Royal United Hospital Bath NHS Trust

Annual Accounts for the year-ended 31 March 2014

Statement of the Chief Executive's responsibility as the accountable officer of the Trust

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

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

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

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

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

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

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

28 May 2014

James Scott,
Chief Executive

Statement of Directors' responsibility in respect of the accounts

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

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

28 May 2014

James Scott,
Chief Executive

28 May 2013

Sarah Truelove,
Deputy Chief Executive & Director of Finance

1. Introduction

The NHS Chief Executive, in his capacity as Accounting Officer for the NHS in the Department of Health, requires the Accountable Officer (AO) for the Royal United Hospital Bath NHS Trust to give him assurance about the stewardship of his organisation.

For the Royal United Hospital Bath NHS Trust the Accountable Officer is James Scott, Chief Executive.

2. Scope of responsibility

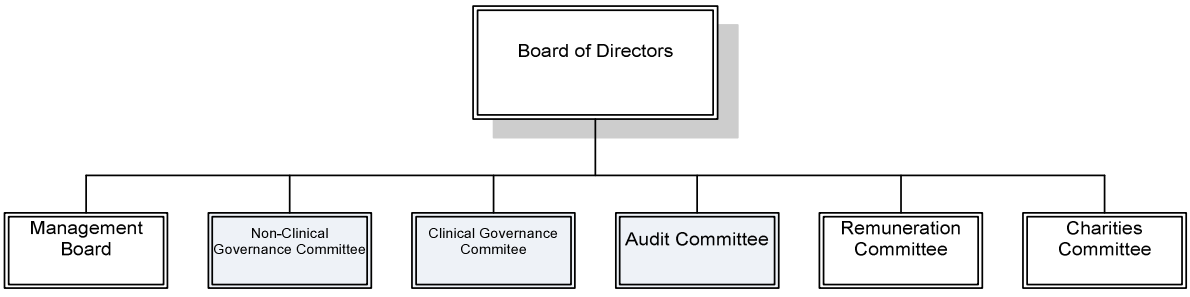
The Board of Directors is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

The NHS Trust Development Authority (TDA), clinical commissioning groups (CCGs)) and the Trust have worked closely in 2013/14 and the Trust's performance is reviewed by the TDA and the Clinical Commissioning Groups (CCGs) on a regular basis.

3. The governance framework of the organisation

The Trust has developed its governance structures over a period of time to deliver an integrated governance agenda. Integrated governance is the combination of systems, processes and behaviours which the Trust uses to lead, direct and control its functions in order to achieve its organisational objectives.

The Board of Directors leads on integrated governance and delegates key duties and functions to its six standing sub-committees. In addition the Board reserves certain decision making powers including decisions on strategy and budgets. The diagram below gives an overview of the integrated governance structure.



Assurance Committees

The roles and responsibilities of all committees are described more fully below. There are three key committees within the structure that provide assurance to the Board of Directors. These are:

The Non-Clinical Governance Committee.
The Clinical Governance Committee.
The Audit Committee.

There are a range of mechanisms available to these assurance committees to gain assurance that our systems are robust and effective. These include utilising internal and external audit, peer review, management reporting and clinical audit. Where systems and processes cover both clinical and non-clinical areas, for example, the storage of medicines and materials management, more than one assurance committee will need to assure itself and in turn the Board of Directors that the approach is effective and robust. To do this the Trust has developed a mechanism for cross referring items to seek the other assurance committees' review of relevant systems and processes and in addition, the Non-Clinical and Clinical Governance Committees hold two joint meetings a year.

The Board of Directors is accountable for the operations of the Trust. Due to the size and complexity of the operations involved, it delegates responsibility for operational delivery to the Trust's Management Board, which in turn delegates authority to a number of sub groups as appropriate. The expected outcomes, as prescribed by the Board of Directors through the Management Board Terms of Reference, are delivered by the organisation through a series of defined systems and processes

3.1. Committee structure and reporting

Details of the key committees in the Trust's governance structure are given below. Each Committee Chair has information that ensures a consistent approach across all groups, including Terms of Reference, upward reporting and review of effectiveness. Guidelines for the development of agendas and for papers to be presented at the groups are also available. This information has been developed in line with the Productive Leader Toolkit created by the NHS Institute for Innovation and Improvement.

3.2. The Board of Directors

The Board of Directors meets monthly. The dates of the meetings are published on the Trust's website. The agenda, reports and minutes of the public Trust Board meetings are also published on the Trust's website in advance of the meetings.
to discuss an agenda based on four key areas of:

- Quality – Patient Safety, Effectiveness and Experience
- Operational Performance and Use of Resources
- Corporate Governance/Risk/Regulatory – This gives the Board an opportunity to consider key risks, the Board Assurance Framework, legislative changes which may impact on the function of the Trust, other governance issues and regular reports from its sub committees.
- Strategy/Business Planning and Improvement – This covers strategy decision making, approval of business plans and business cases.

The Board of Directors approves annual work plans and annually reviews the Terms of Reference for each of the sub-committees. The Board of Directors receives regular reports from its sub-committees on the business covered, risks identified and actions taken. These reports are delivered by the Non-Executive Chairs of each of these groups, supported by the Executive Director lead.

The Board approves an Annual Cycle of Business in advance of the financial year which identifies the key reports which will be presented in year. Reporting to the Board is based on the principles of exception reporting to ensure that the Board considers the key issues and utilises its time effectively.

The Board conducts the majority of business in public but where this is not possible due to reasons of confidentiality it excludes members of the public pursuant to the Public Bodies (Admission to Meeting) Act 1960.

To ensure adequate flows of information from the Board of Directors to the Management Board, the Chief Executive provides a verbal update to the Management Board on business transacted at the Board of Directors and other issues of importance.

Membership of the Board of Directors is currently made up of the Trust Chairman, five independent Non-Executive Directors and five Executive Directors, including the Chief Executive, and three non-voting Executive Directors. The key roles and responsibilities of the Board are as follows:

- To set and oversee the strategic direction of the Trust.
- Continued appraisal of the financial and operational performance through Director Reports.
- Direct operational decisions as required.
- To discharge their duties of regulation and control.
- To ensure the Trust continues to maintain patient quality and safety as its primary focus, receiving and reviewing data analysis and comment in the form of the Quality Report.
- To receive reports from the Audit Committee, the annual internal auditor's report and external auditor's report and take action as appropriate.
- To approve the Annual Report and Annual Accounts.

The document which describes how the Trust operates is called the Standing Orders. The Standing Orders are supported by the Standing Financial Instructions and a Scheme of Delegation which shows which decisions the Board has reserved for itself and which it has delegated and to whom it has delegated these.

The Board receives monthly reports on performance which includes an integrated balanced scorecard which shows performance against the identified key performance indictors which contain national, local and internally driven targets. The integrated balanced scorecard is structured around the Care Quality Commission five domains (safety, effectiveness, caring, responsive and well-led).

In addition, the Board of Directors receives a monthly Quality Report which outlines progress towards delivering the quality agenda and also provides a mechanism for updating the Board of Directors on key quality issues which may require their attention. The monthly Quality Report also reports on the Trust's Family and Friends Test results, feedback from Meridian Patient Surveys, Patient Advice and Liaison Service contacts, complaints and serious incidents. This enables the Board of Directors to triangulate data from a number of different sources.

A breakdown of attendance for the Trust Board is presented below:

Chairman – (Attended 11 of 11)
Non-Executive Director – Moira Brennan (Attended 11 of 11)
Non-Executive Director – Joanna Hole (Attended 10 of 11)
Non-Executive Director – Michael Earp (Attended 9 of 11)
Non-Executive Director – Nicholas Hood (Attended 6 of 11)
Non-Executive Director – Nigel Sullivan (Attended 9 of 11)
Chief Executive (Attended 10 of 11)
Medical Director (Attended 10 of 11)
Director of Nursing (Helen Blanchard) (Attended 7 of 7)
Director of Nursing (Acting) (Mary Lewis) (Attended 4 of 4)
Chief Operating Officer (Francesca Thompson) (Attended 10 of 11)
Director of Finance (Sarah Truelove) (Attended 9 of 9)
Director of Finance (Catherine Phillips) (Attended 2 of 2)Director of Estates and Facilities* (Attended 10 of 11)
Director of Human Resources* (Lynn Vaughan) (Attended 3 of 3)
Interim Director of Human Resources* (Krystyna Ruszkiewicz) (Attended 1 of 2)
Director of Human Resources* (Claire Buchanan) (Attended 6 of 6)
Commercial Director* (Attended 10 of 11)

*Indicates non-voting members of the Trust Board.

The key Board sub-committees are described below. The attendance record for each member is indicated in the brackets.

3.3. Management Board

The Management Board is chaired by the Chief Executive and is held monthly. The membership of the Board is as follows:

Chief Executive (Chair) (Attended 11 of 12)
Chief Operating Officer (Francesca Thompson) (Attended 8 of 12)
Commercial Director (Attended 11 of 12)
Medical Director (Attended 12 of 12)
Associate Medical Director for Quality Improvement (Attended 5 of 12)
Director of Nursing (Acting) (Mary Lewis) (Attended 4 of 4)
Assistant Director of Nursing – Quality and Patient Safety (Mary Lewis) (Attended 5 of 6)
Director of Nursing (Helen Blanchard) (Attended 7 of 7)
Director of Human Resources (Lynn Vaughan) (Attended 3 of 3)
Director of Human Resources (interim) (Krystyna Ruszkiewicz) (Attended 2 of 3)
Director of Human Resources (Claire Buchanan) (Attended 5 of 6)
Director of Finance (Catherine Phillips) (Attended 2 of 3)
Director of Finance (Sarah Truelove) (Attended 7 of 9)
Director of Estates and Facilities (Attended 10 of 12)
Head of Division - Medicine (Attended 8 of 12)
Head of Division - Surgery (Attended 9 of 12)
Divisional Manager - Medicine (Attended 10 of 12)
Divisional Manager - Surgery (Attended 8 of 12)
Assistant Director of Nursing – Medicine (Jo Miller) (Attended 5 of 5)
Assistant Directors of Nursing - Patient Safety/Infection Prevention Control (Jo Miller) (Attended 5 of 7)
Assistant Director of Nursing - Medicine (Acting) (Mandy Rumble) (Attended 5 of 5)
Assistant Directors of Nursing - Surgery (Attended 10 of 12)
Assistant Directors of Nursing - Workforce (Attended 5 of 12)
Director of Research and Development* (Attended 11 of 12)
Director of Post Graduate Medical Education* (Attended 10 of 12)
Chief Pharmacist (Attended12 of 12)
Head of Business Development (Jane Rowland) (Attended 12 of 12)
Chief Information Officer (Attended 5 of 12)
Programme Management Office Lead (John Halsted) (Attended 5 of 7)
QIPP Programme Manager (Hester McLain) (Attended 4 of 5)

*The Director of Post Graduate Medical Education and Director of Research and develop are not required to attend every meeting.

The Management Board has delegated powers from the Board of Directors to oversee the day to day management of an effective system of integrated governance, risk management and internal control across the whole organisation’s activities (both clinical and non-clinical), which also supports the achievement of the organisation’s objectives.

3.4. Non-Clinical Governance Committee

The Non-Clinical Governance Committee (NCGC) focuses primarily on providing assurance to the Board that all non-clinical risks are appropriately identified, assessed and managed and to ensure that all non-managed risks are entered onto the Trust-wide risk register and reported to the Board where appropriate. The NCGC is chaired by a Non-Executive Director. The Committee meets bi-monthly.

Membership of this Committee includes:

Non-Executive Director (Chair) – Joanna Hole (Attended 5 of 5)
Non-Executive Director – Nigel Sullivan (Attended 2 of 5)
Director of Human Resources (Lead Executive) (Lynn Vaughan) (Attended 1 of 1)
Director of Human Resources (Krystyna Ruszkiewicz) (Attended 0 of 1)
Director of Human Resources (Lead Executive) (Claire Buchanan) (Attended 2 of 3)
Director of Facilities and Estates (Attended 5 of 5)
Chief Operating Officer (Francesca Thompson) (Attended 2 of 5)
Commercial Director (Joss Foster) (Attended 4 of 5)
Trust Secretary (Attended 5 of 5)

The primary objective of the Committee is to provide assurance to the Board that the key critical non-clinical systems and processes are effective and robust.

3.5. Clinical Governance Committee

The purpose of the Clinical Governance Committee is to provide assurance to the Board that all clinical risks are identified, assessed and managed and to ensure that all non-managed risks are entered onto the Trust-wide risk register and reported to the Board where appropriate. The Committee meets bi-monthly and is chaired by a Non-Executive. The membership of the Committee is as follows:

Non-Executive Director – Michael Earp (Chair) (Attended 3 of 4)
Non-Executive Director – Nicholas Hood (Attended 1 of 4)
Director of Nursing (Mary Lewis) (Lead Executive) (Attended 1 of 1)
Director of Nursing (Helen Blanchard) (Attended 2 of 3)
Medical Director (Attended 4 of 4)
Associate Medical Director for Quality Improvement (Attended 1 of 4)
Trust Secretary (Attended 3 of 3)

The primary objective of the Committee is to provide assurance to the Board that the key critical clinical systems and processes are effective and robust

3.6. Joint Committee Meetings

During 2013/14 the Non-Clinical Governance Committee and Clinical Governance Committee met on two occasions to seek assurance of key systems and processes which impact on non-clinical and clinical areas. These reviews included: the Quality, Innovation, Productivity and Prevention (QIPP) programme and the Central Alerting System process

3.7. Audit Committee

The Committee is chaired by a Non-Executive Director and meets no less than four times a year. Membership of this Committee is made up of three Non-Executive Directors (including the Chair).

Non-Executive Director – Moira Brennan (Chair) (Attended 4 of 4)
Non-Executive Director – Michael Earp (Attended 4 of 4)
Non-Executive Director – Joanna Hole (Attended 4 of 4)

The attendance record for each member is indicated in brackets after the name of the individual.

At least one of the members of the Audit Committee is required to have recent and relevant financial experience. Moira Brennan provides this experience and also chairs this committee. Further details on the experience and qualifications of the Trust Board can be found on the Trust website at www.ruh.nhs.uk

Additional staff will be invited as required; these could include:

Chief Executive
Director of Finance.
Trust Secretary.
External Auditor.
Internal Auditor.
Local Counter Fraud Specialist.
Head of Financial Services.

The Committee's key roles and responsibilities are as follows:
Governance
The Committee reviews the establishment and maintenance of an effective system of internal control and probity across the whole of the organisation's activities that supports the achievement of the organisation's objectives.

Internal Audit
The Committee shall ensure that there is an effective internal audit function established by the Trust that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. The Committee will review the audit function at least annually and agree its plan of work for the forthcoming year.

External Audit
The Committee shall review the work and findings of the External Auditor appointed by the Audit Commission and consider the implications and management response to their work.

Local Counter Fraud Specialist
The Committee shall ensure that there is an effective counter fraud function established by management that meets NHS Counter Fraud standards and provides independent assurance to the Audit Committee, Chief Executive and Board.

Other assurance functions such as reviews by the Department of Health and / or other regulators / inspectors.

Management
The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, probity and internal control. They may also request specific reports from individual functions within the organisation as they may be appropriate to the overall arrangements.

Risk Management
The Audit Committee is responsible for assuring the Board of Directors that the Risk Management system operating within the Trust is robust and effective. To do this the Committee will test the system through Internal Audit Review, as well as corporate and operational review.

3.8. Remuneration Committee

Membership of the Remuneration Committee includes the Chairman of the Board of Directors and all Non-Executive Directors. The Committee meets at least twice annually and its key roles and responsibilities are to determine the appropriate employment and remuneration and terms of employment for the Chief Executive and Executive Directors.

Chairman – (Attended 2 of 2)
Non-Executive Director – Moira Brennan (Attended 2 of 2)
Non-Executive Director – Joanna Hole (Attended 2 of 2)
Non-Executive Director – Michael Earp (Attended 1 of 2)
Non-Executive Director – Nigel Sullivan (Attended 2 of 2)
Non-Executive Director – Nick Hood (Attended 1 of 2)

The attendance record for each member is indicated in brackets after the name of the individual.

3.9. Charities Committee

The Royal United Hospital Charitable Fund was formed under a Deed dated 10 September 1996 as amended by a Supplemental Deed dated 9 December 2009. It is registered with the Charity Commission in England and Wales (Registered number 1058323) ("the Charity").

The Trust is the Corporate Trustee of the Charity, acting through its voting Trust Board members who are collectively referred to as the Trustee's Representatives ("Trustees") and their duties are those of trustees.

The main beneficiary of the Charity is the Trust's patients and staff through the provision of grants to the Trust for purchasing and developing facilities; training and development of staff; and research and development.

The Charity's structure is diverse and reflects the breadth of variety of activities within the Trust. There are in excess of 70 separate funds.

The Charitable Fund has a significant and proactive fundraising operation in the form of The Forever Friends Appeal that is primarily, but not totally, focussed on principal Campaigns agreed with the Charities Committee and the Corporate Trustee.

Whilst the Charities Committee is a formal subcommittee of the Board of Directors, arrangements have been implemented to operate this group and the Full Corporate Trustee of the charity at arm's length from the Trust. These arrangements include: a formal service level agreement between the Trust and the charity outlining the support and associated costs to the charity, reporting to the Full Corporate Trustee of the Charity Annual Report and Accounts and a separate charity strategy.

The Charities Committee is chaired by a Non-Executive Director. Membership of the committee includes a further two Non-Executive Directors, the Director of Nursing and Director of Finance. The committee meets quarterly.

Independent Trustee – Roger Newton (Attended 4 of 4)
Non-Executive Director – Moira Brennan (Attended 3 of 4)
Non-Executive Director – Brian Stables (Attended 3 of 4)
Director of Nursing (Helen Blanchard) (Attended 0 of 3)
Director of Nursing (Mary Lewis) (Attended 1 of 1)
Director of Finance (Attended 4 of 4)

The attendance record for each member is indicated in brackets after the name of the individual.

3.10. Annual Committee Effectiveness Reviews

Each Committee is required to consider how well it has performed during the year against the objectives as set out in their Terms of Reference and against the delivery of their work plans for the year. This information is collated and then presented to the Trust Board alongside any revisions to the Terms of Reference and the following year's work plan. Any deviation from plan is highlighted to allow the Trust Board to consider whether any further changes to membership or committee constitution are required. The Trust Board also considers the whole of its committee structure to ensure that it is delivering its requirements.

4. Key Governance Systems

The Trust has identified the following as key systems which support the delivery of the Trust's objectives:

Risk Management;
Performance Management;
Business Planning and Budget Setting;

Supporting these systems are sub-systems which include, but are not limited to:

Workforce planning;
Maintaining clinical and non-clinical competencies;
Health & Safety;
Equality & Diversity;

The Trust Board's assurance committees test these systems to ensure they are robust and effective. Where additional assurance is required the Trust's internal auditors are tasked with undertaking a more comprehensive review and actions are taken to address any shortfall against the expected standards.

5. Governance Changes during the Year

There have been no significant changes implemented during the year. The governance systems will be continually monitored to ensure that the Trust continues to learn from best practice and updates systems so they meet revised guidance throughout the year.

The Board of Directors reviewed the membership and terms of reference of the Management Board in February 2014 and agreed with effect from April 2014, the membership of the Management Board would be reduced. The revised membership will be: the Executive Team, the Heads of Division, Assistant Directors of Nursing and Divisional Managers. The structure of the meetings would also change to allow for more time for strategic discussion and debate.

6. The Shadow Council of Governors

The Shadow Council of Governors meets on a quarterly basis and has established three working groups on: Quality, Strategy and Business Planning and Membership and Outreach. The Board of Directors and the Shadow Council of Governors held a joint away session in December 2013 as part of the Trust's strategic planning process. The Shadow Council of Governors and the Non-Executive Directors held a joint away day session in March 2014 to discuss their respective roles and responsibilities which was facilitated by the Foundation Trust Network.

7. Trust Board Review of Effectiveness

The Trust Board is required to consider whether it has been effective in leading the organisation on an annual basis. The Board has undertaken an evaluation for 2013/14 and has determined that the Trust Board is operating at a satisfactorily level. This is supported by the following evidence:

- The Trust's performance has been rated as Performing[1] for 2013/14 as measured against the NHS Trust Development Authority's (TDA) Accountability Framework 2013/14. This confirms that the Trust has met all of the National Priorities as set out in the NHS TDA Accountability Framework.
- The Trust's performance would also be classified as Green against the Monitor Risk Assessment Framework Performance rating process.
- An Internal Audit Report on Performance Management (January 2014) concluded that the "Trust has thorough procedures to validate and monitor patient waiting times".
- The Trust has achieved its planned financial surplus for 2013/14.
- The Trust achieved 99% delivery of financial savings from the Quality, Innovation, Prevention and Productivity Programme (QIPP) in 2013/14, alongside delivery of improved outcomes for patients, improved flow within the Trust and efficiency and productivity savings.
- A Quality Impact Assessment (QIA) was undertaken, both at the start of and regularly during the currency of every QIPP project to identify whether there were any unintended negative consequences to quality which would mean that the project would be amended or stopped.
- The Trust has continued to build its membership base which is both representative and inclusive of the local population. The Trust has recruited over 7,000 public members and the majority of eligible staff are members.
- The Trust Board has a full complement of Executive and Non-Executive Directors.

The Trust Board's assessment has been supported by the following external assessments:

- The Care Quality Commission (CQC) undertook an unannounced inspection of the Trust in June 2013 and found that the Trust was not compliant with five of the CQC's standards. These standards were:

  Respecting and involving people who use services (Outcome 1)
  Care and Welfare of people who use services (Outcome 4)
  Safeguarding people who use services from abuse (Outcome 7)
  Assessing and monitoring the quality of service provision (Outcome 16)
  Records (Outcome 21). The CQC issued a warning notice in respect of Records.
- Following the CQC's visit, the Trust implemented an action plan to address the CQC's concerns.
- The Trust was one of the first wave of 18 acute trusts selected to pilot the CQC's new inspection regime. The inspection took place in December 2013. Following the visit, the CQC lifted the warning notice. The CQC concluded that: "patients received safe and effective care".[2]
- The CQC identified one area where the regulations of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010 were not met and the Trust should improve. The CQC stated: "the trust must protect people from the risks of inappropriate and unsafe care and treatment by means of effective operations systems designed to – regularly assess, and monitor of the quality of services; identify, assess and manage risks; and make changes in to treatment or care relating to the analysis of incidents that resulted in, or had the potential to result in harm."
- The CQC made another 17 recommendations where the Trust could improve and the Trust, in consultation with its key stakeholders has developed an ambitious Improvement Plan to address the CQC's recommendations.
- The Trust is subject to regular inspection by a number of other regulators including the Health & Safety Executive, the Medicines and Healthcare Products Regulatory Agency and the Human Tissue Authority. Whilst a number of improvement actions have been identified through the process of inspection no regulatory actions have been imposed on the Trust.
- The Trust has undertaken another self-assessment against the Quality Governance Framework. The Trust commissioned KPMG to conduct an independent assessment and the outcome of their review was reported to the Trust Board meeting in April 2014.

[1] The rating of performing is calculated based on the average score against a series of key performance indicators including those relating to A&E, referral to treatment, cancer and infections. The Trust must achieve an average rating of more than 2.4 to be rated as performing.
[2] QC Quality Report February 2014, p2

8. Board of Directors Member Appraisals

Each member of the Trust Board is appraised against their performance during the year, which culminates with an annual appraisal against their objectives for the year. The appraisers for each group of Trust Board members is as follows:

Appraisee	Appraiser
Chairman	TDA
Non-Executive Directors	Chairman
Chief Executive	Chairman
Executive Directors (as line reports)	Chief Executive
Executive Directors (as Trust Board members)	Chairman

The purpose of the appraisal is to monitor progress against the set objectives and identify any development needs or support required to ensure that by year end the objective is delivered. For the Chief Executive and Executive Directors, delivery against the objectives is taken into consideration when determining if any bonus is to be awarded and the level of the stated bonus. The amount of any bonus awarded to the Chief

During 2013/14 the Senior Independent Director, Michael Earp, also undertook an appraisal of the Chairman. In future years, and once authorised as an NHS Foundation Trust, the governors of the Trust will be involved in the Chairman's appraisal.

9. The Purpose of the System of Internal Control

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

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives; and
- Evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Trust for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

10. Capacity to handle risk

I have overall responsibility for all risks. A nominated lead Director, the Director of Nursing, has been designated as the Director responsible for clinical governance and risk management. I am responsible for corporate governance issues.

The Trust Board is ultimately responsible for managing and directing the Trust's business. However, there are three Assurance sub-committees which provide the Board with assurance. These are the Clinical Governance Committee, Non-Clinical Governance Committee, and the Audit Committee.

The Trust Board has approved the risk management processes and defined the objectives for managing risk. The Trust has a Trust-wide Risk Register. All new significant risks are reviewed by the Management Board and by the Trust Board. The Management Board then takes on oversight of the significant risks until they have been managed to a reduced level of risk

Assurance Committees have been established as sub-committees of the Trust Board, with membership from Executive and Non-Executive Directors, clinical representatives from the Divisions and other senior clinical and managerial representatives. The Strategic Framework for Risk Management includes a reporting structure to the Trust Board.

Each clinical specialty has a forum for discussing risk management and clinical governance issues. Each clinical specialty has a nominated lead for risk management, clinical effectiveness, research & development, education and training, and patient & public Involvement.

Guidance on risk management is included in the Strategic Framework for Risk Management.

The Clinical Governance Performance Framework includes standards on risk management and the pillars of clinical governance. Key Performance Indicators (KPIs) have been developed for clinical governance and these are monitored through the Trust's performance measures and included in a corporate scorecard on a monthly basis. The evidence used to monitor against the KPIs has been used in a number of areas to provide evidence for the on-going compliance with the Care Quality Commission.

The Trust seeks to ensure that lessons learned from incident, complaint and other investigations are used to update and improve practice. These issues are regularly communicated to the Operational Governance Committee where Trust wide representatives have the opportunity to discuss themes which may emerge from these investigations and make recommendations for, and implement, policy or procedural change. The Operational Governance Committee reports to the Management Board and escalates issues which require higher level scrutiny.

Incidents are dealt with as per the process identified in the Incident Reporting and Management Policy and Procedure; including the Management of Serious Untoward Incidents. All serious incidents are now included as part of the Trust Board's monthly Quality Report. In February 2014, the Trust started work on implementing its Incident Reporting Project: "Becoming a Safer Organisation through Increased Reporting and Learning from Harm". The aim of the project is to provide a transparent process by which patient safety incidents and near misses are recorded, investigated in a timely way and the learning disseminated effectively and speedily across all relevant departments and services.

11. The Risk and Control Framework

11.1. Context

The Strategic Framework for Risk Management identifies the key risk areas for the Trust as clinical risk, non-clinical risk, financial risk, human resource risk and information risk.

The Strategic Framework for Risk Management includes a clear risk management process. If a risk cannot be resolved at a local level the risk can be referred through the operational management structure to the Management Board or ultimately to the Trust Board. The risk is also added to the risk register with a plan detailing ways to minimise the risk. Each risk is assessed for its severity and likelihood of occurrence, and is allocated a risk 'traffic light'. Risks are reviewed to ensure that any inter-dependencies are understood along with the cumulative effect of risks. The level of exposure to risks is also assessed, and an acceptable level of exposure is assigned to each risk. In assessing the Trust's response, due regard is paid to the financial, service delivery and reputational consequences of risks. The Head of Risk and Assurance acts as a gate keeper to the Risk Register to ensure consistency of scoring, as well as the accuracy and currency of the register.

Risks outside the remit of the Trust's local governance groups are entered onto the Risk Register and are reviewed by an appropriate operational management groups, which includes the Management Board and Divisional Boards. The Trust Board reviews each new significant risk and either explores the solutions or accepts the risk. The highest rated risks are reviewed quarterly by the Trust Board. Training in risk management is included as part of the induction programme for new members of staff and is included in the development planner for the Trust Board.

11.2. Assurance Framework

The Assurance Framework is a process by which the Trust gains assurance that it has a well-balanced set of objectives for the year and that there are controls and assurances in place to manage the key risks associated with achieving the objectives.

The Assurance Framework was developed using the Trust's Integrated Business Plan and the corporate objectives for 2013/14. Following the publication of the CQC's report of their June inspection visit in October 2013, the Trust Board agreed to include a new risk on the Board Assurance Framework: "The CQC judges that the Trust is non-compliant with its standards which could put patients are risk of poor quality care and lead to damage to the Trust's reputation and its ability to gain foundation trust status".

The strategic objectives were assessed, and risks in achieving the objectives identified including any gaps in assurance or control. The Assurance Framework was reviewed by the Trust Board, its Assurance Committees and the Executive Director leads for each risk regularly throughout the year.

The Board of Directors agreed in November 2013 that the format of the Board Assurance Framework was complicated. The Trust's internal auditors compared the format of the Board Assurance Framework as part of their audit of the Trust's Risk Management process and also concluded that it was a more complex document than other trusts they reviewed as the information was held within three separate tables. The Board of Directors approved a new simpler Board Assurance Framework template at its meeting in January 2014.

Internal Audit reviewed the Trust's risk management arrangements twice during the year.

The Trust has in place a Major Incident Plan that is fully compliant with the requirements of the NHS Emergency Planning Guidance 2005 and all associated guidance. The Trust has also developed a Business Continuity Plan which was refreshed in light of guidance issued in relation to the new arrangements for local health Emergency Planning Resilience and Response (EPRR). The Trust has a full time dedicated Resilience Manager in post.

11.3. Other Risks to Note

The Trust has identified the following as its top three clinical risks:

<u>Bed capacity and patient flow to ensure right patient, in the right bed, first time</u>

The Trust recognises that when patient flow impacts on capacity and the acute hospital is under pressure, there are significant potential challenges for the delivery of safe, effective and high quality care and an increase in the risks that need to be managed.

Due to extreme pressures from non-elective and urgent care being experienced, the Trust invited in the Emergency Intensive Support Team (ECIST) in March 2013 to review the Trust's internal processes in relation to urgent care and patient flow. A report and action plan was subsequently developed and an on-going programme of work with the ECIST has recently been successfully concluded.

The Trust's Urgent Care Programme Board was responsible for delivering the action plan and reporting on progress to both the Management Board and the Trust Board. In addition to the internal review work undertaken, the Trust has worked with ECIST and the whole health and social care community to review urgent care systems and processes. Urgent Care Boards are now in place across both Bath and North East Somerset and Wiltshire to monitor and ensure delivery of the work programmes.

Capability, capacity and staffing numbers

The risk relating to capability, capacity and staffing numbers particularly relates to the bed capacity risk above and to corresponding availability of nursing staff to manage the opening of additional ward capacity in addition to unplanned escalation and a high volume of clinical outliers.

To manage this risk, a number of actions have been taken and delivered through the Strategic Workforce Committee, Nursing Workforce Group and Divisional Boards. Actions have included:

Recruitment campaign for key groups of staff, including recruitment overseas
Investment in nursing staffing during 2013/14 focussing on safeguarding (adults and children), older people's wards, acute gastroenterology ward and supporting the development of a model of supervisory ward sister.
Using winter monies to provide a dedicated consultant led team to care for medical outliers.

Medical records and health record keeping

A risk was identified to medical records in relation to the accessibility and availability of records, timeliness and coding and the overall use of the health record.

In order to improve the availability and storage of case notes, a secondary Health Record active library has been developed as Peasedown St John near Bath.

The Trust conducts weekly audits of nursing documentation and the standard of record keeping has improve significantly.

12. Internal Audit Reports

The Trust's Internal Auditors' Annual Report 2013/14 concluded that the Trust's core financial systems, risk management and the QIPP programme generally demonstrated an improvement in the effectiveness of control when compared to the previous year.

In the course of the annual audit programme of work, the Trust's Internal Auditors conducted a review of patient property and identified this as a critical risk area for the Trust in October 2013. The Internal Auditor's conducted a follow up and their March 2014 report highlighted a number of measures that the Trust had put in place to address the findings from the October 2013 report including:

- Updating the Patient's Property and Valuables Policy
- Undertaking a full audit of items held in the safe
- Implementing a uniquely identifiable sealed bag storage system
- Implementing a policy for the regular change of combination of the safe
- Moving all unsecured patient property items to the safe.

The Internal Audit follow up report identified further areas for improvement and reduced the report classification from "critical" to "high risk".

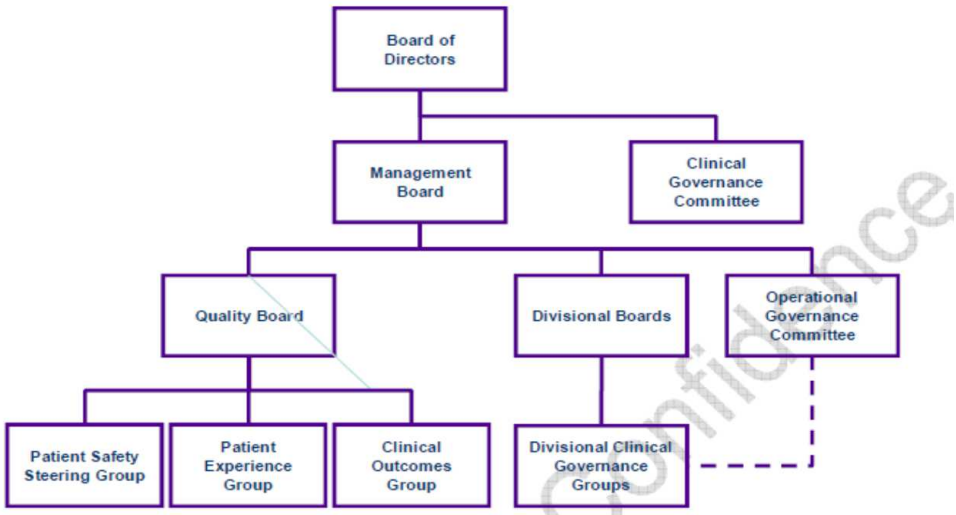
The Internal Auditors conducted a review of Medical Records and concluded that this was a high risk area for the Trust because they found that medical records were not always available when required and this was leading to cancellation of appointments with resulting additional cost, delay and potential frustration to the patient. The Internal Auditors found that the problem occurred particularly where records were held outside of the Medical Records Library. As mentioned above (section 11.3), in order to improve the availability and storage of case notes, a secondary Health Record active library has been developed as Peasedown St John near Bath.

The Internal Auditors' reviews of the following areas also produced a high risk rating:

- Performance Management – the review focussed on the accuracy of reported clinical data and identified some errors in the data, which although they were not material, had the potential to be so.
- Research and Development – the review noted inaccuracies in the approach to costing and billing research activity.
- Human Resources – the review identified concerns that junior doctors were not recording their sickness absence.

13. Quality Governance

Quality Governance is a key element of the overall governance arrangements of the Trust. Quality is woven into all groups but the key groups involved in delivering the quality agenda are:



Each group as presented above plays a key role in the quality governance of the Trust. Their roles are as follows:

- The Board of Directors approved the Quality Improvement Strategy in November 2010 and has oversight of the delivery of quality through the performance management system and risk management systems.

- The Management Board as the key operational delivery group in the Trust oversees operational performance against quality indicators and receives regular information on quality and patient safety work including the Trust's progress towards achieving the aims of the five year NHS South West Quality and Patient Safety Improvement Programme.

- The Quality Board, which is accountable to the Management Board, has responsibility to formulate the quality improvement strategic direction. This has been achieved through the development of the quality improvement strategy approved by the Board of Directors. The Quality Board oversees the implementation of the strategy. The Quality Board ensures that the Board of Directors, via the Management Board, is aware of risks to the quality of care being delivered and plans to mitigate these risks, and poorly performing services and the actions being taken to improve them.

- The Operational Governance Committee is the group which delivers quality improvement at an operational level. The Operational Governance Committee works closely with the Quality Board and the Quality Board's sub groups – the Patient Safety Steering Group, the Patient Experience Group and the Clinical Outcomes Group – as well as the Divisional Clinical Governance Groups.

From April 2010 health and adult social care providers had to be registered with the Care Quality Commission (CQC) and this required Trusts to comply with the "Essential standards of quality and safety", as set out in the Health and Social Care Act 2008 (Regulated Activities) Regulations 2009 and the Care Quality Commission (Registration) Regulations 2009. These standards allow Trusts to measure the quality of services they provide and ensure that Trusts are accountable for meeting the regulations. Areas identified from the CQC Quality and Risk Profile and internal reviews as requiring improvement will inform the Quality Work Plan.

The Trust has been registered with the Care Quality Commission without conditions since March 2010.

The Trust recognises that the Health Act 2006 introduced a statutory duty on NHS organisations to observe the provisions of the Code of Practice on Healthcare Associated Infections. The Trust Board is aware of its responsibilities in assuring that it has suitable systems and arrangements in place to ensure that the Code is being observed.

14. Quality Accounts 2013/14

All providers of NHS Health Care are required to produce an annual Quality Accounts Report about the quality of services delivered. A range of both internal and external groups have helped to develop the Quality Accounts report 2013/14 and to identify the Quality Priorities for 2014/15, including staff, shadow governors, Healthwatch and Clinical Commissioning Groups. The Trust's external auditors are responsible for reviewing the Quality Accounts against national requirements and for testing a sample of the quality indicators disclosed in the Quality Accounts to ensure that the performance information contained in the Quality Accounts is accurate and robust.

15. Board to Ward

The Trust has further developed its key lines of communication between both the Trust Board and Ward level. The main features of this communication are outlined below:

Matron Presentations

The Matrons from the two clinical divisions are each invited to present to the Board twice each year. The topics raised are selected by the Matrons and are focused around new initiatives, developments and also quality improvements. This is also an opportunity for the Matrons to interactive with the Board to share ideas, concerns and other issues.

Patient Stories

The Trust Board has introduced a patient story at the beginning of each Trust Board meeting aligned to the Quality & Patient Safety Report. The story takes the form of either a recorded interview with a patient, or is a statement read out by a member of staff on behalf of the patient. These stories ensure that positive and negative messages about the care being delivered within the Trust, is visible to the Trust Board, and in the words of a patient.

Integrated Balanced Scorecards

The Trust Board has adopted the use of an Integrated Balanced Scorecard for monitoring performance. The revised scorecard presents together quality, operational and financial performance, so that an informed view can be taken across the whole without impacting on one area. This approach is being rolled out throughout the Trust to Divisional, Specialty and Ward levels. This consistency in approach will ensure that the Board has oversight of information from Ward to Board.

16. Information Governance

Information Governance within the Trust is managed and controlled through the implementation of the Trust Information Governance strategy which is owned by the Trust Board. The strategy is delivered through an action plan for Information Risk Management and through a commitment to initiate work as early as possible on completing the NHS Information Governance Toolkit and national legislation, policies and directives, thus gaining maximum benefit from introduced improvements.

In 2013/14 the Trust achieved a compliance score of 91% against the Information Governance Toolkit, Version 11. The Trust achieved at least the minimum required level 2 in all 45 of the requirements. In summary, this means that the Trust is compliant with the Information Governance Toolkit's requirements relating to the following areas:

Information governance management
Confidentiality and Data Protection Assurance
Information Security Assurance
Clinical Information Assurance
Secondary Use Assurance
Corporate Information Assurance

A rolling programme of Information Risk Management audits has been continued in the current year with action plans being produced to further ensure risks are reduced and legal compliance with the Data Protection Act maintained.

During the year there has been effective reporting of Information Governance incidents and near misses and follow up on all incidents has ensured corrective actions where necessary. There was one Information Governance Serious Incidents Requiring Investigation (SIRI) incident reported to the Trust which was reported to the Department of Health and the Information Commissioners Office. There were 35 level 1 information governance incidents in 2013/14 relating to data:

Disclosed in error (15)
Lost in transit (3)
Near miss incidents involving lost or stolen paperwork, or inappropriate security15)
Unauthorised access/disclosure (1)
Other (1)

17. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the Internal Audit work. Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by:

Care Quality Commission registration;
Internal Audit reports;
External Audit reports;
Auditors' Value for Money Assessment:
CQC planned and responsive inspections;
Clinical audits;
Patient and staff surveys;
Friends and Family Test
Benchmarking information.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Trust Board, Audit Committee, Clinical Governance Committee, Non-Clinical Governance Committee and the Management Board. When issues are identified, plans are put in place to ensure that any learning is embedded in the organisation. This ensures that the system is subject to continuous improvement.

The Trust has an on-going process to assess compliance with the CQC's Essential standards of quality and safety, which includes regular review of the CQC's Quality and Risk Profile and on-going monitoring of the evidence to demonstrate compliance with the standards. No issues have been identified from this process which would affect the Trust's registration. Improvements identified through this process have been incorporated into action plans which are subject to rigorous review. There are no significant control issues to report.

In 2013/14, the Trust's major risks were the delivery of sustained performance, the achievement of financial savings and associated workforce changes required to deliver the savings. These risks will be monitored throughout 2014/15.

The Trust Board has a vital role in ensuring that the Trust has an effective system of internal control. 2013/14 has seen further improvements in the system of internal control, building on the work of previous years. The Trust Board and its sub-committees have functioned effectively throughout the year.

My review confirms that the Royal United Hospital Bath NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

Accountable Officer: James Scott, Chief Executive

Organisation: Royal United Hospital Bath NHS Trust (RD1)

Signature:

Date:

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ROYAL UNITED HOSPITAL BATH NHS TRUST

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

We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of Royal United Hospital Bath NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's directors and the Trust as a body, for our audit work, for this report, or for opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Royal United Hospital Bath NHS Trust as at 31 March 2014 and of its expenditure and income for the year then ended

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ROYAL UNITED HOSPITAL BATH NHS TRUST

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Trust and auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ROYAL UNITED HOSPITAL BATH NHS TRUST

in November 2012, as to whether the Trust has proper arrangements for:

- securing financial resilience

- challenging how it secures economy, efficiency and effectiveness.

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that in all significant respects Royal United Hospital Bath NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Delay in certification of completion of the audit

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

John Golding
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
BRISTOL
BS1 6FT

29 May 2014

Trust and Group Statement of Comprehensive Income for year ended 31 March 2014

	NOTE	2013-14 £000s	2012-13 £000s	Group 2013-14 £000s	Group 2012-13 £000s
Gross employee benefits	9.1	**(149,734)**	(142,010)	**(149,734)**	(142,010)
Other operating costs	7	**(80,932)**	(77,636)	**(81,595)**	(78,433)
Revenue from patient care activities	4	**222,950**	215,568	**222,950**	215,568
Other Operating revenue	5	**17,995**	18,017	**22,646**	18,896
Operating surplus/(deficit)		**10,279**	13,939	**14,267**	14,021
Investment revenue	11	**40**	38	**135**	121
Other gains and (losses)	12	**(35)**	19	**48**	184
Finance costs	13	**(151)**	(461)	**(151)**	(461)
Surplus/(deficit) for the financial year		**10,133**	13,535	**14,299**	13,865
Public dividend capital dividends payable		**(4,999)**	(4,914)	**(4,999)**	(4,914)
Retained surplus/(deficit) for the year		**5,134**	8,621	**9,300**	8,951

Other Comprehensive Income

	2013-14 £000s	2012-13 £000s		
Impairments and reversals taken to the Revaluation Reserve	**0**	(2,391)	**0**	(2,391)
Net gain/(loss) on revaluation of property, plant & equipment	**5,787**	0	**5,787**	0
Total Comprehensive Income for the year*	**10,921**	6,230	**15,087**	6,560

Financial performance for the year

Retained surplus/(deficit) for the year	**5,134**	8,621	**9,300**	8,951
Impairments (excluding IFRIC 12 impairments)	**0**	533	**0**	533
Adjustments in respect of donated gov't grant asset reserve elimination	**72**	86	**(453)**	(559)
Adjusted retained surplus/(deficit)	**5,206**	**9,240**	**8,847**	**8,925**

The adjustments made to accounting outturn to arrive at reported performance include £747,000 donated income with respect to capital purchases and £881,000 depreciation for donated assets

The notes on pages 27 to 64 form part of this account.

Trust and Group Statement of Financial Position as at 31 March 2014

		Trust	Trust	Group	Group	Group
		31 March 2014	31 March 2013	31 March 2014	31 March 2013	1 April 2012
	NOTE	**£000s**	£000s	£000s	£000s	£000s
Non-current assets:						
Property, plant and equipment	14	**171,929**	159,390	**171,929**	159,390	161,971
Intangible assets	15	**844**	947	**844**	947	638
Other Investments - Charitable				**6,032**	1,936	1,748
Trade and other receivables	19.1	**1,371**	1,532	**1,371**	1,532	1,584
Total non-current assets		**174,144**	161,869	**180,176**	**163,805**	**165,941**
Current assets:						
Inventories	18	**4,295**	3,701	**4,295**	3,701	3,296
Trade and other receivables	19.1	**15,154**	10,678	**14,825**	10,699	11,817
Other current assets		**0**	0	**0**	0	33
Cash and cash equivalents	20	**9,198**	10,697	**10,493**	11,566	6,878
Total current assets		**28,647**	**25,076**	**29,613**	**25,966**	**22,024**
Total assets		**202,791**	**186,945**	**209,789**	**189,771**	**187,965**
Current liabilities						
Trade and other payables	22	**(18,664)**	(14,078)	**(18,753)**	(14,161)	(15,128)
Provisions	26	**(1,331)**	(2,011)	**(1,331)**	(2,011)	(1,904)
Borrowings	23	**(90)**	(185)	**(90)**	(185)	(103)
Other financial liabilities		**0**	0	**0**	0	(1,900)
Capital loan from Department	23	**(990)**	(990)	**(990)**	(990)	(590)
Total current liabilities		**(21,075)**	(17,264)	**(21,164)**	**(17,347)**	**(19,625)**
Net current assets/(liabilities)		**7,572**	7,812	**8,449**	**8,619**	**2,399**
Non-current assets plus/less net current assets/liabilities		**181,716**	169,681	**188,625**	**172,424**	**168,340**
Non-current liabilities						
Provisions	26	**(2,076)**	(2,236)	**(2,076)**	(2,236)	(2,627)
Borrowings	23	**(126)**	(190)	**(126)**	(190)	(309)
Capital loan from Department	23	**(6,935)**	(7,925)	**(6,935)**	(7,925)	(5,315)
Total non-current liabilities		**(9,137)**	(10,351)	**(9,137)**	**(10,351)**	**(8,251)**
Total Assets Employed:		**172,579**	159,330	**179,488**	**162,073**	**160,089**
FINANCED BY:						
TAXPAYERS' EQUITY						
Public Dividend Capital		**139,685**	137,356	**139,685**	137,356	137,356
Retained earnings		**(8,671)**	(15,651)	**(8,671)**	(15,651)	(25,423)
Revaluation reserve		**41,565**	37,625	**41,565**	37,625	41,167
Charitable Funds Reserve - Restricted		**0**	0	**5,668**	1,587	1,275
Charitable Funds Reserve - Unrestricted		**0**	0	**1,241**	1,156	1,114
Other reserves		**0**	0	**0**	0	0
Total Taxpayers' Equity:		**172,579**	159,330	**179,488**	**162,073**	**155,489**

The notes on pages 27 to 64 form part of this account.

The financial statements on pages 23 to 64 were approved by the Board on 28th May 2014 and signed on its behalf by

Chief Executive: Date:

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

	Trust					Group					
	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves	Public Dividend capital	Retained earnings	Revaluation reserve	Charitable Funds Reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**137,356**	**(15,651)**	**37,625**	**0**	**159,330**	**137,356**	**(15,651)**	**37,625**	**2,743**	**0**	**162,073**
Changes in taxpayers' equity for 2013-14											
Retained surplus/(deficit) for the year		5,134			**5,134**		5,134				**5,134**
Net gain / (loss) on revaluation of property, plant, equipment			5,787		**5,787**			5,787			**5,787**
Transfers between reserves		1,847	(1,847)	0	**0**		1,847	(1,847)		0	**0**
Transfers under Modified Absorption Accounting - PCTs & SHAs		(1)			**(1)**		(1)				**(1)**
Transfers under Modified Absorption Accounting - Other Bodies		0			**0**		0				**0**
Reclassification Adjustments											
New PDC Received - Cash	2,329				**2,329**	2,329					**2,329**
Charitable Funds Adjustment									4,167		**4,167**
Net recognised revenue/(expense) for the year	**2,329**	**6,980**	**3,940**	**0**	**13,249**	**2,329**	**6,980**	**3,940**	**4,167**	**0**	**17,416**
Balance at 31 March 2014	**139,685**	**(8,671)**	**41,565**	**0**	**172,579**	**139,685**	**(8,671)**	**41,565**	**6,910**	**0**	**179,489**
Balance at 1 April 2012	**137,356**	**(25,423)**	**41,167**	**0**	**153,100**	**137,356**	**(25,423)**	**41,167**	**2,389**	**0**	**155,489**
Changes in taxpayers' equity for the year ended 31 March 2013											
Retained surplus/(deficit) for the year		8,621			8,621		8,621				8,621
Impairments and reversals			(2,391)		(2,391)			(2,391)			(2,391)
Transfers between reserves		1,151	(1,151)	0	0		1,151	(1,151)		0	0
Reclassification Adjustments											
Charitable Funds Adjustment									354		354
Net recognised revenue/(expense) for the year	**0**	**9,772**	**(3,542)**	**0**	**6,230**	**0**	**9,772**	**(3,542)**	**354**	**0**	**6,584**
Balance at 31 March 2013	**137,356**	**(15,651)**	**37,625**	**0**	**159,330**	**137,356**	**(15,651)**	**37,625**	**2,743**	**0**	**162,073**

Trust and Group Statement of Cash Flows for the year ended

31 March 2014

	Group			
	2013-14	2012-13	**2013-14**	2012-13
	£000s	£000s	**£000s**	£000s
Cash Flows from Operating Activities				
Operating Surplus/(Deficit)	**10,279**	13,939	**14,267**	14,021
Depreciation and Amortisation	**9,031**	9,030	**9,031**	9,030
Impairments and Reversals	**0**	533	**0**	533
Donated Assets received credited to revenue but non-cash	**(560)**	(703)	**(560)**	(703)
Interest Paid	**(134)**	(439)	**(134)**	(439)
Dividend (Paid)/Refunded	**(5,011)**	(5,057)	**(5,011)**	(5,057)
(Increase)/Decrease in Inventories	**(594)**	(405)	**(594)**	(405)
(Increase)/Decrease in Trade and Other Receivables	**(4,315)**	(218)	**(3,956)**	(235)
(Increase)/Decrease in Other Current Assets	**0**	33	**0**	33
Increase/(Decrease) in Trade and Other Payables	**4,781**	(962)	**4,787**	(1,052)
Provisions Utilised	**(647)**	(835)	**(647)**	(835)
Increase/(Decrease) in Provisions	**(210)**	1,477	**(210)**	1,477
NHS Charitable Funds - net adjustments for working capital movements, non-cash transactions and non-operating cash flows			**73**	84
Net Cash Inflow/(Outflow) from Operating Activities	**12,620**	16,393	**17,046**	16,452
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	**40**	38	**40**	38
(Payments) for Property, Plant and Equipment	**(15,203)**	(7,714)	**(15,203)**	(7,714)
(Payments) for Intangible Assets	**(183)**	(468)	**(183)**	(468)
(Payments) for Other Financial Assets	**0**	0	**(4,000)**	0
Proceeds of disposal of assets held for sale (PPE)	**35**	19	**35**	19
NHS Charitable Funds - net cash flows relating to investing activities			**0**	0
Net Cash Inflow/(Outflow) from Investing Activities	**(15,311)**	(8,125)	**(19,311)**	(8,125)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	**(2,691)**	8,268	**(2,265)**	8,327
CASH FLOWS FROM FINANCING ACTIVITIES				
Public Dividend Capital Received	**2,329**	0	**2,329**	0
Loans received from DH - New Capital Investment Loans	**0**	4,000	**0**	4,000
Loans repaid to DH - Capital Investment Loans Repayment of Principal	**(990)**	(990)	**(990)**	(990)
Loans repaid to DH - Revenue Support Loans	**0**	(6,500)	**0**	(6,500)
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	**(147)**	(149)	**(147)**	(149)
NHS Charitable Funds - net cash flows relating to Financing activities				
Net Cash Inflow/(Outflow) from Financing Activities	**1,192**	(3,639)	**1,192**	(3,639)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,499)**	4,629	**(1,073)**	4,688
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**10,697**	6,068	**11,566**	6,878
Cash and Cash Equivalents (and Bank Overdraft) at year end	**9,198**	10,697	**10,493**	11,566

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

1.1 Accounting convention

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

1.2 Charitable Funds

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

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.3.1 Critical judgements in applying accounting policies

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

Classification of Leases

Under IAS 17 a finance lease is one that transfers to the lessee 'substantially all the risks and rewards incidental to ownership of an asset'. This requires the consideration of a number of factors for each lease. The Trust considers that where the net present value of lease payments amounts is up to 90% of the fair value of the asset there is a strong presumption that a lease is a finance lease unless there is other evidence to the contrary. The impact of the classification of leases as finance leases is disclosed in Note 25 (Finance lease obligations).

Asset Lives and residual values

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Impairment of Assets

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

Provisions

The Trust regularly monitors the position regarding provisions, including legal claims and restructuring, to ensure that it accurately reflects at each balance sheet date the current position in providing for potential future costs from past events, including board resolutions. Provisions are disclosed in Note 26.

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

1.3.2 Key sources of estimation uncertainty

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

The key assumptions for the Trust, as required by IAS 1.125 are as follows:

i. The Trust holds a significant asset base and any variation in the useful economic lives of the asset base will have an impact on both the Statement of Financial Position and the in-year financial position of the Trust. During 2013/14, the Trust reviewed the useful economic lives of its buildings as a result of a full revaluation of the Trust's estate. Depreciation and amortisation charged during the year, including on donated assets, was £9,031,000 (2012/13:£9,030,000).

ii. Impairments are recognised where management believe that there is an indication of impairment (through, for example, obsolescence). They are recognised where the carrying amount of an asset exceeds its recoverable amount. Significant assets to the Trust are reviewed for impairment as they are brought into operational use. There was no impairment recognised in 2013/14.

iii. The valuation of the Trust's estate is based on reports from a Chartered Surveyor on a five-year rolling basis, supplemented by indices provided by the Surveyor in the intervening period. The net book value of the Trust's land, buildings, and dwellings as at 31 March 2014 was £138,186,000 (31 March 2013: £135,218,000).

iv. To determine the recoverable amount from an asset, estimates are made on the expected future cash flow benefits which are expected to accrue. The future cash flow benefits and applicable discount rates used are based on estimates, and has an impact on the impairment recognised. There were no impairments recognised in 2013-14.

v. Income is recognised as it is earned. Consequently, income has been accrued for those patients for whom their treatment is part-completed at the year-end (see Note 1.4). The income relating to these patients at the balance sheet date is based on management estimates and is subject to uncertainty. The value of part-completed spell income at 31 March 2014 was assessed as £2,104,000, (31 March 2013: £2,099,000).

vi. In estimating net realisable value of inventories, management takes into account the most reliable evidence available at the year-end. Inventories are valued at the lower of cost or net realisable value and are disclosed in Note 18.

vii. The Trust holds a number of provisions where the actual outcome may vary from the amount recognised in the financial statements. Provisions are based on the most reliable evidence available at the year-end. Details surrounding provisions held at the year-end are included in Note 26 and include Agenda for Change and Pensions. Uncertainties and issues arising from provisions and contingent liabilities are assessed and reported in the same note.

viii. The Trust has a number of agreements in place to provide services over more than one year (for example, contracts relating to research and development) as per Note 24. These are reviewed for profitability at each balance sheet date, but the assessment of future costs to complete are subject to uncertainty. The revenue recognised in the year reflected management's judgement about each agreement's outcome and stage of completion. Income which has been deferred to future periods relating to these contracts at 31 March 2014 amounted to £2,172,000 (31 March 2013: £1,174,000).

ix. Events which occur after the balance sheet date can have a material impact on the Trust's balance sheet. Where the event should reasonably have been foreseen at the balance sheet date, the impact has been included in the financial statements. If this is not the case, the impact has been included as a narrative disclosure.

x. The Trust is required to estimate the value of annual leave that employees have not taken at the end of the year (see Note 1.5) and which is being carried forward into the following year. This estimate is based on the results from a sample of the Trust's employees which is grossed up to produce a total accrual for the Trust.

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

1.4 Revenue

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

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

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

1.5 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)

1.6 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.

1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.
Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

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

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

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

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

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

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

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.

1.8 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)

1.9 Depreciation, amortisation and impairments

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

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

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

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

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

1.10 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.

1.11 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)

1.12 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.

1.13 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

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

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

1.14 Inventories

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

1.15 Cash and cash equivalents

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

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

1.16 Provisions

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

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

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

1.17 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 26.

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

1.18 Non-clinical risk pooling

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

1.19 Contingencies

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

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

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

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

1.2 Financial assets

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

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

Financial assets at fair value through profit and loss

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

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.

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.

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

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

1.21 Financial liabilities

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

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

Other financial liabilities

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

1.22 Value Added Tax

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

1.23 Foreign currencies

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

1.24 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.

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

1.25 Public Dividend Capital (PDC) and PDC dividend

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

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

1.26 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 Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.27 Subsidiaries

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

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

From 2013-14, the Trust consolidates the results of RUH Charitable Funds over which it considers it has the power to exercise control in accordance with IAS27 requirements.

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

1.28 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.

1.29 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. Operating segments

The Trust's chief decision maker has been defined as the Trust Board, and is responsible for allocating the resources across the Trust. The Trust Board receives information on the Trust's activities as a whole, as one operating segment. The Trust has, therefore, determined that there is only one segment, that of providing acute healthcare.

3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Summary Table - aggregate of all schemes	**2013-14 £000s**	2012-13 £000s
Income	**3042**	2799
Full cost	**2428**	2704
Surplus/(deficit)	**614**	95

Catering	**2013-14 £000s**	2012-13 £000s
Income	**1482**	1359
Full cost	**1381**	1320
Surplus/(deficit)	101	39

Car Parking	**2013-14 £000s**	2012-13 £000s
Income	**1559**	1440
Full cost	**1439**	1384
Surplus/(deficit)	120	56

4. Revenue from patient care activities

	2013-14 £000s	2012-13 £000s
NHS Trusts	**367**	400
NHS England	**36,890**	0
Clinical Commissioning Groups	**170,702**	0
Primary Care Trusts		200,263
NHS Foundation Trusts	**10,492**	10,600
NHS Other (including Public Health England and Prop Co)	**46**	100
Non-NHS:		
Local Authorities	**1,000**	74
Private patients	**831**	1,477
Overseas patients (non-reciprocal)	**59**	65
Injury costs recovery	**377**	614
Other	**2,186**	1,975
Total Revenue from patient care activities	**222,950**	215,568

5. Other operating revenue

	2013-14 £000s	2012-13 £000s
Recoveries in respect of employee benefits	**1,017**	1,478
Education, training and research	**10,588**	10,710
Charitable and other contributions to revenue expenditure - NHS	**79**	77
Charitable and other contributions to revenue expenditure -non- NHS	**0**	0
Receipt of donations for capital acquisitions - NHS Charity	**747**	703
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**1,515**	872
Income generation	**3,045**	2,790
Rental revenue from finance leases	**0**	12
Rental revenue from operating leases	**554**	548
Other revenue	**450**	827
Trust Other Operating Revenue	**17,995**	18,017
Charitable Fund donations, grants and other income from charitable activities	4,651	879
Group Other Operating Revenue	**22,646**	18,896
Group total operating revenue	**245,596**	234,464

6. Revenue

	2013-14 £000	2012-13 £000
From rendering of services	**244,114**	232,226
From sale of goods	**1,482**	1,359

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

7. Operating expenses

	2013-14 £000s	2012-13 £000s
Services from other NHS Trusts	**1**	307
Services from CCGs/NHS England	**0**	
Services from other NHS bodies	**0**	2,018
Services from NHS Foundation Trusts	**31**	2,165
Services from Primary Care Trusts		111
Total Services from NHS bodies*	**32**	4,601
Purchase of healthcare from non-NHS bodies	**81**	1,184
Trust Chair and Non-executive Directors	**54**	54
Supplies and services - clinical	**49,619**	40,859
Supplies and services - general	**3,612**	2,717
Consultancy services	**726**	820
Establishment	**2,419**	2,044
Transport	**1,187**	1,346
Premises	**7,641**	6,999
Hospitality	**106**	
Insurance	**218**	
Legal Fees	**302**	
Impairments and Reversals of Receivables	**16**	109
Inventories write down	**60**	0
Depreciation	**8,737**	8,761
Amortisation	**294**	269
Audit fees	**107**	107
Clinical negligence	**4,774**	5,501
Research and development (excluding staff costs)	**22**	36
Education and Training	**694**	513
Other	**231**	1,183
Total Operating expenses (excluding employee benefits)	**80,932**	77,103
Charitable Fund costs relating to fund raising and fund management	**663**	1,330
Total Group Operating expenses (excluding employee benefits)	**81,595**	78,433
Employee Benefits		
Employee benefits excluding Board members	**148,447**	140,989
Board members	**1,287**	1,021
Total Employee Benefits	**149,734**	142,010
Total Operating Expenses	**230,666**	219,113

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

8 Operating Leases

The Trust enters into a number of lease agreements as part of its operating activities. There are no leases which are individually material to the Trust.

No balances were payable in respect for contingent rent or subleases.

8.1 Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2013-14 Total £000s	2012-13 £000s
Payments recognised as an expense					
Minimum lease payments				**248**	231
Total				**248**	231
Payable:					
No later than one year	0	0	254	**254**	218
Between one and five years	0	0	233	**233**	385
After five years	0	0	0	**0**	1
Total	**0**	**0**	**487**	**487**	604
Total future sublease payments expected to be received:				0	0

8.2 Trust as lessor

The Trust is a lessor for accommodation on short term arrangements. All arrangements are for a period of less than one year.

	2013-14 £000	2012-13 £000s
Recognised as revenue		
Rental revenue	0	0
Contingent rents	554	548
Total	**554**	548
Receivable:		
No later than one year	44	46
Between one and five years	0	0
After five years	0	0
Total	**44**	46

Rent is charged on a rolling monthly basis. Therefore the commitment receivable into 2013/14 represents one month of lease payment.

9 Employee benefits and staff numbers

9.1 Employee benefits

	2013-14		
	Total £000s	**Permanently employed £000s**	**Other £000s**
Employee Benefits - Gross Expenditure			
Salaries and wages	**127,068**	116,839	10,229
Social security costs	**9,102**	8,670	432
Employer Contributions to NHS BSA - Pensions Division	**13,883**	13,468	415
Termination benefits	**15**	15	0
Total employee benefits	**150,068**	**138,992**	**11,076**
Employee costs capitalised	**334**	334	0
Gross Employee Benefits excluding capitalised costs	**149,734**	**138,658**	**11,076**

Employee Benefits - Gross Expenditure 2012-13	**Total £000s**	**Permanently employed £000s**	**Other £000s**
Salaries and wages	120,264	111,536	8,728
Social security costs	8,771	8,310	461
Employer Contributions to NHS BSA - Pensions Division	13,078	12,693	385
Termination benefits	93	93	0
TOTAL - including capitalised costs	142,206	132,632	9,574
Employee costs capitalised	196	196	0
Gross Employee Benefits excluding capitalised costs	142,010	132,436	9,574

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

9.2 Staff Numbers

	2013-14			2012-13
	Total Number	**Permanently employed Number**	**Other Number**	Total Number
Average Staff Numbers				
Medical and dental	**492**	468	24	475
Administration and estates	**975**	937	38	941
Healthcare assistants and other support staff	**615**	614	1	536
Nursing, midwifery and health visiting staff	**1,093**	971	122	1,061
Scientific, therapeutic and technical staff	**405**	388	17	383
Other	**98**	95	3	94
TOTAL	**3,678**	**3,473**	**205**	3,490
Of the above - staff engaged on capital projects	**6**	6	0	4

9.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	29,411	29,307
Total Staff Years	3,441	3,297
Average working Days Lost	8.55	8.89

	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	**5**	6

	£000s	£000s
Total additional pensions liabilities accrued in the year	**443**	425

9.4 Exit Packages agreed in 2013-14

	2013-14			2012-13		
Exit package cost band (including any special payment element)	***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	5	5	1	7	8
£10,000-£25,000	0	0	0	1	0	1
£25,001-£50,000	0	0	0	1	0	1
Total number of exit packages by type (total cost	**0**	**5**	**5**	3	7	10
Total resource cost (£000s)	**0**	**15,171**	**15,171**	68,061	25,004	93,065

Exit costs in this note are accounted for in full in the year of departure. No exit packages involved making any special payments as defined by the NHS Manual for Accounts (2012/13:nil).

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.

9.5 Exit packages - Other Departures analysis

	2013-14		2012-13	
	Agreements	**Total value of agreements**	**Agreements**	**Total value of agreements**
	Number	**£000s**	**Number**	**£000s**
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	5	15	10	93
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval*	0	0	0	0
Total	5	15	10	93

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

As a single exit package can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 9.4 which will be the number of individuals.

9.6 Pension costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

10 Better Payment Practice Code

10.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**65,971**	**77,213**	61,876	65,833
Total Non-NHS Trade Invoices Paid Within Target	**63,675**	**73,051**	58,539	62,282
Percentage of non-NHS Trade Invoices Paid Within Target	**96.52%**	**94.61%**	94.61%	94.61%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**2,439**	**71,932**	2,118	**49,558**
Total NHS Trade Invoices Paid Within Target	**2,234**	**69,827**	1,952	**47,102**
Percentage of NHS Trade Invoices Paid Within Target	**91.59%**	**97.07%**	92.16%	95.04%

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.

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

	2013-14 £000s	2012-13 £000s
Amounts included in finance costs from claims made under this legislation	**0**	1
Total	**0**	1

11 Investment Revenue

	2013-14 £000s	2012-13 £000s
Interest revenue		
Bank interest	**40**	38
Subtotal	**40**	38
Total investment revenue	**40**	38

12 Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**(35)**	19
Total	**(35)**	19

13 Finance Costs

	2013-14 £000s	2012-13 £000s
Interest		
Interest on loans and overdrafts	**119**	418
Interest on obligations under finance leases	**15**	21
Interest on late payment of commercial debt	**0**	1
Total interest expense	**134**	440
Provisions - unwinding of discount	**17**	21
Total	**151**	461

14.1 Property, plant and equipment

2013-14	Land *	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2013	**37,584**	**107,962**	**3,365**	**4,834**	**40,967**	**34**	**7,547**	**220**	**202,513**
Additions of Assets Under Construction				**8,825**					**8,825**
Additions Purchased	0	3,572	4		1,533	0	885	5	**5,999**
Additions Donated	0	15	0	0	159	0	0	0	**174**
Additions Government Granted	0	187	0	366	0	0	0	0	**553**
Reclassifications	0	(2,194)	0	(25)	2,157	0	7	55	**0**
Disposals other than for sale	0	0	0	0	(2,378)	0	(22)	(1)	**(2,401)**
Upward revaluation/positive indexation	(1,800)	(9,730)	(725)	0	0	0	0	0	**(12,255)**
At 31 March 2014	**35,784**	**99,812**	**2,644**	**14,000**	**42,438**	**34**	**8,417**	**279**	**203,408**
Depreciation									
At 1 April 2013	**0**	**13,427**	**266**	**0**	**24,078**	**24**	**5,244**	**84**	**43,123**
Reclassifications	0	(543)	0		524	0	6	13	**0**
Disposals other than for sale	0	0	0		(2,318)	0	(21)	0	**(2,339)**
Upward revaluation/positive indexation	0	(17,693)	(349)		0	0	0	0	**(18,042)**
Charged During the Year	0	4,862	84		3,023	3	746	19	**8,737**
At 31 March 2014	**0**	**53**	**1**	**0**	**25,307**	**27**	**5,975**	**116**	**31,479**
Net Book Value at 31 March 2014	**35,784**	**99,759**	**2,643**	**14,000**	**17,131**	**7**	**2,442**	**163**	**171,929**
Asset financing:									
Owned - Purchased	35,784	94,885	2,643	13,634	14,350	7	2,442	96	**163,841**
Owned - Donated	0	4,874	0	366	2,562	0	0	67	**7,869**
Held on finance lease	0	0	0	0	219	0	0	0	**219**
Total at 31 March 2014	**35,784**	**99,759**	**2,643**	**14,000**	**17,131**	**7**	**2,442**	**163**	**171,929**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	6,900	30,171	554	0	0	0	0	0	**37,625**
Movements (specify)	(1,800)	6,130	(390)	0	0	0	0	0	**3,940**
At 31 March 2014	**5,100**	**36,301**	**164**	**0**	**0**	**0**	**0**	**0**	**41,565**

Additions to Assets Under Construction in 2013/14

	£000's
Buildings excl Dwellings	8,825
Balance as at YTD	**8,825**

*At the 31 March 2014, land associated with dwellings is £340,000

14.2 Property, plant and equipment prior-year

2012-13	Land *	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2012	37,584	107,663	3,402	2,078	39,435	34	7,038	133	197,367
Additions - Assets Under Construction				3,351					3,351
Additions - purchased	0	1,894	46		2,202	0	857	50	5,049
Additions - donated	0	9	0	0	645	0	0	49	703
Reclassifications	0	736	0	(595)	(114)	0	(135)	(12)	(120)
Reclassifications as Held for Sale and reversals	0	0	0	0	(19)	0	0	0	(19)
Disposals other than by sale	0	(32)	0	0	(1,293)	0	(213)	0	(1,538)
Impairments	0	(2,308)	(83)	0	0	0	0	0	(2,391)
At 31 March 2013	**37,584**	**107,962**	**3,365**	**4,834**	**40,856**	**34**	**7,547**	**220**	**202,402**
Depreciation									
At 1 April 2012	0	8,384	179	0	21,922	21	4,811	79	35,396
Reclassifications	0	85	0		(60)	0	(25)	(10)	(10)
Disposals other than for sale	0	(32)	0		(1,312)	0	(213)	0	(1,557)
Impairments	0	530	3	0	0	0	0	0	533
Charged During the Year	0	4,460	84		3,528	3	671	15	8,761
At 31 March 2013	**0**	**13,427**	**266**	**0**	**24,078**	**24**	**5,244**	**84**	**43,123**
Net book value at 31 March 2013	**37,584**	**94,535**	**3,099**	**4,834**	**16,778**	**10**	**2,303**	**136**	**159,279**
Purchased	35,784	94,885	2,643	13,634	14,350	7	2,442	96	163,841
Donated	0	4,874	0	366	2,562	0	0	67	7,869
Total at 31 March 2013	**35,784**	**99,759**	**2,643**	**14,000**	**16,912**	**7**	**2,442**	**163**	**171,710**
Asset financing:									
Owned	37,584	94,535	3,099	4,834	16,474	10	2,303	136	158,975
Held on finance lease	0	0	0	0	415	0	0	0	415
Total at 31 March 2013	**37,584**	**94,535**	**3,099**	**4,834**	**16,889**	**10**	**2,303**	**136**	**159,390**

*At the 31 March 2013, land associated with dwellings was £358,000

14.3 (cont). Property, plant and equipment

Revaluation
In accordance with the requirements of the Department of Health, the Trust's estate was revalued at 31st March 2014. The valuation was carried out by Mr SM Boshier MRICS, of Boshier and Company, Faversham, Kent, an independent valuer, in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual being consistent with the agreed requirements of the Department of Health and HM Treasury.

The valuation was carried out on the basis of Depreciated Replacement Cost for specialised operational property using the Modern Equivalent Asset methodology and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Following the revaluation exercise conducted at 31st March 2014, land and buildings will be restated to current value by the use of indices to each year end following this date. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. On the advice of the independent valuer, land values have not materially moved therefore indexation was not applied at 31st March 2013.

Asset lives
The economic lives for the Trust's main categories of property, plant and equipment fall between the ranges indicated below:
Buildings and dwellings: Between 5 and 80 years
Plant and machinery: Between 5 and 25 years
Transport equipment: Between 5 and 7 years
Information technology: Between 5 and 6 years
Furniture and fittings: Between 5 and 10 years

Fully depreciated assets
The gross value of fully depreciated assets included in the Trust accounts at 31 March 2013 are as follows:
Buildings : nil (2012/13 : nil)
Plant and machinery: £15,296,000 (2012/13: £13,053,000)
Information technology: £4,497,000 (2012/13: £3,768,000)
Transport equipment: £14,000 (2012/13: £14,000)
Furniture and fittiings: £68,000 (2012/13: £59,000)

Donated assets
During 2013/14, the Trust received donations from which assets were purchased to the value of £747,000. These donations were mainly made as follows:
£525,000: Royal United Hospital Bath Charitable Funds (2012/13: £645,000)
£35,000: Friends of the Royal United Hospital (2012/13: £49,000)

A donation of £80,000 was made by the Macmillian for Oncology refurbishment, and a donation of £107,000 from BIME as a contribution to the refurbishment of the Wolfson Centre. The remaining contributions were mainly for the purchase of medical equipment. These charities are registered with the Charity Commission in England and Wales, and further details are available on www.ruh.nhs.uk.

Other
All of the values included for property, plant and equipment relate to their value for continuing NHS use. Consequently none of the values are at open market value.

There are no material assets which were temporarily idle at 31 March 2013.

The Trust acts as a lessor for a number of operating leases as disclosed in Note 8. At 31 March 2014, the assets had gross values of £2,473,000 (31 March 2013: £2,528,000). There were disposals of £193,000 during the year. Depreciation was charged of £222,000 (2012/13: £173,000).

15.1 Intangible non-current assets

2013-14	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	**0**	**1,389**	**372**	**0**	**0**	**1,761**
Additions - purchased	0	104	80	0	0	**184**
Additions - donated	0	15	0	0	0	**15**
Disposals other than by sale	0	(36)	(32)	0	0	**(68)**
At 31 March 2014	**0**	**1,472**	**420**	**0**	**0**	**1,892**
Amortisation						
At 1 April 2013	**0**	**621**	**193**	**0**	**0**	**814**
Disposals other than by sale	0	(28)	(32)	0	0	**(60)**
Charged during the year	0	241	53	0	0	**294**
At 31 March 2014	**0**	**834**	**214**	**0**	**0**	**1,048**
Net Book Value at 31 March 2014	**0**	**638**	**206**	**0**	**0**	**844**
Asset Financing: Net book value at 31 March 2014 comprises:						
Purchased	0	625	206	0	0	**831**
Donated	0	13	0	0	0	**13**
Total at 31 March 2014	**0**	**638**	**206**	**0**	**0**	**844**

15.2 Intangible non-current assets prior year

2012-13	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:						
At 1 April 2012	0	833	344	0	0	1,177
Additions - purchased	0	451	17	0	0	468
Reclassifications	0	105	15	0	0	120
Disposals other than by sale	0	0	(4)	0	0	(4)
At 31 March 2013	0	1,389	372	0	0	1,761
Amortisation						
At 1 April 2012	0	406	133	0	0	539
Reclassifications	0	9	1	0	0	10
Disposals other than by sale	0	0	(4)	0	0	(4)
Charged during the year	0	206	63	0	0	269
At 31 March 2013	0	621	193	0	0	814
Net book value at 31 March 2013	0	768	179	0	0	947
Net book value at 31 March 2013 comprises:	0	768	179	0	0	947
Purchased	0	625	206	0	0	831
Donated	0	13		0	0	13
Total at 31 March 2013	0	1,406	385	0	0	1,791

15.3 Intangible non-current assets

Intangible assets are held at depreciated purchase cost and were not subject to revaluation in year. All intangible assets have an estimated life of 5 years, which is consistent with 2012/13 assumptions.

All intangible assets are owned, and have either been purchased or donated to the Trust. No intangible assets have been purchased with government grants (2012/13:nil).

The gross value of fully depreciated intangible non-current assets still in use as at 31 March 2014 was £335,000 (2012/13:£280,000).

16 Commitments

16.1 Capital commitments

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

	31 March 2014 £000s	31 March 2013 £000s
Property, plant and equipment	**4,260**	6,974
Intangible assets	**0**	0
Total	**4,260**	6,974

17 Intra-Government and other balances

	Current receivables £000s	**Non-current receivables £000s**	**Current payables £000s**	**Non-current payables £000s**
Balances with other Central Government Bodies	10,150	0	1,779	0
Balances with Local Authorities	60	0	49	0
Balances with NHS bodies outside the Departmental Group	0	0	4	0
Balances with NHS Trusts and Foundation Trusts	1,494	0	714	0
At 31 March 2014	**11,704**	**0**	**2,546**	**0**
prior period:				
Balances with other Central Government Bodies	4,408	0	5,152	0
Balances with Local Authorities	30	0	8	0
Balances with NHS bodies outside the Departmental Group	15	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,871	0	804	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	2,744	1,532	7,504	0
At 31 March 2013	**10,068**	**1,532**	**13,468**	**0**

18 Inventories

	Drugs £000s	Consumables £000s	Work in Progress £000s	Energy £000s	Loan Equipment £000s	Other £000s	Total £000s
Balance at 1 April 2013	**1,536**	**2,049**	**0**	**83**	**0**	**33**	**3,701**
Additions	22,666	20,275	0	60	0	207	**43,208**
Inventories recognised as an expense in the period	(22,387)	(19,937)	0	(30)	0	(200)	**(42,554)**
Write-down of inventories (including losses)	(58)	(2)	0	0	0	0	**(60)**
Balance at 31 March 2014	**1,757**	**2,385**	**0**	**113**	**0**	**40**	**4,295**

19.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
NHS receivables - revenue	**9,321**	3,904	**0**	0
NHS prepayments and accrued income	**2,202**	2,512	**0**	0
Non-NHS receivables - revenue	**1,152**	2,150	**0**	1,753
Non-NHS prepayments and accrued income	**2,164**	1,780	**1,501**	0
Provision for the impairment of receivables	**(218)**	(205)	**(130)**	(221)
VAT	**459**	431	**0**	0
Other receivables	**74**	106	**0**	0
Trust Total	**15,154**	10,678	**1,371**	1,532
Trust total current and non current	**16,525**	12,210		
Charitable Fund adjustment for consolidation	**(329)**	21		
Group total current and non current	**16,196**	12,231		

The great majority of trade is with NHS England and CCG's. As CCG's are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary

In 2013/14 group position there was £330,000 due from the RUH Charitable Funds to the RUH NHST in respect to capital expenditure, this resulted in a net reduction for consolidation purposes.

19.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	**6,961**	750
By three to six months	**391**	39
By more than six months	**134**	38
Total	**7,486**	827

19.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	**(426)**	(329)
Amount written off during the year	**94**	12
Amount recovered during the year	**0**	85
(Increase)/decrease in receivables impaired	**(16)**	(194)
Balance at 31 March 2014	**(348)**	**(426)**

20 Cash and Cash Equivalents

	31 March 2014	31 March 2013
	£000s	£000s
Opening balance	**10,697**	6,068
Net change in year	**(1,499)**	4,629
Closing balance	**9,198**	10,697
Made up of		
Cash with Government Banking Service	**9,186**	10,686
Commercial banks	**0**	0
Cash in hand	**12**	11
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**9,198**	10,697
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**9,198**	10,697
Charitable fund cash balance	**1,295**	869
Group cash and cash equivalents as in statement of cash flows	**10,493**	11,566

21 Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Financial Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	0	0	0	0	0	0	0	0	0	0	**0**
Balance at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 1 April 2012	0	0	0	0	0	0	0	0	0		**0**
Plus assets classified as held for sale in the year	0	0	0	0	19	0	0	0	0		**19**
Less assets sold in the year	0	0	0	0	(19)	0	0	0	0		**(19)**
Balance at 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**
Liabilities associated with assets held for sale at 31 March 2013	0	0	0	0	0	0	0	0	0		0

There were no sales of assets during 2013/14.

In 2012/13 there were a number of small items of plant and machinery sold as they were no longer needed for operational use.

22 Trade and other payables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
NHS payables - revenue	**2,388**	1,060	**0**	0
NHS accruals and deferred income	**109**	128	**0**	0
Non-NHS payables - revenue	**4,207**	2,230	**0**	0
Non-NHS payables - capital	**1,042**	1,237	**0**	0
Non-NHS accruals and deferred income	**7,919**	6,372	**0**	0
Social security costs	**1,464**	1,437		
Tax	**1,518**	1,539		
Other	**17**	75	**0**	0
Total	**18,664**	14,078	**0**	0
Total payables (current and non-current)	**18,664**	**14,078**		
Charitable Fund adjustment for consolidation	**89**	83		
Group total current and non current	**18,753**	14,161		

23 Borrowings

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
Loans from Department of Health	**990**	990	**6,935**	7,925
Finance lease liabilities	**90**	185	**126**	190
Total	**1,080**	**1,175**	**7,061**	**8,115**
Total other liabilities (current and non-current)	**8,141**	**9,290**		

Loans - repayment of principal falling due in:

	31 March 2014		
	DH* £000s	**Other £000s**	**Total £000s**
0-1 Years	990	0	**990**
1 - 2 Years	990	90	**1,080**
2 - 5 Years	2,970	126	**3,096**
Over 5 Years	2,975	0	**2,975**
TOTAL	**7,925**	**216**	**8,141**

*The £10m loan frm DH was taken in two parts £6m and £4m to fund redevelopment of the Pathology site.
The loan will be repaid in full by March 2022.

24 Deferred revenue

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
Opening balance at 1 April 2013	**511**	699	**0**	0
Deferred revenue addition	**1,661**	0	**0**	0
Transfer of deferred revenue	**0**	(188)	**0**	0
Current deferred Income at 31 March 2014	**2,172**	511	**0**	0
Total deferred income (current and non-current)	**2,172**	511		

25 Finance lease obligations as lessee

All leases related to equipment, plant and machinary.
There are no finance leases for buildings or land (2012/13: none)
There are no future sublease payments expected

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
Within one year	**98**	198	**98**	90
Between one and five years	**130**	205	**130**	126
Less future finance charges	**(12)**	(28)	**0**	0
Minimum Lease Payments / Present value of minimum lease payments	**216**	375	**228**	216
Included in:				
Current borrowings			**90**	185
Non-current borrowings			**126**	190
			216	375

Rental revenue	**31 March 2014**	31 March 2013
Contingent rent	**0**	0
Other	**0**	12
Total rental revenue	**0**	12

26 Provisions

Comprising:

	Total	Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**4,247**	928	61	0		1,691	1,462	105
Arising During the Year	**1,232**	95	85	0	0	483	569	0
Utilised During the Year	**(647)**	(84)	(37)	0	0	(263)	(263)	0
Reversed Unused	**(1,442)**	(105)	(8)	0	0	(455)	(779)	(95)
Unwinding of Discount	**17**	17	0	0	0	0	0	0
Balance at 31 March 2014	**3,407**	**851**	**101**	**0**	**0**	**1,456**	**989**	**10**
Expected Timing of Cash Flows:								
No Later than One Year	**1,331**	65	101	0	0	634	521	10
Later than One Year and not later than Five Years	**1,483**	255	0	0	0	822	406	0
Later than Five Years	**593**	531	0	0	0	0	62	0

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

As at 31 March 2014	17,829
As at 31 March 2013	15,949

Pension provisions relating to other staff represent the remaining liabilities for pre 1995 pensions on early retirement and entitlements to injury benefits. The provision is calculated based on present payments and anticipated life spans, discounted at the pensions discount rate published by HM Treasury. The rate applicable at 31 March 2014 was 1.80%. At 31 March 2013, the equivalent rate was 2.35%.

Amounts provided for legal claims represent the estimated excesses on legal claims, as advised by the NHS Litigation Authority.

Amounts provided under 'Other' represent anticipated costs of staff pay arrears; redundancies and provisions for employment tribunal cases.

27 Contingencies

	31 March 2014 £000s	31 March 2013 £000s
Contingent liabilities		
Other	**(52)**	(47)
Amounts Recoverable Against Contingent Liabilities	**52**	47
Net Value of Contingent Liabilities	**0**	0

The Trust has been informed of its member contingent liability of £52,473 for 31 March 2014 in respect of the Liabilities to Third Party Scheme.

28 Financial Instruments

28.1 Financial risk management

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

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. 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. TheTrust therefore has low exposure to currency rate fluctuations.

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

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

28.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	0			**0**
Receivables - NHS		9,321		**9,321**
Receivables - non-NHS		1,152		**1,152**
Cash at bank and in hand		9,198		**9,198**
Other financial assets	0	0	0	**0**
Total at 31 March 2014	**0**	**19,671**	**0**	**19,671**
Embedded derivatives	0			0
Receivables - NHS		3,904		3,904
Receivables - non-NHS		4,009		4,009
Cash at bank and in hand		10,697		10,697
Other financial assets	0	0	0	0
Total at 31 March 2013	0	18,610	0	18,610

28.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0		**0**
NHS payables		2,388	**2,388**
Non-NHS payables		5,249	**5,249**
Other borrowings		7,925	**7,925**
PFI & finance lease obligations		216	**216**
Other financial liabilities	0	0	**0**
Total at 31 March 2014	**0**	**15,778**	**15,778**
Embedded derivatives	0		0
NHS payables		(1,060)	(1,060)
Non-NHS payables		(3,467)	(3,467)
Other borrowings		(8,915)	(8,915)
PFI & finance lease obligations		(375)	(375)
Other financial liabilities	0	0	0
Total at 31 March 2013	0	(13,817)	(13,817)

29 Events after the end of the reporting period

There were no significant events which have occurred after 31 March 2014 which would have a material effect on the financial statements.

30 Related party transactions

During the year none of the Department of Health Ministers, [organisation] board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Royal United Hospital Bath NHS Trust

The Department of Health is regarded as a related party. During the year 2013/14, the 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:

CCGs
Wiltshire CCG
Bath and NE Somerset CCG
Somerset CCG
South Gloucestershire CCG
North Somerset CCG
Bristol CCG
Gloucestershire CCG
Swindon CCG

NHS England Organisations
Bristol, North Somerset, Somerset and South Gloucestershire Area Team (including Specialised Commissioning)
Bath, Gloucester, Swindon and Wiltshire Area Team (including Specialised Commissioning)
Wessex Area Team (including Specialised Commissioning)

NHS Trusts and Foundation Trusts
North Bristol NHS Trust
University Hospitals Bristol NHS Foundation Trust
Royal National Hospital for Rheumatic Diseases NHS Foundation Trust
Salisbury NHS Foundation Trust
Portsmouth Hospitals NHS Trust
Avon and Wiltshire Mental Health Partnership Trust
Great Western Hospitals NHS Foundation Trust
Somerset Partnership NHS Foundation Trust
Gloucestershire Hospitals NHS Foundation Trust

Other Agencies
NHS Litigation Authority
Health Education England
Public Health England
NHS Blood and Transplant

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 Her Majesty's Revenue and Customs in relation to Value Added Tax, National Insurance Contributions and Income Taxes. New transactions in 2013/14 are those with Bath and North East Somerset Council and Wiltshire Unitary Authority with respect to patient care activates as a result of changes to the commissioning of the Trust's core services.

The Trust has also received revenue and capital payments from the Royal United Hospital Bath NHS Trust Charitable Funds, for which the Trust Board acts as Corporate Trustee. The audited accounts of the Charitable Funds are available at www.ruh.nhs.uk.

Chief Executive James Scott is Vice - Chairman of West of England Academic Health Science Network. Royal United Bath NHS Trust provided a Finance and Human Resources functions for a fee of £200k.

Director of Finance and Deputy Chief Executive Sarah Truelove is married to the Chief Executive Officer of Wiltshire CCG.

31 Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	3,581	9
Special payments	23,738	67
Total losses and special payments	27,319	76

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

	Total Value of Cases £s	Total Number of Cases
Losses	929	19
Special payments	10,767	43
Total losses and special payments	11,696	62

32. 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.

32.1 Breakeven performance	**2005-06 £000s**	**2006-07 £000s**	**2007-08 £000s**	**2008-09 £000s**	**2009-10 £000s**	**2010-11 £000s**	**2011-12 £000s**	**2012-13 £000s**	**2013-14 £000s**
Turnover	166,012	177,619	194,221	210,149	223,356	216,361	223,678	233,585	**240,945**
Retained surplus/(deficit) for the year	(7,339)	144	1,900	5,600	1,398	4,143	6,562	8,621	**5,134**
Adjustment for:									
Adjustments for Impairments				1,805	4,402	52	947	533	**0**
Adjustments for impact of policy change re donated/government grants assets							(1,294)	86	**72**
Other agreed adjustments	946	0	0	0	0	0	0	**0**	**0**
Break-even in-year position	**(6,393)**	**144**	**1,900**	**7,405**	**5,800**	**4,195**	**6,215**	**9,240**	**5,206**
Break-even cumulative position	**(32,123)**	**(31,979)**	**(30,079)**	**(22,674)**	**(16,874)**	**(12,679)**	**(6,464)**	**2,776**	**7,982**

* 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.

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**	**2012-13 %**	**2012-13 %**
Materiality test (I.e. is it equal to or less than 0.5%):									
Break-even in-year position as a percentage of turnover	-3.85	0.08	0.98	3.52	2.60	1.94	2.78	3.96	2.16
Break-even cumulative position as a percentage of turnover	-19.35	-18.00	-15.49	-10.79	-7.55	-5.86	-2.89	1.19	3.31

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.

32.2 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%.

32.3 External financing

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

	2013-14 £000s	2012-13 £000s
External financing limit (EFL)	**3,588**	(7,494)
Cash flow financing	**2,691**	(8,268)
Unwinding of Discount Adjustment	**17**	0
Finance leases taken out in the year	**0**	111
External financing requirement	**2,708**	(8,157)
Under/(Over) Spend against EFL	**880**	663

32.4 Capital resource limit

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

	2013-14 £000s	2012-13 £000s
Gross capital expenditure	**15,751**	9,682
Less: donations towards the acquisition of non-current assets	**(747)**	(703)
Charge against the capital resource limit	**15,004**	8,979
Capital resource limit	**15,048**	11,833
(Over)/underspend against the capital resource limit	**44**	2,854