

# UHL STATUTORY ACCOUNTS 2014-15

**Author:** Nick Sone – Financial Controller **Sponsor:** Paul Traynor – Director of Finance **Date:** 04/06/2015

## Executive Summary

Paper K

### Context

We are required to produce annual statutory accounts for the year ending 31st March 2015 which are approved by the Trust Board.

### Questions

1. Are the accounts complete and audited?.
2. Did we achieve the statutory targets and our financial plan for 2014-15?.
3. Can the accounts be approved by the Trust Board, and what is the approval process?.

### Conclusion

1. Our completed accounts were submitted by the mandatory Department of Health deadline. They have been subject to external audit by KPMG and were reviewed by the Audit Committee on the 27th May 2015.
2. We met two out of four statutory targets and delivered an I&E deficit of £40.6m against plan of £40.7m.
3. The accounts can be approved by the Trust Board and to complete the process, members of the Trust Board are required to sign relevant certificates which are included as a separate agenda item.

### Input Sought

We require the Board to approve the statutory accounts for the year ending 31 March 2015.

# For Reference

Edit as appropriate:

1. The following [objectives](#) were considered when preparing this report:

Safe, high quality, patient centred healthcare	Not applicable
Effective, integrated emergency care	Not applicable
Consistently meeting national access standards	Not applicable
Integrated care in partnership with others	Not applicable
Enhanced delivery in research, innovation & ed'	Not applicable
A caring, professional, engaged workforce	Not applicable
Clinically sustainable services with excellent facilities	Not applicable
Financially sustainable NHS organisation	Yes
Enabled by excellent IM&T	Not applicable

2. This matter relates to the following [governance](#) initiatives:

Organisational Risk Register	No
Board Assurance Framework	No

3. Related [Patient and Public Involvement](#) actions taken, or to be taken: None

4. Results of any [Equality Impact Assessment](#), relating to this matter: None

5. Scheduled date for the [next paper](#) on this topic: June 2016

6. Executive Summaries should not exceed [1 page](#). My paper complies

7. Papers should not exceed [7 pages](#). My paper complies

## UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**REPORT TO:** TRUST BOARD  
**FROM:** PAUL TRAYNOR – DIRECTOR OF FINANCE  
**DATE:** 4<sup>TH</sup> JUNE 2015  
**SUBJECT:** ANNUAL ACCOUNTS 2014-15

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### 1. INTRODUCTION

- 1.1 We are required to produce annual statutory accounts for the year ending 31<sup>st</sup> March which are approved by the Trust Board. The accounts for the year ending 31<sup>st</sup> March 2015 are attached (Appendix 1).
- 1.2 Our accounts were submitted by the mandatory Department of Health deadline. They have been subject to external audit by KPMG and were reviewed by the Audit Committee on the 27<sup>th</sup> May 2015.

### 2. STATUTORY & ADMINISTRATIVE TARGETS 2014-15

TARGET	ACHIEVED	NOTES
<b>STATUTORY TARGETS</b>		
<b>Break-even</b> – to generate a surplus of income over spending comparing one year with another	<b>X</b>	£40,648k retained deficit, against planned £40,745k deficit
<b>External Financing Limit</b> – to control cash within the financing limit	√	A permissible undershoot of £4,080k
<b>Capital Resource Limit</b> – to contain capital spending within an agreed limit	√	A permissible undershoot of £24k
<b>ADMINISTRATIVE TARGET</b>		
<b>Better Payments Practice Code</b> – to pay all valid invoices within 30 days of receipt	<b>X</b>	<i>Non-NHS</i> value 68%; volume 53% <i>NHS</i> value 76%; volume 51%

### 3. KEY POINTS TO NOTE

- 3.1 We delivered a year end I&E deficit of £40.6m against a plan of £40.7m.
- 3.2 Our income has risen by £64.0m (8.3%) from £770.4m to £834.4m. The key components of this increase are:
- £21.1m increase from the LLR Alliance contract;
  - £17.3m increase in research and development income primarily due to the Trust becoming the East Midlands Clinical Research Network host in 2014/15;
  - £12.0m for inpatient and outpatient activity;

- £9.4m due to counting and coding; and
- £8.0m for excluded drugs and devices; net of
- a tariff deflator of (£9.8m) and other movements of £6.0m.

3.3 Our expenditure has increased by £72m (8.9%) from £809.9m to £881.9m. This increase reflects:

- An increase in pay spend of £23.2m. This is primarily due to the following:
  - £7.8m in relation to additional staff working on the hosted LLR Alliance;
  - £3.2m increases in the costs of consultants across many specialties providing additional activity including most significantly RTT backlog clearance;
  - £5.8m in relation to incremental drift and a 1% pay award for 2014-15 for certain staff at the top of their pay scale; and
  - £3.9m related to an increase in nursing staff RTT costs in theatres and recruitment to vacant posts associated with safer staffing investment
  - £1.9m in medical locums costs to deliver additional activity including RTT backlog clearance, cover of vacant posts, and support of emergency flow.
- An increase in non-pay spend of £48.9m predominantly due to the following:
  - £10.4m increase in research and development expenditure following the Trust becoming host of the East Midlands Clinical Research Network, this increase relates to payments to research organisations in the region;
  - £8.3m general increase due to the LLR Alliance;
  - £6.8m of impairments (none in 2013-14);
  - £5.9m increase in drugs costs reflecting activity increases particularly around high cost therapies;
  - £3.5m consultancy costs with EY to support the delivery of efficiencies and strategic planning;
  - £2.1m increase with the IM&T managed business partner, IBM;
  - £1.9m increase in depreciation; and
  - a £10.0m increase relating to inflation and general activity related increases across all main categories of spend.

3.4 Material current asset and liability changes are as shown below:

<b>Description</b>	<b>Increase/Decrease</b>	<b>Reason</b>
Cash	Increased by £8.0m to £8.5m.	This was a planned increase in line with the drawdown of our capital investment loan and associated Capital Resource Limit.
Trade and Other Receivables	Decrease of £15.0m to £37.9m	The decrease includes £9m in relation to winter pressures funding billed at the 2013-14 year end, and a general decrease due to improvements in debt recovery by the accounts receivable team.
Trade and Other Payables	Decrease of £7.0m to £103.2m	This is primarily due to a general decrease in the level of backlog supplier invoices that were unpaid at the 2014-15 year-end compared to the prior year.

3.5 Under the Better Payments Practice Code (BPPC), we are required to pay 95% (value and volume) of NHS and non NHS invoices within 30 days of their receipt. The target was not met due to actions agreed within the Trust's working capital strategy.

#### **4 Accounts approval**

4.1 The accounts are finalised and the audit has been completed. All amendments required by KPMG have been made and none were material in nature.

4.2 To complete the accounting process members of the Trust Board are required to sign relevant certificates including the following (*signatories are shown in brackets*):-

- **Statement of Directors' responsibilities in respect of Internal Control** (*Chief Executive*);
- **Annual Governance Statement 2014-15** (*Chief Executive*);
- **Directors' Statements – Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust** (*Chief Executive*), and **Statement of Directors' Responsibilities in respect of the accounts** (*Chief Executive, and the Director of Finance*);
- **Balance Sheet** (*Chief Executive*), and
- **Letter of Representation** (*Chief Executive*).

4.3 These certificates are included as a separate item on the Trust Board agenda. Once signed, they are passed to KPMG who submit our accounts to the Department of Health along with their audit opinion.

#### **5 Recommendations**

5.1 The Trust Board is asked to:

- approve the statutory accounts for the year ending 31 March 2015; and
- note that the Annual Governance Statement, which is a key element of the Annual Accounts, is presented separately for review by the Director of Corporate & Legal Affairs.

**PAUL TRAYNOR**  
**DIRECTOR OF FINANCE**

Data entered below will be used throughout the workbook:

Trust name	University Hospitals of Leicester NHS Trust
This year	2014-15
Last year	2013-14
This year ended	31 March 2015
Last year ended	31 March 2014
This year commencing:	1 April 2014
Last year commencing:	1 April 2013

### **Accounts 2014-15**

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

		2014-15	2013-14
	NOTE	£000s	£000s
Gross employee benefits	10.1	(497,278)	(474,090)
Other operating costs*	8	(373,515)	(325,181)
Revenue from patient care activities	5	713,531	675,045
Other operating revenue	6	120,845	95,348
<b>Operating deficit</b>		<b>(36,417)</b>	<b>(28,878)</b>
Investment revenue	12	83	66
Other gains and (losses)	13	9	(51)
Finance costs	14	(799)	(263)
<b>Deficit for the financial year</b>		<b>(37,124)</b>	<b>(29,126)</b>
Public dividend capital dividends payable		(10,369)	(10,388)
<b>Deficit for the year</b>		<b>(47,493)</b>	<b>(39,514)</b>

### Other Comprehensive Income

	2014-15	2013-14
	£000s	£000s
Impairments and reversals taken to the revaluation reserve	(1,454)	0
Net gain on revaluation of property, plant & equipment	44,230	0
<b>Total comprehensive income for the year**</b>	<b>(4,717)</b>	<b>(39,514)</b>

### Financial performance for the year

Retained deficit for the year	(47,493)	(39,514)
Impairments (excluding IFRIC 12 impairments)	6,761	0
Adjustments in respect of donated and government granted asset reserve elimination	84	(141)
<b>Adjusted retained deficit</b>	<b>(40,648)</b>	<b>(39,655)</b>

\* Other operating costs includes £6,761k relating to the impairment of property, plant and equipment following a revaluation of the Trust's estate. This figure is removed from the final retained deficit figure in accordance with Department of Health (DH) Accounting guidance.

\*\* Included within the total comprehensive income for the year of (£4,717k) is an amount of £84k relating to the receipt of donated assets (net of donated asset depreciation). This figure is removed from the final retained deficit figure in accordance with DH accounting guidance. This removes the effect on the Trust's financial performance of no longer having a donated asset or government granted asset reserve and ensures that performance can be measured consistently.

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

		<u>31 March 2015</u>	<u>31 March 2014</u>
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	414,193	362,465
Intangible assets	16	10,134	8,019
Trade and other receivables	22.1	2,702	3,123
<b>Total non-current assets</b>		<b>427,029</b>	<b>373,607</b>
<b>Current assets:</b>			
Inventories	21	14,141	13,937
Trade and other receivables	22.1	32,602	49,892
Cash and cash equivalents	26	8,498	515
<b>Total current assets</b>		<b>55,241</b>	<b>64,344</b>
<b>Total assets</b>		<b>482,270</b>	<b>437,951</b>
<b>Current liabilities</b>			
Trade and other payables	28	(100,504)	(109,135)
Provisions	35	(820)	(1,585)
Borrowings	30	(4,919)	(6,590)
DH capital loan	30	(545)	0
<b>Total current liabilities</b>		<b>(106,788)</b>	<b>(117,310)</b>
<b>Net current liabilities</b>		<b>(51,547)</b>	<b>(52,966)</b>
<b>Total assets less current liabilities</b>		<b>375,482</b>	<b>320,641</b>
<b>Non-current liabilities</b>			
Provisions	35	(1,982)	(2,070)
Borrowings	30	(6,869)	(5,890)
DH capital loan	30	(11,455)	0
<b>Total non-current liabilities</b>		<b>(20,306)</b>	<b>(7,960)</b>
<b>Total assets employed:</b>		<b>355,176</b>	<b>312,681</b>
<b>FINANCED BY:</b>			
Public Dividend Capital		329,837	282,625
Retained earnings		(82,017)	(34,542)
Revaluation reserve		107,356	64,598
<b>Total Taxpayers' Equity:</b>		<b>355,176</b>	<b>312,681</b>

The notes on pages 16 to 38 form part of this account.

The financial statements on pages 1 to 38 were approved by the Board on 4th June 2015 and signed on its behalf by

**Chief Executive:**

Date:



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

	2014-15			
	Public Dividend capital	Retained earnings	Revaluation reserve	Total reserves
	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2014</b>	<b>282,625</b>	<b>(34,542)</b>	<b>64,598</b>	<b>312,681</b>
<b>Changes in taxpayers' equity for 2014-15</b>				
Retained deficit for the year	0	(47,493)	0	(47,493)
Net gain on revaluation of property, plant and equipment	0	0	44,230	44,230
Impairments and reversals	0	0	(1,454)	(1,454)
Transfers between reserves	0	18	(18)	0
<b>Reclassification Adjustments</b>				
New temporary and permanent PDC received - cash	93,212	0	0	93,212
New temporary and permanent PDC repaid in year	(46,000)	0	0	(46,000)
<b>Net recognised revenue/(expense) for the year</b>	<b>47,212</b>	<b>(47,475)</b>	<b>42,758</b>	<b>42,495</b>
<b>Balance at 31 March 2015</b>	<b>329,837</b>	<b>(82,017)</b>	<b>107,356</b>	<b>355,176</b>

The net new Public Dividend Capital (PDC) received in 2014-15 of £47.2m relates to the following schemes:

	£000s
Safer Hospitals Technology Fund	1,150
Improving Maternity Care Settings	62
Funding for the Trust's deficit and to improve working capital	46,000
	<b>47,212</b>

	2013-14			
	Public Dividend capital	Retained earnings	Revaluation reserve	Total reserves
	£000s	£000s	£000s	£000s
Balance at 1 April 2013	277,733	4,960	64,628	347,321
<b>Changes in taxpayers' equity for the year ended 31 March 2014</b>				
Retained deficit for the year	0	(39,514)	0	(39,514)
Transfers between reserves	0	30	(30)	0
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	(18)	0	(18)
<b>Reclassification Adjustments</b>				
New temporary and permanent PDC received - cash	5,219	0	0	5,219
New PDC received/(repaid) - PCTs and SHAs legacy items paid for by DH	50	0	0	50
New temporary and permanent PDC repaid in year	(377)	0	0	(377)
<b>Net recognised revenue/(expense) for the year</b>	<b>4,892</b>	<b>(39,502)</b>	<b>(30)</b>	<b>(34,640)</b>
<b>Balance at 31 March 2014</b>	<b>282,625</b>	<b>(34,542)</b>	<b>64,598</b>	<b>312,681</b>

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

	<b>2014-15</b>	<b>2013-14</b>
NOTE	<b>£000s</b>	£000s
<b>Cash Flows from Operating Activities</b>		
Operating deficit	<b>(36,417)</b>	(28,878)
Depreciation and amortisation	<b>33,230</b>	31,245
Impairments and reversals	<b>6,761</b>	0
Donated Assets received credited to revenue but non-cash	<b>(44)</b>	(114)
Interest paid	<b>(762)</b>	(468)
Dividend paid	<b>(10,856)</b>	(10,232)
(Increase)/Decrease in Inventories	<b>(204)</b>	(873)
(Increase)/Decrease in Trade and Other Receivables	<b>17,711</b>	(4,211)
(Increase)/Decrease in Other Current Assets	<b>0</b>	40
Increase/(Decrease) in Trade and Other Payables	<b>(9,658)</b>	24,835
Provisions utilised	<b>(1,448)</b>	(1,229)
Increase/(Decrease) in movement in non cash provisions	<b>568</b>	458
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>(1,119)</b>	10,573
<b>Cash Flows from Investing Activities</b>		
Interest Received	<b>83</b>	66
(Payments) for Property, Plant and Equipment	<b>(41,480)</b>	(26,342)
(Payments) for Intangible Assets	<b>(3,719)</b>	(3,503)
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(45,116)</b>	(29,779)
<b>Net Cash Inform / (outflow) before Financing</b>	<b>(46,235)</b>	(19,206)
<b>Cash Flows from Financing Activities</b>		
Gross Temporary and Permanent PDC Received	<b>93,212</b>	5,269
Gross Temporary and Permanent PDC Repaid	<b>(46,000)</b>	(377)
Loans received from DH - New Capital Investment Loans*	<b>12,000</b>	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	<b>(4,994)</b>	(5,157)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>54,218</b>	(265)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,983</b>	(19,471)
<b>Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period</b>	<b>515</b>	19,986
Effect of exchange rate changes in the balance of cash held in foreign currencies	<b>0</b>	0
<b>Cash and Cash Equivalents (and Bank Overdraft) at year end</b>	<b>8,498</b>	515

\*We received a £12m capital investment loan as part of a total of £59.2m external financing received in the year. This loan will fund essential investment in our hospital buildings and we will repay it in instalments every six months for 22 years from September 2015. We have included interest relating to 2014-15 within finance costs in note 14 and the loan is shown as DH Capital Loan in the Statement of Financial Position.

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2014-15 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

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

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

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

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

#### 1.4 Charitable Funds

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. In accordance with IAS 1 *Presentation of Financial Statements*, restated prior period accounts are presented where the adoption of the new policy has a material impact.

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the Corporate Trustee of the linked NHS Charity (Leicester Hospitals Charity), it effectively has the power to exercise control so as to obtain economic benefits. However the transactions are immaterial in the context of the group and transactions have not been consolidated. Details of the transactions with the Charity are included in the related parties' notes.

#### 1.5 Pooled Budgets

The Trust has no pooled budget arrangements.

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

### 1.6 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.

In the preparation of these Financial Statements, judgements, estimates and assumptions have been made by the Trust's management concerning the selection of useful lives of fixed assets, provisions necessary for certain liabilities and other similar evaluations. Actual amounts could differ from those estimates.

#### Deferred income

The value of deferred income included in the Statement Of Financial Position is based on management's judgement around the deferability of income at the Statement Of Financial Position date. More detail is provided in note 32.

#### Provisions

Provisions included in the Statement Of Financial Position are estimated using appropriate professional advice and are based on circumstances prevailing at the Statement Of Financial Position date.

#### Valuation of assets

There are judgements around the valuation of assets, of which more detail is provided in note 1.10.

### 1.7 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 Statement Of Financial Position date compared to expected total length of stay.

Revenue from education, training and research is recognised in the period in which services are provided. Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

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

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

### 1.8 Employee Benefits

#### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

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

#### Retirement benefit costs

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

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

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

### 1.9 Other expenses

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

### 1.10 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 [NHS body];
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

#### Valuation

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

Land and buildings used for the University Hospitals of Leicester NHS 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.

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

### Subsequent expenditure

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

### 1.11 Intangible assets

#### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

#### Measurement

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

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

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

### **1.12 Depreciation, amortisation and impairments**

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

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

### **1.13 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.

### **1.14 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.

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

### **1.15 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.

### **1.16 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 University Hospitals of Leicester NHS Trust as lessee**

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

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

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

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

#### **The University Hospitals of Leicester NHS Trust as lessor**

The University Hospitals of Leicester NHS Trust has no income from finance 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.

### **1.17 Private Finance Initiative (PFI) transactions**

The Trust has no PFI schemes.



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

**1.18 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.

**1.19 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.

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

**1.23 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.

**1.24 Contingencies**

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

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

**Loans and receivables**

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced 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 Accounts - 1. Accounting Policies (Continued)**

### **1.29 Third party assets**

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

### **1.30 Public Dividend Capital (PDC) and PDC dividend**

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

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

### **1.31 Losses and Special Payments**

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

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

### **1.32 Subsidiaries**

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

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

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

### **1.33 Associates**

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

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

The University Hospitals of Leicester NHS Trust had no Associates in 2014-15.

### **1.34 Joint arrangements**

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

The University Hospitals of Leicester NHS Trust had no Joint Arrangements in 2014-15.

### **1.35 Research and Development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the 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.

### **1.36 Accounting Standards that have been issued but have not yet been adopted**

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

IAS 27 Separate Financial Statements - subject to consultation  
IAS 28 Investments in Associates and Joint Ventures - subject to consultation  
IFRS 9 Financial Instruments - subject to consultation - 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 budget**

The Trust does not participate in any pooled budgets.

## **3. Operating segments**

The core principle of IFRS 8 *Operating Segments* is that information should be disclosed to enable users of an organisation's Financial Statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates. IFRS 8 also requires that the amounts reported for each operating segment should be the amounts reported to the Board.

The Trust operates in one material segment, which is the provision of healthcare services and the reporting to the Board is at a total Trust level. The provision of healthcare (including medical treatment, research and education) is within one main geographical segment, the United Kingdom.

## **4. Income generation activities**

The Trust does not undertake any income generation activities which meet the conditions set by the Department of Health for income generation. The Trust does not run any commercial schemes with a view to achieving a profit, and does not market commercial goods or services outside of the NHS.

**5. Revenue from patient care activities**

	<u>2014-15</u> £000s	<u>2013-14</u> £000s (restated)*	<u>2013-14</u> £000s
NHS Trusts	0	0	7,948
NHS England	229,319	222,614	222,614
Clinical Commissioning Groups	476,018	431,416	431,416
Foundation Trusts	719	2,659	2,659
NHS Other (including Public Health England and Prop Co)	635	509	509
Non-NHS:			
Local Authorities	145	3,547	3,547
Private patients	2,806	3,002	3,002
Overseas patients (non-reciprocal)	1,154	975	975
Injury costs recovery	1,466	1,271	1,271
Other*	1,269	1,104	1,104
<b>Total Revenue from patient care activities</b>	<b>713,531</b>	<b>667,097</b>	<b>675,045</b>

\* "Non-NHS: Other" includes £724k income from health bodies in Wales, Scotland and Northern Ireland (2013-14 - £726k).

**6. Other operating revenue**

	<u>2014-15</u> £000s	<u>2013-14</u> £000s (restated)*	<u>2013-14</u> £000s
Recoveries in respect of employee benefits	9,134	10,290	6,595
Education, training and research**	86,241	71,502	71,502
Receipt of donations for capital acquisitions - Charity	576	765	765
Non-patient care services to other bodies	8,691	7,094	3,481
Rental revenue from operating leases	8,391	8,857	8,857
Other revenue****	7,812	4,788	4,148
<b>Total Other Operating Revenue</b>	<b>120,845</b>	<b>103,296</b>	<b>95,348</b>
<b>Total operating revenue</b>	<b>834,376</b>	<b>770,393</b>	<b>770,393</b>

\* We have restated the above note following an internal reclassification of income from NHS Trust's from 'revenue from patient care activities' to 'other operating revenue'. Overall income from Trusts has reduced by £4.6m. From 2014-15 the Trust hosts the LLR Alliance, which took over from another local NHS Trust to provide elective care services in the LLR region. Previously the Trust provided staff to the other local Trust and received income from it. This arrangement has ceased with the new LLR Alliance arrangements.

\*\* From 2014-15 the Trust is responsible for hosting the *NIHR Clinical Research Network: East Midlands* and as host, is responsible for ensuring the effective delivery of research in the Trusts, primary care organisations and other qualified NHS providers throughout the East Midlands area. This arrangement has contributed to the material increase of £14,739k in the education, training and research costs shown in the above note. The Trust's total research network income has increased by £15,152k from 2013-14.

\*\*\* Rental revenue from operating leases includes £7.4m of income from our facilities management service provider in relation to car parking and catering. This arrangement commenced in March 2013 and, in accordance with International Financial Reporting Standards, we classify these income elements as operating lease income.

\*\*\*\* Other revenue includes all other income which does not fall within the specific categories listed above, including staff car parking £1.1m (2013-14: £1.0m) and accommodation £1.6m (2013-14: £1.6m).

**7. Overseas Visitors Disclosure**

	<u>2014-15</u> £000	<u>2013-14</u> £000s
Income recognised during 2014-15 (invoiced amounts and accruals)	1,154	975
Cash payments received in-year (re receivables at 31 March 2014)	96	35
Cash payments received in-year (iro invoices issued 2014-15)	487	163
Amounts added to provision for impairment of receivables (re receivables at 31 March 2014)	46	0
Amounts added to provision for impairment of receivables (iro invoices issued 2014-15)	171	0
Amounts written off in-year (irrespective of year of recognition)	567	656

## 8. Operating expenses

	<u>2014-15</u> £000s	<u>2013-14</u> £000s
Services from other NHS Trusts	3,529	4,353
Services from other NHS bodies	107	833
Services from NHS Foundation Trusts	2,010	2,002
<b>Total Services from NHS bodies*</b>	<u>5,646</u>	<u>7,188</u>
Purchase of healthcare from non-NHS bodies	8,998	7,678
Trust Chair and Non-executive Directors	79	73
Supplies and services - clinical**	181,931	164,900
Supplies and services - general	25,950	27,288
Consultancy services	4,707	2,439
Establishment***	8,003	5,812
Transport	2,982	2,626
Premises	42,555	35,308
Insurance	19	38
Legal Fees	608	500
Impairments and Reversals of Receivables	614	1,135
Depreciation	30,447	29,484
Amortisation	2,783	1,761
Impairments and reversals of property, plant and equipment	6,761	0
Audit fees	209	209
Clinical negligence	17,562	17,733
Research and development (excluding staff costs)****	24,569	14,340
Education and Training	1,030	1,084
Other	8,062	5,585
<b>Total Operating expenses (excluding employee benefits)</b>	<u>373,515</u>	<u>325,181</u>
<b>Employee Benefits</b>		
Employee benefits excluding Board members	496,288	473,222
Board members	990	868
<b>Total Employee Benefits</b>	<u>497,278</u>	<u>474,090</u>
<b>Total Operating Expenses</b>	<u>870,793</u>	<u>799,271</u>

\* Services from NHS bodies does not include expenditure which falls into a category below it in the table.

\*\* Supplies and services - clinical includes £79,461k expenditure on drugs (2013-14 - £73,601k).

\*\*\* Establishment costs include printing, stationery, postage and telephone costs.

\*\*\*\* From 2014-15 the Trust is responsible for hosting the *NIHR Clinical Research Network: East Midlands*. This arrangement has contributed to the increase of £10,229k in the research and development costs shown in the above note. The Trust's total research network expenditure has increased by £13,878k from 2013-14 and this is offset by a reduction in expenditure relating to other grant funded research and development schemes which ended in 2013-14.



## 9 Operating Leases

Of the total minimum lease payments for 2014-15, £4,400k (£4,333k in 2013-14) relates to three contracts for the provision of haemodialysis services as defined under IAS 17 *Leases*. The Trust is provided with haemodialysis services from private sector suppliers from sites at Boston, Leicester and Corby.

### 9.1 University Hospitals of Leicester as lessee

	2014-15		2013-14
	Other £000s	Total £000s	Total £000s
<b>Payments recognised as an expense</b>			
Minimum lease payments		5,670	5,391
Contingent rents		0	0
Sub-lease payments		0	0
<b>Total</b>		<b>5,670</b>	<b>5,391</b>
<b>Payable:</b>			
No later than one year	5,657	5,657	4,433
Between one and five years	8,063	8,063	12,164
After five years	306	306	689
<b>Total</b>	<b>14,026</b>	<b>14,026</b>	<b>17,286</b>

No future sublease payments are expected to be received.

### 9.2 University Hospitals of Leicester as lessor

The Trust leases two properties to a local NHS Trust following the exchange of land and buildings with that Trust.

The Trust also receives lease income from its facilities managed service provider in relation to catering and car parking.

	2014-15	2013-14
	£000	£000s
<b>Recognised as revenue</b>		
Rental revenue	8,391	8,857
<b>Total</b>	<b>8,391</b>	<b>8,857</b>
<b>Receivable:</b>		
No later than one year	7,841	7,999
Between one and five years	29,233	37,185
After five years	0	0
<b>Total</b>	<b>37,074</b>	<b>45,184</b>

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

	2014-15		
	Total £000s	Permanently employed £000s	Other £000s
<b>Employee Benefits - Gross Expenditure</b>			
Salaries and wages	423,163	401,907	21,256
Social security costs	29,887	29,887	0
Employer Contributions to NHS BSA - Pensions Division	43,964	43,964	0
Other pension costs	18	18	0
Termination benefits	1,116	1,116	0
<b>Total employee benefits</b>	<b>498,148</b>	<b>476,892</b>	<b>21,256</b>
<b>Employee costs capitalised</b>	<b>870</b>	<b>477</b>	<b>393</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>497,278</b>	<b>476,415</b>	<b>20,863</b>

	2013-14		
	Total £000s	Permanently employed £000s	Other £000s
<b>Employee Benefits - Gross Expenditure 2013-14</b>			
Salaries and wages	403,871	373,199	30,672
Social security costs	29,137	29,137	0
Employer Contributions to NHS BSA - Pensions Division	42,133	42,133	0
Other pension costs	0	0	0
Termination benefits	182	182	0
TOTAL - including capitalised costs	475,323	444,651	30,672
Employee costs capitalised	1,233	703	530
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>474,090</b>	<b>443,948</b>	<b>30,142</b>

Bank staff costs for 2014-15 totalling £5,771k are included within the 'permanently employed' category in the above note in accordance with Department of Health Guidance. Bank staff costs totalling £7,175k were included within the 'other' category in 2013-14.

**10.2 Staff Numbers**

	2014-15			2013-14
	Total Number	Permanently employed Number	Other Number	Total Number
<b>Average Staff Numbers</b>				
Medical and dental	1,582	1,140	442	1,583
Administration and estates	1,881	1,832	49	1,667
Healthcare assistants and other support staff	535	533	2	634
Nursing, midwifery and health visiting staff	3,393	3,352	41	3,311
Nursing, midwifery and health visiting learners	1,502	1,410	92	1,363
Scientific, therapeutic and technical staff	1,616	1,554	62	1,541
Social Care Staff	2	0	2	0
Other	199	128	71	301
<b>TOTAL</b>	<b>10,710</b>	<b>9,949</b>	<b>761</b>	<b>10,400</b>
Of the above - staff engaged on capital projects	12	8	4	18

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

	2014-15	2013-14
	Number	Number
Total Days Lost	86,777	73,616
Total Staff Years	10,433	9,966
<b>Average working Days Lost</b>	<b>8.32</b>	<b>7.39</b>
	<b>2014-15</b>	<b>2013-14</b>
	<b>Number</b>	<b>Number</b>
Number of persons retired early on ill health grounds	11	14
	<b>£000s</b>	<b>£000s</b>
Total additional pensions liabilities accrued in the year	425	748

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

Exit package cost band (including any special payment element)	2014-15			2013-14		
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	22	22	0	0	0
£10,000-£25,000	3	21	24	2	0	2
£25,001-£50,000	1	13	14	1	0	1
£50,001-£100,000	2	1	3	1	0	1
<b>Total number of exit packages by type (total cost)</b>	<b>6</b>	<b>57</b>	<b>63</b>	<b>4</b>	<b>0</b>	<b>4</b>
<b>Total resource cost (£s)</b>	<b>196,392</b>	<b>919,805</b>	<b>1,116,197</b>	<b>181,991</b>	<b>0</b>	<b>181,991</b>

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

Other departures shown in the note above includes costs and numbers associated with the Trust's Voluntary Severance Scheme (VSS).

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.

#### 10.5 Exit packages - Other Departures analysis

	2014-15		2013-14	
	Agreements	Total value of agreements	Agreements	Total value of agreements
	Number	£000s	Number	£000s
Voluntary Severance Scheme contractual costs	57	920	0	0
<b>Total</b>	<b>57</b>	<b>920</b>	<b>0</b>	<b>0</b>

The Trust made no non-contractual payments to individuals where the payment value was more than 12 months of their annual salary.

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

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

### a) Full actuarial (funding) valuation

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

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

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

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

### b) Accounting valuation

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

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

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

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

### c) Scheme provisions

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

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

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

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

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

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

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

## 11 Better Payment Practice Code

### 11.1 Measure of compliance

	2014-15		2013-14	
	Number	£000s	Number	£000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	<b>143,784</b>	<b>484,649</b>	128,364	396,204
Total Non-NHS Trade Invoices Paid Within Target	<b>76,193</b>	<b>329,077</b>	59,150	271,621
Percentage of NHS Trade Invoices Paid Within Target	<b>52.99%</b>	<b>67.90%</b>	46.08%	68.56%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	<b>4,776</b>	<b>180,233</b>	4,654	<b>163,108</b>
Total NHS Trade Invoices Paid Within Target	<b>2,446</b>	<b>137,859</b>	2,549	<b>133,356</b>
Percentage of NHS Trade Invoices Paid Within Target	<b>51.21%</b>	<b>76.49%</b>	54.77%	81.76%

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

The Trust has been in a deficit position since 2013-14, which means that the Trust does not generate sufficient operational cash without external financial support. Note 26 outlines the external financing that the Trust received in 2014-15. Our financing application made it explicit that the final value of our external revenue funding would only allow us to make an incremental improvement in our payments performance and achieve a maximum of 72% against the BPPC target by value. This was accepted by the Department of Health and our final outturn is shown in the above table. The combined NHS and non-NHS performance was 70.23% by value.

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

The Trust has paid several non-material amounts in interest for late payment of commercial debts.

## 15.1 Property, plant and equipment

2014-15	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost or valuation:</b>									
<b>At 1 April 2014</b>	52,734	272,820	8,804	7,542	141,940	148	55,281	1,973	541,242
Additions of Assets Under Construction				12,403					12,403
Additions Purchased	0	22,463	12		5,010	0	2,176	274	29,935
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	44	0	0	0	44
Additions - Purchases from Cash Donations & Government Grants	0	206	0	0	285	11	30	0	532
Additions Leased	0	0	0		4,302	0	0	0	4,302
Reclassifications	0	3,518	0	(4,568)	0	0	0	0	(1,050)
Disposals other than for sale	0	0	0	0	(2,672)	(9)	(523)	(60)	(3,264)
Upward revaluation/positive indexation	123	(1,555)	(149)	0	0	0	0	0	(1,581)
Impairments/negative indexation	0	(1,443)	(11)	0	0	0	0	0	(1,454)
<b>At 31 March 2015</b>	<b>52,857</b>	<b>296,009</b>	<b>8,656</b>	<b>15,377</b>	<b>148,909</b>	<b>150</b>	<b>56,964</b>	<b>2,187</b>	<b>581,109</b>
<b>Depreciation</b>									
<b>At 1 April 2014</b>	5,612	29,701	1,309	129	93,384	96	46,905	1,641	178,777
Disposals other than for sale	0	0	0		(2,666)	(9)	(523)	(60)	(3,258)
Upward revaluation/positive indexation	0	(44,748)	(1,063)		0	0	0	0	(45,811)
Impairments	0	6,759	2	0	0	0	0	0	6,761
Charged During the Year	0	15,230	425		11,520	15	3,212	45	30,447
<b>At 31 March 2015</b>	<b>5,612</b>	<b>6,942</b>	<b>673</b>	<b>129</b>	<b>102,238</b>	<b>102</b>	<b>49,594</b>	<b>1,626</b>	<b>166,916</b>
<b>Net Book Value at 31 March 2015</b>	<b>47,245</b>	<b>289,067</b>	<b>7,983</b>	<b>15,248</b>	<b>46,671</b>	<b>48</b>	<b>7,370</b>	<b>561</b>	<b>414,193</b>
<b>Asset financing:</b>									
Owned - Purchased	47,245	281,397	7,983	15,248	23,205	15	6,457	474	382,024
Owned - Donated	0	6,757	0	0	1,157	33	56	87	8,090
Owned - Government Granted	0	913	0	0	0	0	0	0	913
Held on finance lease	0	0	0	0	22,309	0	857	0	23,166
<b>Total at 31 March 2015</b>	<b>47,245</b>	<b>289,067</b>	<b>7,983</b>	<b>15,248</b>	<b>46,671</b>	<b>48</b>	<b>7,370</b>	<b>561</b>	<b>414,193</b>

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

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 1 April 2014</b>	12,633	45,630	6,316	0	40	0	0	0	64,619
Movements (specify)	122	41,750	903	0	(39)	0	0	0	42,736
<b>At 31 March 2015</b>	<b>12,755</b>	<b>87,380</b>	<b>7,219</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>107,355</b>

## Additions to Assets Under Construction in 2014-15

Land	0
Buildings excl Dwellings	7,779
Dwellings	0
Plant & Machinery	4,624
<b>Balance as at YTD</b>	<b>12,403</b>

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

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or valuation:</b>									
At 1 April 2013	52,734	277,502	8,723	5,896	138,448	137	52,245	1,923	<b>537,608</b>
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0	2	0	<b>2</b>
Additions of Assets Under Construction				7,243					<b>7,243</b>
Additions Purchased	0	14,888	81		6,285	0	3,538	191	<b>24,983</b>
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	114	0	0	0	<b>114</b>
Additions - Purchases from Cash Donations & Government Grants	0	313	0	0	320	11	7	0	<b>651</b>
Additions Leased	0	0	0		4,353	0	0	0	<b>4,353</b>
Reclassifications	0	5,517	0	(5,597)	22	0	41	13	<b>(4)</b>
Disposals other than for sale	0	0	0	0	(7,602)	0	(552)	(154)	<b>(8,308)</b>
At 31 March 2014	<b>52,734</b>	<b>298,220</b>	<b>8,804</b>	<b>7,542</b>	<b>141,940</b>	<b>148</b>	<b>55,281</b>	<b>1,973</b>	<b>566,642</b>
<b>Depreciation</b>									
At 1 April 2013	5,612	39,735	885	129	91,397	82	43,340	1,770	<b>182,950</b>
Disposals other than for sale	0	0	0		(7,551)	0	(552)	(154)	<b>(8,257)</b>
Charged During the Year	0	15,366	424		9,538	14	4,117	25	<b>29,484</b>
At 31 March 2014	<b>5,612</b>	<b>55,101</b>	<b>1,309</b>	<b>129</b>	<b>93,384</b>	<b>96</b>	<b>46,905</b>	<b>1,641</b>	<b>204,177</b>
<b>Net Book Value at 31 March 2014</b>	<b>47,122</b>	<b>243,119</b>	<b>7,495</b>	<b>7,413</b>	<b>48,556</b>	<b>52</b>	<b>8,376</b>	<b>332</b>	<b>362,465</b>
<b>Asset financing:</b>									
Owned - Purchased	47,122	236,450	7,495	7,413	25,410	26	6,792	245	<b>330,953</b>
Owned - Donated	0	5,870	0	0	1,107	26	41	87	<b>7,131</b>
Owned - Government Granted	0	799	0	0	0	0	0	0	<b>799</b>
Held on finance lease	0	0	0	0	22,039	0	1,543	0	<b>23,582</b>
Total at 31 March 2014	<b>47,122</b>	<b>243,119</b>	<b>7,495</b>	<b>7,413</b>	<b>48,556</b>	<b>52</b>	<b>8,376</b>	<b>332</b>	<b>362,465</b>

## 15.3 (cont). Property, plant and equipment

### 15.3.1 Donated assets

The majority of donated assets have been purchased on behalf of the Trust by the Leicester Hospitals Charity.

The most notable donated additions from the Leicester Hospitals Charity have included:

- £206K of building works including £72k to continue the creation of bereavement facilities within the maternity areas.
- £295k for medical and dental equipment including £78K for an Idx scanner for Diabetes research, £37K for a urology ultrasound and £37k for Haemodialysis monitoring.

### 15.3.2 Revaluation

The Trust re-values its assets on a regular basis.

The Trust's freehold and leasehold property values were updated in 2014-15 by an external valuer, Gerald Eve LLP, a regulated firm of chartered surveyors. The valuation was prepared in accordance with the requirements of the RICS Professional Standards, January 2014, the International Valuation Standards and IFRS. The valuation of each property was on the basis of Fair Value, equivalent to Market Value, subject to the following assumptions:

- for owner occupied property: the property would be valued as part of the continuing business; and
- for surplus property and property held for development: the property would be valued with vacant possession in its existing condition.

The valuer's opinion of Fair Value was primarily derived using the Depreciated Replacement Cost approach, because the specialised nature of the assets means that there are no market transactions of this type of asset except as part of the business or entity. For non-specialised assets regard has been had to comparable recent market transactions and/or an estimate of the future potential net income generated by the use of the property.

The valuations have been prepared in accordance with the Government Financial Reporting Manual 2013-2014 (FRm) to comply with IFRS, specifically with regard to IAS 16 'Property, Plant and Equipment' and IAS 40 'Investment Properties'.

### 15.3.3 Property plant and equipment

The accounting policies in relation to depreciation, amortisation and impairments are included in accounting policies note 1.10.

### 15.3.4 Temporarily idle asset values

The Trust does not hold any temporarily idle assets.

### 15.3.5 Gross carrying value of fully depreciated assets in use at the balance sheet date

The following totals represent total gross carrying value of all assets which have been fully depreciated.

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£000</b>	<b>£000</b>
Plant & Machinery (Purchased)	51,898	40,921
Plant & Machinery (Donated)	5,442	5,593
Transport Equipment (Purchased)	46	39
Tangible IM&T (Purchased)	44,067	38,716
Tangible IM&T (Donated)	132	106
Intangible IM&T (Purchased)	6,019	4,085
Intangible IM&T (Donated)	14	0
Furniture & Fittings (Purchased)	1,463	1,520
Furniture & Fittings (Donated)	71	73
	<b>109,152</b>	<b>91,053</b>

### 15.3.6 Compensation for assets impaired, lost or given up

The Trust has no compensation from third parties for assets impaired, lost or given up, which it needs to include in its surplus.



## 16.1 Intangible non-current assets

2014-15

	Computer Licenses £000's	Total £000's
<b>At 1 April 2014</b>	<b>16,101</b>	<b>16,101</b>
Additions Purchased	3,848	3,848
Reclassifications	1,050	1,050
Disposals other than by sale	(24)	(24)
<b>At 31 March 2015</b>	<b>20,975</b>	<b>20,975</b>
<b>Amortisation</b>		
<b>At 1 April 2014</b>	<b>8,082</b>	<b>8,082</b>
Disposals other than by sale	(24)	(24)
Charged during the year	2,783	2,783
<b>At 31 March 2015</b>	<b>10,841</b>	<b>10,841</b>
<b>Net Book Value at 31 March 2015</b>	<b>10,134</b>	<b>10,134</b>
<b>Asset Financing: Net book value at 31 March 2015 comprises:</b>		
Purchased	10,134	10,134
<b>Total at 31 March 2015</b>	<b>10,134</b>	<b>10,134</b>

The Trust's intangible assets all relate to IT licences, and are not revalued.

## 16.2 Intangible non-current assets prior year

2013-14

	Computer Licenses £000's	Total £000's
<b>At 1 April 2013</b>	<b>11,754</b>	<b>11,754</b>
Additions - purchased	4,468	4,468
Reclassifications	4	4
Disposals other than by sale	(125)	(125)
<b>At 31 March 2014</b>	<b>16,101</b>	<b>16,101</b>
<b>Amortisation</b>		
<b>At 1 April 2013</b>	<b>6,446</b>	<b>6,446</b>
Disposals other than by sale	(125)	(125)
Charged during the year	1,761	1,761
<b>At 31 March 2014</b>	<b>8,082</b>	<b>8,082</b>
<b>Net Book Value at 31 March 2014</b>	<b>8,019</b>	<b>8,019</b>
<b>Asset Financing: Net book value at 31 March 2014 comprises:</b>		
Purchased	8,018	8,018
Donated	1	1
<b>Total at 31 March 2014</b>	<b>8,019</b>	<b>8,019</b>

### **16.3 Intangible non-current assets**

The accounting policies in relation to intangible assets are included in note 1.11.

#### **16.3.1 Internally generated assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

All of the Trust's intangible assets are either purchased or donated, and none have been internally generated.

#### **16.3.2 Amortisation**

All of the Trust's intangible assets are amortised up to a maximum of 5 years and are not subject to revaluation.

#### **16.3.3 Acquisition**

None of the Trust's intangible assets have been acquired by government grant.

#### **16.3.4 Fully amortised assets**

The Trust has £6.0m of fully amortised intangible assets still in use.

#### **16.3.5 Recognition**

The Trust has no significant intangible assets which it does not recognise as assets under IAS 38 *Intangible Assets*.

#### **16.3.6 Revaluation reserve balance for intangible assets**

The Trust has no revaluation reserve balances for intangible assets.

#### **16.3.7 Impairments**

The Trust has no material impairments for any individual intangible assets.

## 18 Investment property

The Trust has no investment property.

## 19 Commitments

### 19.1 Capital commitments

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

	<b>31 March 2015</b>	31 March 2014
	<b>£000s</b>	£000s
Property, plant and equipment	<b>12,335</b>	7,812
<b>Total</b>	<b>12,335</b>	7,812

### 19.2 Other financial commitments

The Trust has no other financial commitments such as non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements).

## 20 Intra-Government and other balances

	Current receivables	Non-current receivables	Current payables	Non-current payables
	£000s	£000s	£000s	£000s
Balances with Other Central Government Bodies	476	0	9,617	0
Balances with Local Authorities	272	0	175	0
Balances with NHS bodies inside the Departmental Group	19,233	0	11,678	11,455
Balances with Bodies External to Government	12,621	2,702	84,498	6,869
<b>At 31 March 2015</b>	<b>32,602</b>	<b>2,702</b>	<b>105,968</b>	<b>18,324</b>
<b>prior period:</b>				
Balances with Other Central Government Bodies	36,037	0	22,447	0
Balances with Local Authorities	76	0	237	0
Balances with NHS Trusts and FTs	2,970	0	4,346	0
Balances with Bodies External to Government	10,682	3,123	86,968	0
<b>At 31 March 2014</b>	<b>49,765</b>	<b>3,123</b>	<b>113,998</b>	<b>0</b>

<b>21 Inventories</b>	<b>Drugs £000s</b>	<b>Consumables £000s</b>	<b>Energy £000s</b>	<b>Loan Equipment £000s</b>	<b>Of which held at NRV £000s</b>
<b>Balance at 1 April 2014</b>	<b>3,325</b>	<b>10,388</b>	<b>224</b>	<b>0</b>	10,388
Additions	79,462	30,955	79	0	30,955
Inventories recognised as an expense in the period	(79,395)	(30,740)	(157)	0	(30,740)
<b>Balance at 31 March 2015</b>	<b>3,392</b>	<b>10,603</b>	<b>146</b>	<b>0</b>	<b>10,603</b>

### 22.1 Trade and other receivables

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March 2015 £000s</b>	<b>31 March 2014 £000s</b>	<b>31 March 2015 £000s</b>	<b>31 March 2014 £000s</b>
NHS receivables - revenue	18,703	37,243	0	0
Non-NHS receivables - revenue	10,093	10,758	2,915	3,148
Non-NHS prepayments and accrued income	2,601	1,660	403	372
PDC Dividend prepaid to DH*	530			
Provision for the impairment of receivables	(1,298)	(1,408)	(616)	(397)
VAT	1,973	1,265	0	0
Other receivables	0	374	0	0
<b>Total</b>	<b>32,602</b>	<b>49,892</b>	<b>2,702</b>	<b>3,123</b>
<b>Total current and non current</b>	<b>35,304</b>	<b>53,015</b>		
Included in NHS receivables are prepaid pension contributions:	0			

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

\* Amounts prepaid to DH were included within 'other receivables' in 2013-14.

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

	<b>31 March 2015 £000s</b>	<b>31 March 2014 £000s</b>
By up to three months	2,315	2,162
By three to six months	484	441
By more than six months	440	476
<b>Total</b>	<b>3,239</b>	<b>3,079</b>

### 22.3 Provision for impairment of receivables

	<b>2014-15 £000s</b>	<b>2013-14 £000s</b>
<b>Balance at 1 April 2014</b>	<b>(1,805)</b>	(1,520)
Amount written off during the year	505	850
Amount recovered during the year	376	241
(Increase)/decrease in receivables impaired	(990)	(1,376)
<b>Balance at 31 March 2015</b>	<b>(1,914)</b>	(1,805)

The Trust makes a general provision on non NHS debts over 90 days old, increasing from 25% at 90 days to 100% for debts over a year old. Certain debts incur a higher or lower provision dependent on a risk assessment approved by the Trust. The Trust has provided for 18.9% of injury cost recovery debts based on Department of Health guidance and this is an increase from 12.6% used by the Trust in the prior year. The total injury cost recovery provision is £715k (2013-14: £484k).

## 23 NHS LIFT investments

The Trust has no NHS LIFT investments.

## 24.1 Other Financial Assets - Current

The Trust has no other financial assets.

## 24.2 Other Financial Assets - Non Current

The Trust has no other financial assets.

## 25 Other current assets

The Trust has no other current assets.

## 26 Cash and Cash Equivalents

	<u>31 March 2015</u>	<u>31 March 2014</u>
	£000s	£000s
<b>Opening balance</b>	<b>515</b>	19,986
Net change in year	<b>7,983</b>	(19,471)
<b>Closing balance</b>	<b>8,498</b>	515
<b>Made up of</b>		
Cash with Government Banking Service	<b>8,490</b>	503
Cash in hand	<b>8</b>	12
<b>Cash and cash equivalents as in statement of financial position</b>	<b>8,498</b>	515
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>8,498</b>	515
Patients' money held by the Trust, not included above	<b>7</b>	2

We initially planned to reduce cash from £515k at the end of 2013-14 to £277k at the end of 2014-15. We received a total of £58.0m in external financing in 2014-15, which funded capital expenditure of £12.0m, the deficit of £40.7m and liquidity improvements of £5.3m.

The £12m of capital funding was finally confirmed as a loan rather than PDC in February 2015 and the loan can be seen on the Statement of Financial Position.

An implication of loan financing is that we could only receive Capital Resource Limit (CRL) cover for our capital expenditure when we drew down the full amount of cash. The CRL is a limit on the amount of capital expenditure we incur in a year and we must not incur expenditure in excess of the CRL. As we achieved the full capital programme for 2014-15 we needed the full CRL in 2014-15. We therefore drew down the whole loan in March even though we did not spend all of the cash. Our performance against the CRL target is shown in note 43.4.

As a result of this we had a cash balance of £8.5m at the year-end instead of the planned £0.3m.

## 27 Non-current assets held for sale

The Trust has no non-current assets held for sale.

## 28 Trade and other payables

	Current	
	31 March 2015	31 March 2014
	£000s	£000s
NHS payables - revenue	8,116	5,697
NHS accruals and deferred income	3,017	5,517
Non-NHS payables - revenue	21,312	36,227
Non-NHS payables - capital	13,897	12,907
Non-NHS accruals and deferred income	36,632	30,053
Social security costs	4,575	4,458
Tax	5,030	4,951
Other	7,925	9,325
<b>Total</b>	<b>100,504</b>	<b>109,135</b>
<b>Total payables (current and non-current)</b>	<b>100,504</b>	<b>109,135</b>

### Included above:

Outstanding Pension Contributions at the year end	6,135	5,898
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## 29 Other liabilities

The Trust has no other liabilities.

## 30 Borrowings

	Current		Non-current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000s	£000s	£000s	£000s
Loans from Department of Health	545	0	11,455	0
Finance lease liabilities	4,919	6,590	6,869	5,890
<b>Total</b>	<b>5,464</b>	<b>6,590</b>	<b>18,324</b>	<b>5,890</b>
<b>Total other liabilities (current and non-current)</b>	<b>23,788</b>	<b>12,480</b>		

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

	31 March 2015		
	DH	Other	Total
	£000s	£000s	£000s
0-1 Years	545	4,919	5,464
1 - 2 Years	545	625	1,170
2 - 5 Years	1,635	1,873	3,508
Over 5 Years	9,275	4,371	13,646
<b>TOTAL</b>	<b>12,000</b>	<b>11,788</b>	<b>23,788</b>

### 31 Other financial liabilities

The Trust has no other financial liabilities.

### 32 Deferred revenue

	Current	
	31 March 2015	31 March 2014
	£000s	£000s
Opening balance at 1 April 2014	13,906	8,650
Deferred revenue addition	2,179	8,765
Transfer of deferred revenue	(2,519)	(3,509)
<b>Current deferred income at 31 March 2015</b>	<b>13,566</b>	<b>13,906</b>
Total deferred income (current and non-current)	13,566	13,906

### 33 Finance lease obligations as lessee

#### Managed Equipment Service (MES) finance lease

The Trust has a finance lease in relation to its managed equipment service as defined by IAS 17 *Leases*.

Commencement date: 2007-2008

End date: 2025-2026

#### Picture Archiving and Communications Service (PACS)

The Trust has a finance lease in relation to its PACS system as defined by IAS 17 *Leases*.

Commencement date: 2011-2012

End date: 2016-2017

#### Payment for the fair value of the services received

The annual unitary payment is applied to meet the annual finance cost and to repay the lease liability over the contract term.

#### Interest costs charged to revenue

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.

#### Property plant and equipment assets recognised on the balance sheet

The finance lease assets are recognised as property, plant and equipment. The asset values, life and depreciation for the MES scheme are provided to the Trust by the Lessor. The asset lives for the PACS system are calculated by the Trust.

Depreciation on the property, plant and equipment is charged to revenue.

#### Liability

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

#### Asset replacement

Any assets, or asset components replaced by the operator during the contract 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.

#### Assets contributed by the Trust to the operator for use in the scheme (MES only).

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

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

	Minimum lease payments		Present value of minimum	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000s	£000s	£000s	£000s
Within one year	4,919	6,590	4,919	6,590
Between one and five years	2,724	7,680	2,498	5,890
After five years	5,770	0	4,371	0
Less future finance charges	(1,625)	(1,790)		
<b>Minimum Lease Payments / Present value of minimum lease payments</b>	<b>11,788</b>	<b>12,480</b>	<b>11,788</b>	<b>12,480</b>
Included in:				
Current borrowings			4,919	6,590
Non-current borrowings			6,869	5,890
			<b>11,788</b>	<b>12,480</b>

### 34 Finance lease receivables as lessor

The Trust has no finance lease receivables.

### 35 Provisions

	Comprising:			
	Total	Early Departure Costs	Other	Redundancy
	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2014</b>	3,655	1,509	1,241	905
Arising during the year	726	198	366	162
Utilised during the year	(1,448)	(221)	(479)	(748)
Reversed unused	(158)	0	0	(158)
Unwinding of discount	27	19	8	0
<b>Balance at 31 March 2015</b>	<b>2,802</b>	<b>1,505</b>	<b>1,136</b>	<b>161</b>

#### Expected Timing of Cash Flows:

No Later than One Year	820	221	438	161
Later than One Year and not later than Five Years	1,582	884	698	0
Later than Five Years	400	400	0	0

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

<b>As at 31 March 2015</b>	148,371
<b>As at 31 March 2014</b>	123,061

Other provisions includes £275k for employer and public liability cases as notified to us by the NHS Litigation Authority; £644k permanent injury benefits and £218k for potential litigation or employment tribunals.

### 36 Contingencies

	31 March 2015	31 March 2014
	£000s	£000s
<b>Contingent liabilities</b>		
Other	(128)	(147)
<b>Net value of contingent liabilities</b>	<b>(128)</b>	<b>(147)</b>

The Trust's contingent liabilities relate to property, employer and public liability cases. All of these are administered by the NHS Litigation Authority and are expected to be resolved in 2014-15. Provisions for these are also included at note 35.

The Trust is involved in a contractual dispute with its facilities management provider, Interserve. The Trust does not expect that it will incur any significant financial costs in relation to this dispute in any future period.

The Trust has a contingent asset in relation to assets which will be transferred from Interserve to UHL at the completion of the facilities management contract, or at any point the contract is terminated. We have not disclosed a value for these assets as we will not know the net book value of these assets until the point of transfer but the value is not expected to be material.

### 37 PFI and LIFT - additional information

The Trust has no PFI or LIFT contracts.

### 38 Impact of IFRS treatment - current year

The Trust is fully compliant with IFRS and therefore there are no transitional impacts under IFRIC12.



### 39 Financial Instruments

#### 39.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the 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 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 Trust in undertaking its activities.

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

#### Currency risk

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

#### Interest rate risk

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

#### Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at the 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 Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

#### 39.2 Financial Assets

	Loans and receivables £000s	Total £000s
Receivables - NHS	11,500	11,500
Receivables - non-NHS	9,499	9,499
Cash at bank and in hand	8,498	8,498
<b>Total at 31 March 2015</b>	<b>29,497</b>	<b>29,497</b>
Receivables - NHS	18,952	18,952
Receivables - non-NHS	7,881	7,881
Cash at bank and in hand	515	515
<b>Total at 31 March 2014</b>	<b>27,348</b>	<b>27,348</b>

#### 39.3 Financial Liabilities

	Other £000s	Total £000s
NHS payables	2,087	2,087
Non-NHS payables	16,828	16,828
Other borrowings	12,000	12,000
<b>Total at 31 March 2015</b>	<b>30,915</b>	<b>30,915</b>
NHS payables	429	429
Non-NHS payables	16,961	16,961
PFI & finance lease obligations	12,480	12,480
<b>Total at 31 March 2014</b>	<b>29,870</b>	<b>29,870</b>

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

There are no material adjusting post balance sheet events arising subsequent to the date of these financial statements.

#### 41 Related party transactions

During the year none of the Department of Health Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the University Hospitals of Leicester NHS Trust.

##### Material Department of Health entities

The Department of Health is regarded as a related party. During the year the University Hospitals of Leicester 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. These entities are listed below:

Cambridgeshire And Peterborough CCG	NHS Litigation Authority
Chesterfield Royal Hospital NHS Foundation Trust	NHS Pension Scheme
Corby CCG	NHS Supply Chain
Coventry And Rugby CCG	NHS Property Services
Derby Hospitals NHS Foundation Trust	Northampton General Hospital NHS Trust
Derbyshire Community Health Services NHS Trust	Northamptonshire Healthcare NHS Foundation Trust
Derbyshire and Nottinghamshire Area Team	Northern Lincolnshire And Goole NHS Foundation Trust
East Leicestershire And Rutland CCG	Nottingham University Hospitals NHS Trust
East Staffordshire CCG	Nottinghamshire Healthcare NHS Foundation Trust
Health Education England	Peterborough & Stamford Hospitals NHS Foundation Trust
Kettering General Hospital NHS Foundation Trust	Public Health England
Leicester City CCG	Rushcliffe CCG
Leicestershire and Lincolnshire Area Team	South Lincolnshire CCG
Leicestershire Partnership NHS Trust	South West Lincolnshire CCG
Lincolnshire East CCG	Southern Derbyshire CCG
Lincolnshire West CCG	Staffordshire and Stoke on Trent Partnership NHS Trust
National Health Service Pension Scheme	United Lincolnshire Hospitals NHS Trust
Nene CCG	Warwickshire North CCG
NHS Blood and Transplant	West Leicestershire CCG
NHS England	

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 following organisations:

Department of Energy and Climate Change  
 National Insurance Fund  
 HM Revenue and Customs  
 Leicester City Council  
 Leicestershire County Council  
 Welsh Assembly Government

##### University of Leicester:

During the reporting year, the Trust made payments to the University of Leicester amounting to £12,376k. The majority of these payments relate to the provision of services to the Trust by medical staff employed by the University of Leicester, and research payments. As at 31st March 2015 a sum of £491k is included in creditors in respect of the University of Leicester. The University paid us £5,585k in the year, relating primarily to research work, and £1,714k was included within debtors at 31st March 2015.

##### Leicester Hospitals Charity

The Trust is the Corporate Trustee for Leicester Hospitals Charity which is an independent charity registered with the Charity Commission. In 2014-15 the Trust received total asset donations of £575k (£1,423k in 2013-14). Full details will be included in the Charity's accounts as submitted to the Charity Commission.

#### 42 Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	816,214	683
Special payments	165,108	176
<b>Total losses and special payments</b>	<b>981,322</b>	<b>859</b>

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

	Total Value of Cases £s	Total Number of Cases
Losses	835,314	614
Special payments	183,389	174
<b>Total losses and special payments</b>	<b>1,018,703</b>	<b>788</b>

There were no cases individually over £300,000

**43. 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.

<b>43.1 Breakeven performance</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Turnover	556,656	588,666	615,155	652,159	697,692	696,257	719,154	758,665	770,393	<b>834,376</b>
Retained surplus/(deficit) for the year	60	61	577	3,018	(3,992)	(2,542)	(27,985)	1,177	(39,514)	<b>(47,493)</b>
Adjustment for:										
Adjustments for impairments				0	4,043	3,555	28,073	0	0	<b>6,761</b>
Adjustments for impact of policy change re donated/government grants assets							0	(1,086)	(141)	<b>84</b>
Break-even in-year position	<b>60</b>	<b>61</b>	<b>577</b>	<b>3,018</b>	<b>51</b>	<b>1,013</b>	<b>88</b>	<b>91</b>	<b>(39,655)</b>	<b>(40,648)</b>
Break-even cumulative position	<b>254</b>	<b>315</b>	<b>892</b>	<b>3,910</b>	<b>3,961</b>	<b>4,974</b>	<b>5,062</b>	<b>5,153</b>	<b>(34,502)</b>	<b>(75,150)</b>

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS [organisation]'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.

	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Materiality test (I.e. is it equal to or less than 0.5%):										
Break-even in-year position as a percentage of turnover	0.01	0.01	0.09	0.46	0.01	0.15	0.01	0.01	-5.15	<b>-4.87</b>
Break-even cumulative position as a percentage of turnover	0.05	0.05	0.15	0.60	0.57	0.71	0.70	0.68	-4.48	<b>-9.01</b>

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.

### 43.2 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%.

### 43.3 External financing

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

	<u>2014-15</u>	<u>2013-14</u>
	£000s	£000s
External financing limit (EFL)	50,315	20,655
Cash flow financing	46,235	19,206
Unwinding of Discount Adjustment	-	154
External financing requirement	<u>46,235</u>	<u>19,360</u>
<b>Under/(over) spend against EFL</b>	<b>4,080</b>	<b>1,295</b>

The Trust's closing cash balance of £8.5m was £8.2m above the planned value of £0.3m. The Trust's External Financing Limit (EFL) was adjusted by the NTDA following the receipt of the £12m capital investment loan. The Trust underspent against its revised EFL target, which it is permitted to do. The excess cash will be used primarily to pay capital creditors carried forward at the year end.

### 43.4 Capital resource limit

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

	<u>2014-15</u>	<u>2013-14</u>
	£000s	£000s
Gross capital expenditure	51,066	37,459
Less: book value of assets disposed of	(5)	(46)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	<u>(576)</u>	<u>(765)</u>
<b>Charge against the capital resource limit</b>	<b>50,485</b>	<b>36,648</b>
Capital resource limit	<u>50,509</u>	<u>36,700</u>
<b>(Over)/underspend against the capital resource limit</b>	<b>24</b>	<b>52</b>

The Capital Resource Limit (CRL) is a limit on the amount of capital expenditure we can incur in a year and we must not overspend against it. As stated in note 26, as we achieved the full capital programme for 2014-15 we needed to draw down our full capital investment loan for 2014-15 in order to receive the CRL cover.

The CRL was also increased in-year by a further £4.3m above the initial plan to cover IFRIC 4 spend relating to capital additions within our managed equipment service finance lease.

The £24k underspend was caused by a small underspend on several schemes within our capital programme.