The Leeds Teaching Hospitals
NHS Trust

Annual Accounts 2013/14

Financial Review

Despite a very difficult year with the backdrop of a challenging economic climate, the Trust delivered a small surplus of £0.5 million in 2013-14, which is slightly better than the break even position planned for at the start of the financial year. This and other indicators of financial performance are summarised in the table below.

	31 March 2014 £M	31 March 2013 £M	Statutory Duty
Retained Surplus	0.5	1.5	Breakeven
Cash	23.2	24.3	External Financing Limit (EFL)
Capital Expenditure	29.0	35.3	Capital Resource Limit (CRL)
	%	%	%
% Invoices paid in 30 days	67%	80%	95%

In achieving this position, the Trust has continued to maintain high quality services and in doing so has increased expenditure significantly when compared to last year. This has only been possible with the continued support of commissioners with whom we have worked very closely throughout the year. This close collaboration has ensured that income has similarly increased in order to pay for all of the goods and services required to provide patient care at the high standard expected.

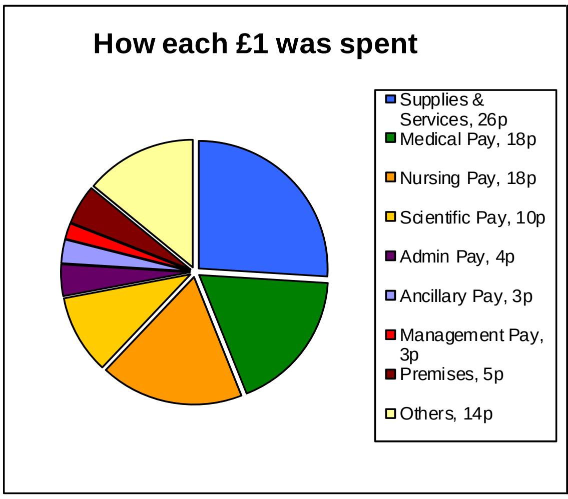
Expenditure increased between the two financial years by £43.9 million (growth in percentage terms of 4.5%); £15.3 million of which was on pay costs (2.6%) and £28.6 million on non pay costs (7.3%).

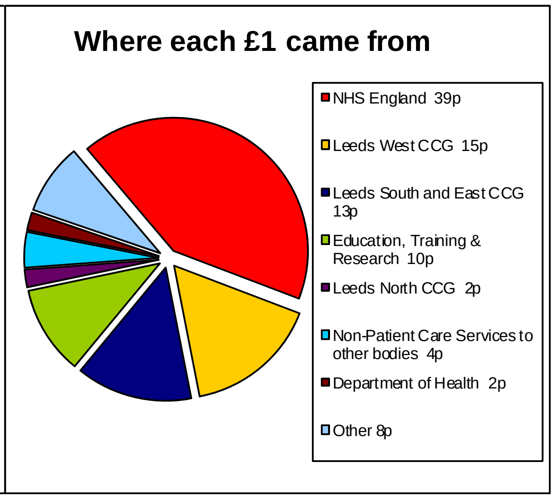
Of the increase in pay costs the majority of the increase relates to pay awards and incremental costs (2.1%), with the remainder being the result of a growth in staff numbers of 88 when compared to last year. This increase has predominantly been in staff groups with a direct link to patient care - nursing and medical staff numbers increased by 167 across the year, with a corresponding decrease in administrative and estates workers of 62 and smaller numbers elsewhere.

The largest growth area in non pay this year was in clinical supplies and services which increased by £23.7 million compared to last year, and of that figure the main increases were in drugs (£14 million). There was also a slight increase in costs associated with the use of the independent sector in 2013-14, driven by the Trust's commitment to ensure waiting lists are kept as low as possible.

There was a significant change in the commissioning landscape in 2013-14. With the abolition of primary care trusts and strategic health authorities at the start of the financial year.The creation of NHS England and clinical commissioning groups meant the principal source of income to the Trust changed, and this is reflected in the accounts in section 5 of the notes.

This change highlighted the importance of the Trust's need to work closely with its new commissioning partners, and to build successful working relationships between the two. In doing so, we have ensured that the additional expenditure incurred in this year to deliver high quality patient care has been fully supported by our commissioners. The following charts show where our income came from and how it was spent.





Balance Sheet, Cash Flow and Going Concern

Net assets employed have increased by £8.7 million to £345.8 million compared to the previous year and there has been a reduction of £2.8 million in net current liabilities. Property, plant and equipment assets have reduced in value slightly as illustrated below:

	£ million
1 April 2013 Property, Plant, Equipment and Intangible assets	602.6
Capital Investment	29.0
Depreciation and Amortisation	(31.8)
Equipment disposals	(0.5)
31 March 2014 Property, Plant, Equipment and Intangible assets	599.3

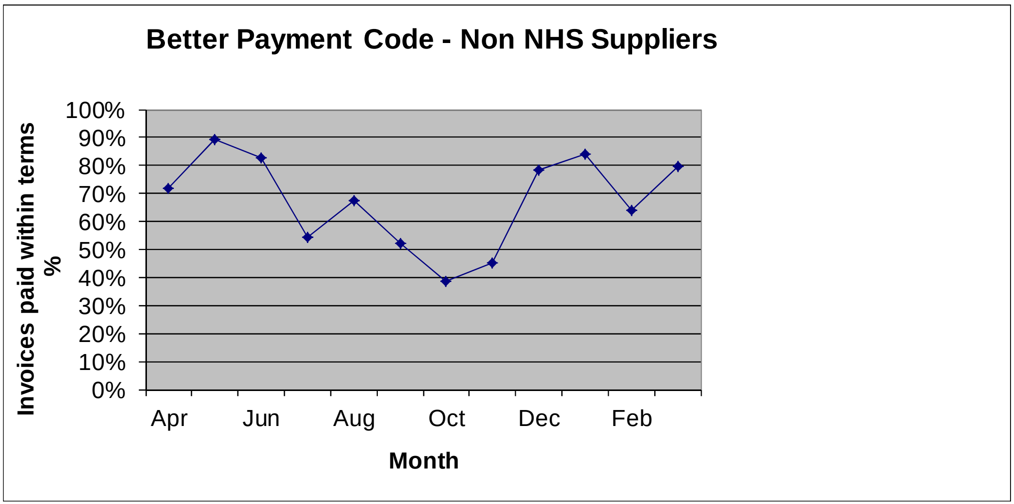
The sale of land at Seacroft did not affect the carrying value of property. Following the introduction of a modern equivalent asset based valuation in 2010 the land in question carried no value for the purpose of providing healthcare services. Once declared surplus it was independently assessed for market value and the transactions taken through the Statement of Changes in Taxpayers' Equity (see page 3)

Total loans and borrowing liabilities on the Balance Sheet amount to £249 million, a reduction of £7.5 million in the year with no additional loans taken in 2013-14. Of the outstanding balance at 31 March £207 million relates to the Bexley Wing and Wharfedale Hospital Private Finance Initiative (PFI) schemes while £42 million is owed to the Department of Health for capital investment loans taken in previous years.

The cash balance at 31 March of £23.2 million is £1.1 million less than the opening position. There was an expectation that 2013-14 would present some cash challenges and the planned end of year balance was £18 million. The increase was made possible by the receipt from our land sale. In fact, the year proved to be even more challenging from a cash point of view than anticipated.

April 2013 saw major changes in the way the NHS is structured and managed. New national and local bodies were established with responsibility for purchasing healthcare on behalf of patients from provider organisations such as Leeds Teaching Hospitals NHS Trust. The Trust established excellent working relationships with these new commissioners and was able to agree robust contractual arrangements. During the year, however, we experienced some delays in payment which added to cash shortfalls when coupled with our own challenging income and expenditure situation. These did mean that we experienced some difficulties in meeting all of our commitments to pay our suppliers within agreed timescales.

Under the terms of the Better Payment Practice Code we are required to pay suppliers within 30 days. Across the year our performance with non NHS suppliers fell to an average of just 67%. We need to improve this position. The chart below illustrates performance across each month of the year and it will be seen that there was improvement in the later period. A number of measures were put in place to improve cash flow and many of these are projects that will continue into 2014-15. The Trust is extremely grateful to our commissioning partners and our suppliers for their continuing support.



In light of the cash challenges in 2013-14 and more significantly the fact that the Trust is planning a deficit budget of £50 million in the next financial year it is important to reflect on why the annual accounts have been prepared on the “going concern” basis.

Looking forward to the foreseeable future it is evident that the Trust is facing very difficult financial pressures. To deal with these, and the efficiency savings that will have to be delivered as a result, the Trust has developed a plan to ensure its underlying financial sustainability after two years of deficit budgets.

The NHS Trust Development Authority has agreed the plan and also to provide the necessary financial support during that period. The Trust therefore has access to cash which will ensure that it can meet all of its financial obligations and maintain its liquidity. In those circumstances it is quite right that the accounts continue to be presented on the basis of going concern.

Capital Investment

Capital expenditure in 2013-14 was £29 million and is analysed in the table on the following page. Alongside schemes to maintain our existing infrastructure, replace equipment or ensure safety, there was considerable investment in service development. For example we opened our new Major Trauma Centre at St James’s University Hospital early in the year and replaced two ageing linear accelerators in Bexley Wing with state-of-the-art models which will deliver additional benefits to our patients.

CAPITAL EXPENDITURE SUMMARY 2013/14	
Description	**Amount £000**
EQUIPMENT	
2 Linear Accelarators	2,563
Gamma Camera	641
Vascular Theatre Room 2	635
Catheter Lab 2 - Upgrade	461
6 Ultrasound Machines	355
Renal Dialysis Machines	255
HDR Brachytherapy Equipment	200
Other	2,748
Sub Total	**7,858**
BUILDING AND ENGINEERING SCHEMES	
St James's Electrical Infrastructure	4,581
Multi Specialty Trauma Ward	1,075
Critical Care	956
Legionella/Pseudomona works - Trustwide	387
PICU Wards L47/L48 Clarendon Wing	293
Paediatric Cardiology Ward L51 Clarendon Wing	279
Asbestos Management	273
Seacroft Boiler	230
ENT Clinic - LGI	212
Occupational Health - LGI	205
Other minor works	4,611
Sub Total	**13,102**
INFORMATICS	
Data Storage Management	1,885
Windows 7 Migration	1,764
Dental Clinical System	761
Clinical Documentation	544
Electronic Patient Records	458
Clinical Portal	398
Order Communications	341
IT Infrastructure	305
Other	1,634
Sub Total	**8,090**
Grand Total - Gross Capital Spend	**29,050**

Conclusion

There is no doubt that 2013-14 was difficult financially and that the Trust was required to manage a challenging cash position. To achieve its planned breakeven position and be able to invest £29 million in capital projects does therefore represent a satisfactory achievement. The quality of patient care was and will continue to remain paramount in the more economically problematic years that lie ahead.

For the first time in its history the Trust is in the position of planning deficit budgets in 2014-15 and 2015-16. The entire NHS is facing increasing financial constraints and is required to make on-going efficiency savings of approximately 4%.

Leeds Teaching Hospitals NHS Trust has plans in place to deliver its financial targets in the coming years and return to a position of underlying financial sustainability. Cost improvements will be necessary as will the continued support of our commissioners and the NHS Trust Development Authority who have agreed to provide working capital during our return to breakeven. Directors are grateful for this support and committed to delivering the best healthcare services from a secure financial base.

TONY WHITFIELD
Director of Finance

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

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

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

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

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

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

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

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

JULIAN HARTLEY
Chief Executive

29th May 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, directors are required to:

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

JULIAN HARTLEY	**TONY WHITFIELD**
Chief Executive	**Director of Finance**

29th May 2014

Annual Governance Statement

1. Scope of responsibility

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

2. The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Leeds Teaching Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

3.1 The Board of Directors provides leadership on the overall governance agenda. The Board of Directors is supported by a range of sub-committees that scrutinise and review assurances on internal control; such sub committees include the Audit, Quality, Finance & Investment, Workforce and the Research, Education and Training committees. The Risk Management Committee is a new management committee reporting to the Board of Directors, established in March 2014. Going forward the Risk Management Committee will oversee all risk management activity to ensure: (a) the correct strategy is adopted for managing risk; (b) controls are present and effective; and (c) action plans are robust for those risks that remain intolerant. The Risk Management Committee is chaired by myself as Chief Executive and comprises of all Executive Directors. Senior managers and specialist advisors shall routinely attend each meeting. The Trust has kept under review and updated the Risk Management Policy that clearly describes the process for managing risk and the roles and responsibilities of staff. While the Risk Management Committee reports directly to the Board through me, it also works closely with the Audit Committee and other committees of the Board in order to triangulate material issues in accordance with the Board's appetite for taking risk and ensure a coordinated approach to effective risk treatment.

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

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

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

3.5 The Board of Directors is developing arrangements to scan the horizon for emergent threats and opportunities and consider the nature and timing of the response required in order to ensure risk is kept under prudent control at all times.

4. The risk and control framework

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

(i) Determine priorities

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

(ii) Risk Identification

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

(iii) Risk Assessment

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

(iv) Risk Response (Risk Treatment)

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

(v) Risk Reporting

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

(vi) Risk Review

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

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

Risk Profile

5. Significant Risks Facing the Trust

5.1 As at 31st March 2014, Leeds Teaching Hospitals NHS Trust has identified a range of significant risks, which are currently being mitigated, whose impact could have a direct bearing on compliance, CQC registration or the achievement of corporate objectives in the following areas should the mitigation plans be ineffective:

- Exposure to Healthcare Associated Infections (MRSA and C. difficile)
- Failure to maintain a minimum FRR level 3
- Adequacy of nurse staffing levels
- Quality and completeness of employee appraisal
- Completion of mandatory training
- Supply of medical workforce
- Compliance with 18-Week Referral to Treatment Target
- Compliance with A&E 4-hour Target
- Compliance with 6-week Diagnostic Waiting Time Target
- Compliance with 2-week waiting time target for urgent referrals for breast symptoms where cancer is not initially suspected
- Compliance with 62-day Cancer Target
- Adequacy of data quality and data governance
- Adequacy of IT investment
- Current Terms & Conditions of service and working patterns impede further development of 24/7 patient care

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

6. Care Quality Commission Registration

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

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

6.2 The Trust is registered with the Care Quality Commission, has no compliance actions in force and is fully compliant with the *Essential Standards for Quality and Safety*. The Care Quality Commission inspected the Trust on two separate occasions during 2013/14; the first inspection took place in October 2013; the most recent inspection took place during March 2014. This was part of the new comprehensive inspection - wave 2, following publication of the first Intelligent Monitoring Report by the Care Quality Commission in October 2013. The outcome of the March inspection has yet to be formally reported to the Trust; there we no major concerns brought to our attention during the CQC's verbal feedback to the Trust. There were no major concerns raised by the Care Quality Commission during 2013/14.

7. Pensions

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

8. Carbon Reduction

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

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

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

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

9.2 The Trust is required to submit to the NHS Trust Development Authority an Annual Plan incorporating a supporting financial plan approved by the Board of Directors. This informs the detailed operational plans and budgets which are also approved by the Board. The views obtained from stakeholders are taken into account by the Board prior to approval.

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

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

10. Annual Quality Report

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

10.2 The Trust has continued to embed strong clinical leadership for the development of the Annual Quality Account during 2013/14 and this has been provided by the Chief Medical Officer in close collaboration with the Chief Nurse and the Chief Operating Officer. Assurance relating to the outcomes highlighted within the Annual Quality Account are provided to the Quality Committee (QC), a formal committee of the Trust Board, which is chaired by a Non-Executive Director, overseen by the Trust Chairman in 2013/14. The Quality Committee is responsible for overseeing the production of the Annual Quality Account and for overseeing monitoring indicators and data quality. The Trust has engaged with partner organisations, including Leeds Healthwatch and commissioners at NHS West Leeds CCG to agree to priority quality goals for 2014/15, relating to the key quality domains: safety, effectiveness, experience.

A limited scope assurance report is provided by external audit on the content of the quality account and selected key performance indicators.

There are a range of sub-committees and groups established under the leadership of the Quality Committee to take forward and evaluate safety, quality and patient experience, including the Risk and Safety, Clinical Effectiveness and Outcomes, Patient experience and Information Governance sub-committees.

Each element of the Patient Safety, Quality and Patient Experience programme is supported by a range of policies, procedures and safe systems to promote staff engagement and ensure the implementation of key safety initiatives. Examples of this include hand hygiene audits, safer surgery checklists, pressure ulcer audits and venous thromboembolism risk assessment tools.

During 2013/14, there has been further development of the quality and safety metrics in the Board's Integrated Quality and Performance report. Reports received by the Board contain information in relation to incidents and complaints trends and root cause analysis investigations, including notification of serious incidents.

11. Review of effectiveness

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

12. The Board of Directors

12.1 The Board has set out the governance arrangements including the committee structure within the Standing Financial Instructions. The Chairs of the Board's Committees report to the Board at the first available Board meeting after each committee meeting. Urgent matters are escalated by the committee chair to the Board as deemed appropriate.

13. Internal Audit

13.1 With respect to the internal audits concluded during 2013-14, there were 15 assignments for which Internal Audit reported the level of assurance as limited for the year ended 31st March 2014. These audits provide limited assurance as a result of weaknesses in the design and/or operation of controls. Management action plans are developed and implemented or in the process of being implemented to address identified weaknesses, and progress against these is reviewed by the Audit Committee.

14. External Audit

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

15. Significant In-Year Matters

- The Trust did not meet the national requirement to treat a minimum of 90% of patients within 18-weeks of referral for those patients on the admitted pathway. We closed the year with 89.3% of admitted patients being treated within 18 weeks. The Trust started the year with an admitted backlog of approximately 2,000 patients waiting more than 18 weeks; our efforts to address the admitted backlog have resulted in a substantial reduction to approximately 500 patients (on 12/05/14) waiting 18 weeks or more. This is the lowest level of backlog ever achieved by the Trust and an important step towards improving access for patients. Clearing the backlog enables the Trust to sustainably treat patients in chronological order, whilst reliably delivering the 90% admitted standard.

- The Trust did not meet the national requirement to treat a minimum of 85% of patients referred for suspected cancer within 62 days of referral from a GP. We closed the year with 82% of patients with suspected cancer being treated within 62-days of referral from their GP. Surgical staffing challenges during the year, combined with late referrals adversely affected our ability to meet this standard in full. We are continuing to work closely with neighbouring providers, GPs, commissioners and other relevant stakeholders to improve the timeliness of referrals to the Trust and also working to improve internal systems and processes and build capacity to improve performance for all patients. The Trust is developing plans to increase theatre capacity and utilisation within Urology and Thoracic surgery to improve resilience and performance during the year ahead.

- The Trust did not meet the national requirement for all last minute cancelled operations to be rebooked within 28 days. The Trust endeavours to ensure cancellations are avoided wherever possible, and we recognise the need to reduce the rate of cancelled operations and improve performance re-booking procedures procedures within 28 days. This work is allied to securing improvements across a range of internal pathways and targets including 18-week RTT, cancer targets and urgent care performance. Going forward the Trust is reviewing internal processes to ensure this standard can be met in future.

- The Trust did not meet the national requirement to see a minimum of 93% of patients within 2 weeks of an urgent referral for breast symptoms where cancer was not initially suspected. The Trust closed the year with 92.5% of patients referred urgently for breast symptoms. Going forward the Trust is reviewing capacity and demand models alongside internal processes to ensure this standard can be met in future.

- Whilst the Trust has improved infection prevention, we did not meet the trajectory to reduce the incidence of *Clostridium difficile* or MRSA infections resulting in a £2m penalty under the contract. We have established a detailed infection prevention action plan encompassing a wide range of specific interventions to minimise risk for patients and improve the control of infection throughout the Trust. This remains a high priority in the year ahead.

- There were 56 reported events during the year that crossed the seriousness threshold and were declared a Serious Incident. Each case has been investigated and reported to local commissioners. Detailed action plans are developed in response to specific cases.

- Eight patients were exposed to ‘Never Events’ during the year. The nature of those events involved nasogastric tube misplacement (n=1), retained swab or foreign body following surgery (n=6), and wrong device implantation during surgery (n=1). The harm caused by these events to individual patients ranged between severe harm (n=1), moderate harm (n=3) and minor harm (n=4).

- There were 69 events during the reporting period that crossed the threshold for reporting to the Health & Safety Executive under the provisions of the *Reporting of Injuries, Diseases or Dangerous Occurrences* (RIDDOR) Regulations. This represents a year-on year reduction, although not an acceptable outturn. We plan to review the Trust's Safety Management System going forward with a view to achieving further reductions in the incidence of RIDDOR reportable events.

- There was one formal *Prevention of Future Death Report* (formerly known as *Rule 43*) issued by the Coroner. The Trust has addressed the concerns raised by the Coroner and there are no outstanding actions regarding this case.

- There were two breaches of data protection reported to the Information Commissioner's Office on which a judgment by the Information Commissioner is pending.

- There were significant gaps in nurse staffing levels for which it was necessary to agree an investment of £6m for 2014/15 to address shortfalls and work towards increasing nurse staffing levels to a blueprint put in place by the Chief Nurse.

- We reviewed compliance with the Joint Accreditation Group National Endoscopy Programme standards for decontamination of flexible endoscopes during the year and found unacceptable gaps in control, particularly at Wharfedale General Hospital, in respect of endoscope reprocessing. Arrangements were put in place to install a fully compliant reprocessing operation which is near completion. There were no reports of any harm to patients or staff arising from this matter.

- The Trust has not met its obligation to deliver high quality education and training for foundation year doctors in Orthopaedic services at Leeds General Infirmary. There is a detailed action plan to deliver improvements although there is a risk that these posts will be withdrawn. A further assessment of the training will take place in June 2014.

- On joining the Trust the Chief Executive was made aware by the Interim Director of Finance of a significant underlying deficit and insufficient cost improvement plans. We commissioned KPMG to undertake a review of the Trust's financial health. This work confirmed the scale of the Trust's future financial deficit. The Trust has appointed a Financial Turnaround Director. Following his appointment in January 2014 the Director of Finance considered that the arrangements for financial stewardship and reporting were lacking against best practice. Immediate remedial action has been taken and further actions are planned to improve core financial control and governance. Whilst 2013/14 ended with a small surplus, this was achieved in large part with non-recurring support from local commissioners. Going forward, plans for 2014/15 are set requiring £50m of external support and £54m of Cost Improvement (CIP) Schemes.

16. Concluding Remarks

16.1 As Accounting Officer with responsibility for maintaining a sound system of internal control at Leeds Teaching Hospitals NHS Trust, a responsibility I assumed from 14th October 2013, I have reviewed the system of internal control. At the time of my appointment the Trust was and remains in Stage 4 escalation with the NHS Trust Development Authority. I have focused on assessing the breadth and depth of problems leading to control weakness in order to understand the effectiveness of the system of internal control and I have taken steps to address the issues of which I am aware. My review confirms that Leeds Teaching Hospitals NHS Trust has a system of internal control in operation, but this requires improvement to better support the achievement of the Trust's policies, aims and objectives going forward. Those control issues highlighted in this statement have been or are currently being addressed. I confirm that there are no other significant breaches of internal control that have been brought to my attention in respect of the financial year ended 31st March 2014 and up to the date of approval of the annual report and accounts.

Julian Hartley
Chief Executive
29th May 2014

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

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Leeds 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; 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.

Referral to the Secretary of State

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

On 28 May 2014 we referred a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 in relation to the Trust approving a two year financial plan which budgets for a deficit in 2014/15 and 2015/16, with a forecast breakeven position in 2016/17. Over this three year period, a planned cumulative deficit of £76.8m is expected, as a result of which the Trust will fail to achieve its three year statutory breakeven target.

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

Respective responsibilities of the Trust and auditors

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Trust has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Basis for qualified conclusion

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

The Trust Board has approved a two year financial plan with a planned deficit of £50.2 million in 2014/15 and a further deficit of £26.6 million in 2015/16.The deficit plans in both years are subject to agreement by relevant stakeholders and include the provision of additional cash support.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects Leeds Teaching Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 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.

Phil Jones

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

No.1 Whitehall Riverside
Leeds
LS1 4BN

29 May 2014

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	NOTE	**2013-14 £000**	2012-13 £000
Gross employee benefits	10.1	**(599,030)**	(583,729)
Other operating costs	8	**(422,624)**	(394,020)
Revenue from patient care activities	5	**875,760**	814,685
Other Operating revenue	6	**169,156**	187,759
Operating surplus		**23,262**	24,695
Investment revenue	12	**87**	85
Other gains and (losses)	13	**53**	61
Finance costs	14	**(12,759)**	(12,985)
Surplus for the financial year		**10,643**	11,856
Public dividend capital dividends payable		**(10,147)**	(10,358)
Retained surplus for the year		**496**	1,498

Other Comprehensive Income

	2013-14 £000	2012-13 £000
Net gain on revaluation of property, plant & equipment	**5,050**	0
Reclassification Adjustments		
On disposal of available for sale financial assets	**(5,050)**	0
Total Comprehensive Income for the year	**496**	1,498

Financial performance for the year

	2013-14 £000	2012-13 £000
Retained surplus for the year	**496**	1,498
IFRIC 12 adjustment (including IFRIC 12 impairments)	**969**	1,238
Adjustments in respect of donated asset reserve elimination	**150**	353
Adjusted retained surplus	**1,615**	3,089

A trust's reported NHS financial performance position is derived from its retained surplus/(deficit), but adjusted to take account of the revenue cost of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) in 2009/10). NHS trusts' 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 PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This additional cost is not considered part of the organisation's financial performance.

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

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

		31 March 2014	31 March 2013
	NOTE	**£000**	£000
Non-current assets:			
Property, plant and equipment	15	**598,468**	601,898
Intangible assets	16	**840**	707
Trade and other receivables	20.1	**11,615**	10,592
Total non-current assets		**610,923**	613,197
Current assets:			
Inventories	19	**17,635**	16,676
Trade and other receivables	20.1	**48,141**	35,590
Cash and cash equivalents	21	**23,236**	24,348
Total current assets		**89,012**	76,614
Non-current assets held for sale	22	**0**	0
Total current assets		**89,012**	76,614
Total assets		**699,935**	689,811
Current liabilities			
Trade and other payables	23	**(93,923)**	(85,410)
Provisions	27	**(3,172)**	(2,356)
Borrowings	24	**(4,459)**	(4,229)
Capital loan from Department of Health	24	**(3,356)**	(3,356)
Total current liabilities		**(104,910)**	(95,351)
Net current (liabilities)		**(15,898)**	(18,737)
Non-current assets less net current liabilities		**595,025**	594,460
Non-current liabilities			
Trade and other payables	23	**(2,315)**	(2,154)
Provisions	27	**(5,517)**	(5,988)
Borrowings	24	**(202,771)**	(207,229)
Capital loan from Department of Health	24	**(38,642)**	(41,998)
Total non-current liabilities		**(249,245)**	(257,369)
Total Assets Employed:		**345,780**	337,091
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**293,954**	290,811
Retained earnings		**(29,990)**	(35,536)
Revaluation reserve		**81,816**	81,816
Total Taxpayers' Equity:		**345,780**	337,091

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

The financial statements on pages 1 to 38 were approved by the Board on 29th May 2014 and signed on its behalf by:

JULIAN HARTLEY
Chief Executive

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2014

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000	£000	£000	£000	£000
Balance at 1 April 2013	**290,811**	**(35,536)**	**81,816**	**0**	**337,091**
Changes in taxpayers' equity for 2013-14					
Retained surplus for the year	0	496	0	0	**496**
Net gain on revaluation of property, plant, equipment	0	**0**	5,050	0	**5,050**
Reclassification Adjustments					
On Disposal of Available for Sale financial Assets	0	0	(5,050)	0	**(5,050)**
New PDC Received - Cash	3,143	0	0	0	**3,143**
Other Movements	0	5,050	0	0	**5,050**
Net recognised revenue for the year	**3,143**	**5,546**	**0**	**0**	**8,689**
Balance at 31 March 2014	**293,954**	**(29,990)**	**81,816**	**0**	**345,780**

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
Balance at 1 April 2012	**290,701**	**(37,076)**	**81,816**	**42**	**335,483**
Changes in taxpayers' equity for 2012-13					
Retained surplus for the year	0	1,498	0	0	1,498
Transfers between reserves	0	42	0	(42)	0
Reclassification Adjustments					
New PDC Received	110	0	0	0	110
Net recognised revenue/(expense) for the year	**110**	**1,540**	**0**	**(42)**	**1,608**
Balance at 31 March 2013	**290,811**	**(35,536)**	**81,816**	**0**	**337,091**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2014

	2013-14 £000	2012-13 £000
Cash Flows from Operating Activities		
Operating Surplus	**23,262**	24,695
Depreciation and Amortisation	**31,842**	31,247
Donated Assets received credited to revenue but non-cash	**0**	(933)
Interest Paid	**(12,763)**	(12,981)
Dividend Paid	**(10,014)**	(9,984)
(Increase) in Inventories	**(959)**	(253)
(Increase) in Trade and Other Receivables	**(17,282)**	(4,551)
Increase/(Decrease) in Trade and Other Payables	**10,053**	(854)
Provisions Utilised	**(1,269)**	(809)
Increase in Provisions	**1,614**	1,978
Net Cash Inflow from Operating Activities	**24,484**	27,555
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	**87**	85
Payments for Property, Plant and Equipment	**(26,704)**	(29,901)
Payments for Intangible Assets	**(340)**	(701)
Proceeds of disposal of assets held for sale (PPE)	**5,607**	85
Net Cash (Outflow) from Investing Activities	**(21,350)**	(30,432)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	**3,134**	(2,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital Received	**3,143**	110
Loans received from DH - New Capital Investment Loans	**0**	9,000
Loans repaid to DH - Capital Investment Loans Repayment of Principal	**(3,356)**	(3,131)
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI	**(4,228)**	(4,012)
Capital grants and other capital receipts	**195**	745
Net Cash (Outflow)/Inflow from Financing Activities	**(4,246)**	2,712
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,112)**	(165)
Cash and Cash Equivalents at 01 April 2013	**24,348**	24,513
Cash and Cash Equivalents at 31 March 2014	**23,236**	24,348

NOTES TO THE FINANCIAL STATEMENTS

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 financial statements.

1.1 Accounting convention

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

1.2 Going Concern

The Trust prepares its accounts on the basis that for the foreseeable future it will remain a going concern. This policy is reviewed each year by the directors who consider the financial position and other evidence to determine whether or not it is appropriate to continue to adopt the going concern basis in preparing the accounts. See note 35.1.

1.3 Charitable Funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with NHS Trusts' 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. The Trust does not have control over any charitable funds. The Leeds Teaching Hospitals Charitable Foundation is independently managed by its own Trustees and prepares its own financial statements. There is therefore no consolidation.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

1.4.1 Critical judgements in applying accounting policies

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

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

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.4.2 Key sources of estimation uncertainty

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

Plant, Property and Equipment - Para. 1.8 and Note 15
Provision for Impairment of Receivables - Note 20.3
Provisions - Para 1.18 and Note 27

1.5 Revenue

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

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

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

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

1.6 Employee Benefits

1.6.1 Short-term employee benefits

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

1.6.2 Retirement benefit costs

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

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

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

1.7 Other expenses

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

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- It is held for use in delivering services or for administrative purposes.
- It is probable that future economic benefits will flow to, or service potential will be supplied to, the Trust.
- It is expected to be used for more than one financial year.
- The cost of the item can be measured reliably and
- The item has a 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. In the Trust's case no alternative site has been sought and the valuation covers all of the existing hospital sites.

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

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

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

Subsequent expenditure

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

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.9 Intangible assets

1.9.1 Recognition

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

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

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

1.9.2 Measurement

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

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

1.10 Depreciation, amortisation and impairments

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

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

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

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.

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.11 Donated assets

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

1.12 Government grants

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

1.13 Non-current assets held for sale

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

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

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

1.14 Leases

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

The Trust as lessee

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

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.

Notes to the Financial Statements - 1. Accounting Policies (Continued)

The Trust as lessor

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

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

1.15 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI Asset

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

PFI liability

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

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

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

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

Notes to the Financial Statements - 1. Accounting Policies (Continued)

Lifecycle replacement

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

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

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

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

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

Other assets contributed by the Trust to the operator

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

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

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

1.16 Inventories

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

1.17 Cash and cash equivalents

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

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

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of -1.9% 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 ongoing activities of the entity.

1.19 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 27.

1.20 Non-clinical risk pooling

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

1.21 Carbon Reduction Commitment Scheme (CRC)

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

1.22 Contingencies

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

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

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

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.23 Financial assets

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

Financial assets are classified into the following categories:
- Financial assets at fair value through profit and loss
- Held to maturity investments.
- 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.

Loans and receivables

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

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

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

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

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

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

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.24 Financial liabilities

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

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

1.25 Value Added Tax

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

1.26 Foreign currencies

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

1.27 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 36 to the financial statements.

Notes to the Financial Statements - 1. Accounting Policies (Continued)

1.28 Public Dividend Capital (PDC) and PDC dividend

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

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

1.29 Losses and Special Payments

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

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

1.30 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 cashflows.

1.31 Research and development

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

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

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

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

2. Pooled budgets

There were no pooled budget arrangements in 2013/14 or in previous years.

3. Operating segments

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

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

4. Income generation activities

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

5. Revenue from patient care activities

	2013-14	2012-13
	£000	£000
NHS England	**411,423**	0
Clinical Commissioning Groups	**450,126**	0
Primary Care Trusts	**0**	759,687
Strategic Health Authorities	**0**	36,872
NHS Other (including Public Health England and Prop Co)	**1,918**	9,664
Non-NHS:		
Local Authorities	**4,268**	0
Private patients	**4,060**	4,423
Overseas patients (non-reciprocal)	**335**	651
Injury costs recovery	**2,948**	2,761
Other	**682**	627
Total Revenue from patient care activities	**875,760**	814,685

6. Other operating revenue

	2013-14	2012-13
	£000	£000
Recoveries in respect of employee benefits	**9,327**	10,780
Education, training and research	**108,765**	110,539
Charitable and other contributions to revenue expenditure - NHS	**1,087**	1,175
Charitable and other contributions to revenue expenditure -non- NHS	**1,020**	826
Receipt of donations for capital acquisitions - NHS Charity	**1,223**	933
Non-patient care services to other bodies	**36,613**	37,840
Rental revenue from operating leases	**658**	691
Other revenue	**10,463**	24,975
Total Other Operating Revenue	**169,156**	187,759

7. Revenue

	2013-14	2012-13
	£000	£000
From rendering of services	**1,043,944**	1,001,385
From sale of goods	**972**	1,059
	1,044,916	1,002,444

8. Operating expenses

	2013-14	2012-13
	£000	£000
Purchase of healthcare from non-NHS bodies	**8,309**	7,072
Trust Chair and Non-executive Directors	**91**	89
Supplies and services - clinical	**263,281**	240,060
Supplies and services - general	**8,803**	8,375
Consultancy services	**2,208**	2,873
Establishment	**7,380**	7,002
Transport	**3,146**	3,145
Premises	**50,954**	53,846
Hospitality	**217**	215
Insurance	**1,134**	1281
Legal Fees	**502**	263
Impairments and reversals of receivables	**774**	54
Inventories write down	**498**	0
Depreciation	**31,636**	31,192
Amortisation	**206**	55
Audit fees	**162**	173
Clinical Negligence Scheme for Trusts - membership contribution	**17,006**	17,609
Education and training	**3,143**	2,979
Change in discount rate	**112**	87
Other	**23,062**	17,650
Total operating expenses (excluding employee benefits)	**422,624**	394,020
Employee benefits		
Employee benefits excluding Board members	**597,916**	582,460
Board members	**1,114**	1,269
Total employee benefits	**599,030**	583,729
Total operating expenses	**1,021,654**	977,749

In 2013/14, note 8 was extended to include disclosure of expenditure on "hospitality"," insurance" and "legal services". The prior year figures have been restated accordingly with £215k being re-analysed from "supplies and services - general" and £1,544k from "other".

9. Operating leases

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

9.1 Trust as lessee

	Buildings	Other	2013-14 Total	2012-13
	£000	**£000**	**£000**	£000
Payments recognised as an expense				
Minimum lease payments			**6,532**	5,654
Payable:				
No later than one year	1,098	3,995	**5,093**	4,088
Between one and five years	2,952	4,700	**7,652**	7,211
After five years	2,346	186	**2,532**	2,967
Total	**6,396**	**8,881**	**15,277**	14,266

9.2 Trust as lessor

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

	2013-14	2012-13
	£000	£000
Recognised as revenue		
Rental revenue	**658**	691
Receivable:		
No later than one year	662	655
Between one and five years	750	1,217
After five years	2,450	2,539
Total	**3,862**	4,411

10 Employee benefits and staff numbers

10.1 Employee benefits

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

Employee Benefits - Gross Expenditure 2012-13	Total £000	Permanently employed £000	Other £000
Salaries and wages	495,352	465,518	29,834
Social security costs	35,510	35,510	0
Employer Contributions to NHS BSA - Pensions Division	53,820	53,820	0
Other pension costs	258	258	0
Termination benefits	75	75	0
TOTAL - including capitalised costs	585,015	555,181	29,834
Employee costs capitalised	1,286	1,286	0
Gross Employee Benefits excluding capitalised costs	583,729	553,895	29,834

10.2 Staff numbers

	2013-14			2012-13
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	**1,893**	1,807	86	1,876
Administration and estates	**2,311**	2,018	293	2,373
Healthcare assistants and other support staff	**2,872**	2,695	177	2,781
Nursing, midwifery and health visiting staff	**3,848**	3,716	132	3,784
Nursing, midwifery and health visiting learners	**13**	13	0	18
Scientific, therapeutic and technical staff	**2,555**	2,506	49	2,557
Social Care Staff	**14**	14	0	12
Other	**383**	377	6	400
TOTAL	**13,889**	**13,146**	**743**	13,801
Of the above - staff engaged on capital projects	**23**	23	0	24

10.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	**123,434**	131,474
Total Staff Years	**13,028**	13,248
Average working Days Lost	**9.47**	9.92

	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	**20**	13
	£000	£000
Total additional pensions liabilities accrued in the year	**1,579**	889

10.4 Exit packages agreed in 2013-14

Exit package cost band (including any special payment element)	2013-14 Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2012-13 Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
£25,001-£50,000	0	1	1	0	0	0
£50,001-£100,000	0	2	2	0	1	1
£100,001 - £150,000	0	1	1	0	0	0
£150,001 - £200,000	0	1	1	0	0	0
Total number of exit packages by type (total cost)	**0**	**5**	**5**	0	1	1
Total resource cost (£)	**0**	**543,712**	**543,712**	0	75,000	75,000

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

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

10.5 Exit packages - Other departures analysis

	2013-14 Agreements Number	Total value of agreements £000s	2012-13 Agreements Number	Total value of agreements £000s
Early retirements in the efficiency of the service contractual costs	1	88	1	75
Contractual payments in lieu of notice	4	456	0	0
Total	5	544	1	75

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

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

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

10.6 Pension costs

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

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 (www.nhsbsa.nhs.uk/Pensions). 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.

10.7 Pension costs - Other scheme

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

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

11 Better Payment Practice Code

11.1 Measure of compliance

	2013-14 Number	**2013-14 £000**	2012-13 Number	2012-13 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**209,644**	**416,828**	202,344	391,868
Total Non-NHS Trade Invoices Paid Within Target	**140,055**	**274,411**	161,645	312,084
Percentage of NHS Trade Invoices Paid Within Target	**66.81%**	**65.83%**	79.89%	79.64%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**6,023**	**50,641**	5,114	**44,157**
Total NHS Trade Invoices Paid Within Target	**881**	**7,464**	1,649	**17,662**
Percentage of NHS Trade Invoices Paid Within Target	**14.63%**	**14.74%**	32.24%	40.00%

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

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

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

12 Investment revenue

	2013-14 £000	2012-13 £000
Interest revenue		
Bank interest receivable	**87**	85

13 Other gains and losses

	2013-14 £000	2012-13 £000
Gain on disposal of assets held for sale	**53**	61

14 Finance costs

	2013-14 £000	2012-13 £000
Interest		
Interest on loans and overdrafts	**1,272**	1,281
Interest on obligations under finance leases	**10**	10
Interest on obligations under PFI contracts:		
- main finance cost	**11,433**	11,648
Total interest expense	**12,715**	12,939
Provisions - unwinding of discount	**44**	46
Total	**12,759**	12,985

15.1 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	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2013	**20,475**	**549,813**	**3,583**	**7,891**	**179,516**	**884**	**44,412**	**1,437**	**808,011**
Additions of Assets Under Construction	0	0	0	10,470	0	0	0	0	**10,470**
Additions Purchased	0	9,663	0	0	6,479	0	898	0	**17,040**
Additions Donated	0	0	0	0	1,200	0	0	0	**1,200**
Reclassifications	0	6,263	0	(6,278)	0	0	15	0	**0**
Reclassifications as Held for Sale and reversals	(5,050)	0	0	0	(3,163)	0	(14)	(50)	**(8,277)**
Upward revaluation	5,050	0	0	0	0	0	0	0	**5,050**
At 31 March 2014	**20,475**	**565,739**	**3,583**	**12,083**	**184,032**	**884**	**45,311**	**1,387**	**833,494**
Depreciation									
At 1 April 2013	**0**	**32,929**	**292**	**0**	**140,743**	**796**	**30,093**	**1,260**	**206,113**
Reclassifications as Held for Sale and reversals	0	0	0	**0**	(2,659)	0	(14)	(50)	**(2,723)**
Charged during the Year	0	17,843	145	**0**	9,692	22	3,845	89	**31,636**
At 31 March 2014	**0**	**50,772**	**437**	**0**	**147,776**	**818**	**33,924**	**1,299**	**235,026**
Net Book Value at 31 March 2014	**20,475**	**514,967**	**3,146**	**12,083**	**36,256**	**66**	**11,387**	**88**	**598,468**
Asset financing:									
Owned - Purchased	20,475	338,201	3,146	12,083	21,215	66	11,376	88	**406,650**
Owned - Donated	0	11,738	0	0	4,143	0	11	0	**15,892**
Held on finance lease	0	146	0	0	0	0	0	0	**146**
On-SOFP PFI contracts	0	164,882	0	0	10,898	0	0	0	**175,780**
Total at 31 March 2014	**20,475**	**514,967**	**3,146**	**12,083**	**36,256**	**66**	**11,387**	**88**	**598,468**
Revaluation reserve balance for property, plant & equipment									
At 1 April 2013 and 31 March 2014	310	74,220	0	0	5,953	14	364	955	**81,816**

Additions to assets under construction in 2013/14	**£000**
Buildings excl Dwellings	3,651
Plant & Machinery	6,819
Balance as at YTD	**10,470**

15.2 Property, plant and equipment

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2012	20,475	519,269	3,583	20,841	174,823	837	33,130	1,446	774,404
Additions - Assets Under Construction	0	0	0	7,514	0	0	0	0	7,514
Additions - purchased	0	16,285	0	0	4,748	47	5,087	0	26,167
Additions - donated	0	0	0	0	909	0	0	0	909
Reclassifications	0	14,259	0	(20,464)	0	0	6,205	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	(964)	0	(10)	(9)	(983)
At 31 March 2013	**20,475**	**549,813**	**3,583**	**7,891**	**179,516**	**884**	**44,412**	**1,437**	**808,011**
Depreciation									
At 1 April 2012	0	15,914	147	0	130,225	778	27,638	1,178	175,880
Reclassifications as Held for Sale and reversals	0	0	0	0	(940)	0	(10)	(9)	(959)
Charged during the Year	0	17,015	145	0	11,458	18	2,465	91	31,192
At 31 March 2013	**0**	**32,929**	**292**	**0**	**140,743**	**796**	**30,093**	**1,260**	**206,113**
Net book value at 31 March 2013	**20,475**	**516,884**	**3,291**	**7,891**	**38,773**	**88**	**14,319**	**177**	**601,898**
Purchased	20,475	504,753	3,291	7,891	34,865	88	14,302	176	585,841
Donated	0	12,131	0	0	3,908	0	17	1	16,057
Total at 31 March 2013	**20,475**	**516,884**	**3,291**	**7,891**	**38,773**	**88**	**14,319**	**177**	**601,898**
Asset financing:									
Owned	20,475	347,067	3,291	7,891	28,677	88	14,319	177	421,985
Held on finance lease	0	151	0	0	0	0	0	0	151
On-SOFP PFI contracts	0	169,666	0	0	10,096	0	0	0	179,762
Total at 31 March 2013	**20,475**	**516,884**	**3,291**	**7,891**	**38,773**	**88**	**14,319**	**177**	**601,898**

15.3 (cont). Property, plant and equipment

All land and building assets were revalued as at 31st March 2011 by the District Valuation Service at depreciated replacement cost using the Modern Equivalent Asset (MEA) approach. (See Note 1.8). To assist in its determination of fair value at the reporting date the Trust considered building cost indices published by the Department for Business, Innovation and Skills (DBIS). This approach is consistent with the method adopted by the Trust in 2012/13. The review of these indices indicated no increase in hospital building costs during 2013/14.

Further evidence for the fair value review was sought from the District Valuation Service who conducted a limited scope "desktop" review, incorporating amounts spent on the sites covered by their exercise. In conducting their review the District Valuation Service referred to their building and location cost indices. The former of these suggested a 5% (£29 million) increase in building costs during the year. Extrapolating the Dstrict Valuer's conclusion to the entire estate and comparing to the DBIS statistical information introduces a range of estimation uncertainty which falls between £nil and £29 million potential increase in carrying value.

The Trust will be commissioning a full estate valuation from an independent valuer to take place during 2014/15 with a valuation date of 1st April 2014. In view of the proximity of the full cyclical valuation, the Trust considered it inappropriate to process any change to fixed assets given the variation between the two estimates.

Equipment assets were independently valued by the District Valuation Service as at 31st March 2011 using a depreciated replacement cost method. This is an acceptable basis of deriving fair value when dealing with specialised assets for which there is a limited market.

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

	2013-14	2012-13
	£000	£000
Leeds Teaching Hospitals Charitable Foundation	**976**	692
Yorkshire Chidrens' Hospital Fund	**0**	24
Children's Heart Surgery Fund	**215**	153
Take Heart	**20**	0
Others	**12**	64
Total	**1,223**	933

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

	Min Life	Max Life
	Years	Years
Buildings other than dwellings	**23**	43
Dwellings	**23**	43
Plant and machinery	**5**	15
Transport equipment	**5**	10
Information technology	**5**	5
Furniture and fittings	**5**	5

16.1 Intangible non-current assets

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

16.2 Intangible non-current assets

2012-13	Software internally generated £000	Software purchased £000	Licences and trademarks £000	Total £000
Cost or valuation:				
At 1 April 2012	2,304	0	0	2,304
Additions - purchased	0	280	397	677
Additions - donated	0	24	0	24
At 31 March 2013	2,304	304	397	3,005
Amortisation				
At 1 April 2012	2,243	0	0	2,243
Charged during the year	20	18	17	55
At 31 March 2013	2,263	18	17	2,298
Net book value at 31 March 2013	41	286	380	707
Asset financing				
Purchased	36	264	380	680
Donated	5	22	0	27
Total at 31 March 2013	41	286	380	707

16.3 Intangible non-current assets

Intangible assets have been measured at historic cost less amortisation as outlined in note 1.9. The carrying amount, if assets had been held at historic cost would have been £3,345k**.**

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

	Min Life Years	**Max Life Years**
IT - in house & 3rd party software	1	5
Computer licenses	5	5
Licences and trademarks	5	5

17 Commitments

17.1 Capital commitments

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

	31 March 2014 £000	31 March 2013 £000
Property, plant and equipment	**11,591**	13,347
Intangible assets	**364**	827
Total	**11,955**	14,174

17.2 Other financial commitments

The Trust has not entered into any non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements).

18 Intra-Government and other balances

2013-14	**Current receivables £000**	**Non-current receivables £000**	**Current payables £000**	**Non-current payables £000**
Balances with other Central Government Bodies	24,503	0	22,549	0
Balances with Local Authorities	0	0	302	0
Balances with NHS bodies outside the Departmental Group	232	0	99	0
Balances with NHS Trusts and Foundation Trusts	5,165	0	4,882	0
Balances with Public Corporations and Trading Funds	0	0	1,709	0
Balances with bodies external to government	18,271	11,585	64,382	2,315
At 31 March 2014	**48,171**	**11,585**	**93,923**	**2,315**
2012-13				
Balances with other Central Government Bodies	12,897	0	21,009	0
Balances with Local Authorities	24	0	360	0
Balances with NHS bodies outside the Departmental Group	114	0	280	0
Balances with NHS Trusts and Foundation Trusts	3,585	0	5,378	0
Balances with Public Corporations and Trading Funds	0	0	883	0
Balances with bodies external to government	18,970	10,592	57,500	2,154
At 31 March 2013	**35,590**	**10,592**	**85,410**	**2,154**

19 Inventories

	Drugs £000	**Consumables £000**	**Energy £000**	**Total £000**
Balance at 1 April 2013	**6,334**	**10,129**	**213**	**16,676**
Additions	131,153	83,870	7	**215,030**
Inventories recognised as an expense in the period	(130,442)	(83,094)	(37)	**(213,573)**
Write-down of inventories (including losses)	0	(498)	0	**(498)**
Balance at 31 March 2014	**7,045**	**10,407**	**183**	**17,635**

20.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	**31 March 2014 £000**	31 March 2013 £000
NHS receivables - revenue	**27,609**	13,595	**0**	0
Non-NHS receivables - revenue	**7,112**	7,236	**0**	0
Non-NHS receivables - capital	**0**	195	**0**	0
Non-NHS prepayments and accrued income	**5,486**	5,584	**0**	0
Provision for the impairment of receivables	**(1,726)**	(1,282)	**(559)**	(485)
VAT	**2,021**	1,599	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**1,905**	3,822	**8,640**	7,231
Other receivables	**5,734**	4,841	**3,534**	3,846
Total	**48,141**	35,590	**11,615**	10,592
Total current and non current	**59,756**	46,182		

The great majority of trade is with NHS England and Clinical Commissioning Groups. They are funded by Government to buy NHS patient care services so credit scoring of them is considered unnecessary.

20.2 Receivables past their due date but not impaired

	31 March 2014 £000	31 March 2013 £000
By up to three months	**1,992**	1,435
By three to six months	**324**	253
By more than six months	**824**	590
Total	**3,140**	2,278

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

20.3 Provision for impairment of receivables

	2013-14 £000	2012-13 £000
Balance at 1 April 2013	**(1,767)**	(2,119)
Amount written off during the year	**256**	406
(Increase) in receivables impaired	**(774)**	(54)
Balance at 31 March 2014	**(2,285)**	**(1,767)**

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

21 Cash and cash equivalents

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April 2013	**24,348**	24,513
Net change in year	**(1,112)**	(165)
Balance at 31 March 2014	**23,236**	24,348
Made up of		
Cash with Government Banking Service	**23,094**	24,156
Commercial banks	**125**	172
Cash in hand	**17**	20
Cash and cash equivalents as in statement of financial position and the statement of cash flows	**23,236**	24,348
Patients' money held by the Trust, not included above (see note 36)	**5**	20

22 Non-current assets held for sale

	Land	Plant and Machinery	Total
	£000	£000	£000
Balance at 1 April 2013	0	0	**0**
Plus assets classified as held for sale in the year	5,050	504	**5,554**
Less assets sold in the year	(5,050)	(504)	**(5,554)**
Balance at 31 March 2014	**0**	**0**	**0**
Balance at 1 April 2012	0	0	**0**
Plus assets classified as held for sale in the year	0	24	**24**
Less assets sold in the year	0	(24)	**(24)**
Balance at 31 March 2013	**0**	**0**	**0**

During the course of the year the Trust sold surplus land at Seacroft Hospital to the Homes and Communities Agency. Sale of the land had been planned but was not initially expected to take place in 2013/14. The sale was accelerated in line with Government policy to release surplus public sector land for housing development. The land was independently valued and the sale price exceeded full market value. After meeting costs associated with disposal the Trust realised a profit on sale of £223,672. The sale was completed in late March 2014.

Equipment items disposed of included two linear accelerators which were sold in part exchange against two new machines. Other smaller items of equipment were sold as obsolete. Total profit on the sale of equipment amounted to £28,911.

23 Trade and other payables

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
NHS payables - revenue	**5,751**	6,074	**0**	0
NHS accruals and deferred income	**2,430**	636	**0**	0
Non-NHS payables - revenue	**41,189**	36,392	**0**	0
Non-NHS payables - capital	**4,953**	6,363	**0**	0
Non-NHS accruals and deferred income	**19,772**	16,742	**2,315**	2,154
Social security costs	**5,482**	5,484	**0**	0
Tax	**6,131**	6,372	**0**	0
Other payables	**8,215**	7,347	**0**	0
Total	**93,923**	85,410	**2,315**	2,154
Total payables (current and non-current)	**96,238**	**87,564**		
Included above:				
Outstanding pension contributions at the year end	**7,735**	7,012		

24 Borrowings

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Loans from Department of Health	**3,356**	3,356	**38,642**	41,998
PFI liabilities:				
Main liability	**4,423**	4,194	**202,287**	206,709
Finance lease liabilities	**36**	35	**484**	520
Total	**7,815**	**7,585**	**241,413**	**249,227**
Total other liabilities (current and non-current)	**249,228**	**256,812**		

Loans - repayment of principal falling due in:

	31 March 2014 DH	Other	Total
	£000	**£000**	**£000**
0-1 Years	3,356	4,459	**7,815**
1 - 2 Years	3,356	4,702	**8,058**
2 - 5 Years	9,168	18,693	**27,861**
Over 5 Years	26,118	179,376	**205,494**
TOTAL	**41,998**	**207,230**	**249,228**

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

25 Deferred revenue

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Balance at 1 April 2013	**1,756**	12,780	**2,154**	2,318
Deferred revenue addition	**3,858**	1,247	**1,232**	963
Transfer of deferred revenue	**(1,256)**	(12,271)	**(1,010)**	(1,127)
Balance at 31 March 2014	**4,358**	1,756	**2,376**	2,154
Total deferred income (current and non-current)	**6,734**	3,910		

26 Finance lease obligations as lessee

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

Amounts payable under finance leases (Building	**Minimum lease payments**		**Present value of minimum**	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Within one year	**45**	45	**36**	35
Between one and five years	**179**	179	**150**	148
After five years	**358**	403	**334**	372
Less future finance charges	**(62)**	(72)		
Minimum Lease Payments / Present value of minimum lease payments	**520**	555	**520**	555
Included in:				
Current borrowings			**36**	35
Non-current borrowings			**484**	520
			520	555

27 Provisions

	Total £000	Early Departure Costs £000	Legal Claims £000	Other £000
Balance at 1 April 2013	**8,344**	4,558	1,040	2,746
Arising During the Year	**3,514**	185	206	3,123
Utilised During the Year	**(1,269)**	(349)	(116)	(804)
Reversed Unused	**(2,056)**	0	(657)	(1,399)
Unwinding of Discount	**44**	44	0	0
Change in Discount Rate	**112**	112	0	0
Balance at 31 March 2014	**8,689**	**4,550**	**473**	**3,666**
Expected Timing of Cash Flows:				
No Later than One Year	**3,172**	350	426	2,396
Later than One Year and not later than Five Years	**2,717**	1,400	47	1,270
Later than Five Years	**2,800**	2,800	0	0

Amount included in the Provisions of the NHS Litigation Authority in respect of Clinical Negligence Liabilities:

	£000
As at 31 March 2014	161,769
As at 31 March 2013	156,409

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

Legal claims relate to personal injury and other claims where the Trust has received advice that settlement is probable. The final amounts and timings of payments remain subject to negotiation or legal judgement. Included are claims with a value of £273k (£241k in 2012/13) which are being handled on behalf of the Trust by the NHS Litigation Authority who have advised on their status. The reversal of unused legal claims relates to provisions against disputes which are now subject to formal settlement offers from the claimants.

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

28 Contingencies

	31 March 2014 £000	31 March 2013 £000
Contingent liabilities		
Other	**(418)**	(210)
Amounts Recoverable Against Contingent Liabilities	**0**	0
Net Value of Contingent Liabilities	**(418)**	(210)

Contingent liabilities consist entirely of claims for personal injury (£105k in 2012/13) where the probability of settlement is very low. Of those, cases to the value of £163k are being managed on the Trust's behalf by the NHS Litigation Authority who have advised on their status. In all cases, quantum has been assessed on a "worst case scenario" and represents the maximum of any payment which may be made. The balance of personal injury claims are being managed internally by the Trust. In all cases the potential payment values have been assessed on a "worst case scenario" basis by reference to independent advice. Settlement of these claims is considered highly improbable but the values quoted represent the Trust's

29 PFI - Additional information

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

Charges to operating expenditure and future commitments in respect of on SOFP PFI	**2013-14 £000**	2012-13 £000
Service element of on SOFP PFI charged to operating expenses in year	**12,195**	12,774
Total	**12,195**	12,774
Payments committed to in respect of the service element of on SOFP PFI		
No later than one year	**9,976**	9,751
Later than one year but no later than five years	**42,271**	41,313
Later than five years	**192,418**	203,352
Total	**244,665**	254,416

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2013-14 £000**	2012-13 £000
No later than one year	**15,625**	15,625
Later than one year but no later than five years	**65,472**	63,170
Later than five years	**285,447**	303,374
Subtotal	**366,544**	382,169
Less: Interest element	**(159,834)**	(171,266)
Total	**206,710**	210,903

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due	**2013-14 £000**	2012-13 £000
No later than one year	**4,423**	4,194
Later than one year but no later than five years	**23,244**	19,869
Later than five years	**179,043**	186,840
Total	**206,710**	210,903
Number of on SOFP PFI Contracts		
Total number of on SOFP PFI contracts	**2**	2
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**1**	1

30 Impact of IFRS treatment

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

	2013-14 £000	2012-13 £000
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)		
Depreciation charges	**6,915**	6,980
Interest expense	**11,432**	11,647
Other expenditure	**12,195**	12,774
Impact on PDC dividend payable	**(708)**	(692)
Total IFRS Expenditure (IFRIC12)	**29,834**	**30,709**
Revenue consequences of PFI schemes under UK GAAP / ESA95	**(28,865)**	(29,471)
Net IFRS change (IFRIC12)	**969**	**1,238**
Capital Consequences of IFRS : PFI and other items under IFRIC12		
Capital expenditure 2013-14	**3,415**	1,048
UK GAAP capital expenditure 2013-14 (Reversionary Interest)	**2,800**	2,696

31 Financial instruments

31.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the Trust Development Authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, 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

Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31st March 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 NHS commissioning organisations, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

31.2 Financial assets

	Loans and receivables £000	Total £000
Receivables - NHS	27,609	**27,609**
Receivables - non-NHS	8,742	**8,742**
Cash at bank and in hand	23,236	**23,236**
Total at 31 March 2014	**59,587**	**59,587**
Receivables - NHS	14,765	14,765
Receivables - non-NHS	9,068	9,068
Cash at bank and in hand	24,347	24,347
Total at 31 March 2013	48,180	48,180

31.3 Financial liabilities

	Other £000	Total £000
NHS payables	13,486	**13,486**
Non-NHS payables	67,734	**67,734**
Other borrowings	41,998	**41,998**
PFI & finance lease obligations	207,130	**207,130**
Total at 31 March 2014	**330,348**	**330,348**
NHS payables	14,861	14,861
Non-NHS payables	57,163	57,163
Other borrowings	45,354	45,354
PFI & finance lease obligations	211,461	211,461
Total at 31 March 2013	328,839	328,839

32 Events after the end of the reporting period

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

33 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 them has undertaken any material transactions with the Leeds Teaching Hospitals NHS Trust.

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

NHS Leeds West CCG
NHS Leeds North CCG
NHS Leeds South & East CCG
NHS Wakefield CCG
NHS Vale of York CCG
NHS Bradford District CCG
NHS North Kirklees CCG
NHS Harrogate & Rural District CCG
NHS England
NHS Blood and Transplant
NHS Business Services Authority
NHS Litigation Authority
Bradford Teaching Hospitals NHS Foundation Trust
Calderdale and Huddersfield NHS Foundation Trust
Harrogate and District NHS Foundation Trust
Hull and East Yorkshire Hospitals NHS Trust
Leeds & York Partnerships NHS Foundation Trust
Mid Yorkshire Hospitals NHS Trust
York Teaching Hospitals NHS Foundation Trust

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

The Trust has also received revenue and capital payments from a number of charitable funds, including the Leeds Teaching Hospitals Charitable Foundation. The Trust's Chairman, Linda Pollard is a trustee of the Leeds Teaching Hospitals Charitable Foundation (from 9 May 2013).

34 Losses and special payments

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

	Total Value of Cases £	Total Number of Cases
Losses	317,761	338
Special payments	349,110	197
Total losses and special payments	666,871	535

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

	Total Value of Cases £	Total Number of Cases
Losses	129,641	183
Special payments	373,678	156
Total losses and special payments	503,319	339

There were no cases of loss exceeding £250,000 in either 2013/14 or 2012/13.

35. 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.

35.1 Breakeven performance	**2005-06 £000**	**2006-07 £000**	**2007-08 £000**	**2008-09 £000**	**2009-10 £000**	**2010-11 £000**	**2011-12 £000**	**2012-13 £000**	**2013-14 £000**
Turnover	721,415	757,446	793,445	871,680	910,556	934,527	970,709	1,002,444	**1,044,916**
Retained surplus/(deficit) for the year	309	355	3,093	471	(43,426)	5,799	2,829	1,498	**496**
Adjustment for:									
2006/07 PPA (relating to 1997/98 to 2005/06)	2,051	0	0	0	0	0	0	0	0
Adjustments for Impairments	0	0	0	0	42,075	(5,813)	0	0	**0**
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	0	353	**150**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12	0	0	0	0	2,314	2,065	1,378	1,238	**969**
Break-even in-year position	**2,360**	**355**	**3,093**	**471**	**963**	**2,051**	**4,207**	**3,089**	**1,615**
Break-even cumulative position	**(51)**	**304**	**3,397**	**3,868**	**4,831**	**6,882**	**11,089**	**14,178**	**15,793**

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

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**	**2012-13 %**	**2012-13 %**
Materiality test (I.e. is it equal to or less than 0.5%):									
Break-even in-year position as a percentage of turnover	0.33	0.05	0.39	0.05	0.11	0.22	0.43	0.31	0.15
Break-even cumulative position as a percentage of turnover	(0.01)	0.04	0.43	0.44	0.53	0.74	1.14	1.41	1.51

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

In preparing the financial statements the directors have considered the Trust's overall financial position and expectation of future financial support. The Trust has put forward a plan to the NHS Trust Development Authority (TDA) which will deliver deficits of £50 million and £25 million in 2014/15 amd 2015/16 respectively. The planned deficits are after taking account of cost improvement plans of approximately £50 million in each year. The TDA have agreed to support the Trust in its planned return to breakeven in 2016/17 by providing cash support from 2014/15 onwards to enable the Trust to pay its suppliers and staff. The TDA have confirmed this agreement in writing. In light of the fact that there is reasonable assurance that the Trust will be in a position to meet its financial obligations during the next two years and has an agreed financial recovery plan in place, the directors have concluded that it is appropriate to prepare these accounts on a going concern basis.

35.2 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%.

35.3 External Financing Limit

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

	2013-14 £000	2012-13 £000
External Financing Limit	**(2,542)**	8,968
Cash flow financing	**(3,134)**	2,877
Unwinding of Discount Adjustment	**44**	0
Other capital receipts	**(195)**	(745)
External financing requirement	**(3,285)**	2,132
Undershoot against the External Financing Limit	**743**	6,836

35.4 Capital Resource Limit

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

	2013-14 £000	2012-13 £000
Capital Resource Limit	**22,785**	34,604
Gross capital expenditure	**29,049**	35,291
Less: book value of assets disposed of	**(5,554)**	(24)
Less: donations towards the acquisition of non-current assets	**(1,223)**	(933)
Charge against the Capital Resource Limit	**22,272**	34,334
Underspend against the Capital Resource Limit	**513**	270

36 Third Party Assets

The Trust held cash on behalf of patients at 31st March as shown below. This has been excluded from the cash and cash equivalents figure reported in the accounts (see Note 21).

	2013-14 £000	2012-13 £000
Patients' monies held by the Trust	**5**	20

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment
A fall in the value of an asset.

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

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

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

Net assets
Total assets less total liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Trust Headquarters
St James's University Hospital
Beckett Street
Leeds
LS9 7TF

website: www.leedsth.nhs.uk