

**GEORGE ELIOT HOSPITAL
NHS TRUST**

AUDITED ANNUAL ACCOUNTS

2013-14

2013-14 Annual Accounts of George Eliot Hospital NHS Trust

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

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

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed.....

Kevin McGee
Chief Executive

Date.....

2013-14 Annual Accounts of George Eliot Hospital NHS Trust

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

..... Date

Kevin McGee
Chief Executive

..... Date

Shahana Khan
Director of Finance and Performance

GOVERNANCE STATEMENT 2013-14

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 2013-14 the Trust had a range of mechanisms in place to facilitate effective working with key partners, in particular the NHS Trust Development Authority, NHS England including Local Area Teams and the local Clinical Commissioning Groups, South Warwickshire NHS Foundation Trust, Nuneaton and Bedworth Borough Council, Warwickshire Overview and Scrutiny Committee, Warwickshire Health and Wellbeing Board and University Hospital Coventry and Warwickshire NHS Trust. I meet regularly with the Chief Executives of each of these organisations, individually, jointly and collectively. Governance and risk issues are regularly discussed at a variety of health economy wide forums, including formal review meetings with the NHS Trust Development Authority, and monthly meetings of Chief Executives.

2 The Governance Framework

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives; 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 2014 and up to the date of approval of the Annual Report and Accounts.

Governance arrangements in risk management are as follows:-

Chief Executive

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

Board of Directors

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

Audit Committee

The committee monitors the effectiveness of the risk management arrangements (operational non clinical and financial) on the Board's behalf. Membership of the committee comprises the Non-Executive Directors, one of whom is a qualified accountant. The meeting is attended by the Director of Finance and Performance and Internal and External auditors. The committee has met 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 a subcommittee of the Board of Directors attended by the Non-Executive Directors, chaired by a Non-Executive Director who is a qualified accountant. In 2013-14 the committee has met regularly to scrutinise the process for setting budgets, income and expenditure performance compared to budget, performance against healthcare contracts and delivery of the cost improvement target. This includes the management of financial risks to ensure targets are met.

Quality Assurance Committee

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

Information Governance Group

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

Healthcare Risk Group

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

Incident reporting

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

Delivery of Keogh Recommendations

The Internal governance processes for the management and delivery of the Keogh recommendations and the associated action plan has been agreed as follows to ensure accountability and provide assurance:

- Chief Executive (Deputy CEO in CEO absence) and Executive review of progress against actions- weekly at Executive meeting.
- Chief Executive and Chair review to discuss progress and highlight any issues following weekly Executive meeting.
- Action Plan progress formally reviewed bi- monthly at Board Development and Public Board meetings.
- Extra-ordinary Board meeting to be called in the event of any concerns of delivery of the recommendations via the action plan.

The Trust reviews governance arrangements every year the latest review was in March 2014 when the Board updated the Standing Orders and Standing Financial Instructions including the scheme of delegation.

3 Risk Assessment

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

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 Commission's outcomes and latterly the Keogh Action Plan reference. The Framework examines the system of internal control and records the actions to be taken to address gaps in control or assurance. The review of the assurance framework is a standing item at the Quality Assurance Committee.

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

- Insufficient income in acute contracts for 2013/14 to achieve break-even.
- Increased pressure on the emergency pathway.
- Recommendations of Mid Staffs Inquiry Report/Keogh review not being affordable.

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

During 2013-14 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.
- Risk Appetite
- A description of the processes that the organisation employs in reviewing risk management arrangements and in gaining assurance on risk management.
- Guidance on what is acceptable risk to the organisation.

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

The Risk Management Strategy was approved by the Board in November 2013. As a result of a number of changes which include the Trust core pledges, committee reporting structure, Directors portfolios, Clinical Directors titles, CQC standards, current procurement of a new electronic incident reporting system and the ongoing development of risk management systems and processes, this year's review has been more fundamental than a simple update.

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

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

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

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

The Trust completed the Information Governance Toolkit in line with prescribed timescale with a satisfactory score (65%) against the enhanced IG requirements which reflects a realistic view of the challenges faced by the Trust around areas such as the new requirements for IG training. The links to all policies are published on a regular basis. A number of measures remain in place to prevent the loss of data including the encryption of laptops, the use of encrypted memory sticks, and the introduction of email encryption software, all of which have been implemented along with lockdown laptops. Smartcard access rights are regularly reviewed. Security incidents are reported and investigated fully, and operational checks include intrusion detection tests.

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

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

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

The LCFS regularly attends the Trust Audit Committee meetings and reports back to both the Director of Finance and the Audit Committee on any Proactive or Reactive work undertaken at the Trust. Please refer to page 9 for information on work completed in 2013-14.

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 Community Services. 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 established a Sustainability Group which has developed a Strategy which was approved by the Board in 2013/14. The Sustainability Group is implementing the strategy and will provide regular progress reports to the Board of Directors in the future.

The Trust is subject to NHS Litigation Authority assessments and during 2013-14 the Trust was continued to be assessed at level 1 which indicates the process for managing risks has been described and documented.

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 2013/14.

The Trust had 1 unannounced inspection during 2013/14; this was a routine inspection. The inspection team visited A&E, AMU, CDU, CCU, Felix Holt, Bob Jakin and Nason wards to review compliance against Standards 4 (Care and welfare of people who use services), 5 (Meeting nutritional needs) and 13 (Staffing). All standards were found to be fully compliant with no concerns or recommendations. Positive comments were received from patients, who felt they had been kept informed by Doctors, consultants and nursing staff regarding their treatment. Patients felt that staff were responsive, professional and appropriate in their interactions with patients. Records provided comprehensive evidence that patients had care delivered according to their preferences and needs. Individual care pathways had been completed appropriately and individual risk assessments were updated as necessary. Patients chose what they wanted to eat and were generally satisfied with the food. There were enough qualified, skilled and experienced staff to meet patient's needs.

The CQC introduced a new intelligence tool- the Surveillance Framework in year which has been developed to guide the inspection teams and assist in deciding when, where and what to inspect. The indicators contained within the framework include:

- Avoidable infections (such as MSSA, MRSA and e-coli infections).
- Notifications of deaths, severe and moderate harm and abuse.
- Reporting of never events.
- Deaths in low risk situations.
- Mortality rates in various health care areas.
- Results of access measures.
- Information from patient and staff surveys.
- Information from the 'Your experience form' on the CQC website.
- Complaints

CQC gather data from a variety of sources for these indicators, including; Public Health England, NHS England, Health & Social Care Information Centre, Monitor, the NHS Trust Development Authority and Dr Foster.

The second set of indicators using the new intelligence tool were produced and made accessible to individual Trusts and the public in March 2014. The Trust currently has are two elevated risks: Dr Foster: - Composite of Hospital Standardised Mortality Ratio Indicators and TDA – Escalation Score and three risks: Composite Indicator – In hospital mortality – Cardiological conditions and procedures, Composite Indicator – In hospital mortality – Respiratory conditions and procedures and GMC National Training Survey – trainee's overall satisfaction.

This is an improvement on the figures published for October where the Trust had four elevated risks and three risks. The Trust has been graded at Band 1 because all organisations in special measures are automatically graded at this level.

CQC Self Assessment Process: An internal process has been introduced to undertake unannounced inspection visits to areas/wards and departments to provide the Trust Board with additional assurance on compliance or highlight areas of non compliance and ensuring action plans are completed to address any concerns or issues raised. The inspection team are made of 4 individuals:

- Outcome Lead (clinical)
- Compliance Manager
- Patient Advocate
- Outcome Lead (non clinical)

In year Assurance visits have included Accident and Emergency, Acute Medical Unit, Ambulatory Care, Theatres and the Maternity Unit including Maternity Theatres. The process used for the visit included:

- Talking to patients and relatives about their experiences of using the Trust services
- Talking to staff
- General Observations
- Checking records, storage areas, equipment, etc

Members of the Assurance team are required to provide a bullet point report on their findings which are amalgamated into one report which uses the CCQ core outcomes. Reports are sent to Departmental Heads within 2 weeks of the visit and action plans are requested within 10 working days of receipt of the report. The reports and actions plans are monitored at the Divisional Governance meetings to ensure all actions are completed. Outcomes of these visits are to be reported to the Quality Assurance Committee.

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

During 2013-14, because of the historically high mortality rates in the Trust, the quality of services provided by the Trust were reviewed by the team appointed by Professor Sir Bruce Keogh, NHS England Medical Director following which the Trust was placed into "special measures". The publication of Professor Sir Bruce Keogh's Report and the recommendations it makes are ongoing in support of the Trust's improvement journey.

The Keogh review made 10 recommendations to improve the quality of services:

- Improve evidence of the Trusts leadership driving improvements in quality;
- Improve the pace of quality improvements;
- Improve bed management by increasing clinical input and minimising patient moves;
- Improve clinical cover, particularly out of hours;
- Improve the consistence and quality of medical handovers;
- Improve pace and delivery of the Sepsis care bundle performance;
- Embed a consistent culture, employing good practice and excellence throughout the Trust;
- Improve the understanding, analysis and reporting of mortality;
- Improve incident reporting;
- Reduce the prevalence of pressure ulcers and clarify grading

The Trust is implementing an action plan to address the concerns raised. This is monitored robustly and frequently, both internally and externally, including a bi-monthly review by the Trust Board. The plan is on target to be fully implemented in 2014.

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. During 2013-14 the Trust was externally audited on the national reference cost submission. This report gave an overall judgement that the submission was not accurate and that the quality of costing data within the organisation was poor. An associated action plan was adopted as a result of the audit and the Trust has already made a number of significant steps to rectifying the audit concerns. These include the purchase and implementation of a new costing system, clearer allocation of responsibilities around the costing agenda and documentation of all processes and procedures in related areas.

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 2013-14 the Committee submitted an annual report on the previous 12 months to Board of Directors, which highlighted the work of the Committee with regard to the final accounts, joint work with the Quality Assurance Committee on risk management and the assurance framework and work in ensuring improvements in the system of internal control; the report concluded a successful and effective year.
- The Trust's Quality Assurance Committee on behalf of the Board of Directors and Chief Executive reviews the establishment and maintenance of an effective system of risk management across the whole Trust's activities (both clinical and non-clinical) that supports the achievement of the Trust's objectives. The Committee reviews its own effectiveness using the "Burdett Checklist" and has reviewed and updated the terms of reference.

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

The Trust is preparing Quality Accounts for 2013-14 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 LINK and the local Overview and Scrutiny Committee. The accounts are to be reviewed by Grant Thornton as part of the audit of the annual report and accounts.

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

"Based on the work undertaken in 2013/2014, 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 2013-14 where positive opinions were given following the audits and is an improvement on previous years when some weaknesses were reported.

Towards the end of the year Internal Audit completed an advisory review of the robustness of the Cost Improvement Programme. The Trust is currently reviewing the findings and recommendations in the report and will take appropriate action when this is finalised.

With regard to arrangements to counter fraud and corruption during 2013-14 there were five 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 and one was passed over to an external partner within the insolvency service to look in to. The potential financial value of the referrals was not material to the overall finances of the Trust.

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

In March 2013 the Acute Services were successful in their re-assessed for level 1 compliance against the NHS Litigation authority standards. Maternity services were last assessed in December 2012 and currently hold level 1.

During the past 12 months the Trust has recorded 109 incidents (compared to 102 the previous year) which were categorised as Significant Incidents Requiring Investigation (SIRI). The largest single trend (category) reported has been related to pressure damage. Each incident has been investigated using Root Cause Analysis (RCA) and actions put in place to reduce the likelihood of re-occurrence.

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

An example of sharing lessons learnt follows the investigation into an incident in Dermatology minor surgery which identified not using WHO check list was a contributory factor. It was recognized that there were other areas within the Trust that performed minor surgery that were not using the WHO check list especially in the GP practices. The WHO check list has now been implemented in all areas that undertake minor surgery.

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. 5140 incidents were reported in 2013-2014, a significant 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.

In 2013-14 the Trust planned for a £7.9m deficit but because of the increase in costs necessary to improve the safety and quality of clinical services following implementation of the Keogh action plan the Trust updated its forecast in January 2014 and out turned with a deficit of £10.2m. The Trust financial plan for 2014-15 is a deficit of £12m. The NHS Trust Development Authority and the Trust made the decision in March not to continue to procure a strategic partner through the Securing a Sustainable Futures project. The Trust is currently updating its financial strategy and five year long term financial plan.

In recent years External Auditors have been required to issue an annual; Section 19 letter to the Secretary of State at the Department of Health because the Trust has not met its statutory duty to break-even. The March 2014 letter informs the Secretary of State that the Trust is in breach of its statutory break-even duty for the 5 years ended 31st March 2014.

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 achieved a green score against its governance rating and red score against its finance rating within the TDA compliance framework. It has performed well against most of the quality and performance targets for 2013/14; in particular the A&E target has been successfully achieved with national recognition during the year.

The Trust delivered the overall 18 weeks target, though failed to achieve at specialty level in certain areas, mostly driven by capacity issues in Trauma and Orthopaedics and provision of medical input into Neurosurgery.

It was also successful in achievement of the Stroke time on ward target for the year despite failing it in quarter 2. The poor performance in Q2 was a catalyst for the initiation of a detailed recovery action plan, resulting in quarters 3 and 4 demonstrating the best performance of the whole of 13/14. The Trust also delivered on all of its cancer targets for the year, however struggled in the last quarter against the 62 referral to treatment all cancers target. This was primarily due to small numbers of patients and issues with pathways that are shared with other providers.

The Trust reported 10 cases of C Difficile during the year which was well below the trajectory of 21. GEH also performed well against the Friends and Family test apart from A&E, the target for which has proved to be a national challenge.

Mortality indicators continued to improve during the year and are set to achieve the target levels for 2013/14.

During 2013/14 GEH struggled with falls and pressure ulcers, which also feature in the NHS Safety Thermometer; the Director of Nursing has been addressing these quality areas throughout the year. There were also 3 reported national Never Events for which there have been root cause analyses and lesson learnt.

The Trust faced challenges with staffing and recruitment during the year and continues to address high levels of sickness absence, both of which have impacted on increased levels of agency spend.

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 2014

George Eliot Hospital NHS Trust. (RLT)

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

We have audited the financial statements of George Eliot Hospital NHS Trust for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

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

- the table of salaries and allowances of senior managers and related narrative notes
- the table of pension benefits of senior managers and related narrative notes
- the table of pay multiples and related narrative notes

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the financial position of George Eliot Hospital NHS Trust as at 31 March 2014 and of its expenditure and income for the year then ended; and

have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and

the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report to you 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 Trust Development Authority'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 13 March 2014 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 2015
- the Trust requires cash support for the 2014/15 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 auditors

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 October 2013, 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 2014.

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 budgeted for a deficit of £7.9m for 2013/14. The Trust's reported outturn for 2013/14 was a deficit of £10.292m. This resulted in a cumulative deficit position £12.539m. As such the Trust remained in breach of its breakeven duty. The Trust required additional cash support from the Trust Development Agency (via Public Dividend Capital) of £7.9m to provide it with sufficient funds so that it could continue to trade.

The Trust is forecasting deficits of £12 million and £10 million in 2014/15 and 2015/16 respectively. As a result the Trust will continue to be in breach of its breakeven duty during this period. The Trust will also require additional cash support from the Trust Development Agency (via Public Dividend Capital) to provide it with sufficient funds so that it can continue to trade. The National Trust Development Authority have agreed to provide financial support until June 2015.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, the matters reported in the basis for qualified conclusion paragraph above prevent us from being satisfied that in all significant respects George Eliot NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

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

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

6th June 2014

**Statement of Comprehensive Income for year ended
31 March 2014**

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	10.1	(93,495)	(81,405)
Other operating costs	8	(41,695)	(39,443)
Revenue from patient care activities	5	115,186	111,888
Other Operating revenue	6	11,452	10,606
Operating (deficit)/surplus		(8,552)	1,646
Investment revenue	12	24	37
Other gains and (losses)	13	0	0
Finance costs	14	(9)	(17)
(Deficit)/Surplus for the financial year		(8,537)	1,666
Public dividend capital dividends payable		(1,755)	(1,704)
Transfers by absorption - gains		0	0
Transfers by absorption - (losses)		0	0
Net Gain/(loss) on transfers by absorption		0	0
Retained (deficit) for the year		(10,292)	(38)
Other Comprehensive Income		2013-14 £000s	2012-13 £000s
Impairments and reversals taken to the Revaluation Reserve (Note 1 below)		0	(536)
Net gain/(loss) on revaluation of property, plant & equipment (Note 1 below)		509	0
Net gain/(loss) on revaluation of intangibles		0	0
Net gain/(loss) on revaluation of financial assets		0	0
Other gain/(loss) (explain in footnote below)		0	0
Net gain/(loss) on revaluation of available for sale financial assets		0	0
Net actuarial gain/(loss) on pension schemes		0	0
Other Pension Remeasurements		0	0
Reclassification Adjustments			
On disposal of available for sale financial assets		0	0
Total Comprehensive Income for the year*		(9,783)	(574)
Financial performance for the year			
Retained surplus/(deficit) for the year		(10,292)	(38)
Prior period adjustment to correct errors and other performance adjustments		0	0
IFRIC 12 adjustment (including IFRIC 12 impairments)		0	0
Impairments (excluding IFRIC 12 impairments)		0	0
Adjustments in respect of donated gov't grant asset reserve elimination (Note 2 below)		127	70
Adjustment re Absorption accounting		0	0
Adjusted retained surplus/(deficit) (Note 3 below)		(10,165)	32

Note 1. The net gain on the revaluation of property is the indexation of buildings based on the movement in the building cost Index in 2013-14. (the impairment in the previous year reflected the downwards movement in the index) These changes are reported in the revaluation reserve and does not impact on the financial performance of the Trust.

Note 2. The depreciation charge for donated assets was £127,000 (£70,000 in 2012-13) 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 Deficit of £10,165,000 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 2014**

		31 March 2014	31 March 2013
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	15	59,431	56,168
Intangible assets	16	2,112	2,043
Investment property	18	0	0
Other financial assets		0	0
Trade and other receivables	22.1	286	262
Total non-current assets		61,829	58,473
Current assets:			
Inventories	21	2,239	1,970
Trade and other receivables	22.1	8,380	2,398
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	1,054	9,888
Total current assets		11,673	14,256
Non-current assets held for sale	27	0	0
Total current assets		11,673	14,256
Total assets		73,502	72,729
Current liabilities			
Trade and other payables	28	(13,284)	(11,068)
Other liabilities	29	0	0
Provisions	35	(2,096)	(1,739)
Borrowings	30	0	(1)
Other financial liabilities	31	0	0
Working capital loan from Department	30	0	0
Capital loan from Department	30	0	0
Total current (liabilities)/assets		(15,380)	(12,808)
Net current liabilities		(3,707)	1,448
Non-current assets less net current (liabilities)/assets		58,122	59,921
Non-current liabilities			
Trade and other payables	28	0	0
Other Liabilities	31	0	0
Provisions	35	(585)	(546)
Borrowings	31	0	0
Other financial liabilities	30	0	0
Working capital loan from Department	30	0	0
Capital loan from Department	30	0	0
Total non-current liabilities		(585)	(546)
Total Assets Employed:		57,537	59,375
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		49,301	41,396
Retained earnings		(5,857)	3,917
Revaluation reserve		14,093	14,062
Other reserves		0	0
Total Taxpayers' Equity:		57,537	59,375

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

The financial statements on pages 1 to 38 were approved by the Board of Directors on the 5th June 2014 and signed on its behalf by:

Kevin McGee
Chief Executive

Date: 5th June 2014

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

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2013	41,396	3,917	14,062	0	59,375
Changes in taxpayers' equity for 2013-14					
Retained surplus/(deficit) for the year	0	(10,292)	0	0	(10,292)
Net gain / (loss) on revaluation of property, plant, equipment (See Note 1 Page 1)	0	0	509	0	509
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0	0
Net gain / (loss) on revaluation of available for sale financial assets	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Other gains/(loss)	0	0	0	0	0
Transfers between reserves (Note 1 below)	0	511	(511)	0	0
Transfers under Modified Absorption Accounting - PCTs & SHAs (Note 2 below)	0	40	0	0	40
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption	0	0	0	0	0
On Disposal of Available for Sale financial Assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New PDC Received - Cash	10,405	0	0	0	10,405
New PDC Received/(Repaid) - PCTs and SHAs Legacy items paid for by Department of Health	0	0	0	0	0
PDC Repaid In Year	(2,500)	0	0	0	(2,500)
PDC Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	0
Other Pensions Remeasurement	0	0	0	0	0
Net recognised revenue/(expense) for the year	7,905	(9,741)	(2)	0	(1,838)
Transfers between reserves in respect of modified absorption - PCTs & SHAs		(33)	33	0	0
Transfers between reserves in respect of modified absorption - Other Bodies		0	0	0	0
Balance at 31 March 2014	49,301	(5,857)	14,093	0	57,537
Balance at 1 April 2012	41,396	3,363	15,190	0	59,949
Changes in taxpayers' equity for the year ended 31 March 2013					
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 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 Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings Reserve in respect of assets transferred under absorption	0	0	0	0	0
On Disposal of Available for Sale financial Assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New PDC Received	0	0	0	0	0
PDC Repaid In Year	0	0	0	0	0
PDC Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC 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

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.

Note 2. The transfer of £40,000 relates to the transfer of dental assets from the former Warwickshire PCT on the 1st April 2013.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2014**

	NOTE	2013-14 £000s	2012-13 £000s
Cash Flows from Operating Activities			
Operating (Deficit)/Surplus		(8,552)	1,646
Depreciation and Amortisation		4,907	4,620
Impairments and Reversals		0	0
Other Gains/(Losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		(47)	(108)
Government Granted Assets received credited to revenue but non-cash		0	0
Interest Paid		(1)	(2)
Dividend (Paid)		(1,689)	(1,743)
Release of PFI/deferred credit		0	0
(Increase) in Inventories		(269)	(116)
(Increase)/Decrease in Trade and Other Receivables		(6,072)	437
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		1,255	(2,182)
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions Utilised		(630)	(297)
Increase in Provisions		1,018	1,282
Net Cash (Outflow)/Inflow from Operating Activities		(10,080)	3,537
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		24	37
(Payments) for Property, Plant and Equipment		(6,184)	(3,608)
(Payments) for Intangible Assets		(498)	(318)
(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 (Outflow) from Investing Activities		(6,658)	(3,889)
NET CASH (OUTFLOW) BEFORE FINANCING		(16,738)	(352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		10,405	0
Public Dividend Capital Repaid		(2,500)	0
Loans received from DH - New Capital Investment Loans		0	0
Loans received from DH - New Revenue Support Loans		0	0
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		0	0
Loans repaid to DH - Revenue Support Loans		0	0
Other Loans Repaid		(1)	(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 (excluding donated / government granted cash receipts)		0	0
Net Cash Inflow/(Outflow) from Financing Activities		7,904	(6)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(8,834)	(358)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		9,888	10,246
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		1,054	9,888

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Movement of assets within the DH Group

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

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

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

1.4 Charitable Funds

For 2013-14, the divergence from the Government Financial Reporting Manual that NHS Charitable Funds are not consolidated with bodies' own returns is removed. Under the provisions of IAS 27 *Consolidated and Separate Financial Statements*, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entities' returns. In accordance with IAS 1 *Presentation of Financial Statements*, restated prior period accounts are presented where the adoption of the new policy has a material impact. As the value of George Eliot's' Charitable Funds do not have a material impact, they have not been consolidated

1.5 Critical accounting judgements and key sources of estimation uncertainty

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

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

1.5.1 Critical judgements in applying accounting policies

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

- In accordance with International Accounting Standard 1 the Directors of the Trust have assessed whether the Trust is a 'going concern'. In concluding that the Trust is a 'going concern' the Board of Directors have considered the Trust's overall financial position and expectation of future financial support. In the context of IAS8 (which assumes the anticipated continuation of non-trading entities in the public sector) and confirmation of continuing cash support from the Trust Development Authority the Board of Directors has concluded that the Trust is a going concern.

-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 2014.

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 2014 is estimated based on annual leave records maintained by 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 over 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 1.80%. Every year their life expectancy and the appropriate discount factor is reviewed and updated.

1.6 Revenue

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

1.7 Employee Benefits

1.7.1 Short-term employee benefits

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

Retirement benefit costs

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

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.

1.8 Other expenses

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

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost as indexed on 31 March 2014 using indices supplied by the valuer, GVA Limited.

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

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

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

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

Subsequent expenditure

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

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

1.10 Intangible assets

Recognition

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

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

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

Measurement

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

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.11 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the 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.

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

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

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

1.12 Donated assets

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

1.13 Government grants

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

1.14 Non-current assets held for sale

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

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

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

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

1.15 Leases

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

The trust as lessee

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

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

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

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

The Trust as lessor

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

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

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value using 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.

1.17 Cash and cash equivalents

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

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

1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates of -1.90% for cash flows of 1-5 years, -0.65% for cash flows 5-10 years and 2.20% for cash flows over 10 years in real terms (1.80% for employee early departure obligations).

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

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

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

1.19 Clinical negligence costs

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

1.20 Non-clinical risk pooling

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

1.21 EU Emissions trading scheme

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

1.22 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

1.23 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.

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

Available for sale financial assets

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

Loans and receivables

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

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

At the end of the reporting period, the 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.

1.24 Financial liabilities

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

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

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.

1.25 Value Added Tax

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

1.26 Foreign currencies

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

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

1.27 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 42 to the accounts.

1.28 Public Dividend Capital (PDC) and PDC dividend

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

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

1.29 Losses and Special Payments

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

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

1.30 Subsidiaries

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

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

For 2013-14, the Trust has not consolidated the results of George Eliot Hospital NHS Trust Charitable Funds over which it considers it has the power to exercise control. Although this is a departure from IAS27 requirements, the amounts involved are not material. The Trust will review the materiality of the Charitable Funds in the future and consolidate them if they become material.

1.31 Associates

Material entities over which the 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'.

1.32 Joint ventures

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

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)

1.33 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.

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

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

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

2. Pooled budgets

The Trust does not have any pooled budgets.

3. Operating segments

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

The total amount of income from the provision of healthcare services during the accounting period is £126,638k. Total operating expenditure from the provision of healthcare services during the accounting period is £135,190k.

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

	£000s
NHS Warwickshire North CCG	74,875

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

	2013-14 £000s	2012-13 £000s
NHS Trusts	0	0
NHS England	12,575	0
Clinical Commissioning Groups (Note 1 below)	100,315	0
Primary Care Trusts (Note 1 below)	0	111,349
Strategic Health Authorities	0	0
NHS Foundation Trusts	0	0
Department of Health	0	0
NHS Other (including Public Health England and Prop Co)	0	0
Non-NHS:		
Local Authorities (Note 1 below)	1,662	0
Private patients	10	9
Overseas patients (non-reciprocal)	10	0
Injury costs recovery (Note 2 below)	560	482
Other	54	48
Total Revenue from patient care activities	115,186	111,888

Note 1. Primary Care Trusts ceased to exist on 31 March 2013. From 1st April 2013 most of the services provided by the Trust are purchased by the Clinical Commissioning Groups, NHS England and Local Authorities. Income from Primary Care Trusts in 2012-13 included £5 million revenue support.

Note 2. Injury cost recovery income is subject to a provision for impairment of receivables of 15.8% (2012-13 12.6%), to reflect expected rates of collection in accordance with the NHS Manual of Accounts. All receivables prior to 1st April 2010 are provided in full.

6. Other operating revenue

	2013-14 £000s	2012-13 £000s
Recoveries in respect of employee benefits	0	0
Patient transport services	0	0
Education, training and research	4,983	5,367
Charitable and other contributions to revenue expenditure - NHS	0	0
Charitable and other contributions to revenue expenditure -non- NHS	110	105
Receipt of donations for capital acquisitions - NHS Charity	47	108
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies (Note 1 below)	3,890	2,589
Income generation	1,123	1,139
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue	1,299	1,298
Total Other Operating Revenue	11,452	10,606
Total operating revenue	126,638	122,494

1. Other operating income includes £2,261,000 income to fully offset the costs of the Lorenzo Project to implement the replacement system for the Patient Administration System which will be operational in 2014-15. The Trust is a pilot site for the development of the system which is being funded by the Department of Health.

7. Revenue

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

8. Operating expenses

	2013-14 £000s	2012-13 £000s
Services from other NHS Trusts	2,892	3,098
Services from CCGs/NHS England (Note 1 below)	197	0
Services from other NHS bodies	0	144
Services from NHS Foundation Trusts	903	590
Services from Primary Care Trusts (Note 1 below)	0	176
Total Services from NHS bodies	3,992	4,008
Purchase of healthcare from non-NHS bodies	1,796	1,410
Trust Chair and Non-executive Directors	57	58
Supplies and services - clinical	17,203	17,293
Supplies and services - general (Note 2 below)	1,737	1,726
Consultancy services (Note 4 below)	397	205
Establishment	1,613	1,357
Transport	87	75
Premises	4,693	4,182
Hospitality (Note 2 below)	103	72
Insurance (Note 3 below)	98	84
Legal Fees (Note 4 below)	69	189
Impairments and Reversals of Receivables	(63)	(361)
Inventories write down	22	0
Depreciation	4,359	4,041
Amortisation	548	579
Impairments and reversals of property, plant and equipment	0	0
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets	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	92
Other auditor's remuneration	89	115
Clinical negligence premium	3,409	3,140
Research and development (excluding staff costs)	0	0
Education and Training	842	707
Change in Discount Rate	45	0
Other (Note 5 below)	507	471
Total Operating expenses (excluding employee benefits)	41,695	39,443
Employee Benefits		
Employee benefits excluding Board members (Note 6 below)	92,797	80,730
Board members	698	675
Total Employee Benefits	93,495	81,405
Total Operating Expenses	135,190	120,848

Note 1. Primary Care Trusts ceased to exist on 31 March 2013. Most of the services formerly purchased from them are now purchased from other NHS Trusts and Foundation Trusts.

Note 2. Hospitality expenses are now shown separately instead of included in Supplies and Services - General. The comparative figure has been adjusted by £72,000 to reflect this change.

Note 3. Insurance costs are now shown separately instead of being included in Other Expenses. The comparative figure has been adjusted by £84,000 to reflect this change.

Note 4. Legal fees are now shown separately instead of being included in Consultancy Expenses. The comparative figure has been adjusted by £189,000 to reflect this change.

Note 5. Other operating expenses include storage and retrieval costs of £60,000 (2012-13 £67,000) and patient travel of £81,000 (2012-13 £12,000). Patients travels costs increased in 2013-14 because of the change in delivery of the paediatric service, following a review of how this service is provided costs will reduce in 2014-15.

Note 6. Employee benefits includes £2,261,000 spent on the Lorenzo Project to implement the replacement system for the Patient Administration System which will be operational in 2014-15. The Trust is a pilot site for the development of the system which is being funded by the Department of Health. The costs are fully offset by income received from the Department of Health.

9 Operating Leases

9.1 Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2013-14 Total £000s	2012-13 Total £000s
Payments recognised as an expense					
Minimum lease payments	0	0	40	40	46
Contingent rents	0	0	0	0	0
Sub-lease payments	0	0	0	0	0
Total	0	0	40	40	46
Payable:					
No later than one year	0	0	11	11	21
Between one and five years	0	0	27	27	17
After five years	0	0	0	0	0
Total	0	0	38	38	38

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

The only operating leases the Trust had at 31 March 2014 were for 11 cars (13 at 31 March 2013).

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

Expiry of the leases is as follows:

	2013-14 Number	2012-13 Number
Other operating leases which expire:		
Within 1 year	2	6
Between 1 and 5 years	9	7
After 5 years	0	0
	11	13

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

	2013-14		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	80,074	60,000	20,074
Social security costs	6,271	4,831	1,440
Employer Contributions to NHS BSA - Pensions Division	7,341	7,341	0
Other pension costs	0	0	0
Termination benefits	0	0	0
Total employee benefits (Note 1 below)	93,686	72,172	21,514
Employee costs capitalised	191	121	70
Gross Employee Benefits excluding capitalised costs	93,495	72,051	21,444

	2012-13		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure 2012-13			
Salaries and wages	69,539	56,774	12,765
Social security costs	5,423	4,608	815
Employer Contributions to NHS BSA - Pensions Division	6,911	6,911	0
Other pension costs	0	0	0
Termination benefits	0	0	0
TOTAL - including capitalised costs	81,873	68,293	13,580
Employee costs capitalised	468	215	253
Gross Employee Benefits excluding capitalised costs	81,405	68,078	13,327

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

10.2 Staff Numbers

	2013-14			2012-13
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	309	213	96	290
Ambulance staff	0	0	0	0
Administration and estates	452	397	55	377
Healthcare assistants and other support staff	149	144	5	151
Nursing, midwifery and health visiting staff (Note 2 below)	952	786	166	837
Nursing, midwifery and health visiting learners	7	7	0	8
Scientific, therapeutic and technical staff (Note 2 below)	226	214	12	209
Social Care Staff	0	0	0	0
Other	50	50	0	45
TOTAL (Note 1 below)	2,145	1,811	334	1,917

Of the above - staff engaged on capital projects

	2013-14	2012-13
Of the above - staff engaged on capital projects	5	13

Note 1. The increase in clinical staff in 2013-14 follows implementation of the Keogh action plan to improve the safety and quality of services and the expansion in the service at Leicester Urgent Care Centre, most of the increase is in temporary agency staff not permanently employed staff. The increase in administration staff is mainly because of the engagement of temporary contract staff working on the Lorenzo Project. All the staff costs associated with both Leicester Urgent Care Centre and the Lorenzo project are fully funded by commissioners.

Note 2. In September 2013, 18 dental technicians were re-classified from nursing to technical staff.

10.3 Staff Sickness absence and ill health retirements

	2013-14	2012-13
	Number	Number
Total Days Lost (Note 1 below)	16,023	17,283
Total Staff Years (Note 1 below)	<u>1,752</u>	<u>1,737</u>
Average working Days Lost	<u>9.15</u>	<u>9.95</u>

Note 1. The numbers are calculated using calendar figures for the year ended 31 December 2013 (year ended 31 December 2012).

	2013-14	2012-13
	Number	Number
Number of persons retired early on ill health grounds	2	2
Total additional pensions liabilities accrued in the year	£000s 88	£000s 104

10.4 Exit Packages agreed in 2013-14

Exit package cost band (including any special payment element)	2013-14			2012-13		
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	0	0	0	0	0
£10,000-£25,000	0	0	0	0	0	0
£25,001-£50,000	0	0	0	0	0	0
£50,001-£100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total number of exit packages by type (total cost)	0	0	0	0	0	0
Total resource cost (£000s)	0	0	0	0	0	0

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

This disclosure reports the number and value of exit packages agreed in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

The Trust made no redundancy payments and there were no exit packages in 2013-14.

10.5 Exit packages - Other Departures analysis

	2013-14		2012-13	
	Agreements	Total value of agreements	Agreements	Total value of agreements
	Number	£000s	Number	£000s
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	0	0	0	0
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval*	0	0	0	0
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

This disclosure reports the number and value of exit packages agreed in the year. Note: the expense associated with these departures may have been recognised in part or in full in a previous period

As a single exit packages can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 10.4 which will be the number of individuals.

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

10.6 Pension costs

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

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

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

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

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

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

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

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	42,565	47,991	33,472	34,378
Total Non-NHS Trade Invoices Paid Within Target	39,341	43,777	31,542	32,473
Percentage of NHS Trade Invoices Paid Within Target	<u>92.43%</u>	<u>91.22%</u>	94.23%	<u>94.46%</u>
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,039	8,281	1,681	9,766
Total NHS Trade Invoices Paid Within Target	737	6,882	1,299	9,027
Percentage of NHS Trade Invoices Paid Within Target	<u>70.93%</u>	<u>83.11%</u>	77.28%	<u>92.43%</u>

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

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

Note 1. Performance in meeting the national target of paying all invoices within 30 days has fallen in 2013-14 because the 27% increase in trade payments compared to the previous year has put pressure on the payment process and because holiday cover is not always available to maintain the quick processing of invoices. Action is being taken to improve performance in 2014-15.

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

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

12 Investment Revenue

	2013-14 £000s	2012-13 £000s
Interest revenue		
Bank interest	24	37
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total investment revenue	<u>24</u>	<u>37</u>

13 Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	0	0
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other than held for sale	0	0
Gain (Loss) on disposal of assets held for sale	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through the SoCI	0	0
Change in fair value of financial liabilities carried at fair value through the SoCI	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	<u>0</u>	<u>0</u>

14 Finance Costs

	2013-14 £000s	2012-13 £000s
Interest		
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	1	3
Interest on late payment of commercial debt	0	0
Total interest expense	<u>1</u>	<u>3</u>
Other finance costs	0	0
Provisions - unwinding of discount	8	14
Total	<u>9</u>	<u>17</u>

15.1 Property, plant and equipment

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

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 2013	4,086	9,674	154	0	132	0	0	16	14,062
At 31 March 2014	0	24	(3)	0	(20)	0	0	(2)	(1)
	4,086	9,698	151	0	112	0	0	14	14,061

Additions to Assets Under Construction in 2013-14

Additions to assets under construction were Buildings excluding dwellings £124,000 and Plant and Machinery £61,000.

Note 1, The transfer of plant and machinery and furniture and furnishings relates to the transfer of Dental equipment from the former Warwickshire Primary Care Trust on the 1st April 2013, the transfer cost was at net book value. The income from the transaction is reported in the Retained Earnings and the Revaluation Reserve accounts in the Statement of Financial Position.

15.2 Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2012-13									
Cost or valuation:									
At 1 April 2012	7,673	45,739	570	353	17,231	164	3,188	454	75,372
Additions - 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
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	116	0	(159)	23	0	20	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(345)	0	(2)	(7)	(354)
Revaluation & indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	(536)	0	0	0	0	0	0	(536)
Reversals of impairments	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under absorption accounting	0	0	0	0	0	0	0	0	0
At 31 March 2013	7,673	45,988	572	1,682	18,009	164	3,697	448	78,233
Depreciation									
At 1 April 2012	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 and reversals	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
Reversal of 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
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under absorption accounting	0	0	0	0	0	0	0	0	0
At 31 March 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									
Donated									0
Government Granted									0
Total at 31 March 2013	0	0	0	0	0	0	0	0	0
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
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2013	7,673	39,113	539	1,682	5,644	18	1,292	207	56,168

15.3 (cont). Property, plant and equipment

Donated assets include two ECG monitors for the Special Care Baby Unit, a piece of colorectal surgery equipment and a mannequin to be used for training purposes in the clinical skills and resuscitation department.

Land, Buildings and Dwellings were valued as Modern Equivalent Assets (MEA) on the 31st July 2009 by David Cooney MA MRICS, GVA 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

Since the MEA valuation in 2009-10 GVA 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 2013-14 there has been no change to the land value but for buildings valued at DRC, based on an increase in the Building Cost Index (BCI) of 1.28% have been valued upwards by £509,000; the increase has been added to the revaluation reserve.

16.1 Intangible non-current assets

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
2013-14	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	0	3,082	0	0	1,189	4,271
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0
Additions - purchased (See Note 16.3 on Page 26)	0	536	0	0	81	617
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions - leased	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	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
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2014	0	3,618	0	0	1,270	4,888
Amortisation						
At 1 April 2013	0	2,122	0	0	106	2,228
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	394	0	0	154	548
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2014	0	2,516	0	0	260	2,776
Net Book Value at 31 March 2014	0	1,102	0	0	1,010	2,112
Asset Financing: Net book value at 31 March 2014 comprises:						
Purchased (See Note 16.3 on Page 26)	0	1,102	0	0	1,010	2,112
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
Total at 31 March 2014	0	1,102	0	0	1,010	2,112

Revaluation reserve balance for intangible non-current assets

There is no revaluation reserve balance for intangible non-current assets (31 March 13 £nil).

16.2 Intangible non-current assets prior year

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated £000s	Total
2012-13	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:						
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	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2013	<u>0</u>	<u>3,082</u>	<u>0</u>	<u>0</u>	<u>1,189</u>	<u>4,271</u>
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
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2013	<u>0</u>	<u>2,122</u>	<u>0</u>	<u>0</u>	<u>106</u>	<u>2,228</u>
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
Donated						0
Government Granted						0
Total at 31 March 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

16.3 Intangible non-current assets

Intangible assets include £1,010,000 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 £231,000 for licenses for the Patient Monitoring system, and £51,000 for licences for the Incident Reporting system.

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

17 Analysis of impairments and reversals recognised in 2013-14

	2013-14	2012-13
	Total	Total
	£000s	£000s
Property, Plant and Equipment impairments and reversals taken to SoCI		
Loss or damage resulting from normal operations	0	0
Over-specification of assets	0	0
Abandonment of assets in the course of construction	0	0
Total charged to Departmental Expenditure Limit	0	0
Unforeseen obsolescence	0	0
Loss as a result of catastrophe	0	0
Other	0	0
Changes in market price	0	0
Total charged to Annually Managed Expenditure	0	0
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve		
Loss or damage resulting from normal operations	0	0
Over Specification of Assets	0	0
Abandonment of assets in the course of construction	0	0
Unforeseen obsolescence	0	0
Loss as a result of catastrophe	0	0
Other	0	0
Changes in market price	0	536
Total impairments for PPE charged to reserves	0	536
Total Impairments of Property, Plant and Equipment changed to SoCI	0	536

The Trust had no other impairments (31 March 2013 £nil).

18 Investment property

The Trust does not have any investment property (31 March 2013 £nil).

19 Commitments**19.1 Capital commitments**

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

	31 March 2014 £000s	March 2013 £000s
Property, plant and equipment	161	77
Intangible assets	0	141
Total	161	218

19.2 Other financial commitments

The Trust has no other financial commitments (31 March 2013 - none).

20 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non- current payables £000s
Balances with other Central Government Bodies	6,094	272	3,457	0
Balances with Local Authorities	97	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,239	0	1,075	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	950	14	8,752	0
At 31 March 2014	8,380	286	13,284	0
prior period:				
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

21 Inventories

	Drugs £000s	Consumables £000s	Work in Progress £000s	Energy £000s	Loan Equipment £000s	Other £000s	Total £000s	Of which held at NRV £000s
Balance at 1 April 2013	778	1,192	0	0	0	0	1,970	0
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0		0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0		0
Additions	8,333	3,698	0	0	0	0	12,031	0
Inventories recognised as an expense in the period	(8,356)	(3,384)	0	0	0	0	(11,740)	0
Write-down of inventories (including losses)	(22)	0	0	0	0	0	(22)	0
Reversal of write-down previously taken to SOCI	0	0	0	0	0	0	0	0
Transfers (to) Foundation Trusts	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0
Balance at 31 March 2014	733	1,506	0	0	0	0	2,239	0

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
NHS receivables - revenue (Note 1 below)	3,921	643	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income (Note 1 below)	2,372	292	0	0
Non-NHS receivables - revenue	2	27	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	862	664	14	9
Provision for the impairment of receivables	(228)	(291)	0	0
VAT	403	195	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables (Note 2 below)	1,048	868	272	253
Total	8,380	2,398	286	262
Total current and non current	8,666	2,660		
Included in NHS receivables are prepaid pension contributions:	0			

Note 1, The increase in NHS receivables and accrued income is because agreements on final payments relating to 2013-14 healthcare contracts were reached with commissioners in March and payments will be made in 2014-15.

The great majority of trade is with the Commissioning Care Groups. As Commissioning Care Groups 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 2. Other receivables current include payments due to the Trust under the Injury Costs Recovery Scheme of £636,000 (31 March 2013 £625,000).

22.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	91	125
By three to six months	33	3
By more than six months	20	9
Total	144	137

No collateral is held for these receivables.

22.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	(291)	(1,070)
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0
Amount written off during the year	0	418
Amount recovered during the year	74	484
(Increase)/decrease in receivables impaired	(11)	(123)
Transfer to NHS Foundation Trust	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0
Balance at 31 March 2014	(228)	(291)

23 NHS LIFT investments

The Trust had no NHS LIFT investments at 31 March 2014 (31 March 2013 £nil).

24 Other financial assets

The Trust had no Other financial assets at 31 March 2014 (31 March 2013 £nil).

25 Other current assets

The Trust had no Other current assets at 31 March 2014 (31 March 2013 £nil).

26 Cash and Cash Equivalents

	31 March 2014 £000s	31 March 2013 £000s
Opening balance	9,888	10,246
Net change in year	(8,834)	(358)
Closing balance	1,054	9,888
Made up of		
Cash with Government Banking Service	883	9,708
Commercial banks	163	180
Cash in hand	8	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	1,054	9,888
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows (Note 1 below)	1,054	9,888
Patients' money held by the Trust, not included above	0	0

Note 1, Cash balances on the 31st March 2014 were £554,000 higher than forecast because of the timing of payments to capital creditors for work completed in 2013-14. Payments of £518,000 were made on the 9th April 2014.

27 Non-current assets held for sale

The Trust had no Non-current assets held for sale at 31 March 2014 (31 March 2013 £nil).

28 Trade and other payables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
NHS payables - revenue	974	444	0	0
NHS payables - capital	149	0	0	0
NHS accruals and deferred income	810	148	0	0
Non-NHS payables - revenue	2,583	2,716	0	0
Non-NHS payables - capital	2,019	1,207	0	0
Non-NHS accruals and deferred income	4,095	4,178	0	0
Social security costs	734	676	0	0
VAT	0	0	0	0
Tax	806	787	0	0
Payments received on account	0	0	0	0
Other	1,114	912	0	0
Total	13,284	11,068	0	0
Total payables (current and non-current)	13,284	11,068		
Included above:				
outstanding Pension Contributions at the year end	1,059	895		

29 Other liabilities

The Trust had no Other liabilities at 31 March 2014 (31 March 2013 £nil).

30 Borrowings

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Loans from Department of Health	0	0	0	0
Finance lease liabilities	0	1	0	0
Other	0	0	0	0
Total	0	1	0	0
Total other liabilities (current and non-current)	0	1		

31 Other financial liabilities

The Trust had no other financial liabilities at 31 March 2014 (31 March 2013 £nil).

32 Deferred revenue

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Opening balance at 1 April 2013	275	1,823	0	0
Deferred revenue addition	1,172	275	0	0
Transfer of deferred revenue	(275)	(1,823)	0	0
Current deferred Income at 31 March 2014	1,172	275	0	0
Total deferred income (current and non-current)	1,172	275		

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	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Within one year	0	0	0	1
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Minimum Lease Payments / Present value of minimum lease payments	0	0	0	1
Included in:				
Current borrowings			0	1
Non-current borrowings			0	0
			0	1

Finance leases as lessee

	31 March 2014 £000s	31 March 2013 £000s
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

Comprising:

	Total	Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change)	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	2,285	0	658	0	0	0	1,543	84
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0
Arising During the Year	1,849	0	47	0	0	0	1,802	0
Utilised During the Year	(630)	0	(78)	0	0	0	(468)	(84)
Reversed Unused	(876)	0	(6)	0	0	0	(870)	0
Unwinding of Discount	8	0	8	0	0	0	0	0
Change in Discount Rate	45	0	45	0	0	0	0	0
Transfers to NHS Foundation Trusts (for Trusts becoming FTs only)	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0
Balance at 31 March 2014	2,681	0	674	0	0	0	2,007	0

Expected Timing of Cash Flows:

No Later than One Year	2,096	0	89	0	0	0	2,007	0
Later than One Year and not later than Five Years	127	0	127	0	0	0	0	0
Later than Five Years	458	0	458	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 2014	8,274
As at 31 March 2013	9,947

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 1.80%.

Clinical Negligence

The NHS Litigation Authority includes £8,273,874 in their accounts at 31 March 2014 in respect of clinical negligence liabilities of the Trust. (31 March 2013: £9,947,209).

Other

Other provisions include claims made by employees, former employees, suppliers of services in relation to contracts with the Trust, provision for 2013-14 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 2013-14 healthcare contracts.

Redundancy

The payment of £84,000 relates to redundancy payments made to staff of the former Warwickshire Payroll Service by South Warwickshire General Hospital NHS Foundation Trust when the service closed in July 2013. The service was market tested and a contract awarded to an external contractor.

36 Contingencies

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

37 Financial Instruments

37.1 Financial risk management

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

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

Currency risk

The Trust is principally a domestic organisation with the 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 revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

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
	£000s	£000s	£000s	£000s	%	Years	Years
Embedded derivatives	0	0	0	0			
Receivables - NHS	0	4,655	0	4,655	0	0	0
Receivables - non-NHS	0	822	0	822	0	0	0
Cash at bank and in hand	0	1,055	0	1,055	0	0	0
Other financial assets	0	0	0	0	0	0	0
Total at 31 March 2014	0	6,532	0	6,532	0	0	0
Embedded derivatives	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	0	0	0

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
	£000s	£000s	£000s	%	Years	Years
Embedded derivatives	0	0	0			
NHS payables	0	1,124	1,124	0	0	0
Non-NHS payables	0	6,565	6,565	0	0	0
Other borrowings	0	0	0	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 2014	0	7,689	7,689	0	0	0
Embedded derivatives	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	0	0	0

37.4 Maturity of financial liabilities

The maturity profile for these financial liabilities is shown below:

	31 March 2014	31 March 2013
	£000	£000
Within one year	7,689	5,925
Between one and two years	0	0
Between two and five years	0	0
After five years	0	0
	<u>7,689</u>	<u>5,925</u>

38 Events after the end of the reporting period

The Trust has approved a deficit plan for 2014-15.

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

In preparing the financial statements the Board of Directors have considered the Trust's overall financial position and expectation of future financial support. The Trust was reliant on cash support provided through the Independent Trust Financing Facility from the NHS Trust Development Authority of £7.9m in 2013-14 to continue operating. The Trust has recently submitted a two year financial plan for 2014-15 and 2015-16 to the NHS Trust Development Authority and is currently updating its financial strategy and preparing a 5 year financial plan to address the deficit. The two year financial plan includes deficits of £12m and £10m in 2014-15 and 2015-16 respectively. The NHS Trust Development Authority has provided written assurance that it will make sufficient cash financing available to the Trust over the next twelve month period such that the organisation is able to meet its current liabilities. The deficit total for 2014-15 assumes the delivery of a £6.6 million savings programme.

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

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

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.

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

	2012-13	2012-13	31 March 2013	31 March 2013
	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
West Midlands Strategic Health Authority	0	5,049	0	7
NHS Warwickshire PCT	119	87,092	26	256
NHS Birmingham East And North PCT	0	1,926	0	26
NHS Leicester City PCT	0	2,801	0	261
NHS Leicestershire County and Rutland PCT	7	11,200	119	0
NHS Coventry (Teaching) PCT	2	6,880	22	32
University Hospitals Coventry and Warwickshire NHS Trust	3,115	997	48	55
West Midlands Ambulance Service NHS Trust	49	0	0	0
Coventry and Warwickshire Partnership NHS Trust	76	147	20	5
NHS Litigation Authority	3,221	0	0	0

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 2013-14 and their total value was as follows:

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

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

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

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

41. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

41.1 Breakeven performance

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

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

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

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

The Trust has a statutory duty to break even on a cumulative basis. In 2005-06 the Trust incurred a £7.3m deficit and in April 2006 a Public Interest Report was issued under Section 8 of the Audit Commission Act 1998 in relation to the financial standing of the Trust. The Trust developed a 5 year Financial Recovery Plan (FRP) which was agreed with the Strategic Health Authority and the Department of Health to achieve cumulative break even by the end of 2011-12. During the 6 years to March 2013 the Trust generated surplus and was able to repay part of the deficit still leaving a balance of £2.4m to be repaid in the future. In 2011-12 and 2012-13 the Trust required support funding of £2.3m and £5.0m respectively to breakeven. In 2013-14 the Trust incurred a deficit of £10.2m compared to the planned deficit of £7.9m, costs increased because the investment in clinical services following the implementation of the Keogh Action plan. The deficit in 2013-14 was funded by an approved £7.9m increase in Public Dividend Capital and by reducing cash balances. The cumulative deficit at the 31st March 2014 increased to £12.5m. Because of the cumulative deficit External Auditors have been required to issue Section 19 letters to the Secretary of State for Health informing him that the Trust has not met its statutory duty to break-even over a 3 year period in accordance with the Audit Commission Act 1998. The Trust recently approved a two year financial plan with planned deficits of £12m and £10m in 2014-15 and 2015-16 respectively and is currently updating its financial strategy and preparing a 5 year financial plan to address the deficit. The NHS Trust Development Authority has provided written assurance that it will make sufficient cash financing available to the Trust over the next twelve month period such that the organisation is able to meet its current liabilities.

The 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.

Notes

1. This represents the impairment of buildings permanently taken out of operational use .
2. This is required because donated assets received during 2011-12 to 2013-14 were less than the depreciation on all donated assets.

41.2 Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

41.3 External financing

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

	2013-14 £000s	2012-13 £000s
External financing limit (EFL)	17,337	9,046
Cash flow financing	16,738	352
Unwinding of Discount Adjustment	8	0
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	16,746	352
Under Spend against EFL	591	8,694

The Trust has met its External Financing Limit in 2013-14 with a permitted undershoot of £591,000.

41.4 Capital resource limit

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

	2013-14 £000s	2012-13 £000s
Gross capital expenditure	7,689	4,290
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(47)	(108)
Charge against the capital resource limit	7,642	4,182
Capital resource limit	7,944	7,400
Underspend against the capital resource limit	302	3,218

The Trust has met its Capital Resource Limit in 2013-14 with a permitted undershoot of £302,000.

42 Third party assets

The Trust held cash and cash equivalents which relate to monies held by the NHS Trust on behalf of patients

	31 March 2014 £000s	31 March 2013 £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	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
Revenue from patient care activities	1,222	1,223	166	166
Other operating revenue	28,754	19,907	3,911	2,707
Operating expenses	(30,026)	(21,288)	(4,084)	(2,894)
Operating (deficit)	(50)	(158)	(7)	(21)

University Hospitals Coventry and Warwickshire NHS Trust reported a deficit of £50,000 in their accounts for the pathology service in 2013-14 (2012-13 - £158,000), the George Eliot Hospital NHS Trust's share was £7,000 (2012-13 £21,000).

	Reported By University Hospitals Coventry & Warwickshire NHS Trust		George Eliot Hospital NHS Trust's Share	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
Non-current assets	1,664	1,440	226	196
Current assets				
Inventories and work in progress	715	647	97	88
Trade and other receivables	1,450	1,558	198	212
	2,165	5,701	295	775
Current liabilities	(4,042)	(3,808)	(434)	(402)
Net current (liabilities)	(1,877)	(1,603)	(139)	(102)
Total assets less current liabilities	(213)	(163)	87	94
Non current liabilities	(779)	(779)	(106)	(106)
Total assets employed	(992)	(942)	(19)	(12)
Financed by taxpayers' equity:				
Public dividend capital	434	434	175	175
Retained earnings	(1,426)	(1,376)	(194)	(187)
Total taxpayers' equity	(992)	(942)	(19)	(12)

University Hospitals Coventry and Warwickshire NHS Trust reported net liabilities of £992,000 (2012-13 net liabilities of £942,000) in their accounts for the pathology service; the George Eliot Hospital NHS Trust's share were net liabilities of £18,900 (2011-12 £12,100) which included £226,300 of non-current assets (2012-13 £195,800).