Whittington Health NHS

Jon Smith
Direct Line: 020 7288 3189
www.whittington.nhs.uk

The Whittington Hospital NHS Trust
Magdala Avenue
London N19 5NF

Whittington Health Trust Board

4 June 2014

Title:	Financial Accounts 2013/14		
Agenda item:	**14/104**	**Paper**	**8**
Action requested:	For agreement		
Executive Summary:	This paper includes the full set of audited accounts for financial year 2013/14 together with a summary of the full accounts. The accounts now include changes agreed with the auditors during the audit, which improved performance against the break-even duty. An error was identified and extrapolated to £0.65m, which has not been reflected in the accounts, as the estimate reflects an immaterial worse-case scenario. No further changes to the accounts are anticipated. The Board is recommended to adopt these accounts, for submission to DH by the deadline of 10th June. The accounts comprise the primary financial statements, the accounting policies and the notes to the primary statements. The accounts begin with the statement of comprehensive income, reconciling the retained deficit of £3.121m to the adjusted retained surplus of £1.165m on an IFRS basis. Whittington Health achieved a surplus above the break-even duty for the tenth consecutive year and a surplus against the IFRS plan of £1.091m. All statutory duties have been met.		
Summary of recommendations:			
Fit with WH strategy:	Statutory responsibility		
Reference to related / other documents:			
Date paper completed:	23rd May 2014		

Author name and title:	**Jon Smith** **Assistant Director of Finance**	**Director name and title:**	**Simon Wombwell** **Interim Chief Finance Officer**

Date paper seen by EC	**n/a**	**Equality Impact Assessment complete?**	**n/a**	**Risk assessment undertaken?**	**n/a**	**Legal advice received?**	**n/a**

Audited Final Annual Accounts

1 Introduction

This paper comprises the final version of the annual accounts, which constitute the Trust's statutory financial report for the year. The accounts have been finalised for adoption by the Trust Board and thereby facilitate submission to the Department of Health by the deadline of 10th June.

2 Performance against key targets

Target	Comment
Breakeven performance – target to break-even before the impact of accounting for PFI under IFRS and impairments	A surplus of £1.165m was delivered. After the adjustments for PFI, impairments and donated assets, there was a retained deficit of £3.121m.
Cumulative breakeven performance	There was ongoing achievement of statutory breakeven duty. The Trust reported a cumulative surplus of £10.517m or 3.54% of turnover (detailed in note 32.1).
Operate within the External Financing Limit (EFL)	The Trust undershot the EFL of £13.744m by £2.508m as shown in note 32.3, resulting in a year-end cash balance of £5.123m. This permissible undershoot was caused by the cash being greater than anticipated when the EFL was last adjusted, but the cash decrease over the year was due to non-cash benefits in the operating surplus, such as increased receivables.
Operate within the Capital Resource Limit (CRL)	The capital expenditure programme delivered a break-even position against the CRL, as shown in note 32.4.
Achieve a return on assets employed of 3.5%	The required return of 3.5% on average relevant net assets was achieved. PDC dividends are payable on an actual rather than estimated basis, as mentioned in note 32.2.
Better Payment Practice Code - pay undisputed trade invoices within 30 days of receipt of goods or of a valid invoice	81% of NHS invoices (75% based on value) were paid within the target. 77% of non-NHS invoices (74% based on value) were paid within the target.

.

3 Comparison to previous year

Item / Area	Page / Ref	This Year (2013/14) £000	Last Year (2012/13) £000	Comment
Property, plant & equipment	Statement of Financial Position & Note 14.1	179,975	137,747	Significant movements in the year were: • transfer of community properties from PCTs totalling £31.091m; • purchased additions of £9.759m; • upward revaluation of land, buildings and dwellings totalling £17.452m; • impairments of buildings, dwellings, plant & machinery and IT totalling £6.127m; • depreciation of £7.971m.
Intangibles	Statement of Financial Position & Note 15.1	5,428	1,411	The increase was due largely to reclassifications of £4.317m including the electronic patient records system, which was implemented during the year.
Receivables	Statement of Financial Position & Note 19.1	18,229	11,677	The increase was due largely to several large non-recurrent invoices being outstanding at the year end, including Haringey CCG community estates (£2.1m) and Islington CCG community investments (£1.296m).
Cash	Statement of Financial Position & Note 20	5,123	15,088	The cash decrease was due to non-cash benefits in the operating surplus, such as increased receivables and released provisions.
Payables	Statement of Financial Position & Note 21	36,011	32,107	The increase included accruals for nursing agency (£0.377m) and winter pressures (£0.285m).
Borrowings	Statement of Financial Position & Note 22	38,135	39,739	The decrease was due to repayments.
Provisions	Statement of Financial Position & Note 25	3,252	6,055	The decrease was due largely to the reversal of restructuring provisions made in 2012/13, representing anticipated severance costs associated with the 2013/14 CIP which didn't materialise.
Taxpayers' equity	Statement of Financial Position & Statement of Changes in Taxpayers' Equity	132,651	89,312	Significant movements in the year were: • retained deficit of £3.121m including impairments of £4.107m; • upward revaluation of land, buildings and dwellings totalling £17.452m; • impairments charged to reserves of £2.028m; • transfer of community properties from PCTs totalling £27.923m.

Revenue	Statement of Comprehensive Income & Notes 4-5	297,397	281,343	The change in the commissioning landscape resulted in income received previously from PCTs being split amongst CCGs, NHS England and local authorities, and in net terms, there was a significant increase. This included £8.3m to fund the additional cost of community properties transferred in April 2013.
Operating expenses	Statement of Comprehensive Income & Note 7	294,953	277,753	Non-board members' pay increased by £10.557m and premises costs by £5.14m. The latter included additional costs associated with the transfer of community properties.
Investment revenue	Statement of Comprehensive Income & Note 11	35	60	There were no movements of note.
Finance costs	Statement of Comprehensive Income & Note 13	2,783	2,673	There were no movements of note.
Dividends payable	Statement of Comprehensive Income	2,817	2,673	The increase is due to the transfer of community properties.

Data entered below will be used throughout the workbook:

Trust name	The Whittington Hospital NHS Trust
This year	2013-14
Last year	2012-13
This year ended	31 March 2014
Last year ended	31 March 2013
This year commencing:	1 April 2013
Last year commencing:	1 April 2012

Accounts 2013-14

Statement of comprehensive income for year ended 31 March 2014

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	9.1	**(208,441)**	(197,537)
Other operating costs	7	**(86,512)**	(80,216)
Revenue from patient care activities	4	**262,820**	248,712
Other operating revenue	5	**34,577**	32,631
Operating surplus		**2,444**	3,590
Investment revenue	11	**35**	60
Other losses	12	**0**	(79)
Finance costs	13	**(2,783)**	(2,673)
Surplus/(deficit) for the financial year		**(304)**	898
Public dividend capital dividends payable		**(2,817)**	(2,666)
Retained deficit for the year		**(3,121)**	(1,768)

Other comprehensive income

	2013-14 £000s	2012-13 £000s
Impairments taken to the revaluation reserve	**(2,028)**	(1,628)
Net gain on revaluation of property, plant & equipment	**17,452**	2,766
Total comprehensive income for the year	**12,303**	(630)

Financial performance for the year

	2013-14 £000s	2012-13 £000s
Retained deficit for the year	**(3,121)**	(1,768)
IFRIC 12 adjustment (including IFRIC 12 impairments)	**1,062**	2,059
Impairments (excluding IFRIC 12 impairments)	**3,136**	3,267
Adjustments in respect of donated asset reserve elimination	**88**	56
Adjusted retained surplus	**1,165**	3,614

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS trusts' financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to 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 reserve) to maintain comparability year to year.

Statement of financial position as at 31 March 2014

	NOTE	**31 March 2014** £000s	31 March 2013 £000s
Non-current assets:			
Property, plant and equipment	14	**179,975**	137,747
Intangible assets	15	**5,428**	1,411
Trade and other receivables	19.1	**702**	635
Total non-current assets		**186,105**	139,793
Current assets:			
Inventories	18	**1,294**	1,290
Trade and other receivables	19.1	**17,527**	11,042
Cash and cash equivalents	20	**5,123**	15,088
Total current assets		**23,944**	27,420
Total assets		**210,049**	167,213
Current liabilities			
Trade and other payables	21	**(36,011)**	(32,107)
Provisions	25	**(1,238)**	(4,292)
Borrowings	22	**(1,212)**	(982)
Capital loan from Department	22	**(164)**	(164)
Total current liabilities		**(38,625)**	(37,545)
Net current liabilities		**(14,681)**	(10,125)
Non-current assets less net current liabilities		**171,424**	129,668
Non-current liabilities			
Provisions	25	**(2,014)**	(1,763)
Borrowings	22	**(33,811)**	(35,481)
Capital loan from Department	22	**(2,948)**	(3,112)
Total non-current liabilities		**(38,773)**	(40,356)
Total assets employed:		**132,651**	89,312
Financed by:			
Taxpayers' equity			
Public dividend capital		**56,461**	53,344
Retained earnings		**15,277**	5,300
Revaluation reserve		**60,913**	30,668
Total taxpayers' equity:		**132,651**	89,312

The financial statements were approved by the Board on 4 June 2014 and signed on its behalf by

Chief Executive: Date:

Statement of changes in taxpayers' equity
For the year ended 31 March 2014

	Public dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
Balance at 1 April 2013	**53,344**	**5,300**	**30,668**	**89,312**
Changes in taxpayers' equity for 2013-14				
Retained deficit for the year		(3,121)		**(3,121)**
Net gain on revaluation of property, plant, equipment			17,452	**17,452**
Impairments			(2,028)	**(2,028)**
Transfers between reserves		87	(87)	**0**
Transfers under modified absorption accounting - PCTs		27,923		**27,923**
Reclassification adjustments				
New PDC received - cash	9,779			**9,779**
New PDC received - PCTs legacy items paid for by Department of Health	1,838			**1,838**
PDC repaid in year	(8,500)			**(8,500)**
Other movements		(2)	(2)	**(4)**
Net recognised revenue for the year	**3,117**	**24,887**	**15,335**	**43,339**
Transfers between reserves in respect of modified absorption - PCTs		(14,910)	14,910	**0**
Balance at 31 March 2014	**56,461**	**15,277**	**60,913**	**132,651**
Balance at 1 April 2012	**53,206**	**6,929**	**29,669**	**89,804**
Changes in taxpayers' equity for the year ended 31 March 2013				
Retained deficit for the year		(1,768)		(1,768)
Net gain on revaluation of property, plant, equipment			2,766	2,766
Impairments			(1,628)	(1,628)
Transfers between reserves		139	(139)	0
Reclassification adjustments				
New PDC received	138			138
Net recognised revenue/(expense) for the year	**138**	**(1,629)**	**999**	**(492)**
Balance at 31 March 2013	**53,344**	**5,300**	**30,668**	**89,312**

Statement of cash flows
For the year ended 31 March 2014

	2013-14 £000s	2012-13 £000s
Cash flows from operating activities		
Operating surplus	**2,444**	3,590
Depreciation and amortisation	**9,093**	8,608
Impairments	**4,107**	4,975
Donated assets received credited to revenue but non-cash	**(98)**	(118)
Interest paid	**(2,734)**	(2,625)
Dividend paid	**(2,656)**	(2,808)
Increase in inventories	**(4)**	(176)
(Increase)/decrease in trade and other receivables	**(9,353)**	2,400
Increase/(decrease) in trade and other payables	**6,844**	(1,562)
Provisions utilised	**(1,595)**	(1,456)
Increase/(decrease) in provisions	**(3,758)**	2,124
Net cash inflow from operating activities	**2,290**	12,952
Cash flows from investing activities		
Interest received	**36**	60
Payments for property, plant and equipment	**(11,701)**	(8,752)
Payments for intangible assets	**(830)**	(213)
Proceeds of disposal of assets held for sale (PPE)	**0**	21
Net cash outflow from investing activities	**(12,495)**	(8,884)
Net cash inflow/(outflow) before financing	**(10,205)**	4,068
Cash flows from financing activities		
Public dividend capital received	**12,580**	138
Public dividend capital repaid	**(9,463)**	0
Loans received from DH - new capital investment loans	**0**	2,900
Loans repaid to DH - capital investment loans repayment of principal	**(164)**	(48)
Other loans repaid	**(32)**	(32)
Capital element of payments in respect of finance leases and on-SoFP PFI	**(2,681)**	(1,870)
Net cash inflow/(outflow) from financing activities	**240**	1,088
Net increase/(decrease) in cash and cash equivalents	**(9,965)**	5,156
Cash and cash equivalents at beginning of the period	**15,088**	9,932
Cash and cash equivalents at year end	**5,123**	15,088

Notes to the Accounts

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health 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 Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Movement of assets within the DH Group

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

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

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

1.4 Charitable funds

For 2013-14, the divergence from the 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. As charitable income during the year was £251k, compared to the Trust's revenue of £297,397k, the funds are not considered sufficiently material for consolidated accounts to be prepared. The position will be reviewed annually to confirm whether or not the charity's funds are material enough for consolidation to be appropriate. An outline of the charity is as follows.

The Whittington Hospital NHS Trust Charitable Funds is registered with the Charity Commission under reference number 1056452. Its trustees are also employees of the NHS Trust. The Trust has received revenue and capital payments from a number of charitable funds, which are disclosed under related party transactions. Details of the charity can be obtained from www.charitycommission.gov.uk

1.5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust’s accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Details are included in the subject notes where appropriate as follows:
Notes 4-5 - revenue (work in progress and credit note provisions);
Note 14.3 - property, plant and equipment (asset lives and valuation);
Note 19.1 - provisions for credit notes and impairments of receivables;
Note 21 - accruals for goods and services not invoiced;
Note 25 - provisions for liabilities and charges.

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

1.6 Revenue

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

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

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

1.7 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

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

1.8 Other expenses

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

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

● it is held for use in delivering services or for administrative purposes;

● it is probable that future economic benefits will flow to, or service potential will be supplied to the Trust;

● it is expected to be used for more than one financial year;

● the cost of the item can be measured reliably; and

● the item has cost of at least £5,000; or

● collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

● items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation

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

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

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

● Land and non-specialised buildings – market value for existing use

● Specialised buildings – depreciated replacement cost

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

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

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

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

Subsequent expenditure

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

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

1.10 Intangible assets

Recognition

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

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

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

Measurement

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

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

1.11 Depreciation, amortisation and impairments

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

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

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

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

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

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

1.12 Donated assets

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

1.13 Government grants

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

1.14 Non-current assets held for sale

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

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

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

1.15 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

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

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

1.16 Private Finance Initiative (PFI) transactions

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

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

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

Services received

The fair value of services received in the year is recorded under other operating expenses.

PFI asset

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

PFI liability

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

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to finance costs within the statement of comprehensive income.

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

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

Lifecycle replacement

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

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

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

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

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trust's statement of financial position.

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

1.17 Inventories

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

1.18 Cash and cash equivalents

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

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

1.19 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of -1.9% (0-5 years), -0.65% (6-10 years) and 2.2% (over 10 years), and 1.8% in real terms for employee early departure obligations. Discounts are unwound at 2.35%.

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 expenditure 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.

1.20 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed in note 25.

1.21 Non-clinical risk pooling

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

1.22 Carbon Reduction Commitment Scheme (CRC)

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

1.23 Contingencies

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

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

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

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

1.24 Financial assets

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

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

Loans and receivables

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

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

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

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

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

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

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

1.25 Financial liabilities

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

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

1.26 Value Added Tax

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

1.27 Foreign currencies

The Trust's functional 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.

1.28 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 35 to the accounts.

1.29 Public dividend capital (PDC) and PDC dividend

Public dividend capital represents taxpayers’ equity in the 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.

1.3 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).

1.31 Subsidiaries

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

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

From 2013-14, the Trust was required to consolidate the results of The Whittington Hospital Charitable Funds over which it considers it has the power to exercise control in accordance with IAS27 requirements, if the funds are material. As the funds are not considered material, consoldiated accounts have not been prepared.

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

1.32 Joint operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure, gains and losses, assets and liabilities, and cashflows.

1.33 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.

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

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

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation
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 operational management structure is undertaken through three clinical divisions covering both acute and community services, and the divisional structure is reflected in the Trust Board report. These divisions comprise Integrated Care & Acute Medicine, Surgery, Cancer & Diagnostics, and Women, Children & Families. Each division has over 10% of Trust revenue and the divisions account for over 75% of Trust revenue collectively. As these are the materiality thresholds set out in IFRS 8, the following disclosure has been made.

	Integrated Care & Acute Medicine		**Surgery, Cancer & Diagnostics**		**Women, Children & Families**		**Total**	
	2013-14 £000s	2012-13 £000s	**2013-14 £000s**	2012-13 £000s	**2013-14 £000s**	2012-13 £000s	**2013-14 £000s**	2012-13 £000s
Operating expenses	**(120,927)**	(113,630)	**(71,954)**	(70,632)	**(102,072)**	(93,491)	**(294,953)**	(277,753)
Revenue	**120,302**	115,513	**68,439**	71,672	**108,656**	94,158	**297,397**	281,343
Operating surplus/(deficit)	**(625)**	1,883	**(3,515)**	1,040	**6,584**	667	**2,444**	3,590
Interest & dividends	**(2,282)**	(2,059)	**(1,357)**	(1,591)	**(1,926)**	(1,708)	**(5,565)**	(5,358)
Retained surplus/(deficit)	**(2,907)**	(176)	**(4,872)**	(551)	**4,658**	(1,041)	**(3,121)**	(1,768)
Adjustments to break even duty	**1,757**	2,202	**1,046**	1,369	**1,483**	1,812	**4,286**	5,383
Adjusted retained surplus	**(1,150)**	2,026	**(3,826)**	818	**6,141**	771	**1,165**	3,615

All items on the statement of comprehensive income are reported at divisional level to the Trust Board. The figures in this table are based on the revenue from the Trust's Month 5 EPR and SLAM systems and associated expenditure by division. Financing costs and technical adjustments are apportioned pro rata.

Assets are not included in the disclosure as they are not reported at divisional level.

3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. During the year, such income was below the £1m threshold for detailed disclosure.

4. Revenue from patient care activities	**2013-14**	2012-13
	£000s	£000s
NHS Trusts	**345**	277
NHS England	**34,478**	0
Clinical Commissioning Groups[1]	**209,374**	0
Primary Care Trusts	**0**	240,844
Strategic Health Authorities	**0**	0
NHS Foundation Trusts	**636**	453
Department of Health	**25**	90
Non-NHS:		
Local Authorities	**14,264**	5,396
Private patients	**62**	67
Overseas patients (non-reciprocal)	**134**	143
Injury costs recovery	**486**	356
Other	**3,016**	1,086
Total revenue from patient care activities	**262,820**	248,712

5. Other operating revenue	**2013-14**	2012-13
	£000s	£000s
Recoveries in respect of employee benefits	**897**	1,704
Patient transport services	**1,274**	1,087
Education, training and research	**17,744**	18,706
Charitable and other contributions to revenue expenditure - non-NHS	**126**	615
Receipt of donations for capital acquisitions - NHS charity	**98**	118
Non-patient care services to other bodies	**11,135**	7,523
Income generation	**236**	293
Rental revenue from operating leases	**807**	187
Other revenue	**2,260**	2,398
Total other operating revenue	**34,577**	32,631
Total operating revenue	**297,397**	281,343

[1] Clinical commissioning group income includes accruals for patients who are part-way through their treatment at 31 March ie incomplete spells. Any difference between accruals and invoiced activity is reflected in the following year.

6. Revenue

Revenue is predominantly earned from the supply of health care. Revenue from the sale of goods is immater

7. Operating expenses

	2013-14	2012-13
	£000s	£000s
Purchase of healthcare from non-NHS bodies	**505**	512
Trust chair and non-executive directors	**60**	62
Supplies and services - clinical	**34,242**	32,604
Supplies and services - general	**5,356**	6,213
Consultancy services	**1,092**	1,986
Establishment	**2,717**	2,145
Transport	**530**	347
Premises	**17,955**	12,815
Hospitality	**35**	0
Insurance	**247**	0
Legal fees	**215**	0
Impairments of receivables	**355**	391
Depreciation	**7,971**	8,128
Amortisation	**1,122**	480
Impairments and reversals of property, plant and equipment	**4,099**	4,963
Impairments and reversals of intangible assets	**8**	12
Audit fees	**87**	82
Other auditor's remuneration	**12**	20
Clinical negligence	**4,935**	4,496
Research and development (excluding staff costs)	**400**	481
Education and training	**1,086**	1,245
Change in discount rate	**(7)**	0
Other	**3,490**	3,234
Total operating expenses (excluding employee benefits)	**86,512**	80,216
Employee benefits		
Employee benefits excluding board members	**207,320**	196,763
Board members	**1,121**	774
Total employee benefits	**208,441**	197,537
Total operating expenses	**294,953**	277,753

8. Operating leases

8.1 Trust as lessee

	Buildings £000s	Other £000s	2013-14 Total £000s	2012-13 £000s
Payments recognised as an expense				
Minimum lease payments			**6,151**	5,969
Contingent rents			**0**	0
Sub-lease payments			**0**	0
Total			**6,151**	5,969
Payable:				
No later than one year	5,844	280	**6,124**	4,460
Between one and five years	1,090	268	**1,358**	1,639
After five years	2,418	4	**2,422**	2,802
Total	**9,352**	**552**	**9,904**	8,901
Total future sublease payments expected to be received:			0	0

The Trust entered into operating leases in a format consistent with the provision of estates services under its Community Services Contract. These estates 'pass-through' costs were previously recorded as operating leases for buildings in Note 8.1.

When the properties associated with community services transferred to the Trust on 1 April 2013, the operating leases disclosed previously were replaced by a combination of freehold ownership, finance leases, new operating leases and service charges. The estimated annual cost of the new operating leases has been recognised as expenses, and only the anticipated amount payable over the next year disclosed, as the lease terms have not yet been confirmed.

Other buildings leased are Highgate Wing until 2027, and the first floor of Goswell Road, with a term up to 2021, and a break clause in 2015.

8.2 Trust as lessor

	2013-14 £000	2012-13 £000s
Recognised as revenue		
Rental revenue	720	187
Contingent rents	87	0
Total	**807**	187
Receivable:		
No later than one year	573	148
Between one and five years	176	361
Total	**749**	509

In previous years, operating lease income was received largely from retail outlets occupying the premises. When the community properties transferred to the Trust, various sub-leasing arrangements were associated with them, mainly in the form of GPs using the premises. The estimated rent from these arrangements has been recognised as revenue, and only the anticipated amount receivable over the next year disclosed, as the lease terms have not been confirmed.

9. Employee benefits and staff numbers

9.1 Employee benefits

	Total £000s	**Permanently employed £000s**	**Other £000s**
Gross expenditure 2013-14			
Salaries and wages	**178,850**	147,338	31,512
Social security costs	**13,264**	10,927	2,337
Employer contributions to NHS BSA - Pensions Division	**19,001**	15,653	3,348
Termination benefits	**(2,087)**	(2,087)	0
Total employee benefits	**209,028**	**171,831**	**37,197**
Employee costs capitalised	**587**	482	105
Gross employee benefits excluding capitalised costs	**208,441**	**171,349**	**37,092**

The termination benefits figure is negative due to the reversal of prior year restructuring provisions which did not materialise.

Gross expenditure 2012-13	**Total £000s**	**Permanently employed £000s**	**Other £000s**
Salaries and wages	167,112	142,503	24,609
Social security costs	13,055	11,133	1,922
Employer contributions to NHS BSA - Pensions Division	17,466	14,894	2,572
Termination benefits	626	626	0
Total employee benefits	198,259	169,156	29,103
Employee costs capitalised	722	722	0
Gross employee benefits excluding capitalised costs	197,537	168,434	29,103

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	**469**	421	48	448
Administration and estates	**1,244**	946	298	1,152
Healthcare assistants and other support staff	**487**	415	72	455
Nursing, midwifery and health visiting staff	**1,347**	1,123	224	1,300
Nursing, midwifery and health visiting learners	**6**	6	0	0
Scientific, therapeutic and technical staff	**700**	631	69	683
Social Care Staff	**3**	3	0	0
Total	**4,256**	**3,545**	**711**	4,037
Of the above - staff engaged on capital projects	**6**	6	0	14

9.3 Staff sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total days lost	25,713	26,649
Total staff years	3,522	3,651
Average working days lost	7.30	7.30

	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	**5**	5
	£000s	£000s
Total additional pensions liabilities accrued in the year	**231**	172

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	0	0	2	0	2
£10,000-£25,000	2	0	2	2	0	2
£25,001-£50,000	1	0	1	1	0	1
£50,001-£100,000	2	0	2	1	0	1
£100,001 - £150,000	0	1	1	2	0	2
£150,001 - £200,000	1	0	1	1	0	1
Total number of exit packages by type (total cost	**6**	**1**	**7**	9	0	9
Total resource cost (£s)	**372,714**	**104,987**	**477,701**	574,791	0	574,791

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

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

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**
Contractual payments in lieu of notice	1	105		
Total	1	105	0	0

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

9.6 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 is 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 at 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 as at 31 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 has been used to replace the Retail Prices Index.

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 AVCs 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	99,150	77,162	92,351	64,904
Total non-NHS trade invoices paid within target	75,870	57,356	68,396	49,479
Percentage of NHS trade invoices paid within target	76.52%	74.33%	74.06%	76.23%
NHS payables				
Total NHS trade invoices paid in the year	6,170	22,419	5,841	22,935
Total NHS trade invoices paid within target	4,979	16,806	5,377	14,454
Percentage of NHS trade invoices paid within target	80.70%	74.96%	92.06%	63.02%

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	1	1
Compensation paid to cover debt recovery costs under this legislation	4	1
Total	5	2

11. Investment revenue

	2013-14 **£000s**	2012-13 £000s
Interest revenue		
Bank interest	**35**	48
Other loans and receivables	**0**	12
Total investment revenue	**35**	60

12. Other losses

	2013-14 **£000s**	2012-13 £000s
Loss on disposal of assets other than by sale (PPE)	**0**	(79)
Total	**0**	(79)

13. Finance costs

	2013-14 **£000s**	2012-13 £000s
Interest		
Interest on loans and overdrafts	**88**	10
Interest on obligations under finance leases	**231**	263
Interest on obligations under PFI contracts:		
- main finance cost	**1,703**	1,741
- contingent finance cost	**717**	610
Interest on late payment of commercial debt	**1**	1
Total interest expense	**2,740**	2,625
Provisions - unwinding of discount	**43**	48
Total	**2,783**	2,673

14.1 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction	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	**28,350**	**88,193**	**659**	**8,666**	**24,731**	**0**	**8,934**	**0**	**159,533**
Transfers under modified absorption accounting - PCTs	**11,274**	**19,281**	**0**	**0**	**66**	**128**	**326**	**16**	**31,091**
Additions of assets under construction				**3,887**					**3,887**
Additions purchased	0	4,186	13		1,489	0	184	0	**5,872**
Additions donated	0	6	0	0	91	0	0	0	**97**
Additions leased	0	1,257	0		987	0	0	0	**2,244**
Reclassifications	0	1,092	0	(7,290)	215	(128)	1,810	(16)	**(4,317)**
Disposals other than for sale	0	0	0	0	(1,137)	0	(2,667)	0	**(3,804)**
Upward revaluation	2,985	14,388	79	0	0	0	0	0	**17,452**
Impairments	0	(2,015)	(13)	0	0	0	0	0	**(2,028)**
At 31 March 2014	**42,609**	**126,388**	**738**	**5,263**	**26,442**	**0**	**8,587**	**0**	**210,027**
Depreciation									
At 1 April 2013	**0**	**0**	**0**	**0**	**15,724**	**0**	**6,062**	**0**	**21,786**
Disposals other than for sale	0	0	0		(1,137)	0	(2,667)	0	**(3,804)**
Impairments	0	3,962	0	0	73	0	64	0	**4,099**
Charged during the year	0	3,774	32		2,756	0	1,409	0	**7,971**
At 31 March 2014	**0**	**7,736**	**32**	**0**	**17,416**	**0**	**4,868**	**0**	**30,052**
Net Book Value at 31 March 2014	**42,609**	**118,652**	**706**	**5,263**	**9,026**	**0**	**3,719**	**0**	**179,975**
Asset financing:									
Owned - purchased	42,609	60,332	706	5,263	5,415	0	3,719	0	**118,044**
Owned - donated	0	2,937	0	0	212	0	0	0	**3,149**
Held on finance lease	0	254	0	0	3,399	0	0	0	**3,653**
On-SOFP PFI contracts	0	55,129	0	0	0	0	0	0	**55,129**
Total at 31 March 2014	**42,609**	**118,652**	**706**	**5,263**	**9,026**	**0**	**3,719**	**0**	**179,975**

Revaluation reserve balance for property, plant & equipment

	Land	Buildings	Dwellings	Assets under construction	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	23,718	6,256	365	0	329	0	0	0	**30,668**
Transfers under modified aborption accounting - PCTs	6,386	8,490	0	0	34	0	0	0	**14,910**
Upward revaluation	2,985	14,388	79	0	0	0	0	0	**17,452**
Impairments	0	(2,015)	(13)	0	0	0	0	0	**(2,028)**
Other	0	(51)	(4)	0	(34)	0	0	0	**(89)**
At 31 March 2014	**33,089**	**27,068**	**427**	**0**	**329**	**0**	**0**	**0**	**60,913**

Additions to assets under construction in 2013/14

	£000's
Buildings excluding dwellings	1,288
Plant & machinery	2,599
Balance as at YTD	**3,887**

14.2 Property, plant and equipment prior-year

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:							
At 1 April 2012	27,000	90,441	662	6,295	23,842	8,117	156,357
Additions of assets under construction				3,601			3,601
Additions purchased	0	6,703	93		1,557	166	8,519
Additions donated	0	118	0	0	0	0	118
Additions leased	0	0	0	0	946	0	946
Reclassifications	0	0	0	(1,230)	0	900	(330)
Disposals other than by sale	0	0	0	0	(1,614)	(249)	(1,863)
Upward revaluation	1,350	1,408	8	0	0	0	2,766
Impairments	0	(1,583)	(45)	0	0	0	(1,628)
At 31 March 2013	**28,350**	**97,087**	**718**	**8,666**	**24,731**	**8,934**	**168,486**
Depreciation							
At 1 April 2012	0	0	0	0	14,148	5,264	19,412
Disposals other than for sale	0	0	0		(1,515)	(249)	(1,764)
Impairments	0	4,810	11	0	130	12	4,963
Charged during the year	0	4,084	48		2,961	1,035	8,128
At 31 March 2013	**0**	**8,894**	**59**	**0**	**15,724**	**6,062**	**30,739**
Net book value at 31 March 2013	**28,350**	**88,193**	**659**	**8,666**	**9,007**	**2,872**	**137,747**
Purchased	28,350	87,400	659	8,666	8,773	2,872	136,720
Donated	0	793	0	0	234	0	1,027
Total at 31 March 2013	**28,350**	**88,193**	**659**	**8,666**	**9,007**	**2,872**	**137,747**
Asset financing:							
Owned	28,350	37,854	659	8,666	5,616	2,872	84,017
Held on finance lease	0	0	0	0	3,391	0	3,391
On-SOFP PFI contracts	0	50,339	0	0	0	0	50,339
Total at 31 March 2013	**28,350**	**88,193**	**659**	**8,666**	**9,007**	**2,872**	**137,747**

14.3 Property, plant and equipment

The following points cover the accounting judgements referred to in note 1.5:

Valuations are subject to price changes in property values and may vary from the market value on disposal.

Plant & machinery and information technology assets are valued at depreciated replacement cost.

The standard estimated lives of fixed assets are as follows, with each asset's life being independently assessed:
Buildings including dwellings - 3-90 years
Plant & machinery - 5-15 years
Information technology - 5-10 years

Asset lives for buildings are determined by the Valuation Office Agency, and for plant & machinery and information technology, by project managers.

The buildings in St Mary's Wing are categorised as specialist by the Valuation Office Agency, as they are specifically for the delivery of hospital services, and consequently valued at depreciated replacement cost in accordance with Note 1.9. Other land and buildings are valued at market value for existing use.

The following explanations support the figures presented for property, plant & equipment in note 14.1:

Community assets valued at £31,091k were transferred from Haringey and Islington Primary Care Trusts on 1 April 2013.

The Whittington Hospital NHS Trust Charitable Funds donated equipment with a value of £97k.

Land, buildings and dwellings were independently revalued on a modern equivalent asset basis as at 31 March 2014 by the Valuation Office Agency, followed by a review of completed assets coming into use.

The first exercise saw a gross upward revaluation of £15,875k and the second, £3,606k.

The first exercise resulted in a buildings impairment charge of £771k to operating expenses. The review of completed assets caused a further charge of £3,191k to expenses and £2,028k to reserves.

Following a verification exercise, there were impairment charges to expenses of £73k for equipment, and £64k for IT.

15.1 Intangible non-current assets

2013-14	**Computer licenses £000's**	**Total £000's**
At 1 April 2013	**2,918**	**2,918**
Additions - purchased	830	**830**
Reclassifications	4,317	**4,317**
Disposals other than by sale	(73)	**(73)**
At 31 March 2014	**7,992**	**7,992**
Amortisation		
At 1 April 2013	**1,507**	**1,507**
Disposals other than by sale	(73)	**(73)**
Impairments charged to operating expenses	8	**8**
Charged during the year	1,122	**1,122**
At 31 March 2014	**2,564**	**2,564**
Net Book Value at 31 March 2014	**5,428**	**5,428**
Asset financing:		
Purchased	5,428	**5,428**
Total at 31 March 2014	**5,428**	**5,428**

Reclassifications largely comprised the electronic patient records system, which was implemented during the year.

15.2 Intangible non-current assets prior year

2012-13	Computer Licenses £000s	Total £000s
Cost or valuation:		
At 1 April 2012	2,389	2,389
Additions - purchased	213	213
Reclassifications	330	330
Disposals other than by sale	(14)	(14)
At 31 March 2013	2,918	2,918
Amortisation		
At 1 April 2012	1,029	1,029
Disposals other than by sale	(14)	(14)
Revaluation or indexation gains	0	0
Impairments charged to operating expenses	12	12
Charged during the year	480	480
At 31 March 2013	1,507	1,507
Net book value at 31 March 2013	1,411	1,411

Software licenses are valued at amortised replacement cost over three to seven years. The Trust has no other intangible assets.

The Trust has no reserve balance for intangible assets.

16. Analysis of impairments recognised in 2013-14

	2013-14 Total £000s
Property, plant and equipment impairments and reversals taken to SoCI	
Other	137
Changes in market price	3,962
Total charged to annually managed expenditure	**4,099**
Intangible assets impairments and reversals charged to SoCI	
Other	8
Total charged to annually managed expenditure	**8**
Total impairments charged to SoCI	**4,107**

	Total £000s	Property, plant and equipment £000s	Information technology £000s	Intangible assets £000s
Other	**145**	64	73	8
Changes in market price	**3,962**	3,962	0	0
Total charged to annually managed expenditure	**4,107**	**4,026**	**73**	**8**
Total impairments charged to SoCI	**4,107**	**4,026**	**73**	**8**

Assets with a net book value of £145k were impaired due to excessive use following a verification exercise.

The Trust's land, buildings and dwellings were independently revalued on a modern equivalent asset basis as at 31 March 2014, resulting in buildings being impaired by £771k.

The review of completed assets coming into use resulted in buildings being impaired by £3,191k.

17. Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s
Balances with other central Government bodies	11,624	0	12,023
Balances with local authorities	1,646	0	334
Balances with NHS bodies outside the Departmental Group	19	0	12
Balances with NHS Trusts and Foundation Trusts	1,152	0	4,164
Balances with public corporations and trading funds	0	0	52
Balances with bodies external to government	3,086	702	19,426
At 31 March 2014	**17,527**	**702**	**36,011**
prior period:			
Balances with other central Government bodies	6,935	0	11,697
Balances with local authorities	1,176	0	105
Balances with NHS bodies outside the Departmental Group	31	0	11
Balances with NHS Trusts and Foundation Trusts	782	0	2,860
Balances with public corporations and trading funds	0	0	0
Balances with bodies external to government	2,118	635	17,434
At 31 March 2013	**11,042**	**635**	**32,107**

18. Inventories	Drugs £000s	Consumables £000s	Energy £000s	Other £000s	Total £000s	Of which held at NRV £000s
Balance at 1 April 2013	**1,014**	**58**	**57**	**161**	**1,290**	1,290
Additions	0	9	0	13	**22**	0
Inventories recognised as an expense in the period	(11)	0	(7)	0	**(18)**	0
Balance at 31 March 2014	**1,003**	**67**	**50**	**174**	**1,294**	**1,290**

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	**6,966**	1,599	**0**	0
NHS prepayments and accrued income	**5,107**	5,138	**0**	0
Non-NHS receivables - revenue	**2,926**	2,331	**0**	0
Non-NHS prepayments and accrued income	**2,100**	1,233	**0**	0
Provision for the impairment of receivables	**(1,075)**	(802)	**(87)**	(59)
VAT	**679**	870	**0**	0
Non-current part of PFI prepayments	**0**	0	**238**	226
Interest receivables	**2**	2	**0**	0
Other receivables	**822**	671	**551**	468
Total	**17,527**	11,042	**702**	635
Total current and non current	**18,229**	11,677		

The following points cover the accounting judgements referred to in note 1.5:

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

NHS receivables are net of a credit note provision covering debts over 90 days old, and any additional provisions needed for specific disputes. Provisions for impairment of receivables are based upon the same principles.

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

Overseas visitor and salary overpayment receivables are subject to provision until settled, given the uncertainty of recovery.

On receipt of any income for which a provision was made, the provision is reversed.

19.2 Receivables past their due date but not impaired	31 March 2014 £000s	31 March 2013 £000s
By up to three months	**697**	496
By three to six months	**9**	29
By more than six months	**43**	1
Total	**749**	526

19.3 Provision for impairment of receivables	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	**(861)**	(666)
Amount written off during the year	**54**	196
Amount recovered during the year	**127**	50
Increase in receivables impaired	**(482)**	(441)
Balance at 31 March 2014	**(1,162)**	(861)

20. Cash and cash equivalents	**31 March 2014**	31 March 2013
	£000s	£000s
Opening balance	**15,088**	9,932
Net change in year	**(9,965)**	5,156
Closing balance	**5,123**	15,088
Made up of		
Cash with Government Banking Service	**5,091**	14,979
Commercial banks	**20**	98
Cash in hand	**12**	11
Cash and cash equivalents as in statement of financial position	**5,123**	15,088
Cash and cash equivalents as in statement of cash flows	**5,123**	15,088
Patients' money held by the Trust, not included above	**6**	7

21. 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	**4,031**	5,446	**0**	0
NHS accruals and deferred income	**5,029**	1,870	**0**	0
Non-NHS payables - revenue	**3,595**	3,283	**0**	0
Non-NHS payables - capital	**1,455**	6,551	**0**	0
Non-NHS accruals and deferred income	**14,349**	7,822	**0**	0
Social security costs	**2,060**	2,036	**0**	**0**
VAT	**26**	23	**0**	0
Tax	**2,187**	2,273	**0**	**0**
Other	**3,279**	2,803	**0**	0
Total	**36,011**	32,107	**0**	0
Total payables (current and non-current)	**36,011**	**32,107**		
Included above:				
outstanding pension contributions at the year end	**2,782**	2,401		

Accounting judgements are applied in the following areas in accordance with note 1.5:

An estimate is included for the value of annual leave not taken by staff at 31 March and goods and services received but not invoiced. The annual leave accrual is estimated based upon a 10% sample of staff. Goods and services received but not invoiced is based upon system data supplemented by departmental management information. Any difference between accruals and actual transactions will be reflected in the period in which the transaction occurs.

22. 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	**164**	164	**2,948**	3,112
Loans from other entities	**16**	31	**0**	16
PFI liabilities:				
Main liability	**1,243**	907	**30,954**	32,197
Finance lease liabilities	**(47)**	44	**2,857**	3,268
Total	**1,376**	**1,146**	**36,759**	**38,593**
Total other liabilities (current and non-current)	**38,135**	**39,739**		

Loans - repayment of principal falling due in:

	31 March 2014 DH £000s	**Other £000s**	**Total £000s**
0-1 years	164	1,212	**1,376**
1 - 2 years	164	1,625	**1,789**
2 - 5 years	492	42	**534**
Over 5 years	2,292	32,144	**34,436**
Total	**3,112**	**35,023**	**38,135**

23. Deferred revenue

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2013	**1,576**	857	**0**	0
Deferred revenue addition	**1,106**	1,183	**0**	0
Transfer of deferred revenue	**(1,230)**	(464)	**0**	0
Current deferred revenue at 31 March 2014	**1,452**	1,576	**0**	0
Total deferred revenue (current and non-current)	**1,452**	1,576		

24. Finance lease obligations as lessee

Amounts payable under finance leases (buildings)	**Minimum lease payments**		**Present value of minimum lease payments**	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year	**7**	0	**0**	0
Between one and five years	**26**	0	**1**	0
After five years	**646**	0	**186**	0
Less future finance charges	**(492)**	0		
Minimum lease payments/Present value of minimum lease payments	**187**	0	**187**	0
Included in:				
Current borrowings			**0**	0
Non-current borrowings			**187**	0
			187	0

Amounts payable under finance leases (equipment)	**Minimum lease payments**		**Present value of minimum lease payments**	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year	**153**	293	**(47)**	274
Between one and five years	**(1,692)**	178	**(2,712)**	163
After five years	**6,383**	5,460	**5,382**	2,875
Less future finance charges	**(2,221)**	(2,619)		
Minimum lease payments/present value of minimum lease payments	**2,623**	3,312	**2,623**	3,312
Included in:				
Current borrowings			**(47)**	44
Non-current borrowings			**2,670**	3,268
			2,623	3,312

25. Provisions

	Total	Early departure costs	Legal claims	Restructuring	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**6,055**	1,627	236	2,495	1,697	0
Transfers under modified absorption accounting - PCTs	**960**	0	0	0	960	0
Arising during the year	**1,139**	0	146	59	934	0
Utilised during the year	**(1,595)**	(176)	(119)	(373)	(927)	0
Reversed unused	**(3,343)**	0	(121)	(2,123)	(1,099)	0
Unwinding of discount	**43**	41	0	0	2	0
Change in discount rate	**(7)**	(7)	0	0	0	0
Balance at 31 March 2014	**3,252**	**1,485**	**142**	**58**	**1,567**	**0**
Expected timing of cash flows:						
No later than one year	**1,238**	176	142	58	862	0
Later than one year and not later than five years	**875**	703	0	0	172	0
Later than five years	**1,139**	606	0	0	533	0

Amount Included in the provisions of the NHS Litigation Authority in respect of clinical negligence liabilities:

As at 31 March 2014	**39,231**
As at 31 March 2013	30,286

Accounting judgements are applied in the following areas in accordance with note 1.5:

Early departure provisions relate primarily to staff who retired in the 1990s. The value is based upon actuarial calculations and assumptions.

The legal claims provision relates largely to estimated employer's liability in relation to pending negligence claims and employment tribunal cases. The employment tribunal provision represents the estimated liability informed by legal advice, and the employer's liability provision is notified by the NHS Litigation Authority, together with contingent liabilities.

The opening restructuring provision was for estimated severance costs associated with the 2013/14 cost improvement programme, based upon a formal plan approved by the Trust Board. As there is no plan for severance costs associated with the 2014/15 cost improvement programme, the closing provision reduces significantly.

Other provisions include potential dilapidations from the transfer of community estates and potential pay claims.

Any difference between provisions and actual transactions will be reflected in the period in which the transaction occurs.

26. Contingencies

	31 March 2014	31 March 2013
	£000s	£000s
Contingent liabilities		
Employer's liability	**(95)**	(91)
Amounts recoverable against contingent liabilities	**72**	71
Net value of contingent liabilities	**(23)**	(20)

The contingent liabilities relate to employer's liability cases, which are provided for in Note 25. Both contingencies and provisions contain an element of uncertainty.

The Trust had no contingent assets at 31 March.

27. PFI - additional information

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

Charges to operating expenditure and future commitments in respect of on-SOFP PFI	2013-14 £000s	2012-13 £000s
Service element of on-SOFP PFI charged to operating expenses in year	979	949
Total	979	949

Payments committed to in respect of the service element of on-SOFP PFI	2013-14 £000s	2012-13 £000s
No later than one year	1,008	982
Later than one year, no later than five years	4,291	4,180
Later than five years	21,177	22,254
Total	26,476	27,416

Imputed "finance lease" obligations for on-SOFP PFI contracts due	2013-14 £000s	2012-13 £000s
No later than one year	2,892	2,610
Later than one year, no later than five years	10,366	10,792
Later than five years	38,820	41,286
Subtotal	52,078	54,688
Less: interest element	(19,881)	(21,584)
Total	32,197	33,104

Present value Imputed "finance lease" obligations for on-SOFP PFI contracts due Analysed by when PFI payments are due	2013-14 £000s
No later than one year	1,243
Later than one year, no later than five years	4,378
Later than five years	26,576
Total	32,197

Number of on-SOFP PFI contracts	
Total number of on-PFI contracts	1

28. Impact of IFRS treatment - current year

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

Revenue costs of IFRS: arrangements reported on-SoFP under IFRIC12 (PFI)	2013-14 £000s	2012-13 £000s
Depreciation charges	1,526	1,852
Interest expense	2,420	2,352
Impairment charge - AME	971	1,708
Service charge	979	949
Impact on PDC dividend payable	(291)	(369)
Total IFRS expenditure (IFRIC12)	5,605	6,492
Revenue consequences of PFI scheme under UK GAAP / ESA95 (net of any sublease revenue)	(4,543)	(4,433)
Net IFRS change (IFRIC12)	1,062	2,059

Capital consequences of IFRS : PFI under IFRIC12	2013-14 £000s	2012-13 £000s
Capital expenditure 2013-14	663	685
UK GAAP capital expenditure 2013-14 (reversionary interest)	1,280	1,236

29. Financial instruments

29.1 Financial risk management

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

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

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 and therefore has low exposure to currency rate fluctuations.

Interest rate risk

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

Credit risk

As the majority of the Trust's revenue comes from contracts with other public sector bodies, it 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 CCGs, 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.

29.2 Financial assets

	Loans and receivables £000s	Total £000s
Receivables - NHS	12,073	**12,073**
Receivables - non-NHS	3,521	**3,521**
Cash at bank and in hand	5,123	**5,123**
Total at 31 March 2014	**20,717**	**20,717**
Receivables - NHS	6,737	6,737
Receivables - non-NHS	2,716	2,716
Cash at bank and in hand	15,088	15,088
Total at 31 March 2013	24,541	24,541

29.3 Financial liabilities

	Other £000s	Total £000s
NHS payables	9,060	**9,060**
Non-NHS payables	26,951	**26,951**
Other borrowings	3,128	**3,128**
PFI & finance lease obligations	35,007	**35,007**
Total at 31 March 2014	**74,146**	**74,146**
NHS payables	7,316	7,316
Non-NHS payables	24,742	24,742
Other borrowings	3,323	3,323
PFI & finance lease obligations	36,416	36,416
Total at 31 March 2013	71,797	71,797

30. Related party transactions

During the year, no Department of Health Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Trust.

Professor Jane Dacre is both a Non-Executive Director of the Trust and Clnical Director of University College London Medical School.

Dr Greg Battle is both Executive Medical Director for Integrated Care for the Trust and a GP with Wish, which provides a service to the Trust's Urgent Care Centre.

The Department of Health is regarded as a related party. During the year, 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. Material income was received from the following such entities:
Islington CCG
Haringey CCG
NHS England
Health Education England
Barnet CCG
Camden CCG
City & Hackney CCG
Enfield CCG.

Material expenditure was incurred with the following such entities:
NHS Litigation Authority
Community Health Partnerships.

In addition, the Trust has had material income from the following other government departments and other central and local government bodies:
London Borough of Haringey
London Borough of Islington.

The Trust also received revenue and capital payments from the Whittington Hospital NHS Trust Charitable Funds. The charity's trustees are Trust employees, including some board members. During the year, none of the trustees or members of the key management staff or parties related to them has undertaken any transactions with the charity. The summary financial statements of the charity are included in the Trust's annual report, but consolidated accounts have not been produced as the fund balances are not considered sufficiently material. A summary of transactions is shown below.

The charity received income of £251k in 2013/14, mostly from donations and legacies. £145k was spent on charitable activities, including purchasing assets donated to the Trust, and funding some staff education and training. Governance and management costs of £87k included fundraising and accounting staff employed by the Trust and recharged to the charity.

31. Losses and special payments

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

	Value £	**Number**
Losses	53,948	18
Special payments	12,788	1
Total losses and special payments	**66,736**	**19**

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

	Value £	**Number**
Losses	196,894	18
Special payments	20,650	3
Total losses and special payments	217,544	21

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	131,498	142,389	153,330	165,983	176,853	186,300	278,212	281,343	**297,397**
Retained surplus/(deficit) for the year	20	1,985	1,421	1,938	(5,197)	(2,159)	(3,217)	(1,768)	**(3,121)**
Adjustments for Impairments				107	4,618	2,208	3,747	4,975	**4,107**
Adjustments for impact of policy change regarding donated assets							101	56	**88**
Consolidated budgetary guidance - adjustment for dual accounting under IFRIC12*					718	459	489	351	**91**
Break-even in-year position	**20**	**1,985**	**1,421**	**2,045**	**139**	**508**	**1,120**	**3,614**	**1,165**
Break-even cumulative position	**(1,480)**	**505**	**1,926**	**3,971**	**4,110**	**4,618**	**5,738**	**9,352**	**10,517**

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS trusts' financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to 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 reserve) to maintain comparability year to year.

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**	**2012-13 %**	**2013-14 %**
Materiality test (equal to or less than 0.5%):									
Break-even in-year position as a percentage of turnover	0.02	1.39	0.93	1.23	0.08	0.27	0.40	1.28	0.39
Break-even cumulative position as a percentage of turnover	(1.13)	0.35	1.26	2.39	2.32	2.48	2.06	3.32	3.54

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	2012-13
	£000s	£000s
External financing limit (EFL)	**13,744**	2,685
Cash flow financing	**10,205**	(4,068)
Unwinding of discount adjustment	**43**	0
Finance leases taken out in the year	**988**	946
External financing requirement	**11,236**	(3,122)
Underspend against EFL	**2,508**	5,807

32.4 Capital resource limit

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

	2013-14	2012-13
	£000s	£000s
Gross capital expenditure	**12,888**	13,398
Less: book value of assets disposed of	**0**	(100)
Less: donations towards the acquisition of non-current assets	**(98)**	(118)
Charge against the capital resource limit	**12,790**	13,180
Capital resource limit	**12,790**	14,009
Underspend against the capital resource limit	**0**	829

33. Third party assets

The Trust held cash and cash equivalents which relate to monies held on behalf of patients or other parties. This balance has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2014	31 March 2013
	£000s	£000s
Third party assets held by the Trust	**6**	7