



**Annual Accounts**  
**2013 - 2014**

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## Glossary of Terms and Abbreviations

CCG	Clinical Commissioning Group
Current assets/liabilities	Assets or liabilities due to be received/paid over within one year of the SOFP date
FReM	(Government) Financial Reporting Manual
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
MEA	Modern equivalent asset basis, a basis on which to value land and property assets
Non-current assets/liabilities	Assets or liabilities due to be received/paid over after one year from the SOFP date. In terms of property, plant, equipment and intangible assets this would indicate assets from which would ensue a financial benefit beyond one year
Payables	Amounts owed to suppliers and other organisations, etc. (creditors)
PDC	Public dividend capital
PDC dividend	Public dividend capital dividend payable by the Trust to the Department of Health, based on 3.5% of the Trust's net relevant assets
PFI	Private Finance Initiative
PPE	Property, plant and equipment
Receivables	Amounts owed by customers, etc. (debtors)
R&D	Research and development
Statement of Changes in Taxpayers' Equity (SOCITE)	Formerly known under UK GAAP as Movements on Reserves
Statement of Comprehensive Income (SOCI)	A combination of the Income and Expenditure Account and Statement of Total Recognised Gains and Losses shown under UK GAAP
Statement of Financial Position (SOFP)	Formerly known under UK GAAP as the Balance Sheet
TFA	Tripartite Formal Agreement
UK GAAP	Generally Accepted Accounting Practice in the United Kingdom

# 1 Directors' Statements



## 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.

*Ann Marr*

A Marr  
Chief Executive Officer  
4th June 2014

## 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, the 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 judgments 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

*Ann Marr*

A Marr  
Chief Executive Officer

*Damien Finn*

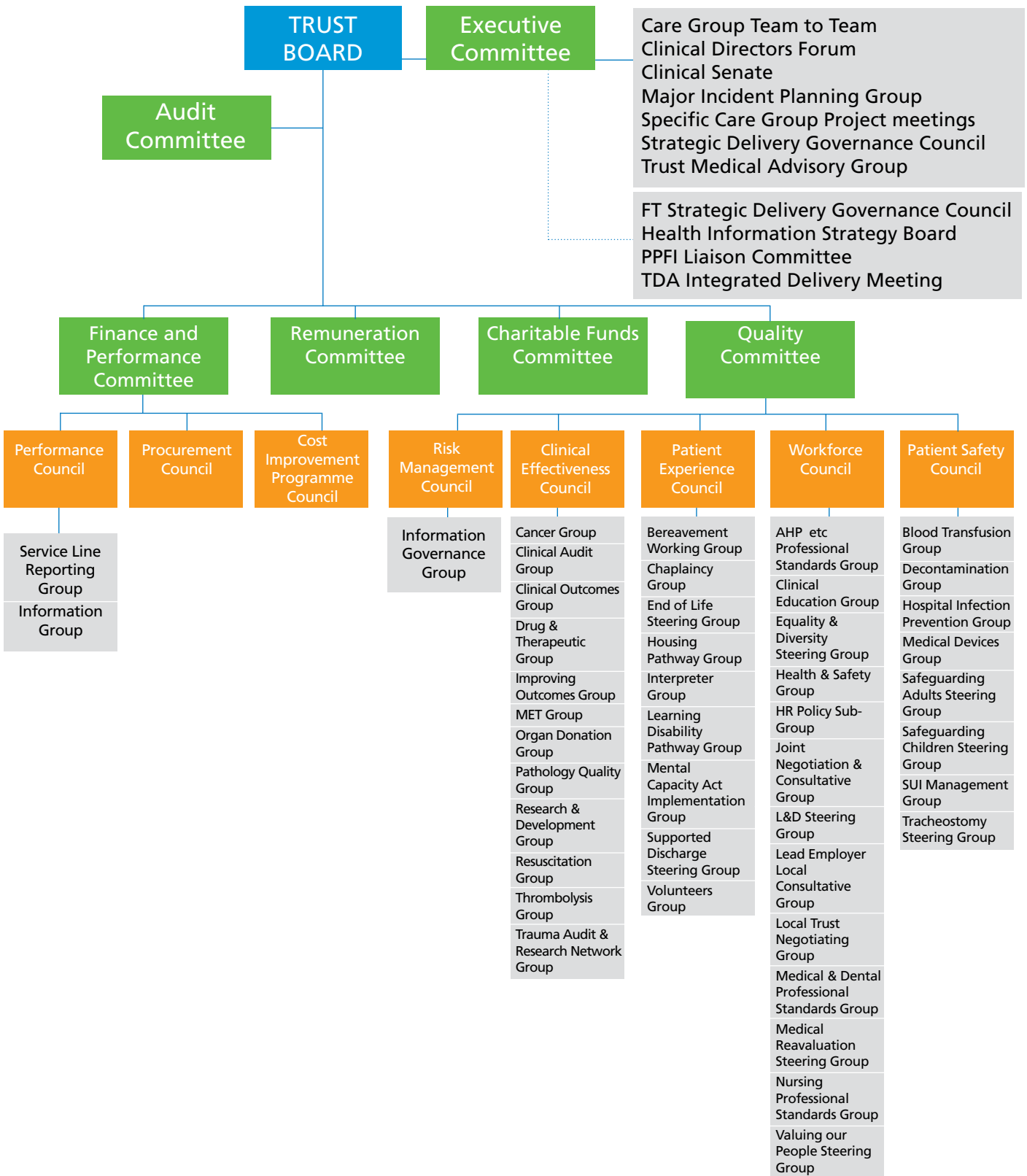
D Finn  
Director of Finance, Information and Commercial Services

4th June 2014

## Annual Governance Statement 2013/14

### The Governance Framework of the Organisation

In 2013/14, the Trust reviewed and revised its governance, assurance and risk management structures, to ensure they met the current best practice standards. The governance structure addresses both clinical and non-clinical issues. The governance meeting structure for 2013/14 is detailed below:



## Trust Board (Board of Directors)

The Trust is managed by a Board of Directors that consists of both Executive and Non-Executive Directors (NED) with a Non-Executive Chairman. The composition of the Board during 2013/14 was as follows:

	Position	Name	Appointment/ Term of Office	Committee Membership
Non-Executive Directors	Chairman	Les Howell, CBE	Appointed Jun 2008 Retired Nov 2013	Remuneration
	Vice Chairman	Roy Swainson	Appointed Nov 2006 Reappointed Nov 2010 Acting Chairman from Aug 2013	Remuneration Finance & Performance
	Senior Independent Director	Bill Hobden	Appointed Jun 2009 Reappointed Jun 2013	Remuneration Quality
	Non-Executive Director	Denis Mahony	Appointed Aug 2012	Remuneration Finance & Performance Audit (part year) Charitable Funds
	Non-Executive Director	Su Rai	Appointed Sep 2012	Remuneration Audit Finance & Performance Charitable Funds
	Non-Executive Director	George Marcall	Appointed Apr 2013	Remuneration Audit Quality
Executive Directors	Chief Executive	Ann Marr	Appointed Jan 2003	Executive Quality
	Director of Human Resources	Anne-Marie Stretch	Appointed Jul 2003	Executive Quality
	Medical Director	Kevin Hardy	Appointed Nov 2012	Executive Quality Finance & Performance
	Director of Finance	Damien Finn	Appointed Feb 2010	Executive Finance & Performance Quality
	Director of Nursing Midwifery and Governance	Sue Redfern	Appointed May 2013	Executive Quality
		Sarah O'Brien	Acting from Apr 2013- May 2013	Executive Quality
Associate Directors	Director of Service Modernisation	Ian Stewardson	Appointed Jun 2003	Executive
	Director of Informatics	Neil Darvill	Appointed Dec 2003	Executive
	Director of Corporate Services	Peter Williams	Appointed Aug 2006	Executive
	Director of Operations and Performance	Donna McLaughlin	Appointed Feb 2008	Executive Finance & Performance Quality





The Board has developed a Board Assurance Framework to set out it exercises control and receives assurance that there are safe systems and practices in place. The effectiveness of the governance systems and process of internal control are assured, through the receipt of regular reports from the Board's six Committees:

- Audit Committee
- Charitable Funds Committee
- Executive Committee
- Finance and Performance Committee
- Quality Committee
- Remuneration Committee

The Trust's Committees have delegated powers, and when deficits are identified in the statement of internal controls they will monitor progress with improvement plans to ensure standards are maintained and safety is not compromised. With the exception of the Executive Committee, the Committees are chaired by a Non-Executive Director, who, after each meeting, provides a report to the Trust Board on matters considered on the agenda, the areas where assurance is being provided and any issues requiring escalation for Board intervention. The Chief Executive's report escalates any matters to the Board from the Executive that are not otherwise covered on the agenda.

#### **Remuneration Committee**

At least annually, the Chairman and all Non-Executive Directors of the Trust meet as a Remuneration Committee to consider the appointment of Executive Directors, their terms and conditions, and remuneration. The Chief Executive and Director of Human Resources are invited to provide information to the Committee but are not in attendance whilst the Committee members deliberate and reach decisions.

#### **Audit Committee**

The Audit Committee has responsibility to review the effective system of internal control and risk management across the Trust. It is responsible for providing independent assurance to the Trust Board on the systems in place for corporate risk management. In addition, the Audit Committee oversees financial and governance risk. The Committee meets at least three times per year, and has a membership of three Non-Executive Directors. External and internal auditors are also regularly invited to attend along with the Director of Finance.

During the year the Chief Executive attended the committee to present the statement of internal control.

#### **Quality Committee**

Each month an Integrated Performance Report (IPR) is produced which details Trust performance against each of its many targets including those related to activity levels, quality of care and finances. This report was developed during 2013/14 and triangulates quality, activity and performance information to give a balanced overview of performance for different services and those factors that can contribute towards improving or deteriorating outcomes. The Quality Committee meets once a month to review all aspects of quality.

The Committee is supported by a number of Councils that consider in detail issues around patient safety and experience as well as clinical effectiveness and workforce matters. The work undertaken by these Councils can be summarised as follows:

### **Clinical Effectiveness Council**

This Council provides assurance on the maintenance and improvement of clinical effectiveness and investigates any issue that may pose a risk to Clinical Effectiveness. The Council is also responsible for ensuring the effective implementation of national quality standards and ensuring that the Trust has a comprehensive and effective clinical audit and research programme, which results in improved clinical service provision.

The Council receives evidence of compliance with relevant CQC standards relating to clinical effectiveness and of remedial actions to address any deficiencies. The Council also recommends appropriate targets for improvements in effectiveness indicators and reviews progress against each. It also oversees the implementation of the Clinical Quality Strategy

### **Patient Safety Council**

The aim of the Patient Safety Council is to seek and receive assurance from departments and services relating to the promotion, maintenance and improvement of patient safety, and where deficiencies are identified to ensure that remedial action is taken.

Issues covered include compliance with relevant CQC standards relating to patient safety and actions resulting from Patient Safety Alerts which are issued by the Central Alerting System and cover the Medicines and Healthcare Products Regulatory Agency (MHRA), the National Patients Safety Authority (NPSA), Chief Medical Officer's Public Health Link and NHS Estates, as well as specific guidance from the Department of Health.

The Council also recommends appropriate targets for improvements against safety indicators and reviews progress against agreed targets. The Council ensures that lessons are learned from incidents and that any resulting proposals for improvement in care are implemented.

### **Patient Experience Council**

The aim of the Patient Experience Council is to seek and receive assurance from departments and services relating to the promotion, maintenance and improvement of patient experience. The Council receives assurance of compliance with relevant CQC standards relating to patient experience, communication and welfare, and where deficient ensures that remedial actions are planned and implemented. It oversees the implementation of the Patient Safety Strategy.

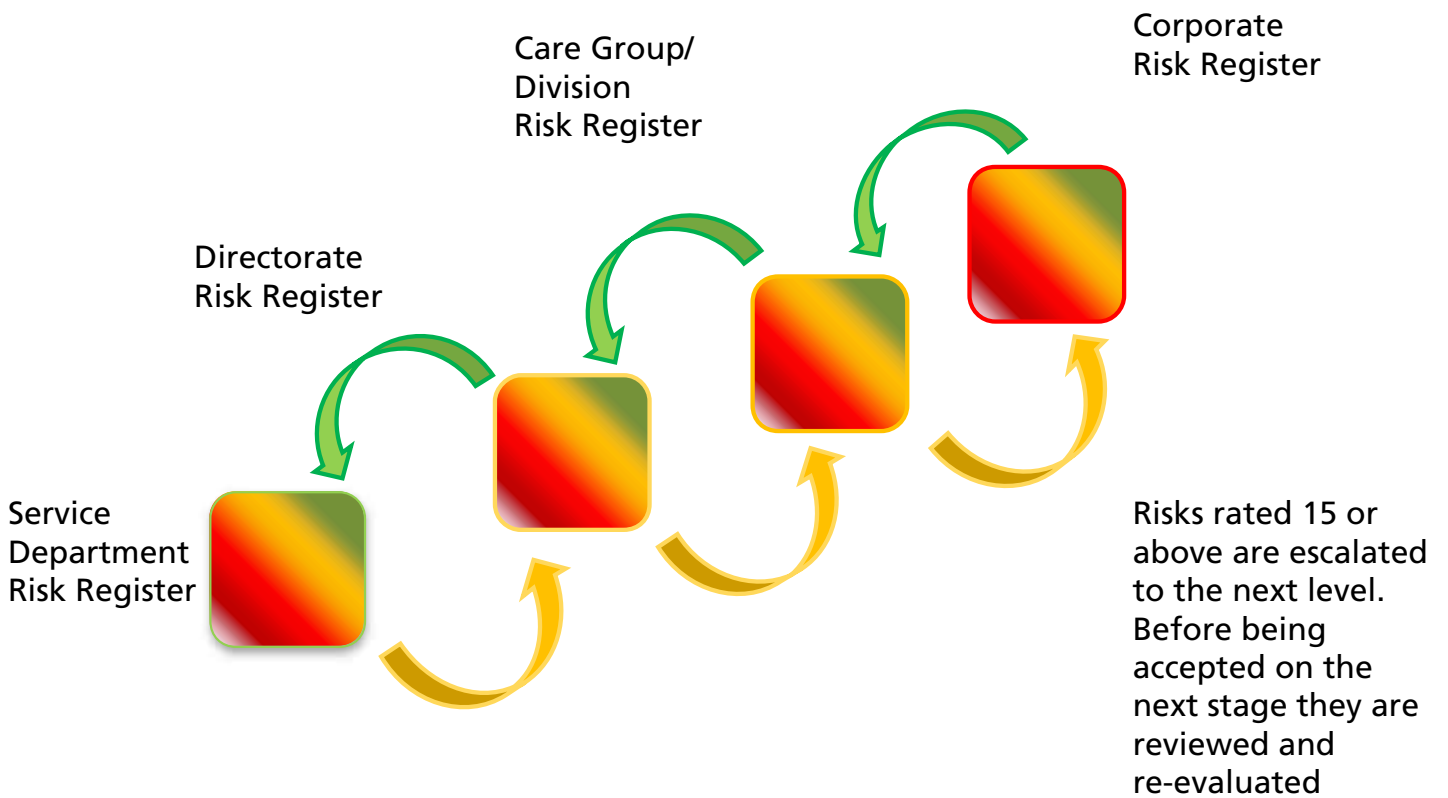
### **Workforce Council**

The Workforce Council is established to ensure the Trust complies with externally set employment standards and to monitor and review all areas of people management. Evidence reviewed includes NHS LA, SEQOHS, and CQC standards. The Council also monitors the achievement of action plans concerning key people management activities, including response to the annual Staff Survey, the Health Work and Well Being agenda, and Health and Safety matters. This Council monitors the delivery and implementation of the Workforce Strategy

### Risk Management Council

The Risk Management Council continuously and systematically identifies and evaluates internal and external risks that could adversely affect the achievement of the organisation’s objectives. The Council ensures that measures to prevent or minimise these risks are in place and monitored, and that key risks are escalated to the Executive Committee and Quality Committee. Risk Management and Escalation framework is operating effectively.

### Escalation through the Risk Register hierarchy



The principle areas of risk managed by the Trust are;

Systemic failures in the quality of care
Failure to agree a sustainable financial plan with commissioners
Sustained failure to maintain operational performance/deliver contracts
Failure to protect the reputation of the Trust
Failure to work in partnership with stakeholders
Failure to attract and retain staff with the skills required to deliver high quality services
Major and sustained failure of essential assets and infrastructure
Major and sustained failure of essential IT systems

The Information Governance Steering Group, which is chaired by the Trust's Caldicott Guardian, reports through this Council.

In order to protect the information we hold, in particular personal information on behalf of our patients and staff, there is an established Information Governance Framework with clear roles and responsibilities assigned as follows:-

Caldicott Guardian - overall responsibility for protecting patient information on behalf of the organisation - Trust Assistant Medical Director

Senior Information Risk Owner (SIRO) - overall responsibility for Information Risk Policy and Risk Management Strategy - Director of Health Informatics

The Trust has an active Information Governance Steering Group which meets monthly to ensure the Information Governance Strategy is being adhered to and that patient and staff information is safeguarded at all times.

The Trust continues to benchmark itself against the Information Governance Toolkit standards which include information governance management, confidentiality and data protection assurance, information security assurance, clinical information assurance, secondary use assurance and corporate information assurance.

The Trust Information Governance Assessment report overall score for 2013/14 was 82%. This means that the Trust is compliant in all areas of the Information Governance Toolkit which highlights the Trust's commitment to the evolving Information Governance Agenda.

This submission has been externally audited by Mersey Internal Audit Agency and received a rating of 'significant assurance.'

The Trust has a duty to internally report any incident regarding personal data, however minor. For the financial year 2013/2014 we reported two incidents to the Information Commissioners Office (ICO) both related to the unauthorised disclosure of patient information. The Information Commissioners Office outcome is as follows:-

- Incident 1 - No further action taken
- Incident 2 - Awaiting ICO outcome

Each reported incident was reviewed by relevant members of staff, with actions taken to minimise the likelihood of any recurrence.

The Trust has an active education and awareness programme aimed at all staff to actively promote Information Governance awareness.

### **Finance and Performance Committee**

Like the Quality Committee, the Finance and Performance Committee meets each month and reviews the IPR in detail. However, their focus is on performance against financial and activity targets. The Finance and Performance Committee is supported in its work by three Councils exploring performance information, procurement and cost improvements.

### **Charitable Funds Committee**

The Trust Charitable Funds Committee meets at least three times a year and is responsible for managing the income and expenditure of any charitable and donated monies and assets held by the Trust.

### **Executive Committee**

The team of Executive Directors, led by the Chief Executive, is the senior operational management decision making group within the Trust and is responsible for planning, organising, directing and controlling the organisation's systems and resources to achieve objectives and quality improvement targets set by the Board. The Executive Committee exercises the authority delegated to the CEO and Directors to ensure that the organisation is effectively managed and the management team is held to account. The Executive Committee provides the Trust Board with evidence that the systems, policies and people in place to deliver operational performance are effective, comply with standards, are focused on key risks and are being appropriately managed.

Attendance at Board meetings and Committees is monitored at each meeting and is reported to the Audit Committee annually. Any concerns about the level of attendance are discussed at the individual annual appraisal meetings

### **The Trust's Governance Statement**

The Trust promotes a culture of openness and encourages all staff and service users to actively report any issues where they feel inappropriate action may have occurred, or systems and practices could be improved. Accident and incident reporting by staff is an example of an effective system for identifying risk. Effective reporting also allows for rapid action in resolving how and why an incident may have occurred and can facilitate the organisation in learning how to avoid repeat occurrences. Complaint reporting is another source of information to support improvement by the communication of lessons learned.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

The systems of risk management and internal control are 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 a reasonable and not absolute assurance of effectiveness. I have formed a view on the effectiveness of these systems 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 work of internal audit. Opinion for 2013/14 has stated that there is an overall significant level of assurance on Trust systems of risk management, control and governance, which are being applied consistently and are designed to support the achievement of Trust objectives.

Executive Directors and 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 principle objectives have been reviewed. My review has also been supported by:

- The Trust continuing to hold CQC Registration without conditions
- Delivery against all key access targets as reported through the Trust's performance framework and reviewed by the Trust Board.
- Delivery against internal key performance indicators aligned to the Trust's corporate objectives to achieve a higher level of performance than nationally prescribed as the minimum required standard
- Delivery of financial duties
- Internal Audit concluded that the systems and processes in place regarding the Assurance Framework are designed and operated to meet the requirements of the Annual Governance Statement. They have also provided significant assurance regarding the systems and processes underpinning the CQC care outcome standards
- The on-going maintenance of the Trust's Risk Register to capture, report upon and monitor improvement against all key risk issues raised
- Benchmarking results as provided in staff and patient surveys
- The Trust Board being actively engaged in the governance and assurance process in identifying, quantifying, monitoring and preparing risk mitigation strategies to ensure identified risks are managed appropriately
- Annual self-assessment using the NHS Information Governance Toolkit. The Toolkit provides assurances of the Trust's systems of information governance in protecting patient information through the principles of confidentiality, integrity and availability of patient information
- The achievement of level 2 compliance with NHSLA assessment and CNST Level 3 for maternity standards.

### **Assurances received through the Governance Structure**

The Trust Board oversees the work of the Audit Committee and the supporting governance infrastructure ensuring that governance is effective. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, and from self-assessment of the other Committees and Councils.

Plans to ensure continuous improvement of systems are in place. Progress is continually monitored by the Trust Board. Key senior managers are continually working on the collation of evidence to demonstrate the Trust's compliance with the new CQC standards.

A review of the Trust's systems of risk management has led to a revised Board Assurance Framework and Corporate Risk Register which more effectively captures the key issues facing the Trust and ensures that these are effectively escalated and managed at the appropriate level within the organisation.

The Board has undertaken a diagnostic and development programme to improve its own knowledge, skills and governance processes. The Board has subsequently undertaken a review of its own effectiveness which will support the next phase of the Board Development Plan for 2014/15, to ensure that all members of the Board continue to have the necessary skills and capability to successfully lead the organisation and deliver its plans for the future. The Board has also undertaken reviews against the Board Governance and Quality Governance Assurance frameworks to ensure that it is continuously reviewing and improvement its governance structures and is meeting best practice requirements.

In the course of the year I have reviewed the systems of control and governance, attended supporting Boards and Committees and reviewed internal and external reports, ensuring identified areas of risk are being appropriately managed. In doing so I am able to report that there are no significant areas of risk to report.

The system of internal control has been in place at St Helens and Knowsley Teaching Hospitals NHS Trust for the year ending 31st March 2014 and up to the date of the approval of the Annual Report and Accounts.

*Ann Marr*

Ann Marr  
Chief Executive





## 2 Independent Auditors Report



## Independent Auditor's Report to the Directors of St Helens and Knowsley Teaching Hospitals NHS Trust

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

### Respective responsibilities of Directors and auditor

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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 St Helens and Knowsley Teaching Hospitals 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 report to you if:

- in our opinion the governance statement does not reflect compliance with the Trust Development Authority's Guidance
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998

We have nothing to report in these respects.

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

#### **Respective responsibilities of the Trust and auditor**

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

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

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.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that in all significant respects St Helens and Knowsley Teaching Hospitals NHS Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 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 account. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Jackie Bellard

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

Grant Thornton, 4 Hardman Square,  
Spinningfields, Manchester, M3 3EB

9th June 2014

## **Independent Auditor's Report to the Directors of St Helens and Knowsley Teaching Hospitals NHS Trust**

### **Issue of audit opinion on the financial statements.**

In our audit report for the year ended 31 March 2014 issued on 9th June 2014 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of St Helens and Knowsley Teaching Hospitals NHS Trust as at 31 March 2014 and of its expenditure and income for the year then ended; and
- had 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

### **Issue of value for money conclusion**

In our audit report for the year ended 31 March 2014 issued on 9th June 2014 we reported that, in our opinion, in all significant respects, St Helens and Knowsley Teaching Hospitals NHS Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

### **Certificate**

In our report dated 9th June 2014 we explained that we could not formally conclude the audit on that date until we had completed the work to provide assurance on the Trust's annual quality account. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

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

Jackie Bellard

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

4 Hardman Square, Spinningfields,  
Manchester, M3 3EB

27 June 2014



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## Foreword to the Accounts





These accounts for the year ended 31 March 2014 have been prepared by the St Helens and Knowsley Teaching Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

After making enquiries, the Directors have a reasonable expectation that the NHS Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.



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

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	9.1	<b>(167,631)</b>	(158,138)
Other operating costs	7	<b>(104,182)</b>	(93,278)
Revenue from patient care activities	4	<b>243,973</b>	225,065
Other Operating revenue	5	<b>44,475</b>	53,507
<b>Operating surplus/(deficit)</b>		<b>16,635</b>	27,156
Investment revenue	11	<b>58</b>	51
Other gains and (losses)	12	<b>2</b>	109
Finance costs	13	<b>(15,119)</b>	(15,402)
Surplus/(deficit) for the financial year		<b>1,576</b>	11,914
Public dividend capital dividends payable		<b>(760)</b>	(1,223)
Transfers by absorption - gains		<b>0</b>	0
Transfers by absorption - (losses)		<b>0</b>	0
<b>Net Gain/(loss) on transfers by absorption</b>		<b>0</b>	0
<b>Retained surplus/(deficit) for the year</b>		<b>816</b>	10,691
<b>Other Comprehensive Income</b>		<b>2013-14 £000s</b>	<b>2012-13 £000s</b>
Impairments and reversals taken to the Revaluation Reserve		<b>0</b>	(10,496)
Net gain/(loss) on revaluation of property, plant & equipment		<b>0</b>	0
Net gain/(loss) on revaluation of intangibles		<b>0</b>	0
Net gain/(loss) on revaluation of financial assets		<b>0</b>	0
Other gain /(loss)		<b>0</b>	0
Net gain/(loss) on revaluation of available for sale financial assets		<b>0</b>	0
Net actuarial gain/(loss) on pension schemes		<b>0</b>	0
Other Pension Remeasurements		<b>0</b>	
<b>Reclassification Adjustments</b>			
On disposal of available for sale financial assets		<b>0</b>	0
<b>Total Comprehensive Income for the year*</b>		<b>816</b>	195
<b>Financial performance for the year</b>			
Retained surplus/(deficit) for the year		<b>816</b>	10,691
Prior period adjustment to correct errors and other performance adjustments		<b>0</b>	0
IFRIC 12 adjustment (including IFRIC 12 impairments)		<b>657</b>	(8,405)
Impairments (excluding IFRIC 12 impairments)		<b>0</b>	(1,022)
Adjustments in respect of donated reserve elimination		<b>(323)</b>	(564)
Adjustment re Absorption accounting		<b>0</b>	0
<b>Adjusted retained surplus/(deficit)</b>		<b>1,150</b>	700

\*\*\* 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.

Note that prior year performance is not re-assessed following accounting restatements.

The notes on pages 5 to 38 form part of this account.

## Statement of Financial Position as at 31 March 2014

		31 March 2014	31 March 2013
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	14	316,081	321,762
Intangible assets	15	1,425	876
Investment property	17	0	0
Other financial assets		0	0
Trade and other receivables	21.1	1,184	1,368
<b>Total non-current assets</b>		<b>318,690</b>	<b>324,006</b>
<b>Current assets:</b>			
Inventories	20	2,769	2,322
Trade and other receivables	21.1	10,307	9,413
Other financial assets	23	0	0
Other current assets	24	0	18
Cash and cash equivalents	25	13,470	7,941
<b>Total current assets</b>		<b>26,546</b>	<b>19,694</b>
Non-current assets held for sale	26	0	0
<b>Total current assets</b>		<b>26,546</b>	<b>19,694</b>
<b>Total assets</b>		<b>345,236</b>	<b>343,700</b>
<b>Current liabilities</b>			
Trade and other payables	27	(25,503)	(21,169)
Other liabilities	28	0	0
Provisions	34	(778)	(713)
Borrowings	29	(6,095)	(4,295)
Other financial liabilities	30	0	0
<b>Total current liabilities</b>		<b>(32,376)</b>	<b>(26,177)</b>
<b>Net current assets/(liabilities)</b>		<b>(5,830)</b>	<b>(6,483)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>312,860</b>	<b>317,523</b>
<b>Non-current liabilities</b>			
Trade and other payables	27	0	0
Other Liabilities	28	0	0
Provisions	34	(2,616)	(2,509)
Borrowings	29	(267,756)	(273,658)
Other financial liabilities	30	0	0
<b>Total non-current liabilities</b>		<b>(270,372)</b>	<b>(276,167)</b>
<b>Total Assets Employed:</b>		<b>42,488</b>	<b>41,356</b>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public Dividend Capital		62,923	62,721
Retained earnings		(33,946)	(34,924)
Revaluation reserve		13,511	13,559
Other reserves		0	0
<b>Total Taxpayers' Equity:</b>		<b>42,488</b>	<b>41,356</b>

The notes on pages 5 to 38 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 4th June 2014 and signed on its behalf by:  
Chief Executive: A Marr      Date: 4th June 2014

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

**Balance at 1 April 2013**

**Changes in taxpayers' equity for 2013-14**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2013	62,721	(34,924)	13,559	0	41,356
Retained surplus/(deficit) for the year		816			816
Net gain/(loss) on revaluation of property, plant, equipment			0		0
Net gain/(loss) on revaluation of intangible assets			0		0
Net gain/(loss) on revaluation of financial assets			0		0
Net gain/(loss) on revaluation of available for sale financial assets			0		0
Impairments and reversals			0		0
Other gains/(loss)				0	0
Transfers between reserves		48	(48)	0	0
Transfers under Modified Absorption Accounting - PCTs & SHAs		114			114
Transfers under Modified Absorption Accounting - Other Bodies		0			0
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption		0	0		0
On Disposal of Available for Sale financial Assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received - Cash	202				202
New PDC Received/(Repaid) - PCTs and SHAs Legacy items paid for by Department of Health	0				0
PDC Repaid In Year	0				0
PDC Written Off	0				0
Other Movements	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension				0	0
Other Pensions Remeasurement				0	0
<b>Net recognised revenue/(expense) for the year</b>	<b>202</b>	<b>978</b>	<b>(48)</b>	<b>0</b>	<b>1,132</b>
Transfers between reserves in respect of modified absorption - PCTs & SHAs		0	0	0	0
Transfers between reserves in respect of modified absorption - Other Bodies		0	0	0	0
<b>Balance at 31 March 2014</b>	<b>62,923</b>	<b>(33,946)</b>	<b>13,511</b>	<b>0</b>	<b>42,488</b>

**Balance at 1 April 2012**

**Changes in taxpayers' equity for the year ended 31 March 2013**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2012	62,721	(45,819)	24,259	0	41,161
Retained surplus/(deficit) for the year		10,691			10,691
Net gain/(loss) on revaluation of property, plant, equipment			0		0
Net gain/(loss) on revaluation of intangible assets			0		0
Net gain/(loss) on revaluation of financial assets			0		0
Net gain/(loss) on revaluation of assets held for sale			0		0
Impairments and reversals			(10,496)		(10,496)
Movements in other reserves				0	0
Transfers between reserves		204	(204)	0	0
Release of reserves to Statement of Comprehensive Income			0		0
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
On Disposal of Available for Sale financial Assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received	0				0
PDC Repaid In Year	0				0
PDC Written Off	0				0
Other Movements in PDC In Year	0				0
Net Actuarial Gain/(Loss) on Pension				0	0
<b>Net recognised revenue/(expense) for the year</b>	<b>0</b>	<b>10,895</b>	<b>(10,700)</b>	<b>0</b>	<b>195</b>
<b>Balance at 31 March 2013</b>	<b>62,721</b>	<b>(34,924)</b>	<b>13,559</b>	<b>0</b>	<b>41,356</b>

## Statement of Cash Flows for the year ended 31 March 2014

	NOTE	2013-14 £000s	2012-13 £000s
<b>Cash Flows from Operating Activities</b>			
Operating Surplus/(Deficit)		16,635	27,156
Depreciation and Amortisation		9,499	9,725
Impairments and Reversals		0	(9,427)
Other Gains/(Losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		(395)	(661)
Government Granted Assets received credited to revenue but non-cash		0	0
Interest Paid		(15,061)	(15,334)
Dividend (Paid)/Refunded		(761)	(1,249)
Release of PFI/deferred credit		0	0
(Increase)/Decrease in Inventories		(447)	102
(Increase)/Decrease in Trade and Other Receivables		(707)	(2,014)
(Increase)/Decrease in Other Current Assets		0	199
Increase/(Decrease) in Trade and Other Payables		4,263	4,928
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions Utilised		(603)	(661)
Increase/(Decrease) in Provisions		735	(383)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>13,158</b>	<b>12,381</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received		60	50
(Payments) for Property, Plant and Equipment		(3,291)	(2,759)
(Payments) for Intangible Assets		(676)	(351)
(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)		2	656
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
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>(3,905)</b>	<b>(2,404)</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>9,253</b>	<b>9,977</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Public Dividend Capital Received		206	0
Public Dividend Capital Repaid		(4)	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		0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(4,321)	(6,518)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		395	661
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(3,724)</b>	<b>(5,857)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,529</b>	<b>4,120</b>
<b>Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period</b>		<b>7,941</b>	<b>3,821</b>
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		0	0
<b>Cash and Cash Equivalents (and Bank Overdraft) at year end</b>	25	<b>13,470</b>	<b>7,941</b>

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## 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 SOCI, 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 SOCI.

### 1.4 Charitable Funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with NHS Trust's own returns is removed. Under the provisions of IAS 27 (*Consolidated and Separate Financial Statements*), those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements (subject to materiality - see paragraph below). 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.

The Trust has a related charity (the St Helens and Knowsley Hospitals Charitable Fund, charity registration number 1053125) for which the Trust's Board Directors are trustees. The Trust has decided not to consolidate on the basis of materiality. This decision has been agreed by the Trust's auditors.

### 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.

#### 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.

- The Trust's PFI scheme (including the main PFI and Managed Equipment Service) is deemed to fall on the balance sheet as assessed independently under IFRIC 12

### 1.5.2 Key sources of estimation uncertainty

The only key area of uncertainty, as at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is provisions, ie. early retirements, permanent injury benefit awards, public and employer's liability claims and the Carbon Reduction Commitment.

### 1.6 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end is not presently accounted for on the basis of materiality.

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

#### Short-term employee benefits

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

#### Retirement benefit costs

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

the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

Some employees are members of the National Employment Savings Trust (NEST) which is a defined contribution pension scheme and as such the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period (see also Note 9.6.)

### 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 individual or collective cost

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



### Valuation

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

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

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

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

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

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

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

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

### Subsequent expenditure

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

### 1.10 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 £5,000.

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

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

### 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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed

Expenditure (AME). 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.

### 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 Private Finance Initiative (PFI) transactions

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

The services received under the contract are recorded as operating expenses.

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

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

#### Services received

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

#### PFI Asset

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

#### PFI liability

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

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

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

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

#### Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively. However, taking into account the Trust's current estate valuer's approach to assessing asset lives of building assets (which assumes assets are being maintained to original standards), then it is more appropriate for the Trust to treat such expenditure on property assets as a charge to revenue as and when charged through the unitary payment. With regard to the managed equipment service element of the PFI, major lifecycle costs are capitalised.

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

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

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

#### Other assets contributed by the Trust to the operator

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

#### 1.17 Inventories

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

#### 1.18 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.

#### 1.19 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (1.8% for employee early departure obligations).

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

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

#### 1.20 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 34.

### 1.21 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.

### 1.22 Carbon Reduction Commitment Scheme (CRC)

The Carbon Reduction Commitment scheme as it applies to the Trust is a form of levy for the financial year. The Trust provides for this during the year through the SOCI, the value being based on the estimate of tonnes of CO<sub>2</sub> (tCO<sub>2</sub>) used and the current cost per tCO<sub>2</sub>. The charge is normally settled in the following financial year at which time the provision will be released. Unlike the European Union Emissions Trading Scheme (EUETS), the Trust does not receive an allowance for this.

### 1.23 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.

### 1.24 Financial assets

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

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

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

#### Held to maturity investments

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

#### Available for sale financial assets

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

#### Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

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.

#### 1.25 Financial liabilities

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

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

#### Financial guarantee contract liabilities

Financial guarantee contract liabilities are subsequently measured at the higher of:

The premium received (or imputed) for entering into the guarantee less cumulative amortisation

The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets

#### 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.

#### 1.26 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.

#### 1.27 Foreign currencies

The Trust's functional 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. Resulting exchange gains and losses are recognised in the Trust's surplus/deficit in the period in which they arise.

#### 1.28 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 43 to the accounts.

#### 1.29 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.

### 1.30 Losses and Special Payments

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

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

### 1.31 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'

See also note 1.4 re charitable funds.

### 1.32 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'

### 1.33 Joint ventures

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

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

### 1.34 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.

### 1.35 Research and Development

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

### 1.36 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
- 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. Operating segments

The activities of St Helens and Knowsley Teaching Hospitals NHS Trust are all healthcare-related and treated as a single segment for the purposes of the accounts. The Trust's total revenue for 2013/14 was £288.488m of which clinical commissioning groups provided 91% for patient activities alone.

## 3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. There are no income generation activities where the full cost exceeded £1m.

## 4. Revenue from patient care activities

	2013-14 £000s	2012-13 £000s
NHS Trusts	0	0
NHS England	14,507	
Clinical Commissioning Groups	221,670	
Primary Care Trusts		220,744
Strategic Health Authorities		0
NHS Foundation Trusts	119	0
Department of Health	0	0
NHS Other (including Public Health England and Prop Co)	0	0
Non-NHS:		
Local Authorities	2,828	0
Private patients	208	167
Overseas patients (non-reciprocal)	19	8
Injury costs recovery *	1,363	1,612
Other **	3,259	2,534
<b>Total Revenue from patient care activities</b>	<b>243,973</b>	<b>225,065</b>

\* Injury cost recovery income is subject to a provision for impairment of receivables of 15.8% to reflect expected rates of collection.

\*\* Main component of this is patient care contracts with non-English NHS bodies.

## 5. 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	9,808	10,069
Charitable and other contributions to revenue expenditure - NHS	0	0
Charitable and other contributions to revenue expenditure -non- NHS	1	1
Receipt of donations for capital acquisitions	444	661
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	14,230	14,252
Income generation	1,923	1,395
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue *	18,069	27,129
<b>Total Other Operating Revenue</b>	<b>44,475</b>	<b>53,507</b>
<b>Total operating revenue</b>	<b>288,448</b>	<b>278,572</b>

\* The principal item here is income relating to the Trust's PFI development (£15m). Included in this was £2m transitional funding relating to approved TFA/PFI developments.

The Trust has complied with HM Treasury's guidance on setting charges for information.



## 6. Revenue

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

## 7. Operating expenses

	2013-14 £000s	2012-13 £000s
Services from other NHS Trusts	1,202	854
Services from CCGs/NHS England	91	
Services from other NHS bodies	112	65
Services from NHS Foundation Trusts	6,184	5,352
Services from Primary Care Trusts		45
<b>Total Services from NHS bodies*</b>	<b>7,589</b>	6,316
Purchase of healthcare from non-NHS bodies	1,773	1,095
Trust Chair and Non-executive Directors	58	65
Supplies and services - clinical	34,346	33,699
Supplies and services - general	1,734	1,514
Consultancy services	216	315
Establishment	4,051	3,899
Transport	316	326
Premises	10,584	12,278
Hospitality	115	
Insurance	221	
Legal Fees	95	
Impairments and Reversals of Receivables	96	134
Inventories write down	0	212
Depreciation	9,146	9,390
Amortisation	353	335
Impairments and reversals of property, plant and equipment	0	(9,427)
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
Audit fees	84	92
Other auditor's remuneration	5	0
Clinical negligence	4,614	4,550
Research and development (excluding staff costs)	0	0
Education and Training	416	486
Change in Discount Rate	251	206
Other **	28,119	27,793
<b>Total Operating expenses (excluding employee benefits)</b>	<b>104,182</b>	93,278
<b>Employee Benefits</b>		
Employee benefits excluding Board members	166,753	157,303
Board members	878	835
<b>Total Employee Benefits</b>	<b>167,631</b>	158,138
<b>Total Operating Expenses</b>	<b>271,813</b>	251,416

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

\*\* The main component here is PFI service costs of which £25.3m is included under this heading

## 8 Operating Leases

### 8.1 Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2013-14 Total £000s	2012-13 £000s
<b>Payments recognised as an expense</b>					
Minimum lease payments	0	0	49	49	52
Contingent rents	0	0	0	0	0
Sub-lease payments	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>49</b>	<b>49</b>	<b>52</b>
<b>Payable:</b>					
No later than one year	0	0	73	73	11
Between one and five years	0	0	50	50	6
After five years	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>123</b>	<b>123</b>	<b>17</b>
Total future sublease payments expected to be received:				0	0

### 8.2 Trust as lessor

The Trust has no leases where it is the lessor.

## 9 Employee benefits and staff numbers

### 9.1 Employee benefits

	2013-14 Total £000s	Permanently employed £000s	Other £000s
<b>Employee Benefits - Gross Expenditure</b>			
Salaries and wages	142,974	130,984	11,990
Social security costs	10,061	9,579	482
Employer Contributions to NHS BSA - Pensions Division	14,596	13,896	700
Other pension costs	0	0	0
Termination benefits	0	0	0
<b>Total employee benefits</b>	<b>167,631</b>	<b>154,459</b>	<b>13,172</b>
<b>Employee costs capitalised</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>167,631</b>	<b>154,459</b>	<b>13,172</b>
<b>Employee Benefits - Gross Expenditure 2012-13</b>			
	<b>Total £000s</b>	<b>Permanently employed £000s</b>	<b>Other £000s</b>
Salaries and wages	135,048	124,461	10,587
Social security costs	9,392	9,006	386
Employer Contributions to NHS BSA - Pensions Division	13,698	13,135	563
Other pension costs	0	0	0
Termination benefits	0	0	0
TOTAL - including capitalised costs	158,138	146,602	11,536
Employee costs capitalised	0	0	0
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>158,138</b>	<b>146,602</b>	<b>11,536</b>

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.

## 9.2 Staff Numbers

	<b>2013-14 Total Number</b>	<b>Permanently employed Number</b>	<b>Other Number</b>	<b>2012-13 Total Number</b>
<b>Average Staff Numbers</b>				
Medical and dental	<b>509.58</b>	459.65	49.93	491.26
Ambulance staff	<b>0.00</b>	0.00	0.00	0.00
Administration and estates	<b>876.75</b>	817.58	59.17	821.53
Healthcare assistants and other support staff	<b>72.90</b>	72.90	0.00	72.86
Nursing, midwifery and health visiting staff	<b>1,978.57</b>	1,843.21	135.36	1,839.49
Nursing, midwifery and health visiting learners	<b>0.00</b>	0.00	0.00	0.00
Scientific, therapeutic and technical staff	<b>461.07</b>	455.93	5.14	437.78
Social Care Staff	<b>3.00</b>	3.00	0.00	2.75
Other	<b>0.00</b>	0.00	0.00	0.00
<b>TOTAL</b>	<b><u>3,901.87</u></b>	<b><u>3,652.27</u></b>	<b><u>249.60</u></b>	<b><u>3,665.67</u></b>
Of the above - staff engaged on capital projects	<b>0.00</b>	0.00	0.00	0.00

## 9.3 Staff Sickness absence and ill health retirements

	<b>2013-14 Number</b>	<b>2013-14 Number</b>
Total Days Lost	31,609	31,609
Total Staff Years	4,032	4,032
Average working Days Lost	<u>7.8</u>	<u>7.8</u>

The above figures, provided by the Department of Health, are estimates based on data from calendar years (eg. 2013 provides the basis for 2013/14). Please note that in both years these figures include some staff whose costs are not met by the Trust but for which the Trust pays over statutory deductions to HMRC via an agency arrangement. However, from part way through 2013, figures no longer include employees on the Mersey Deanery Junior Doctors payroll managed on the Deanery's behalf by the Trust which accounts principally for the fall in the number of staff years and days lost.

	<b>2013-14 Number</b>	<b>2013-14 Number</b>
Number of persons retired early on ill health grounds	9	5
Total additional pensions liabilities accrued in the year	<b>£000s 624</b>	<b>£000s 438</b>

#### 9.4 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	1	1
£10,000-£25,000	0	0	0	0	7	7
£25,001-£50,000	0	0	0	0	8	8
£50,001-£100,000	1	0	1	0	3	3
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
<b>Total number of exit packages by type (total cost</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>19</b>	<b>19</b>
<b>Total resource cost (£000s)</b>	<b>61</b>	<b>0</b>	<b>61</b>	<b>0</b>	<b>613</b>	<b>613</b>

Redundancy\* costs have been paid in accordance with NHS terms and conditions and other departure costs in the prior year were paid in accordance with the provisions of a local NHS Mutually Agreed Resignation Scheme (MARS)\*\*.

This disclosure reports the number and value of exit packages agreed in the year.

#### 9.5 Exit packages - Other Departures analysis

	2013-14		2013-14	
	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	19	613
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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>613</b>

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 package 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 9.4 which will be the number of individuals.

## 9.6 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

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

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

### a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes.

The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial

assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

### b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

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

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

### **c) Scheme provisions**

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

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

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

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

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through

illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

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

The Pensions Act 2008 introduced new duties on employers to provide access to a workplace pension scheme that meets certain legal requirements. As from 1st April 2013 the Trust has chosen the National Employment Savings Trust (NEST) to fulfil this role for employees who are unable to join the NHS Pension Scheme due to its restrictions. There are currently 31 employees in the NEST scheme which is a defined contribution pension scheme.

A defined contribution pension scheme is where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time.

## 10 Better Payment Practice Code

### 10.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	<b>42,851</b>	<b>119,545</b>	47,426	118,669
Total Non-NHS Trade Invoices Paid Within Target	<b>41,084</b>	<b>115,297</b>	45,712	113,207
Percentage of Non NHS Trade Invoices Paid Within Target	<b>95.88%</b>	<b>96.45%</b>	96.39%	95.40%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	<b>1,991</b>	<b>18,036</b>	1,940	<b>17,968</b>
Total NHS Trade Invoices Paid Within Target	<b>1,903</b>	<b>17,370</b>	1,877	<b>17,376</b>
Percentage of NHS Trade Invoices Paid Within Target	<b>95.58%</b>	<b>96.31%</b>	96.75%	96.71%

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 is also an approved signatory to the Government's Prompt Payment Code.

### 10.2 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	<b>1</b>	0
Compensation paid to cover debt recovery costs under this legislation	<b>0</b>	0
<b>Total</b>	<b>1</b>	0

## 11 Investment Revenue

	2013-14 £000s	2012-13 £000s
<b>Rental revenue</b>		
PFI finance lease revenue (planned)	<b>0</b>	0
PFI finance lease revenue (contingent)	<b>0</b>	0
Other finance lease revenue	<b>0</b>	0
<b>Subtotal</b>	<b>0</b>	0
<b>Interest revenue</b>		
LIFT: equity dividends receivable	<b>0</b>	0
LIFT: loan interest receivable	<b>0</b>	0
Bank interest	<b>58</b>	51
Other loans and receivables	<b>0</b>	0
Impaired financial assets	<b>0</b>	0
Other financial assets	<b>0</b>	0
<b>Subtotal</b>	<b>58</b>	51
<b>Total investment revenue</b>	<b>58</b>	51

## 12 Other Gains and Losses

	<b>2013-14</b> <b>£000s</b>	2012-13 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	2	109
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other than held for sale	0	0
Gain (Loss) on disposal of assets held for sale	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through the SoCI	0	0
Change in fair value of financial liabilities carried at fair value through the SoCI	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<u>2</u>	<u>109</u>

## 13 Finance Costs

	<b>2013-14</b> <b>£000s</b>	2012-13 £000s
<b>Interest</b>		
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	38	39
Interest on obligations under PFI contracts:		
- main finance cost	9,807	10,058
- contingent finance cost	5,215	5,237
Interest on obligations under LIFT contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on late payment of commercial debt	1	0
<b>Total interest expense</b>	<u>15,061</u>	<u>15,334</u>
Other finance costs	0	0
Provisions - unwinding of discount	58	68
<b>Total</b>	<u>15,119</u>	<u>15,402</u>



## 14.1 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost or valuation:</b>									
<b>At 1 April 2013</b>	<b>11,777</b>	<b>290,510</b>	<b>0</b>	<b>0</b>	<b>39,353</b>	<b>86</b>	<b>13,236</b>	<b>6,208</b>	<b>361,170</b>
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	15	0	0	0	15
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0	0
Additions of Assets Under Construction				0					0
Additions Purchased	0	284	0		2,328	0	516	0	3,128
Additions Donated	0	0	0	0	74	0	0	0	74
Additions Government Granted	0	0	0	0	29	0	0	0	29
Additions Leased	0	0	0		0	0	219	0	219
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	(1,745)	0	0	0	(1,745)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
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
<b>At 31 March 2014</b>	<b>11,777</b>	<b>290,794</b>	<b>0</b>	<b>0</b>	<b>40,054</b>	<b>86</b>	<b>13,971</b>	<b>6,208</b>	<b>362,890</b>
<b>Depreciation</b>									
<b>At 1 April 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,660</b>	<b>77</b>	<b>10,532</b>	<b>4,139</b>	<b>39,408</b>
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(1,745)	0	0	0	(1,745)
Upward revaluation/positive indexation	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	3,784	0		3,597	0	0	0	0
Transfers to NHS Foundation Trust	0	0	0	0	0	4	1,382	379	9,146
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	0
<b>At 31 March 2014</b>	<b>0</b>	<b>3,784</b>	<b>0</b>	<b>0</b>	<b>26,512</b>	<b>81</b>	<b>11,914</b>	<b>4,518</b>	<b>46,809</b>
<b>Net Book Value at 31 March 2014</b>	<b>11,777</b>	<b>287,010</b>	<b>0</b>	<b>0</b>	<b>13,542</b>	<b>5</b>	<b>2,057</b>	<b>1,690</b>	<b>316,081</b>
<b>Asset financing:</b>									
Owned - Purchased	11,777	19,282	0	0	9,082	5	1,856	1,690	43,692
Owned - Donated	0	0	0	0	663	0	4	0	667
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	217	0	197	0	414
On-SOFP PFI contracts	0	267,728	0	0	3,580	0	0	0	271,308
PFI residual: interests	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2014</b>	<b>11,777</b>	<b>287,010</b>	<b>0</b>	<b>0</b>	<b>13,542</b>	<b>5</b>	<b>2,057</b>	<b>1,690</b>	<b>316,081</b>
<b>Revaluation Reserve Balance for Property, Plant &amp; Equipment</b>									
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 1 April 2013</b>	<b>5,955</b>	<b>7,121</b>	<b>0</b>	<b>0</b>	<b>426</b>	<b>2</b>	<b>0</b>	<b>55</b>	<b>13,559</b>
Movements *	0	0	0	0	(48)	0	0	0	(48)
<b>At 31 March 2014</b>	<b>5,955</b>	<b>7,121</b>	<b>0</b>	<b>0</b>	<b>378</b>	<b>2</b>	<b>0</b>	<b>55</b>	<b>13,511</b>

\* Movements relate to the elimination of the reserve as a result of the disposal of assets.

## 14.2 Property, plant and equipment prior-year

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost or valuation:</b>									
<b>At 1 April 2012</b>	12,700	298,697	0	0	37,693	86	12,609	6,208	367,993
Additions - Assets Under Construction				0					0
Additions - purchased	0	0	0		1,238	0	628	0	1,866
Additions - donated	0	0	0	0	654	0	0	0	654
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	(328)	(249)	0	0	0	0	0	0	(577)
Disposals other than by sale	0	(13)	0	0	(232)	0	(1)	0	(246)
Revaluation & indexation gains	0	0	0	0	0	0	0	0	0
Impairments	(595)	(11,026)	0	0	0	0	0	0	(11,621)
Reversals of impairments	0	1,125	0	0	0	0	0	0	1,125
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
<b>At 31 March 2013</b>	<b>11,777</b>	<b>288,534</b>	<b>0</b>	<b>0</b>	<b>39,353</b>	<b>86</b>	<b>13,236</b>	<b>6,208</b>	<b>359,194</b>
<b>Depreciation</b>									
<b>At 1 April 2012</b>	0	3,711	0		21,279	70	9,001	3,684	37,745
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and reversals	(30)	0	0		0	0	0	0	(30)
Disposals other than for sale	0	(13)	0		(232)	0	(1)	0	(246)
Upward revaluation/positive indexation	0	0	0		0	0	0	0	0
Impairments	30	30	0	0	0	0	0	0	60
Reversal of Impairments	0	(9,487)	0	0	0	0	0	0	(9,487)
Charged During the Year	0	3,783	0	0	3,613	7	1,532	455	9,390
Transfer to NHS Foundation Trust	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
<b>At 31 March 2014</b>	<b>0</b>	<b>(1,976)</b>	<b>0</b>	<b>0</b>	<b>24,660</b>	<b>77</b>	<b>10,532</b>	<b>4,139</b>	<b>37,432</b>
<b>Net Book Value at 31 March 201</b>	<b>11,777</b>	<b>290,510</b>	<b>0</b>	<b>0</b>	<b>14,693</b>	<b>9</b>	<b>2,704</b>	<b>2,069</b>	<b>321,762</b>
<b>Asset financing:</b>									
Owned - Purchased	11,777	19,278	0	0	10,045	9	2,699	2,069	45,877
Owned - Donated	0	0	0	0	678	0	5	0	683
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	362	0	0	0	362
On-SOFP PFI contracts	0	271,232	0	0	3,608	0	0	0	274,840
PFI residual: interests	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2013</b>	<b>11,777</b>	<b>290,510</b>	<b>0</b>	<b>0</b>	<b>14,693</b>	<b>9</b>	<b>0</b>	<b>2,069</b>	<b>321,762</b>

Equipment is depreciated evenly over the estimated life of the asset. The ranges of asset lives used for different categories of plant and equipment are shown below:

- Plant and machinery 4 to 15 years
- Transport equipment 7 years
- Information Technology 5 to 8 years
- Furniture and fittings 7 to 10 years

Building asset lives will vary according to their latest valuation. At the end of March 2014 the range of asset lives for these assets fell between 12 years and 81 years.

Assets at a cost of £444,000 were donated by other non-NHS organisations or financed by donations to the Trust's charitable fund.

## 15.1 Intangible non-current assets

2013-14

	IT - in-house & 3rd party software £000s	Computer Licenses £000s	Licenses and Trademarks £000s	Patents £000s	Development Expenditure - Internally Generated £000s	Total £000s
<b>At 1 April 2013</b>	<b>0</b>	<b>4,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,100</b>
Prior period adjustment *	0	0	0	0	0	0
<b>At 1 April 2013 Restated</b>	<b>0</b>	<b>4,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,100</b>
Transfers under Modified Absorption Accounting - PCTs & SHAs	95	0	0	0	0	95
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0
Additions - purchased	406	60	0	0	0	466
Additions - internally generated	0	0	0	0	0	0
Additions - donated	341	0	0	0	0	341
Additions - government granted	0	0	0	0	0	0
Additions - leased	0	0	0	0	0	0
Reclassifications	3,473	(3,473)	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
<b>At 31 March 2014</b>	<b>4,351</b>	<b>687</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,002</b>
<b>Amortisation</b>						
<b>At 1 April 2013</b>	<b>0</b>	<b>3,224</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,224</b>
Prior period adjustment *	0	0	0	0	0	0
<b>At 1 April 2013 Restated</b>	<b>0</b>	<b>3,224</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,224</b>
Reclassifications	2,747	(2,747)	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	283	70	0	0	0	353
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>3,030</b>	<b>547</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,577</b>
<b>Net Book Value at 31 March 2014</b>	<b>1,285</b>	<b>140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,425</b>
<b>Asset Financing: Net book value at 31 March 2014 comprises:</b>						
Purchased	938	140	0	0	0	1,078
Donated	347	0	0	0	0	347
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
<b>Total at 31 March 2014</b>	<b>1,285</b>	<b>140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,425</b>

\* Restated due to new categorisation of intangible assets introduced by the Department of Health

**Revaluation reserve balance for intangible non-current assets**

	£000s	£000s	£000s	£000s	£000s	£000s
<b>At 1 April 2013</b>	0	0	0	0	0	0
Movements	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 15.2 Intangible non-current assets prior year

	Computer Licenses/ Software	Licenses and Trademarks	Patents	Develop- ment Expenditure - Internally Generated	Total
	£000s	£000s	£000s	£000s	£000s
2012 -13					
Cost or valuation:					
At 1 April 2012	3,722	0	0	0	<b>3,722</b>
Additions - purchased	371	0	0	0	<b>371</b>
Additions - internally generated	0	0	0	0	<b>0</b>
Additions - donated	7	0	0	0	<b>7</b>
Additions - government granted	0	0	0	0	<b>0</b>
Reclassifications	0	0	0	0	<b>0</b>
Reclassified as held for sale	0	0	0	0	<b>0</b>
Disposals other than by sale	0	0	0	0	<b>0</b>
Revaluation & indexation gains	0	0	0	0	<b>0</b>
Impairments	0	0	0	0	<b>0</b>
Reversal of impairments	0	0	0	0	<b>0</b>
Transfer to NHS Foundation Trust	0	0	0	0	<b>0</b>
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	<b>0</b>
At 31 March 2013	<u>4,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<b><u>4,100</u></b>
Amortisation					
At 1 April 2012	2,889	0	0	0	<b>2,889</b>
Reclassifications	0	0	0	0	<b>0</b>
Reclassified as held for sale	0	0	0	0	<b>0</b>
Disposals other than by sale	0	0	0	0	<b>0</b>
Revaluation or indexation gains	0	0	0	0	<b>0</b>
Impairments charged to operating expenses	0	0	0	0	<b>0</b>
Reversal of impairments charged to operating expenses	0	0	0	0	<b>0</b>
Charged during the year	355	0	0	0	<b>355</b>
Transfer to NHS Foundation Trust	0	0	0	0	<b>0</b>
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	<b>0</b>
At 31 March 2013	<u>3,224</u>	<u>0</u>	<u>0</u>	<u>0</u>	<b><u>3,224</u></b>
Net book value at 31 March 2013	876	0	0	0	<b>876</b>
Net book value at 31 March 2013 comprises:					
Purchased	869	0	0	0	<b>869</b>
Donated	7	0	0	0	<b>7</b>
Government Granted	0	0	0	0	<b>0</b>
Total at 31 March 2013	<u>876</u>	<u>0</u>	<u>0</u>	<u>0</u>	<b><u>876</u></b>

All the Trust's intangible assets are depreciated over 5 years. Cost is deemed to be a fair reflection of fair value.

## 16 Analysis of impairments and reversals recognised in 2013-14

There were no impairments or reversals of impairments recognised in the SOCI or the Trust's revaluation reserve.

## 17 Investment property

The Trust had no investment property as at 31 March 2014 (prior year also nil).

## 18 Commitments

### 18.1 Capital commitments

There were no contracted capital commitments at 31 March 2014 not otherwise included in these financial statements (prior year also nil).

### 18.2 Other financial commitments

The Trust has no other financial commitments as at 31 March 2014 (prior year also nil).

## 19 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	1,826	0	6,177	0
Balances with Local Authorities	474	0	13	0
Balances with NHS bodies outside the Department Group	62	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,950	0	1,471	0
Balances with Public Corporations and Trading Funds	0	0	2	0
Balances with bodies external to government	4,995	1,184	17,840	0
<b>At 31 March 2014</b>	<b>10,307</b>	<b>1,184</b>	<b>25,503</b>	<b>0</b>
<b>Prior period:</b>				
Balances with other Central Government Bodies	1,473	0	92	0
Balances with Local Authorities	1,468	0	0	0
<b>Balances with NHS bodies outside the Departmental Group</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>0</b>
Balances with NHS Trusts and Foundation Trusts	2,305	0	958	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	4,167	1,368	20,103	0
<b>At 31 March 2013</b>	<b>9,413</b>	<b>1,368</b>	<b>21,169</b>	<b>0</b>

## 20 Inventories

	Drugs £000s	Consum- ables £000s	Work in Progress £000s	Energy £000s	Total £000s
<b>Balance at 1 April 2013</b>	<b>1,068</b>	<b>1,118</b>	<b>0</b>	<b>136</b>	<b>2,322</b>
Transfers under Modified Absorbtion Accounting - PCTs & SHAs	0	0			<b>0</b>
Transfers under Modifies Absorbtion Accounting - Other Bodies	0	0	0	0	<b>0</b>
Additions	13,609	13,995	0	676	<b>28,280</b>
Inventories recognised as an expense in the period	(13,594)	(13,543)	0	(696)	<b>(27,833)</b>
Write-down of inventories (including losses)	0	0	0	0	<b>0</b>
Reversal of write-down previously taken to SOCI	0	0	0	0	<b>0</b>
Transfers (to) Foundation Trusts	0	0	0	0	<b>0</b>
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	<b>0</b>
<b>Balance at 31 March 2014</b>	<b>1,083</b>	<b>0</b>	<b>0</b>	<b>116</b>	<b>2,769</b>

None of the above values are held at NRV

## 21.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2014 £000s
NHS receivables - revenue	4,007	2,279	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	40	510	0	0
Non-NHS receivables - revenue	1,668	1,064	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	2,920	3,736	0	0
Provision for the impairment of receivables	(422)	(405)	(264)	(188)
VAT	161	645	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	0	111	0
Interest receivables	3	6	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	1,930	1,578	1,337	1,556
<b>Total</b>	<b>10,307</b>	<b>9,413</b>	<b>1,184</b>	<b>1,368</b>
<b>Total current and non current</b>	<b>11,491</b>	<b>10,781</b>		
Included in NHS receivables are prepaid pension contributions:	0			

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

## 21.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	549	461
By three to six months	619	0
By more than six months	0	0
<b>Total</b>	<b>1,168</b>	<b>461</b>

## 21.3 Provision for impairment of receivables \*

	2013-14 £000s	2012-13 £000s
<b>Balance at 1 April 2013</b>	<b>(593)</b>	<b>(493)</b>
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	
Transfers under Modified Absorption Accounting - Other Bodies	0	
Amount written off during the year	3	34
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(96)	(134)
Transfer to NHS Foundation Trust	0	
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0
<b>Balance at 31 March 2014</b>	<b>(686)</b>	<b>(593)</b>

\* Note that the above also includes a provision in respect of injury cost recovery income.

## 22 NHS LIFT investments

The Trust had no LIFT investments as at 31 March 2014 (prior year also nil).

## 23 Other Financial Assets

The Trust had no other financial assets as at 31 March 2014 (prior year also nil).

## 24 Other current assets

	<b>31 March 2014</b> £000s	31 March 2013 £000s
EU Emissions Trading Scheme Allowance	0	18
Other Assets	0	0
<b>Total</b>	<u>0</u>	<u>18</u>

## 25 Cash and Cash Equivalents

	<b>31 March 2014</b> £000s	31 March 2013 £000s
<b>Opening balance</b>	<b>7,941</b>	3,821
Net change in year	<b>5,529</b>	4,120
<b>Closing balance</b>	<u><b>13,470</b></u>	<u>7,941</u>
<b>Made up of</b>		
Cash with Government Banking Service	<b>13,434</b>	7,912
Commercial banks	<b>10</b>	5
Cash in hand	<b>26</b>	24
Current investments	<u>0</u>	<u>0</u>
<b>Cash and cash equivalents as in statement of financial position</b>	<u><b>13,470</b></u>	<u>7,941</u>
Bank overdraft - Government Banking Service	<b>0</b>	0
Bank overdraft - Commercial banks	<u>0</u>	<u>0</u>
<b>Cash and cash equivalents as in statement of cash flows</b>	<u><b>13,470</b></u>	<u>7,941</u>
Patients' money held by the Trust, not included above	<u>11</u>	<u>11</u>

26 Non-current assets held for sale

	Land	Buildings, Dwellings exc. dwellings	
	£000s	£000s	£000s
<b>Balance at 1 April 2013</b>	0	0	0
Plus assets classified as held for sale in the year	0	0	0
Less assets sold in the year	0	0	0
<b>Balance at 31 March 2014</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Liabilities associated with assets held for sale at 31 March 2014</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Balance at 1 April 2012</b>	0	0	0
Plus assets classified as held for sale in the year	298	249	0
Less assets sold in the year	(298)	(249)	0
<b>Balance at 31 March 2013</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Liabilities associated with assets held for sale at 31 March 2013</b>	<u>0</u>	<u>0</u>	<u>0</u>



Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Financial Assets	Total
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	547
0	0	0	0	0	0	0	(547)
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0	0	0

## 27 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	680	283	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	1,030	782	0	0
Non-NHS payables - revenue	1,837	2,500	0	0
Non-NHS payables - capital	346	275	0	0
Non-NHS accruals and deferred income	15,572	17,254	0	0
Social security costs	2,831	0	0	0
VAT	0	0	0	0
Tax	3,107	0	0	0
Payments received on account	0	0	0	0
Other	100	75	0	0
<b>Total</b>	<b>25,503</b>	<b>21,169</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>25,503</b>	<b>21,169</b>		

### Included above:

to Buy Out the Liability for Early Retirements Over 5 Years	0	0
number of Cases Involved (number)	0	0
outstanding Pension Contributions at the year end	0	0

## 28 Other liabilities

The Trust has no other liabilities as at 31 March 2014 (prior year also nil).

## 29 Borrowings

### PFI liabilities:

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Main liability	5,893	4,147	267,559	273,542
Lifecycle replacement received in advance	0	0	0	0
Finance lease liabilities	202	148	197	206
<b>Total</b>	<b>6,095</b>	<b>4,295</b>	<b>267,756</b>	<b>273,658</b>
Total other liabilities (current and non-current)	<b>237,851</b>	<b>277,953</b>		

### Borrowings - repayment of principal falling due in:

	31 March 2014		
	DH £000s	Other £000s	Total £000s
0-1 Years	0	6,095	6,095
1 - 2 Years	0	6,917	6,917
2 - 5 Years	0	17,854	17,854
Over 5 Years	0	242,985	242,985
<b>TOTAL</b>	<b>0</b>	<b>273,851</b>	<b>273,851</b>

Note: Further information on the Trust's borrowings can be found on page 31, Note 32 (finance leases) and on page 33, Note 36 (PFI-additional information).

### 30 Other financial liabilities

The Trust has no other financial liabilities as at 31 March 2014 (prior year also nil).

### 31 Deferred revenue

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
<b>Opening balance at 1 April 2013</b>	<b>409</b>	581	<b>0</b>	0
Deferred revenue addition	<b>843</b>	409	<b>0</b>	0
Transfer of deferred revenue	<b>(409)</b>	(581)	<b>0</b>	0
<b>Current deferred Income at 31 March 2014</b>	<b>843</b>	409	<b>0</b>	0
<b>Total deferred income</b>	<b>843</b>	409		

### 32 Finance lease obligations as lessee

*These relate to medical equipment and IT leases implicit in managed service contracts.*

<b>Amounts payable under finance leases (Other)</b>	Minimum lease payments		Present value of minimum lease payments	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Within one year	<b>227</b>	173	<b>202</b>	148
Between one and five years	<b>218</b>	216	<b>197</b>	206
After five years	<b>0</b>	0	<b>0</b>	0
Less future finance charges	(46)	(35)		
Minimum Lease Payments / Present value of minimum lease payments	<b>399</b>	354	<b>399</b>	354

Included in:

Current borrowings	<b>202</b>	148
Non-current borrowings	<b>197</b>	206
	<b>399</b>	354

### Finance leases as lessee

	31 March 2014 £000s	31 March 2013 £000s
Future Sublease Payments Expected to be received	<b>0</b>	0
Contingent Rents Recognised as an Expense	<b>0</b>	0

### 33 Finance lease receivables as lessor

The Trust has no finance lease receivables as at 31 March 2014 (prior year also nil).

### 34 Provisions

	Comprising:			
	Total £000s	Departure Costs £000s	Legal Claims £000s	Other * £000s
<b>Balance at 1 April 2013</b>	<b>3,222</b>	1,034	346	1,842
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0
Arising During the Year	558	5	367	186
Utilised During the Year	(603)	(76)	(235)	(292)
Reversed Unused	(92)	(39)	(53)	0
Unwinding of Discount	58	21	0	37
Change in Discount Rate	251	110	0	141
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>3,394</b>	<b>1,055</b>	<b>425</b>	<b>1,914</b>

#### Expected Timing of Cash Flows \*\*:

No Later than One Year	778	76	425	277
Later than One Year and not later than Five Years	703	293	0	410
Later than Five Years	1,913	686	0	1,227

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

<b>As at 31 March 2014</b>	<b>32,981</b>
<b>As at 31 March 2013</b>	<b>23,000</b>

\*The provisions classified under "other" include amounts for permanent injury benefit awards, the EU Greenhouse Gas Emissions Trading Scheme and the Carbon Reduction Commitment Scheme.

\*\* The timing of cash flows is based on the expected payments (pensions/permanent injury benefits) and expected settlement date of claims (all other). The latter, due to the nature of legal claims, is particularly subject to change.

### 35 Contingencies

	31 March 2014 £000s	31 March 2013 £000s
<b>Contingent liabilities</b>		
Equal Pay	0	0
Legal claims	(206)	(41)
Amounts Recoverable Against Contingent Liabilities	0	0
<b>Net Value of Contingent Liabilities</b>	<b>(206)</b>	<b>(41)</b>
<b>Contingent Assets</b>		
Contingent Assets	0	0
<b>Net Value of Contingent Assets</b>	<b>0</b>	<b>0</b>

### 36 PFI - additional information

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

	2013-14 £000s	2012-13 £000s
<b>Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI</b>		
Total charge to operating expenses in year - OFF SOFP PFI	0	0
Service element of on SOFP PFI charged to operating expenses in year	<u>25,567</u>	<u>22,655</u>
<b>Total</b>	<u>25,567</u>	<u>22,655</u>

#### Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI

No Later than One Year	24,245	25,307
Later than One Year, No Later than Five Years	90,808	90,271
Later than Five Years	<u>678,020</u>	<u>681,996</u>
<b>Total</b>	<u>793,073</u>	<u>797,574</u>

#### Imputed "finance lease" obligations for on SOFP PFI contracts due

	2013-14 £000s	2012-13 £000s
No Later than One Year	21,832	19,169
Later than One Year, No Later than Five Years	86,075	85,281
Later than Five Years	<u>551,629</u>	<u>557,056</u>
<b>Subtotal</b>	<u>659,536</u>	<u>661,506</u>
Less: Interest Element	<u>(386,084)</u>	<u>(383,907)</u>
<b>Total</b>	<u>273,452</u>	<u>277,599</u>

#### Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due

	2013-14 £000s	2012-13 £000s
<b>Analysed by when PFI payments are due</b>		
No Later than One Year	5,893	4,147
Later than One Year, No Later than Five Years	24,574	24,769
Later than Five Years	<u>242,985</u>	<u>248,683</u>
<b>Total</b>	<u>273,452</u>	<u>277,599</u>

#### Number of on SOFP PFI Contracts

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

The PFI arrangement is between the Trust and New Hospitals, the latter being the special purpose vehicle currently acting for Medirest and Vinci. The main scheme is to build two new hospitals at the Trust's two sites in St Helens and Whiston. All construction was complete in November 2012. The contract term runs to August 2047, the price base being uplifted annually by the Retail Price Index as at December, the base RPI having been set in December 2002. For the duration of the arrangement Vinci will provide hard facilities management (FM) services while soft FM services are currently provided by Medirest and are subject to market testing. A benchmarking exercise for Soft FM has resulted in Medirest being awarded a further 5 year contract commencing June 2013. The service will be market tested every 5 years thereafter.

At the end of the arrangement the ownership of the buildings will pass to the Trust. Under IFRIC12 as interpreted for the public sector, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges.

The PFI arrangement also incorporates a managed equipment service provided by GE which expires in 2026. In the contract the legal title of equipment remains that of GE for the duration of the contract with the legal title passing to the Trust upon expiry of the MES Contract term when the Trust shall purchase all functioning MES Equipment at a price equivalent to the current net book value.

37 Impact of IFRS treatment - current year

2013-14  
£000s

2012-13  
£000s

The information below is required by the Department of Health for budget reconciliation purposes

**Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g. PFI / LIFT)**

Depreciation charges	4,422	4,440
Interest Expense	15,022	15,295
Impairment charge - AME	0	(8,405)
Impairment charge - DEL	0	0
Other Expenditure	25,567	22,655
Revenue Receivable from subleasing	0	0
Impact on PDC dividend payable	(84)	(104)
<b>Total IFRS Expenditure (IFRIC12)</b>	<b>44,927</b>	<b>33,881</b>
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	(44,270)	(42,830)
<b>Net IFRS change (IFRIC12)</b>	<b>657</b>	<b>(8,949)</b>

**Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12**

Capital expenditure 2013-14	890	0
UK GAAP capital expenditure 2013-14 (Reversionary Interest)	2,180	2,147

## 38 Financial Instruments

### 38.1 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 (CCG's) and the way those CCG's 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 NHS Trust Development 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 CCG's, 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.

### 38.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Loans and receivables £000s	Total £000s
Embedded derivatives	0			0
Receivables - NHS		4,007		4,007
Receivables - non-NHS		1,668		1,668
Cash at bank and in hand		13,470		13,470
Other financial assets	0	0	0	0
<b>Total at 31 March 2014</b>	<b>0</b>	<b>19,145</b>	<b>0</b>	<b>19,145</b>
Embedded derivatives	0			0
Receivables - NHS		2,279		2,279
Receivables - non-NHS		1,064		1,064
Cash at bank and in hand		7,941		7,941
Other financial assets	0	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>11,284</b>	<b>11,284</b>	<b>1,1284</b>

### 38.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0		0
NHS payables		680	680
Non-NHS payables		2,183	2,183
Other borrowings		0	0
PFI & finance lease obligations		273,851	273,851
Other financial liabilities	0	0	0
<b>Total at 31 March 2014</b>	<b>0</b>	<b>276,714</b>	<b>276,714</b>
Embedded derivatives	0		0
NHS payables		283	283
Non-NHS payables		2,775	2,775
Other borrowings		0	0
PFI & finance lease obligations		277,953	277,953
Other financial liabilities	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>281,011</b>	<b>281,011</b>

### 39 Events after the end of the reporting period

The Trust has no post balance sheet events to report.



#### 40 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 St Helens and Knowsley Teaching Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year St Helens and Knowsley Teaching Hospitals has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are:

St Helens CCG  
 Knowsley CCG  
 Halton CCG  
 NHS England  
 NHS Litigation Authority  
 NHS Business Services Authority  
 Various other CCGs, NHS trusts and NHS foundation trusts.

The Trust has also received revenue and capital payments from the Trust's related NHS charity, the St Helens and Knowsley Hospitals Charitable Fund, the trustees for which are also members of the NHS Trust board. Please refer to the separate Trustees Report and Accounts for this charity.

#### 41 Losses and special payments

	<b>Total Value of Cases £s</b>	<b>Total Number of Cases</b>
Losses	5,642	119
Special payments	260,760	95
<b>Total losses and special payments</b>	<b>266,402</b>	<b>214</b>

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

	<b>Total Value of Cases £s</b>	<b>Total Number of Cases</b>
Losses	11,841	40
Special payments	109,273	71
<b>Total losses and special payments</b>	<b>121,114</b>	<b>111</b>

There were no cases exceeding £250,000 in 2013-14 (2012-13 also nil).

#### 42. 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.

## 42.1 Breakeven performance

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Turnover	190,323	197,085	268,405	214,116	236,411	252,944	263,864	278,572	<b>288,448</b>
Retained surplus/(deficit) for the year	106	257	219	(22,687)	(44,653)	(25,613)	(25,456)	10,691	<b>816</b>
Adjustment for:									
Timing/non-cash impacting distortions:									
Pre FDL(97)24 Agreements	0	0	0	0	0	0	0	0	<b>0</b>
2006/07 PPA (relating to 1997/98 to 2005/06)	0								
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0							
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0						
Adjustments for Impairment				22,904	37,155	21,939	25,017	(9,427)	<b>0</b>
Adjustments for impact of policy change redonated/government grants assets									
Consolidated Budgetary Guidance							40	(564)	<b>(323)</b>
- Adjustment for Dual Accounting under IFRIC 12*					7,723	3,970	704	0	<b>657</b>
Adsorption Accounting Adjustment								0	<b>0</b>
Other agreed adjustments	0	0	0	0	0	0	0	0	<b>0</b>
Break-even in-year position	<b>106</b>	<b>257</b>	<b>219</b>	<b>217</b>	<b>225</b>	<b>296</b>	<b>305</b>	<b>700</b>	<b>1,150</b>
Break-even cumulative position	<b>2,114</b>	<b>2,371</b>	<b>2,590</b>	<b>2,807</b>	<b>3,032</b>	<b>3,328</b>	<b>3,633</b>	<b>4,333</b>	<b>5,483</b>

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

	2005-06	2006-07	2007-08	2008-09	2008-09	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	0.06	0.13	0.08	0.10	0.10	0.12	0.12	0.25	0.40
Break-even cumulative position as a percentage of turnover	1.11	1.20	0.96	1.31	1.31	1.32	1.38	1.56	1.90

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.

## 42.2 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%.

## 42.3 External financing

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

	<b>2013-14</b> £000s	2012-13 £000s
External financing limit (EFL)	<b>(7,842)</b>	(10,070)
Cash flow financing	<b>(9,253)</b>	(9,977)
Unwinding of Discount Adjustment	<b>58</b>	0
Finance leases taken out in the year	<b>219</b>	0
Other capital receipts	<b>(395)</b>	(661)
External financing requirement	<b>(9,371)</b>	(10,638)
<b>Under/(Over) Spend against EFL</b>	<b><u>1,529</u></b>	<u>568</u>

## 42.4 Capital resource limit

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

	<b>2013-14</b> £000s	2012-13 £000s
Gross capital expenditure	<b>4,257</b>	2,898
Less: book value of assets disposed of	<b>0</b>	(547)
Less: capital grants	<b>0</b>	0
Less: donations towards the acquisition of non-current assets	<b>(444)</b>	(661)
<b>Charge against the capital resource limit</b>	<b><u>3,813</u></b>	<u>1,690</u>
Capital resource limit	<b>4,311</b>	2,121
<b>(Over)/underspend against the capital resource limit</b>	<b><u>498</u></b>	<u>431</u>

## 43 Third party assets

The Trust held £10,819 cash and cash equivalents as at 31 March 2014 (prior year £11,318) which relates to moneys held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.







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