reserves	0	0	0	0	0	**0**
Reversal of impairments charged to reserves	0	0	0	0	0	**0**
Transfers to Foundation Trusts	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	**0**
At 31 March 2013	0	3,082	0	0	1,189	4,271
Amortisation						
At 1 April 2012	0	1,649	0	0	0	**1,649**
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	473	0	0	106	**579**
Transfers to Foundation Trusts	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	**0**
At 31 March 2013	0	2,122	0	0	106	**2,228**
Net Book Value at 31 March 2013	**0**	**960**	**0**	**0**	**1,083**	**2,043**
Net book value at 31 March 2013 comprises:						
Purchased	0	960	0	0	1,083	**2,043**
Donated	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	**0**
Total at 31 March 2013	**0**	**960**	**0**	**0**	**1,083**	**2,043**

Revaluation reserve balance for intangible non-current assets

There is no revaluation reserve balance for intangible non-current assets (31 March 12 £nil).

16.2 Intangible non-current assets

2011-12	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	**£000**
Cost or valuation:						
At 1 April 2011	0	2,236	0	0	894	**3,130**
Additions - purchased	0	426	0	0	176	**602**
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**
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)/from NHS Bodies	0	0	0	0	0	**0**
Transferred to Foundation Trusts	0	0	0	0	0	**0**
Less cumulative dep written down on revaluation	0	0	0	0	0	**0**
At 31 March 2012	0	2,662	0	0	1,070	**3,732**
Amortisation						
At 1 April 2011	0	1,192	0	0	0	**1,192**
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	457	0	0	0	**457**
Transfer (to)/from NHS bodies	0	0	0	0	0	**0**
Transfers to Foundation Trusts	0	0	0	0	0	**0**
Less cumulative dep written down on revaluation	0	0	0	0	0	**0**
At 31 March 2012	0	1,649	0	0	0	**1,649**
Net book value at 31 March 2012	0	1,013	0	0	1,070	**2,083**
Net book value at 31 March 2012 comprises:						
Purchased	0	1,013	0	0	1,070	**2,083**
Donated	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	**0**
Total at 31 March 2012	0	1,013	0	0	1,070	**2,083**

16.3 Intangible non-current assets

Intangible assets include £1,083,000 in development costs in respect of the scheme to digitise medial records. Expenditure is capitalised as a intangible asset when the records are prepared and amortised over the life of the asset.

Additions during the year include £176,000 for Microsoft licenses, and £81,000 for Infromation Technology Interface Engine licences.

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.

All Intangible Assets meet the criteria of International Accounting Standard on Intanigible assets (IAS 38) and are are accounted for in accordance with the standard.

17 Analysis of impairments and reversals recognised in 2012-13

	2012-13 Total £000
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve	
Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	536
Total impairments for PPE charged to reserves	**536**
Total Impairments of Property, Plant and Equipment	**536**

The Trust had no other impairments (31 March 2012 £nil).

18 Investment property

The Trust does not have any investment property (31 March 2012 £nil).

19 Commitments

19.1 Capital commitments

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

	31 March 2013	31 March 2012
	£000	£000
Property, plant and equipment	**77**	362
Intangible assets	**141**	110
Total	**218**	472

19.2 Other financial commitments

The Trust has no other financial commitments (31 March 2012 - none).

20 Intra-Government and other balances

	Current receivables	**Non-current receivables**	**Current payables**	**Non-current payables**
	£000s	**£000s**	**£000s**	**£000s**
Balances with other Central Government Bodies	1,531	251	2,674	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	2	0
Balances with NHS Trusts and Foundation Trusts	224	0	275	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	643	11	8,117	0
At 31 March 2013	**2,398**	**262**	**11,068**	**0**
prior period:				
Balances with other Central Government Bodies	2,089	287	5,687	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	634	0	1,302	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	38	10	6,005	0
At 31 March 2012	**2,761**	**297**	**12,994**	**0**

21 Inventories

	Drugs	**Consumables**	**Energy**	**Work in progress**	**Loan Equipment**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2012	752	1,102	0	0	0	0	**1,854**
Additions	7,842	3,602	0	0	0	0	**11,444**
Inventories recognised as an expense in the period	(7,816)	(3,512)	0	0	0	0	**(11,328)**
Write-down of inventories (including losses)	0	0	0	0	0	0	**0**
Reversal of write-down previously taken to SoCI	0	0	0	0	0	0	**0**
Transfers (to)/from other bodies	0	0	0	0	0	0	**0**
Transfers (to) Foundation Trusts	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies	0	0	0	0	0	0	**0**
Balance at 31 March 2013	**778**	**1,192**	**0**	**0**	**0**	**0**	**1,970**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
NHS receivables - revenue	**643**	1,134	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**292**	656	**0**	0
Non-NHS receivables - revenue	**27**	25	**0**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**664**	872	**9**	10
Provision for the impairment of receivables	**(291)**	(1,070)	**0**	0
VAT	**195**	261	**0**	0
Current part of PFI and other PPP arrangements prepayments and a	**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 1 below)	**868**	883	**253**	287
Total	**2,398**	2,761	**262**	297
Total current and non current	**2,660**	3,058		

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

No collateral is held for these receivables.

Note 1. Other receivables include payments due to the Trust under the Injury Costs Recovery Scheme of £625,000 (31 March 2012 £669,000).

22.2 Receivables past their due date but not impaired

	31 March 2013	31 March 2012
	£000	£000
By up to three months	**125**	173
By three to six months	**3**	7
By more than six months	**9**	34
Total	**137**	214

No collateral is held for these receivables.

22.3 Provision for impairment of receivables

	2012-13	2011-12
	£000	£000
Balance at 1 April 2012	**(1,070)**	(116)
Amount written off during the year	**418**	1
Amount recovered during the year	**484**	44
(Increase)/decrease in receivables impaired	**(123)**	(999)
Balance at 31 March 2013	**(291)**	**(1,070)**

23 NHS LIFT investments

The Trust had no NHS LIFT investments at 31 March 2013 (31 March 2012 £nil).

24 Other financial assets

The Trust had no Other financial assets at 31 March 2013 (31 March 2012 £nil).

25 Other current assets

The Trust had no Other current assets at 31 March 2013 (31 March 2012 £nil).

26 Cash and Cash Equivalents

	31 March 2013 £000	31 March 2012 £000
Opening balance	**10,246**	6,032
Net change in year	**(358)**	4,214
Closing balance	**9,888**	10,246
Made up of		
Cash with Government Banking Service	**9,708**	10,079
Commercial banks	**175**	162
Cash in hand	**5**	5
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**9,888**	10,246
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**9,888**	10,246
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 2013 (31 March 2012 £nil).

28 Trade and other payables

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	**31 March 2013 £000**	31 March 2012 £000
Interest payable	**0**	0	**0**	0
NHS payables - revenue	**444**	1,243	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**148**	3,363	**0**	0
Non-NHS payables - revenue	**2,716**	1,606	**0**	0
Non-NHS payables - capital	**1,207**	951	**0**	0
Non_NHS accruals and deferred income	**4,178**	3,437	**0**	0
Social security costs	**676**	697	**0**	0
VAT	**0**	0	**0**	0
Tax	**787**	817	**0**	0
Payments received on account	**0**	0	**0**	0
Other	**912**	880	**0**	0
Total	**11,068**	12,994	**0**	0
Total payables (current and non-current)	**11,068**	12,994		
Included above:				
Outstanding Pension Contributions at the year end	**895**	861		

29 Other liabilities

The Trust had no Other liabilities at 31 March 2013 (31 March 2012 £nil).

30 Borrowings

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	**31 March 2013 £000**	31 March 2012 £000
Loans from Department of Health	**0**	**0**	**0**	0
Finance lease liabilities	**1**	**5**	**0**	1
Other	**0**	**0**	**0**	0
Total	**1**	**5**	**0**	**1**
Total other liabilities (current and non-current)	**1**	**6**		

31 Other financial liabilities

The Trust had no other financial liabilities at 31 March 2013 (31 March 2012 £nil).

32 Deferred income

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Opening balance at 1 April 2012	**1,823**	862	**0**	0
Deferred income addition	**275**	1,738	**0**	0
Transfer of deferred income	**(1,823)**	(777)	**0**	0
Current deferred Income at 31 March 2013	**275**	1,823	**0**	0
Total other liabilities (current and non-current)	**275**	1,823		

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)	Minimum lease payments		Present value of minimum lease	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Within one year	**1**	5	**1**	5
Between one and five years	**0**	1	**0**	1
After five years	**0**	0	**0**	0
Less future finance charges	**0**	0	**0**	0
Present value of minimum lease payments	**1**	6	**1**	6
Included in:				
Current borrowings			**1**	5
Non-current borrowings			**0**	1
			1	6

Finance leases as lessee	**31 March 2013 £000**	31 March 2012 £000
Future Sublease Payments Expected to be received	0	0
Contingent Rents Recognised as an Expense	**0**	0

The Trust does not have any finance leases as lessee with subleases nor does it have any contingent rents recognised as an expense.

34 Finance lease receivables as lessor

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

35 Provisions

	Total	Comprising: Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Restructuring	Continuing Care	Equal Pay	Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	**1,286**	0	0	617	0	0	0	0	669	0
Arising During the Year	**1,526**	0	0	152	0	0	0	0	1,290	84
Utilised During the Year	**(297)**	0	0	(91)	0	0	0	0	(206)	0
Reversed Unused	**(244)**	0	0	(34)	0	0	0	0	(210)	0
Unwinding of Discount	**14**	0	0	14	0	0	0	0	0	0
Change in Discount Rate	**0**	0	0	0	0	0	0	0	0	0
Transferred (to)/from other NHS bodies	**0**	0	0	0	0	0	0	0	0	0
Balance at 31 March 2013	**2,285**	**0**	**0**	**658**	**0**	**0**	**0**	**0**	**1,543**	**84**
Expected Timing of Cash Flows:										
No Later than One Year	**1,739**	0	0	112	0	0	0	0	1,543	84
Later than One Year and not later than Five Years	**123**	0	0	123	0	0	0	0	0	0
Later than Five Years	**423**	0	0	423	0	0	0	0	0	0

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

As at 31 March 2013	9,947
As at 31 March 2012	9,100

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 £33,000 per annum, discounted by 2.35%.

Clinical Negligence

The NHS Litigation Authority includes £9,947,209 in their accounts at 31 March 2013 in respect of clinical negligence liabilities of the Trust. (31 March 2012: £9,100,095).

Other

Other provisions include claims made by employees, former employees, suppliers of services in relation to contracts with the Trust, provison for 2012-13 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 2012-13 healthcare contracts .

36 Contingencies

The Trust had no contingent assets or liabilities at the year end (31 March 2012 £nil).

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 primary care Trusts and the way those primary care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

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

Interest rate risk
The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2013 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

37.2 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total	Fixed Rate Weighted average interest rate	Weighted average period for which fixed	Non-interest bearing Weighted average term
	£000	£000	£000	£000	%	Years	Years
Embedded derivatives	0	0	0	0	**0**	**0**	**0**
Receivables - NHS	0	666	0	666	**0**	**0**	**0**
Receivables - non-NHS	0	604	0	604	**0**	**0**	**0**
Cash at bank and in hand	0	9,888	0	9,888	**0**	**0**	**0**
Other financial assets	0	0	0	0	**0**	**0**	**0**
Total at 31 March 2013	0	11,158	0	11,158			
Embedded derivatives	0	0	0	**0**	0	0	0
Receivables - NHS	0	1,134	0	**1,134**	0	0	0
Receivables - non-NHS	0	(162)	0	**(162)**	0	0	0
Cash at bank and in hand	0	10,247	0	**10,247**	0	0	0
Other financial assets	0	0	0	**0**	0	0	0
Total at 31 March 2012	**0**	**11,219**	**0**	**11,219**			

37.3 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total	Fixed Rate Weighted average interest rate	Weighted average period for which fixed	Non-interest bearing Weighted average term
	£000	£000	£000	%	Years	Years
Embedded derivatives	**0**	**0**	**0**	0	0	0
NHS payables	**0**	**438**	**438**	**0**	**0**	**0**
Non-NHS payables	**0**	**5,486**	**5,486**	**0**	**0**	**0**
Other borrowings	**0**	**1**	**1**	**0**	**0**	**0**
PFI & finance lease obligations	**0**	**0**	**0**	**0**	**0**	**0**
Other financial liabilities	**0**	**0**	**0**	**0**	**0**	**0**
Total at 31 March 2013	**0**	**5,925**	**5,925**			
Embedded derivatives	0	0	**0**	0	0	0
NHS payables	0	1,376	1,376	0	0	0
Non-NHS payables	0	3,032	3,032	0	0	0
Other borrowings	0	6	6	0	0	0
PFI & finance lease obligations	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	0	0
Total at 31 March 2012	0	4,414	4,414			

37.4 Maturity of financial liabilities

The maturity profile for these financial liabilities is shown below:

	31 March 2013	31 March 2012
	£000	£000
Within one year	**5,925**	4,412
Between one and two years	**0**	2
Between two and five years	**0**	0
After five years	**0**	0
	5,925	4,414

38 Events after the end of the reporting period

The Trust has approved a deficit plan for 2013-14.

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.

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.

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.

	2012-13		2011-12	
	Revenue	**Expenditure**	Revenue	Expenditure
	£000	**£000**	£000	£000
West Midlands Strategic Health Authority	**5,049**	**0**	5,159	3
NHS Warwickshire	**87,092**	**119**	83,073	151
NHS Birmingham East And North	**1,926**	**0**	1,505	0
NHS Leicester City	**2,801**	**0**	2,159	42
NHS Leicestershire County and Rutland	**11,200**	**7**	11,752	17
NHS Coventry (Teaching)	**6,880**	**2**	7,122	4
University Hospitals Coventry and Warwickshire NHS Trust	**997**	**3,115**	1,061	2,659
West Midlands Ambulance Service NHS Trust	**0**	**49**	0	64
Coventry and Warwickshire Partnership NHS Trust	**147**	**76**	127	87
NHS Litigation Authority	**0**	**3,221**	0	2,721

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 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	**31,502**	**51**
Special payments	**100,137**	**46**
Total losses and special payments	**131,639**	**97**

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

	Total Value of Cases £s	Total Number of Cases
Losses	40,591	22
Special payments	80,395	30
Total losses and special payments	120,986	52

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 £000**	**2006-07 £000**	**2007-08 £000**	**2008-09 £000**	**2009-10 £000**	**2010-11 £000**	**2011-12 £000**	**2012-13 £000**
Turnover	83,064	93,496	95,369	96,352	105,330	108,324	117,011	122,494
Retained surplus/(deficit) for the year	(7,294)	1,303	1,382	964	1,008	47	(194)	(38)
Adjustment for:								
Timing/non-cash impacting distortions:								
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	0	54	0	0	0	0	0	0
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0	0	0	0	0	0
Adjustments for Impairments (Note 1 below).	0	0	0	(149)	156	65	155	0
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	0	0	0	0
Adjustments for impact of policy change re donated assets (Note 2 below).	0	0	0	0	0	0	84	70
Other agreed adjustments	0	791	0	0	0	0	0	0
Break-even in-year position	(7,294)	2,148	1,382	815	1,164	112	45	32
Break-even cumulative position	(8,072)	(5,924)	(4,542)	(3,727)	(2,563)	(2,451)	(2,406)	(2,374)

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

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**	**2012-13 %**
Materiality test (I.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover	-8.78	2.30	1.45	0.85	1.11	0.10	0.04	0.03
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

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 has generated surplus and been able to repay part of the deficit still leaving a balance of £1.6m to be repaid in the future. In 2011-12 and 2012-13 the Trust has required support funding of £2.3m and £5.0m respectively to breakeven. Because of the cumulative deficit External Auditors have been required to issue Section 19 letters of 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's Business Plan shows the Trust will generate revenue surplus from 2015-16 onwards after securing a partner through the Securing a Sustainable Futures programme.

1. This represents the impairment of buildings permanently taken out of operational use .

2. This is required because donated assets received during 2011-12 and 2012-13 were less than the deprecation on all donated assets.

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.

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.

	2012-13		2011-12
	£000	£000	£000
External financing limit		9,046	2,359
Cash flow financing	352		(5,143)
Finance leases taken out in the year	0		0
Other capital receipts	0		(103)
External financing requirement		352	(5,246)
Undershoot		8,694	7,605

The Trust achieved its EFL with an undershoot of £8,694,000 (2011-12 £7,605,000).

The undershoot was because of the under-spend on capital payments of £3.4m and a movement in working capital balances of £5.3m.

41.4 Capital resource limit

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

	2012-13	2011-12
	£000	£000
Gross capital expenditure	4,290	3,091
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(108)	(103)
Charge against the capital resource limit	4,182	2,988
Capital resource limit	7,400	5,830
Underspend against the capital resource limit	3,218	2,842

The Trust achieved its CRL with an undershoot of £3,218,000 (2011-12 £2,842,000). The Trust deferred capital expenditure into 2013-14 only making essential capital purchases in the year because of the uncertainty of cash being available.

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 2013	31 March 2012
	£000s	£000s
Third party assets held by the Trust	0	0

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	
	2012-13	2011-12	**2012-13**	2011-12
	£000	£000	**£000**	£000
Revenue from patient care activities	**1,223**	913	**166**	124
Other operating revenue	**19,907**	19,544	**2,707**	2,658
Operating expenses	**(21,288)**	(20,698)	**(2,894)**	(2,815)
Operating (deficit)	**(158)**	(241)	**(21)**	(33)

University Hospitals Coventry and Warwickshire NHS Trust reported a deficit of £158,000 in their accounts for the pathology service in 2012-13 (2011-12 - £241,000), the George Eliot Hospital NHS Trust's share was £21,000 (2011-12 £33,000). The comparative figures for Other operating revenue and Operating expenses have been changed to exclude UHCW divisional recharges to be consistent 2012-13.

	Reported By University Hospitals Coventry & Warwickshire NHS Trust		George Eliot Hospital NHS Trust's Share	
	2012-13	2011-12	**2012-13**	2011-12
	£000	£000	**£000**	£000
Non-current assets	**1,440**	346	**196**	47
Current assets				
Inventories and work in progress	**647**	587	**88**	80
Trade and other receivables	**1,558**	5,114	**212**	695
	2,205	5,701	**300**	775
Current liabilities	**(3,808)**	(6,831)	**(402)**	(813)
Net current assets/(liabilities)	**(1,603)**	(1,130)	**(102)**	(38)
Total assets less current liabilities	**(163)**	(784)	**94**	9
Non current liabilities	**(779)**	0	**(106)**	0
Total assets employed	**(942)**	(784)	**(12)**	9
Financed by taxpayers' equity:				
Public dividend capital	**434**	434	**175**	175
Retained earnings	**(1,376)**	(1,218)	**(187)**	(166)
Total taxpayers' equity	**(942)**	(784)	**(12)**	9

University Hospitals Coventry and Warwickshire NHS Trust reported net liabilities of £942,000 (2011-12 net liabilities of £784,000) in their accounts for the pathology service; the George Eliot Hospital NHS Trust's share were net assets of £12,100 (2011-12 £9,400) which included £195,800 non-current assets (2011-12 £47,100).