

University Hospitals of North Midlands NHS Trust

Annual Accounts for the period

1 April 2015 to 31 March 2016

**Statement of Comprehensive Income for year ended
31 March 2016**

	NOTE	2015-16 £000s	2014-15 £000s
Gross employee benefits	9.1	(432,898)	(365,758)
Other operating costs	7	(288,093)	(245,826)
Revenue from patient care activities	4	551,904	511,881
Other operating revenue	5	151,013	111,954
Operating surplus/(deficit)		(18,074)	12,251
Investment revenue	11	159	69
Other gains and (losses)	12	(1)	12
Finance costs	13	(14,888)	(13,416)
Surplus/(deficit) for the financial year		(32,804)	(1,084)
Public dividend capital dividends payable		(4,944)	(2,478)
Transfers by absorption - gains		0	92,146
Transfers by absorption - (losses)		0	(11,694)
Net Gain/(loss) on transfers by absorption		0	80,452
Retained surplus/(deficit) for the year		(37,748)	76,890
Other Comprehensive Income*		2015-16 £000s	2014-15 £000s
Impairments and reversals taken to the revaluation reserve		(15,295)	(6,861)
Net gain/(loss) on revaluation of property, plant & equipment		52,865	40,431
Total Other Comprehensive Income		37,570	33,570
Total comprehensive income for the year		(178)	110,460
Financial performance for the year			
Retained surplus/(deficit) for the year		(37,748)	76,890
Impairments (excluding IFRIC 12 impairments)		11,281	8,231
Adjustments in respect of donated gov't grant asset reserve elimination <i>[if required]</i>		(469)	(887)
Adjustment re absorption accounting		0	(80,452)
Adjusted retained surplus/(deficit)		(26,936)	3,782

The surplus/deficit for the year 2014-15 includes the net gain received as a result of the Trust receiving assets and liabilities from Mid Staffordshire NHS Foundation Trust on 1 November 2014. The figures for 2014-15 therefore include 5 months of MSFT income and expenditure, with the full year effect in 2015-16

*Other Comprehensive Income shows other non-cash net gains that are not included as either operating revenue or expenditure, and as such does not impact on the financial outturn of the Trust.

The notes on pages 6 to 44 form part of this account.

**Statement of Financial Position as at
31 March 2016**

		31 March 2016	31 March 2015
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	14	554,326	497,497
Intangible assets	15	14,755	13,301
Other non-current assets	20	212	286
Trade and other receivables	19.1	2,991	1,127
Total non-current assets		572,284	512,211
Current assets:			
Inventories	18	12,368	10,840
Trade and other receivables	19.1	59,272	64,086
Other current assets	20	36	17
Cash and cash equivalents	21	10,043	9,758
Total current assets		81,719	84,701
Total assets		654,003	596,912
Current liabilities			
Trade and other payables	22	(88,373)	(66,251)
Provisions	27	(9,023)	(11,645)
Borrowings	23	(9,498)	(10,267)
Total current liabilities		(106,894)	(88,163)
Net current assets/(liabilities)		(25,175)	(3,462)
Total assets less current liabilities		547,109	508,749
Non-current liabilities			
Provisions	27	(1,283)	(1,372)
Borrowings	23	(311,470)	(319,190)
DH revenue support loan	23	(12,450)	0
Total non-current liabilities		(325,203)	(320,562)
Total assets employed:		221,906	188,187
FINANCED BY:			
Public Dividend Capital		362,575	328,683
Retained earnings		(284,348)	(245,636)
Revaluation reserve		143,679	105,140
Total Taxpayers' Equity:		221,906	188,187

The notes on pages 6 to 44 form part of this account.

The financial statements on pages 1 to 44 were approved by the Board on 27th May 2016 and signed on its behalf by

Chief Executive:  Date: 27-5-16

**Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2016**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
Balance at 1 April 2015	328,683	(245,636)	105,140	188,187
Changes in taxpayers' equity for 2015-16				
Retained surplus/(deficit) for the year		(37,748)		(37,748)
Net gain / (loss) on revaluation of property, plant, equipment			52,865	52,865
Impairments and reversals			(15,295)	(15,295)
Transfers between reserves		(969)	969	0
Permanent PDC received - cash*	33,892			33,892
Other movements	0	5	0	5
Net recognised revenue/(expense) for the year	33,892	(38,712)	38,539	33,719
Balance at 31 March 2016	362,575	(284,348)	143,679	221,906
Balance at 1 April 2014	211,431	(221,504)	51,000	40,927
Changes in taxpayers' equity for the year ended 31 March 2015				
Retained surplus/(deficit) for the year		76,890		76,890
Net gain / (loss) on revaluation of property, plant, equipment			40,431	40,431
Impairments and reversals			(6,861)	(6,861)
Transfers between reserves		2,946	(2,946)	0
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption		(23,516)	23,516	0
New temporary and permanent PDC received - cash	36,800			36,800
Other movements	80,452	(80,452)	0	0
Net recognised revenue/(expense) for the year	117,252	(24,132)	54,140	147,260
Balance at 31 March 2015	328,683	(245,636)	105,140	188,187

*The increase in Public Dividend Capital relates to Integrating Hospital Services in Staffordshire (IHSS) funding received as a result of the integration of County and Royal Stoke University Hospital.

Statement of Cash Flows for the Year ended 31 March 2016

	NOTE	2015-16 £000s	2014-15 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		(18,074)	12,251
Depreciation and amortisation	7	25,660	19,987
Impairments and reversals	16	11,281	8,231
Donated Assets received credited to revenue but non-cash	5	(1,108)	(1,486)
Government Granted Assets received credited to revenue but non-cash		(82)	0
Interest paid		(14,878)	(13,416)
PDC Dividend (paid)/refunded		(4,368)	(2,903)
(Increase)/Decrease in Inventories		(1,528)	(367)
(Increase)/Decrease in Trade and Other Receivables		2,950	(13,236)
(Increase)/Decrease in Other Current Assets		55	(67)
Increase/(Decrease) in Trade and Other Payables		22,201	5,686
Provisions utilised		(1,377)	(113)
Increase/(Decrease) in movement in non cash provisions		(1,334)	2,086
Net Cash Inflow/(Outflow) from Operating Activities		19,398	16,653
Cash Flows from Investing Activities			
Interest Received		159	69
(Payments) for Property, Plant and Equipment		(50,162)	(31,007)
(Payments) for Intangible Assets		(7,072)	(4,222)
Proceeds of disposal of assets held for sale (PPE)		105	12
Net Cash Inflow/(Outflow) from Investing Activities		(56,970)	(35,148)
Net Cash Inflow / (outflow) before Financing		(37,572)	(18,495)
Cash Flows from Financing Activities			
Gross Temporary (2014/15 only) and Permanent PDC Received		33,892	36,800
Loans received from DH - New Revenue Support Loans		12,450	0
Other Loans Received		850	0
Cash transferred to NHS Foundation Trusts or on dissolution		0	717
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(9,335)	(10,714)
Net Cash Inflow/(Outflow) from Financing Activities		37,857	26,803
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		285	8,308
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		9,758	1,450
Cash and Cash Equivalents (and Bank Overdraft) at year end	21	10,043	9,758

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2015-16 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 SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Charitable Funds

The divergence from the Government Financial Reporting Manual (FReM) that NHS Charitable Funds are not consolidated with NHS Trust's own financial statements has been removed for 2015-16. Under the provisions of IFRS 10 Consolidated Financial Statements, those Charitable Funds that fall under common control with NHS bodies should be consolidated within the entity's financial statements. The Trust has a Charitable Fund, the 'UHNH Charity' that falls under the definition of common control. Common control is defined within IFRS 10 as "the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities". Control is presumed to exist where a parent owns directly or indirectly more than half of the voting power of an entity, including where a body acts as a corporate trustee. The Trustees of the Charitable Fund are all members of the Trust Board. The purpose of an NHS Charity is to assist NHS patients, and HM Treasury view this as the "benefit" link as per the IFRS 10 guidance. The Trust has reviewed the financial statements of the 'UHNH Charity' and it is deemed that the income, expenditure, assets and liabilities of the Charitable Fund are not material. IAS 1 Presentation of Financial Statements states that specific disclosure requirements set out in individual standards or interpretations need not be satisfied if the information is not material. The consolidation of the Charitable Fund would not have a material impact on the financial statements of the Trust and has therefore not been consolidated into the Trust's financial statements.

1.5 Going Concern

IAS 1 requires management to assess, as part of the financial statements preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity.

The Directors consider the contracts it has agreed with commissioning bodies and a letter of support from the NHS Improvement (NHSI) Trust Development Authority (NTDA), confirming that the NTDA NHSI will make sufficient cash financing available to the Trust over the next twelve month period such that the Trust is able to meet its current liabilities, are sufficient evidence that the Trust will continue as a going concern for the foreseeable future. For this reason the going concern basis has been adopted for preparing the accounts.

1.6 Critical accounting judgements and key sources of estimation uncertainty

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

1.6.1 Critical judgements in applying accounting policies

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

The Trust's management have made the following judgements in applying accounting policies:

NOTES TO THE ACCOUNTS

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

Income recognition

It is the Trust's accounting policy to recognise income when performance occurs. In some instances the income that the Trust receives is not readily attributable to performance or the achievement of certain targets cannot readily be ascertained. The key judgements in relation to income recognition are detailed below.

Estate Valuation

The Trust's management have elected to revalue the Trust's land and buildings as at 31 March 2016. This option was elected as providing the best assurance that the values are not materially misstated. If the Trust's management had not revalued the estate, i.e. the assets were shown at their original cost, the value of Land, Buildings and Dwellings would have been £436,666,000.

The Trust obtains valuations for its land, buildings and dwellings from a qualified independent valuer. These valuations are performed at a point in time and take into account conditions and circumstances relevant to that date. In future years, conditions may change resulting in uplifts or impairments being required to the value of land, buildings and dwellings. The valuation has been completed based on the depreciated replacement cost and the remaining useful economic life of the assets.

PFI Assets

The Trust's PFI scheme is deemed under International Financial Reporting Standards to be classed as on Statement of Financial Position on the basis that the asset is under the control of the Trust and all risks and rewards sit with the Trust. This is deemed to be a critical judgement that impacts on the financial statements.

Operating leases/finance leases

The Trust has two buildings which are leased to a third party. The Trust has deemed that this is an operating lease where the risks and rewards of the asset remain with the Trust and as such are recognised on the Trust's Statement of Financial Position as assets. This is deemed to be a critical judgement as if the transaction was deemed to be a finance lease the assets would not be reflected in the Statement of Financial Position and the property, plant and equipment balance would be £14,128,000 lower if these assets were not included.

1.6.2 Key sources of estimation uncertainty

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

Income recognition

In 2008-09 the requirement to account for patient care spells that were in progress but not complete as at 31 March was introduced. The value put on this activity is estimated using an average tariff, rather than the specific tariff relevant for each patient. The total value of the accrual for patient care is £4,744,000 and therefore a change of 1% between the average tariff applied and the actual tariff due would affect income assumptions by £47,440.

In 2013-14 the Payment by Results (PbR) rules regarding maternity pathways changed. The key element of this change is that the Commissioners make one payment per pregnancy covering the whole of the maternity pathway at the point at which the woman first presents for treatment. As providers of the treatment, the Trust defers the element of income which has been received in advance of the care being provided. The Trust estimates the income to be deferred based on the number of weeks of maternity care remaining for the patients who have attended the Trust. The Trust estimates the average antenatal phase for each patient and calculates the proportion of the antenatal phase which has not been completed by 31 March 2016 based on the average antenatal phase. The Trust then defers this element of income. The total value of income deferred is £3,344,000 and therefore a change of 1% to the value deferred would affect the income assumptions by £33,440.

The Trust has provided for elements of clinical income that the Trust considers to be at risk of contractual challenge and therefore the receipt of such income to be at risk. Where the Trust is uncertain over the element of income at risk the Trust will calculate and include a provision to the value of the element of income at risk. These provisions are estimates and the actual figures are dependent on future events. The difference between the estimated impact on income and the actual impact will be accounted for in the year when such determination is made. In 2014/15 the Trust estimated the uncertainties regarding income and provided for the element of income deemed to be at risk. As a result of the determination of the actual position for 2014/15 in the current financial year the Trust released provisions of £1,919,690.

The Trust has in 2015/16 made an estimate of the potential uncertainties regarding the income recognised for 2015/16 and has provided for income estimated to be at risk. Due to the work that has been completed with the Trust's local commissioners there is deemed to be a much lower element of income at risk in the current financial year and the provisions included in 2015/16 reflect this position.

Valuation of liabilities

As at 31 March 2016 the Trust recognised £53,322,000 of accruals and deferred income within trade and payables liability. The Trust's management has made the best estimate of the value of the liability based on information available at the reporting date. The value of these accruals may differ from the values estimated and since the value is high a difference of only 1% between the estimate and actual value would result in a change to the Trust's expenditure of £533,000. However, since none of the accruals are individually material and the Trust has provided at the most likely value (rather than with a bias towards a more or less favourable outcome) it is unlikely that the difference between actual and estimated values would be significant.

The Trust has obtained professional advice where applicable for the value that should be recognised in respect of provisions and contingent liabilities. The value of these liabilities is uncertain and values are likely to differ from those estimated. A difference of 1% between the estimated provision and actual value would result in a change to the Trust's position of £104,000. However, the Trust has provided at what it estimates the likely value would be based on information available.

NOTES TO THE ACCOUNTS

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

Valuation of assets

As at 31 March 2016 the Trust recognised trade and receivables assets of £63,465,000. The Trust provides for income invoices more than 180 days past the due date, for RTA accruals at the prescribed rate of 21.99% and individually for any other debts which Trust management has reason to believe the Trust may not receive. The Trust's management considers that this is a reasonable estimate of the value of asset.

PFI

The Trust uses appropriate estimations to allocate the annual unitary payment into the relevant component parts. The Trust obtained professional advice at the beginning of the PFI contract to review and allocate the payments appropriately as set out in note 30.

1.7 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the 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 NHS 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 NHS trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

1.8 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. In line with the Government's auto enrolment pension roll out, from 1st April 2013 the Trust also offered the NEST pension scheme to employees who may not be eligible to join the NHS Pension Scheme. The NEST pension scheme is a defined contribution scheme.

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.

1.9 Other expenses

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

1.10 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to the 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.

NOTES TO THE ACCOUNTS

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

Valuation

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

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

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

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

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

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

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

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

Subsequent expenditure

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

1.11 Intangible assets

Recognition

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

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

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

Measurement

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

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

NOTES TO THE ACCOUNTS

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

1.12 Depreciation, amortisation and impairments

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

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

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

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

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

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

1.13 Donated assets

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

1.14 Government grants

Government grant funded assets are capitalised at their fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.15 Non-current assets held for sale

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

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

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

1.16 Leases

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

The trust as lessee

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

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

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

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

NOTES TO THE ACCOUNTS

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

The NHS trust as lessor

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

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

1.17 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI Asset

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

PFI liability

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

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

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

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

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 NHS 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 NHS trust's Statement of Financial Position.

Other assets contributed by the NHS trust to the operator

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

NOTES TO THE ACCOUNTS

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

1.18 Inventories

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

1.19 Cash and cash equivalents

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

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 NHS trust's cash management.

1.20 Provisions

Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS 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 -1.05% in real terms (2.2% for employee early departure obligations) except where such adjustments are not deemed material to the Trust's financial statements.

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

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

1.21 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 NHS trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at Note 27.

1.22 Non-clinical risk pooling

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

1.23 Carbon Reduction Commitment Scheme (CRC)

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

1.24 Contingencies

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

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 NHS trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

1.25 Financial assets

Financial assets are recognised when the NHS 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.

NOTES TO THE ACCOUNTS

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

Loans and receivables

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

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

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

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

1.26 Financial liabilities

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

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

Financial guarantee contract liabilities

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

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

1.27 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.

1.28 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.

NOTES TO THE ACCOUNTS

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

1.29 Third party assets

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

1.30 Public Dividend Capital (PDC) and PDC dividend

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

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

In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

1.31 Losses and Special Payments

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

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

1.32 Subsidiaries

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

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

From 2013-14, the Trust is required under IFRS10 to consolidate the results of 'UHNH Charity' Charitable Funds over which it considers it has the power to exercise control in accordance with IFRS10 requirements. The Trust however deems that the income, expenditure, assets and liabilities of the Charitable Fund are not material to the Trust's financial statements and in line with IAS1, which states that specific disclosure requirements set out in individual standards or interpretations need not be satisfied if the information is not material, the Trust has not consolidated the Charitable Fund.

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2015-16. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

- IFRS 9 *Financial Instruments* – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 *Revenue for Contracts with Customers* - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 *Leases* – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

2. Operating segments

IFRS 8 requires reporting entities to separate out the financial performance of each segment of the business, on the basis reported to the Chief Operating Decision Maker (CODM). The Trust considers that the Trust Board is the CODM of the organisation. The Trust Board receives financial performance data for the Trust as one 'healthcare' segment and makes decisions on this basis.

	Healthcare Per SOCI		Healthcare Reported to Trust Board		Healthcare Variance	
	2015-16 £000s	2014-15 £000s	2015-16 £000s	2014-15 £000s	2015-16 £000s	2014-15 £000s
Income	<u>701,885</u>	<u>622,363</u>	<u>701,885</u>	<u>621,923</u>	<u>(0)</u>	<u>440</u>
Pay costs	<u>(432,898)</u>	<u>(365,758)</u>	<u>(432,898)</u>	<u>(365,842)</u>	<u>0</u>	<u>84</u>
Non pay costs	<u>(295,923)</u>	<u>(252,823)</u>	<u>(295,923)</u>	<u>(252,299)</u>	<u>0</u>	<u>(524)</u>
Reported breakeven performance	<u>(26,936)</u>	<u>3,782</u>	<u>(26,936)</u>	<u>3,782</u>	<u>0</u>	<u>(0)</u>

The financial performance of the Trust is reported to Board on a breakeven basis. A reconciliation of the Trust's breakeven performance to the retained surplus/(deficit) reported in the Statement of Comprehensive Income is presented at note 35.

Since all the business of the Trust is deemed to be one 'healthcare' segment there is no difference between the financial performance of this segment and the financial performance of the Trust and all the disclosures in the notes to the accounts are identical.

3. Income generation activities

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

Summary Table - aggregate of all schemes

	2015-16 £000s	2014-15 £000s
Income	<u>3,402</u>	<u>2,195</u>
Full cost	<u>2,261</u>	<u>1,599</u>
Surplus/(deficit)	<u>1,141</u>	<u>596</u>

4. Revenue from patient care activities

	2015-16	2014-15
	£000s	£000s
NHS Trusts	288	0
NHS England	185,683	161,293
Clinical Commissioning Groups	347,407	321,472
Foundation Trusts	338	0
NHS Other (including Public Health England and Prop Co)	7,443	3,635
Additional income for delivery of healthcare services	0	17,000
Non-NHS:		
Local Authorities	0	85
Private patients	1,314	1,299
Overseas patients (non-reciprocal)	471	197
Injury costs recovery	2,643	2,458
Other	6,317	4,442
Total Revenue from patient care activities	<u>551,904</u>	<u>511,881</u>

Other non NHS revenue relates mainly to income received from NHS bodies within Wales which are classed as non NHS as such bodies are outside NHS England.

The Trust has seen an increase in revenue from patient care activities following the integration with Mid Staffordshire NHS Foundation Trust on 1st November 2014. The clinical activity from Mid Staffordshire NHS Foundation Trust was transferred to the Trust resulting in additional revenue from Commissioners. The 2015/16 figures include a full year impact compared to five months for the 2014/15 financial year.

5. Other operating revenue

	2015-16	2014-15
	£000s	£000s
Recoveries in respect of employee benefits	636	416
Education, training and research	33,911	27,827
Charitable and other contributions to revenue expenditure -non- NHS	167	148
Receipt of donations for capital acquisitions - Charity	1,190	1,540
Support from DH for mergers	68,019	36,701
Non-patient care services to other bodies	33,108	41,285
Income generation (Other fees and charges)	3,339	2,829
Rental revenue from operating leases	1,135	1,037
Other revenue	9,508	171
Total Other Operating Revenue	<u>151,013</u>	<u>111,954</u>
Total operating revenue	<u>702,917</u>	<u>623,835</u>

Support from DH for mergers relates to additional income received as transitional support for the Mid Staffordshire NHS Foundation Trust integration. Other revenue includes £8m in relation to integration funding received from NHS England.

The Trust has seen an increase in other operating revenue following the integration with Mid Staffordshire NHS Foundation Trust on 1st November 2014. The activity from Mid Staffordshire NHS Foundation Trust was transferred to the Trust resulting in additional other operating revenue. The 2015/16 figures include a full year impact compared to five months for the 2014/15 financial year.

6. Overseas Visitors Disclosure

	2015-16	2014-15
	£000	£000s
Income recognised during 2015-16 (invoiced amounts and accruals)	471	197
Cash payments received in-year (re receivables at 31 March 2015)	52	195
Cash payments received in-year (iro invoices issued 2014-15)	230	18
Amounts added to provision for impairment of receivables (re receivables at 31 March 2014)	1	0
Amounts added to provision for impairment of receivables (iro invoices issued 2014-15)	58	41

7. Operating expenses

	2015-16 £000s	2014-15 £000s
Services from other NHS Trusts	12,276	4,170
Services from CCGs/NHS England	814	3,067
Services from other NHS bodies	1,180	341
Services from NHS Foundation Trusts	5,130	1,934
Total Services from NHS bodies*	19,400	9,512
Purchase of healthcare from non-NHS bodies	3,503	7,882
Purchase of Social Care	1,005	
Trust Chair and Non-executive Directors	90	84
Supplies and services - clinical	135,455	113,791
Supplies and services - general	7,219	5,914
Consultancy services	1,095	7,274
Establishment	4,900	4,006
Transport	2,902	2,059
Service charges - ON-SOFP PFIs and other service concession arrangements	30,759	30,312
Business rates paid to local authorities	4,006	2,258
Premises	21,316	17,385
Hospitality	98	93
Insurance	51	38
Legal Fees	392	255
Impairments and Reversals of Receivables	2,286	384
Inventories write down	8	24
Depreciation	22,600	18,732
Amortisation	3,060	1,255
Impairments and reversals of property, plant and equipment	11,281	8,231
Internal Audit Fees	157	
Audit fees	159	144
Other auditor's remuneration	5	77
Clinical negligence	11,632	8,422
Education and Training	1,893	1,261
Other	2,821	6,433
Total Operating expenses (excluding employee benefits)	288,093	245,826

Other operating expenses include all expenditure not covered under any other operating expense headings.

Employee Benefits

Employee benefits excluding Board members	431,288	364,355
Board members	1,610	1,403
Total Employee Benefits	432,898	365,758
Total Operating Expenses	720,991	611,584

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

The Trust has seen an increase in operating expenses following the integration with Mid Staffordshire NHS Foundation Trust on 1st November 2014. Additional costs have been incurred as a result of providing additional clinical services transferred from Mid Staffordshire NHS Foundation Trust following the integration. Areas where expenditure has increased include staff costs, clinical supplies and services. The 2015/16 figures include a full year impact compared to five months for the 2014/15 financial year.

8. Operating Leases

8.1. University Hospitals of North Midlands NHS Trust as lessee

	Buildings £000s	Other £000s	2015-16 Total £000s	2014-15 £000s
Payments recognised as an expense				
Minimum lease payments			<u>3,439</u>	<u>1,903</u>
Total			<u>3,439</u>	<u>1,903</u>
Payable:				
No later than one year	3,615	699	4,314	3,724
Between one and five years	<u>12,747</u>	<u>875</u>	<u>13,622</u>	<u>16,447</u>
Total	<u>16,362</u>	<u>1,574</u>	<u>17,936</u>	<u>20,171</u>

The Trust leases various medical and office equipment assets under operating leases. The terms of these leases are standard equipment leases for between 5 and 7 years. The Trust does not sub-let these assets.

8.2. University Hospitals of North Midlands NHS Trust as lessor

	2015-16 £000	2014-15 £000s
Recognised as revenue		
Rental revenue	<u>1,135</u>	<u>1,037</u>
Total	<u>1,135</u>	<u>1,037</u>
Receivable:		
No later than one year	379	384
Between one and five years	844	680
After five years	<u>337</u>	<u>425</u>
Total	<u>1,560</u>	<u>1,489</u>

The Trust receives rental income from commercial retail outlets within the Hospital reception areas and from rental of buildings owned by the Trust.

9. Employee benefits and staff numbers

9.1. Employee benefits

	2015-16		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	371,171	329,401	41,770
Social security costs	24,861	24,861	0
Employer Contributions to NHS BSA - Pensions Division	38,505	38,505	0
Termination benefits	189	189	0
Total employee benefits	434,726	392,956	41,770
Employee costs capitalised	1,828	1,828	0
Gross Employee Benefits excluding capitalised costs	432,898	391,128	41,770
	2014-15		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	312,798	275,391	37,407
Social security costs	21,277	20,858	419
Employer Contributions to NHS BSA - Pensions Division	32,442	31,804	638
Termination benefits	258	258	0
TOTAL - including capitalised costs	366,775	328,311	38,464
Employee costs capitalised	1,017	1,017	0
Gross Employee Benefits excluding capitalised costs	365,758	327,294	38,464

The Trust has seen an increase in employee benefit costs and staff numbers following the integration with Mid Staffordshire NHS Foundation Trust on 1st November 2014. Additional costs have been incurred as a result of the staff transfers from Mid Staffordshire NHS Foundation Trust. The 2015/16 figures include a full year impact compared to five months for the 2014/15 financial year.

9.2. Staff Numbers

	2015-16			2014-15
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	1,178	1,021	157	1,040
Administration and estates	1,660	1,592	68	1,404
Healthcare assistants and other support staff	2,482	2,466	16	2,033
Nursing, midwifery and health visiting staff	3,265	2,801	464	2,737
Scientific, therapeutic and technical staff	1,062	976	86	910
Healthcare Science Staff	22	22	0	22
Other	386	257	129	352
TOTAL	10,055	9,135	920	8,498
Of the above - staff engaged on capital projects	60	60	0	40

9.3. Staff Sickness absence and ill health retirements

	2015-16 Number	2014-15 Number
Total Days Lost	85,638	61,760
Total Staff Years	8,920	6,959
Average working Days Lost	9.60	8.87
	2015-16 Number	2014-15 Number
Number of persons retired early on ill health grounds	3	8
	£000s	£000s
Total additional pensions liabilities accrued in the year	143	450

9.4. Exit Packages agreed in 2015-16

Exit package cost band (including any special payment element)	2015-16							
	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	2	12,140	1	6,642	3	18,782	0	0
£10,000-£25,000	1	11,566	0	0	1	11,566	0	0
£25,001-£50,000	0	0	0	0	0	0	0	0
£50,001-£100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	1	114,138	0	0	1	114,138	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
Total	4	137,844	1	6,642	5	144,486	0	0

Exit package cost band (including any special payment element)	2014-15							
	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	1	4,448	0	0	1	4,448	0	0
£10,000-£25,000	0	0	0	0	0	0	0	0
£25,001-£50,000	0	0	0	0	0	0	0	0
£50,001-£100,000	1	77,516	0	0	1	77,516	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
Total	2	81,964	0	0	2	81,964	0	0

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

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

	2015-16		2014-15	
	Agreements	Total value of agreements	Agreements	Total value of agreements
	Number	£000s	Number	£000s
Voluntary redundancies including early retirement contractual costs	1	7	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	0	0	0	0
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval*	0	0	0	0
Total	1	7	0	0
Non-contractual payments made to individuals where the payment value was more than 12 months of their annual salary	0	0	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

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

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

9.6. Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that 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 scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 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. These accounts can be viewed on the NHS Pensions website and are published annually. 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 schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed 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.

Other Pension Schemes

In line with the Governments auto enrolment pension roll out, from 1st April 2013 the Trust offered the NEST pension scheme to employees who may not be eligible to join the NHS Pension Scheme. The NEST scheme is a defined contribution scheme. The Trust (employers) contributions to this scheme during 2015/16 were £15,385

10. Better Payment Practice Code**10.1. Measure of compliance**

	2015-16 Number	2015-16 £000s	2014-15 Number	2014-15 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	193,158	295,181	140,585	228,945
Total Non-NHS Trade Invoices Paid Within Target	166,380	248,452	127,794	200,461
Percentage of NHS Trade Invoices Paid Within Target	<u>86.14%</u>	<u>84.17%</u>	<u>90.90%</u>	<u>87.56%</u>
NHS Payables				
Total NHS Trade Invoices Paid in the Year	3,626	44,247	5,175	38,623
Total NHS Trade Invoices Paid Within Target	2,172	31,351	3,285	21,622
Percentage of NHS Trade Invoices Paid Within Target	<u>59.90%</u>	<u>70.85%</u>	<u>63.48%</u>	<u>55.98%</u>

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

	2015-16 £000s	2014-15 £000s
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	4	0
Total	<u>4</u>	<u>0</u>

11. Investment Revenue

	2015-16 £000s	2014-15 £000s
Interest revenue		
Bank interest	152	68
Other financial assets	7	1
Subtotal	<u>159</u>	<u>69</u>
Total investment revenue	<u>159</u>	<u>69</u>

12. Other Gains and Losses

	2015-16 £000s	2014-15 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	(1)	12
Total	<u>(1)</u>	<u>12</u>

13. Finance Costs

	2015-16 £000s	2014-15 £000s
Interest		
Interest on loans and overdrafts	9	0
Interest on obligations under finance leases	133	113
Interest on obligations under PFI contracts:		
- main finance cost	8,525	8,708
- contingent finance cost	6,221	4,595
Total	<u>14,888</u>	<u>13,416</u>

14.1. Property, plant and equipment

2015-16

Cost or valuation:

	Land £000's	Buildings excluding dwellings £000's	Dwellings £000's	Assets under construction & payments on account £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
At 1 April 2015	37,025	385,283	1,962	10,033	113,726	752	21,108	8,428	578,317
Additions of Assets Under Construction				2,045					2,045
Additions Purchased	0	32,528	0	0	11,356	0	2,895	680	47,459
Additions - Non Cash Donations (i.e. physical assets)	0	893	0	0	215	0	0	0	1,108
Additions - Purchases from Cash Donations & Government Grants	0	0	0	57	0	0	25	0	82
Reclassifications	0	3,307	0	1,152	(957)	0	(944)	0	2,558
Disposals other than for sale	0	0	0	0	(279)	0	0	0	(279)
Upward revaluation/positive indexation	1,685	45,512	188	0	0	0	0	0	47,385
Impairment/reversals charged to operating expenses	0	(12,445)	0	0	(1,639)	0	0	0	(14,084)
Impairments/reversals charged to reserves	0	(17,636)	0	(975)	0	0	0	0	(18,611)
At 31 March 2016	38,710	437,442	2,150	12,312	122,422	752	23,084	9,108	645,360

Depreciation

At 1 April 2015	0	1	0	62,067	745	13,217	4,790	80,820	
Disposals other than for sale	0	0	0	(167)	0	0	0	(167)	
Upward revaluation (depreciation write back)	0	(5,446)	(34)	0	0	0	0	(5,480)	
Impairment/reversals charged to reserves (depreciation write back)	0	(3,316)	0	0	0	0	0	(3,316)	
Impairments/reversals charged to operating expenses (depreciation write back)	0	(1,877)	0	(926)	0	0	0	(2,803)	
Charged During the Year	0	10,652	34	9,202	6	2,122	584	22,600	
At 31 March 2016	0	14	0	70,176	751	15,339	5,374	91,654	
Net Book Value at 31 March 2016	38,710	437,428	2,150	12,312	52,246	1	7,745	3,734	554,326

Asset financing:

Owned - Purchased	38,710	221,574	0	12,255	34,132	1	7,678	3,734	318,084
Owned - Donated	0	3,012	0	0	4,587	0	15	0	7,614
Owned - Government Granted	0	419	0	57	254	0	43	0	773
Held on finance lease	0	0	2,150	0	765	0	9	0	2,915
On-SOFP PFI contracts	0	212,423	0	0	12,508	0	9	0	224,940
Total at 31 March 2016	38,710	437,428	2,150	12,312	52,246	1	7,745	3,734	554,326

Included within the land value is £5,075,000 relating to land at the Royal Infirmary site which has been identified as a surplus asset. There are restrictions on this site which would prevent access to the market at the reporting date and as a result the land has been valued at market value through applying an adaptation of IAS16, rather than being valued at fair value under IFRS13.

14.1. Property, plant and equipment (cont).

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	15,488	87,491	1,089	0	984	0	18	67	105,137
Movements (specify)	1,685	36,638	222	0	(5)	0	0	0	38,540
At 31 March 2016	<u>17,173</u>	<u>124,129</u>	<u>1,311</u>	<u>0</u>	<u>979</u>	<u>0</u>	<u>18</u>	<u>67</u>	<u>143,677</u>

Additions to Assets Under Construction in 2015-16

Plant & Machinery	<u>2,045</u>
Balance as at YTD	<u>2,045</u>

14.2. Property, plant and equipment prior-year

2014-15	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2014	24,275	299,344	1,911	1,345	75,587	752	12,058	7,874	423,146
Additions of Assets Under Construction				3,012					3,012
Additions Purchased	0	19,540	0		8,883	0	3,359	355	32,137
Additions - Non Cash Donations (i.e. Physical Assets)	0	180	0	0	1,306	0	0	0	1,486
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	16	0	13	0	29
Additions Leased (including PF/LIFT)	0	0	0		1,471	0	0	0	1,471
Reclassifications	0	0	0	0	(276)	0	276	0	0
Reclassifications as Held for Sale and Reversals	0	617	(415)	330	(4,084)	0	(2,444)	2	(5,994)
Disposals other than for sale	0	0	0	0	(765)	0	0	0	(765)
Revaluation	0	0	51	2,946	0	0	0	0	21,788
Impairments/negative indexation charged to reserves	0	(6,861)	0	0	0	0	0	0	(6,861)
Reversal of Impairments charged to reserves	0	18,791	0	0	0	0	0	0	18,791
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	12,750	53,672	415	2,400	31,588	0	7,846	197	108,868
At 31 March 2015	37,025	385,282	1,962	10,033	113,726	752	21,108	8,428	578,317
Depreciation									
At 1 April 2014	0	0	0	0	42,470	732	7,969	4,095	55,266
Reclassifications	0	0	0	0	(52)	0	52	0	0
Reclassifications as Held for Sale and Reversals	0	(119)	(415)		(4,183)	0	(1,905)	(40)	(6,662)
Disposals other than for sale	0	0	0	0	(765)	0	0	0	(765)
Revaluation	0	(18,610)	(33)	0	0	0	0	0	(18,643)
Impairments/negative indexation charged to operating expenses	0	8,391	0	0	0	0	0	0	8,391
Reversal of Impairments charged to operating expenses	0	(160)	0	0	0	0	0	0	(160)
Charged During the Year	0	9,044	33	17,322	7,275	13	1,784	583	18,732
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	1,455	415	0	62,067	745	13,217	152	24,661
At 31 March 2015	0	1	0	10,033	51,659	7	7,891	3,638	497,497
Net Book Value at 31 March 2015	37,025	385,282	1,962	10,033	51,659	7	7,891	3,638	497,497
Asset financing:									
Owned - Purchased	37,025	190,893	0	10,033	31,773	7	7,839	3,638	281,208
Owned - Donated	0	1,842	0	0	4,935	0	22	0	6,799
Owned - Government Granted	0	389	0	0	307	0	30	0	726
Held on finance lease	0	0	1,962	0	1,003	0	0	0	2,965
On-SOFP PFI contracts	0	192,158	0	0	13,641	0	0	0	205,799
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2015	37,025	385,282	1,962	10,033	51,659	7	7,891	3,638	497,497

On 1 November 2014 £84,207,000 was transferred from Mid Staffordshire Foundation Trust in accordance with the Transfer Order. Following the transfer of assets from Mid Staffordshire NHS Foundation Trust, the Trust's professional advisor revalued the assets received to account for these in line with the Trust's accounting policies. This resulted in an increase of £8,713,000 to the value of property, plant and equipment.

14.3. (cont). Property, plant and equipment

The UHNM Charity donated £1,101,000 of assets to the Trust in 2015-16 in respect of assets acquired in the financial year.

All land and building assets have been revalued as at 31 March 2016. The valuation was carried out by a qualified independent valuer from Jones Lang LaSalle.

The valuation is a calculation based on the estimated building cost and the remaining useful economic life.

Land values have been updated as part of the valuation carried out on 31 March 2016.

The valuer has considered the works undertaken to buildings by the Trust since the last valuation and in most cases this has not significantly changed the estimated building cost per square metre. The valuer has updated the building cost per square metre for listed buildings held by the Trust to reflect the relevant price for a building of listed status. Part of the costs that have been capitalised as buildings additions during 2015-16 have subsequently been impaired. This is considered a pricing impairment, and not a permanent loss due to use of economic benefit.

The useful economic life of an asset is determined individually for each asset, but generally falls within the following range:

	Min Life Years	Max Life Years
Buildings	15	80
Dwellings	20	80
Plant & Machinery	5	15
Transport Equipment	4	7
Information Technology	3	15
Furniture & Fittings	5	10

Where a building is scheduled for demolition the remaining asset life will be reduced to the period remaining before demolition.

The Trust leases two buildings which are used for medical education to Keele University. The following values within the property, plant and equipment and expense disclosures relate to these buildings:

	2015-16 £000	2014-15 £000
Gross carrying amount	13,630	12,791
Depreciation in period	(396)	(362)
Revaluation/(impairment)	894	1,198
Net Book Value	<u>14,128</u>	<u>13,627</u>

15. Intangible non-current assets

**15.1. Intangible non-current assets
2015-16**

	Computer Licenses	Total
	£000's	£000's
At 1 April 2015	22,096	22,096
Additions Purchased	7,072	7,072
Reclassifications	<u>(2,558)</u>	<u>(2,558)</u>
At 31 March 2016	<u>26,610</u>	<u>26,610</u>
Amortisation		
At 1 April 2015	8,795	8,795
Charged During the Year	<u>3,060</u>	<u>3,060</u>
At 31 March 2016	<u>11,855</u>	<u>11,855</u>
Net Book Value at 31 March 2016	14,755	14,755
Asset Financing: Net book value at 31 March 2016 comprises:		
Purchased	14,731	14,731
Government Granted	<u>24</u>	<u>24</u>
Total at 31 March 2016	<u>14,755</u>	<u>14,755</u>
Revaluation reserve balance for intangible non-current assets		
		£000's
At 1 April 2015	1	1
Movements (specify)	<u>0</u>	<u>0</u>
At 31 March 2016	<u>1</u>	<u>1</u>

15.2. Intangible non-current assets prior year

2014-15

	Computer Licenses	Total
	£000's	£000's
Cost or valuation:		
At 1 April 2014	4,636	4,636
Additions - purchased	3,994	3,994
Additions - government granted	25	25
Reclassified as held for sale	1,230	1,000
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	12,211	12,441
At 31 March 2015	<u>22,096</u>	<u>22,096</u>
Amortisation		
At 1 April 2014	1,266	1,266
Reclassified as held for sale	1,668	1,668
Charged during the year	1,255	1,255
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	4,606	4,606
At 31 March 2015	<u>8,795</u>	<u>8,795</u>
Net book value at 31 March 2015	13,301	13,301

16. Analysis of impairments and reversals recognised in 2015-16

	2015-16 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Unforeseen obsolescence	708
Loss as a result of catastrophe	5
Changes in market price	<u>10,568</u>
Total charged to Annually Managed Expenditure	11,281
Total Impairments of Property, Plant and Equipment changed to SoCI	<u>11,281</u>

17. Commitments

17.1. Capital commitments

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

	31 March 2016	31 March 2015
	£000s	£000s
Property, plant and equipment	156,477	156,576
Intangible assets	<u>0</u>	<u>0</u>
Total	<u>156,477</u>	<u>156,576</u>

18. Inventories

	Drugs	Consumables	Work in Progress	Energy	Loan Equipment	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	3,437	7,298	0	105	0	0	10,840	0
Additions	65,680	77,892	0	2,425	0	0	145,997	0
Inventories recognised as an expense in the period	(65,342)	(76,708)	0	(2,411)	0	0	(144,461)	0
Write-down of inventories (including losses)	(8)	0	0	0	0	0	(8)	0
Balance at 31 March 2016	3,767	8,482	0	119	0	0	12,368	0

19.1. Trade and other receivables

	Current		Non-current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000s	£000s	£000s	£000s
NHS receivables - revenue	29,273	26,268	0	0
NHS prepayments and accrued income	16,052	9,190	0	0
Non-NHS receivables - revenue	5,546	4,240	0	0
Non-NHS prepayments and accrued income	8,964	22,864	2,991	1,127
PDC Dividend prepaid to DH	0	116		
Provision for the impairment of receivables	(4,355)	(2,069)	0	0
VAT	3,033	2,861	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	759	616	0	0
Total	59,272	64,086	2,991	1,127
Total current and non current	62,263	65,213		

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

19.2. Receivables past their due date but not impaired

	31 March 2016	31 March 2015
	£000s	£000s
By up to three months	8,257	4,733
By three to six months	2,043	1,904
By more than six months	2,959	437
Total	13,259	7,074

19.3. Provision for impairment of receivables

	2015-16	2014-15
	£000s	£000s
Balance at 1 April 2015	(2,069)	(1,689)
Amount written off during the year	0	4
Amount recovered during the year	3,333	2,572
(Increase)/decrease in receivables impaired	(5,619)	<u>(2,956)</u>
Balance at 31 March 2016	<u>(4,355)</u>	<u>(2,069)</u>

The Trust provides in full for all non NHS trade receivables which are more than 180 days past due and 21.99% of NHS Injury Cost Recovery Scheme.

The increase or decrease in impairment of receivables is reviewed on a monthly basis and increased or decreased dependent upon the value of receivables deemed to be potentially at risk of being collected in full by the Trust. The Trust may go on to recover balances provided for at a future date and this is reflected within the amount recovered during the year.

20. Other current assets

	31 March 2016 £000s	31 March 2015 £000s
EU Emissions Trading Scheme Allowance	36	17

20.a Other non current assets

	31 March 2016 £000s	31 March 2015 £000s
EU Emissions Trading Scheme Allowance	212	286

21. Cash and Cash Equivalents

	31 March 2016 £000s	31 March 2015 £000s
Opening balance	9,758	1,450
Net change in year	<u>285</u>	<u>8,308</u>
Closing balance	<u>10,043</u>	<u>9,758</u>
Made up of		
Cash with Government Banking Service	10,037	9,756
Cash in hand	<u>6</u>	<u>2</u>
Cash and cash equivalents as in statement of cash flows	<u>10,043</u>	<u>9,758</u>
Third Party Assets - Bank balance (not included above)	11	6

22. Trade and other payables

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
NHS payables - revenue	468	1,310	0	0
NHS accruals and deferred income	21,848	23,113	0	0
Non-NHS payables - revenue	12,573	4,328	0	0
Non-NHS payables - capital	8,255	8,913	0	0
Non-NHS accruals and deferred income	30,272	19,892	0	0
Social security costs	0	1,100		
PDC Dividend payable to DH	460	0		
Accrued Interest on DH Loans	9			
VAT	288	942	0	0
Tax	8,108	0		
Other	6,092	6,653	0	0
Total	88,373	66,251	0	0
Total payables (current and non-current)	88,373	66,251		
Included above:				
outstanding Pension Contributions at the year end	5,382	0		

23. Borrowings

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Loans from Department of Health	0	0	12,450	0
PFI liabilities:				
Main liability	8,970	9,950	309,085	317,093
Finance lease liabilities	315	317	1,748	2,097
Other (SALIX Capital Loan)	213	0	637	0
Total	9,498	10,267	323,920	319,190
Total borrowings (current and non-current)	333,418	329,457		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2016		
	DH £000s	Other £000s	Total £000s
0-1 Years	0	9,498	9,498
1 - 2 Years	0	9,101	9,101
2 - 5 Years	12,450	25,955	38,405
Over 5 Years	0	276,414	276,414
TOTAL	12,450	320,968	333,418

The Trust's finance leases included above relate to a building and equipment. The final repayment for the building lease will be made in 2025 and for the equipment 2022.

The Trust has a PFI scheme in operation for the provision of buildings, equipment and services. The final repayment associated with the assets currently in use and those scheduled to come into use will be made in 2044.

24. Deferred income

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Opening balance at 1 April 2015	11,163	3,205	1,642	1,642
Deferred revenue addition	12,629	13,143	0	0
Transfer of deferred revenue	(16,348)	(5,185)	0	0
Current deferred Income at 31 March 2016	7,444	11,163	1,642	1,642
Total deferred income (current and non-current)	9,086	12,805		

25. Finance lease obligations as lessee

The Trust has a finance lease for one building. The final repayment will be made in 2025.

The lease liability in the Trust's Statement of Financial Position is £1,363,000 split between £101,000 due in less than one year and £1,262,000 due in more than one year. This liability represents the sum of the rental payments due in respect of the property (£1,611,000) less the element deemed to be interest (£248,000) which is recognised as an expense in the year that the payment is made.

Amounts payable under finance leases (Buildings)	Minimum lease payments		Present value of minimum	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Within one year	145	141	101	94
Between one and five years	624	606	486	453
After five years	842	1,006	776	910
Less future finance charges	(248)	(296)		
Minimum Lease Payments / Present value of minimum lease payments	<u>1,363</u>	<u>1,457</u>	<u>1,363</u>	<u>1,457</u>
Included in:				
Current borrowings			101	94
Non-current borrowings			<u>1,262</u>	<u>1,363</u>
			<u>1,363</u>	<u>1,457</u>

Amounts payable under finance leases (Other)

The Trust has a finance lease for pathology equipment. The final repayment will be made in 2022.

The lease liability in the Trust's Statement of Financial Position is £700,000 split between £214,000 due in less than one year and £486,000 due in more than one year. This liability represents the sum of the rental payments due in respect of the equipment (£2,434,000) less the element deemed to be interest (£1,734,000) which is recognised as an expense in the year that the payment is made.

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Within one year	379	310	214	223
Between one and five years	1,494	1,241	15	55
After five years	561	775	471	679
Less future finance charges	(1,734)	(1,369)		
Minimum Lease Payments / Present value of minimum lease payments	<u>700</u>	<u>957</u>	<u>700</u>	<u>957</u>
Included in:				
Current borrowings			214	223
Non-current borrowings			<u>486</u>	<u>734</u>
			<u>700</u>	<u>957</u>

26. Finance lease receivables as lessor

The Trust has no finance leases where it acts as the lessor.

27. Provisions

	Comprising:						Redundancy
	Early Departure Costs	Legal Claims	Continuing Care	Equal Pay (incl. Agenda for Change)	Other		
Total	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	13,017	145	290	422	8,541	1,007	
Arising during the year	13,078	0	507	0	11,827	525	
Utilised during the year	(1,377)	(68)	(72)	(39)	(1,130)	(68)	
Reversed unused	(14,412)	0	(200)	0	(12,286)	(93)	
Balance at 31 March 2016	10,306	77	525	383	6,752	1,371	
Expected Timing of Cash Flows:							
No Later than One Year	9,023	0	525	0	1,198	1,371	
Later than One Year and not later than Five Years	127	77	0	50	0	0	
Later than Five Years	1,156	0	0	333	823	0	
Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:							
As at 31 March 2016	154,176						
As at 31 March 2015	113,538						

The Trust has provided £77,000 (2014-15: £145,000) in respect of ill-health and early retirements pension obligations for five former employees. The value of the liability is an estimate based on actuarial assumptions regarding life expectancy.

The Trust has provided £525,000 (2014-15: £290,000) in respect of legal cases. Of this £201,000 relates to current employment tribunal cases and £264,000 relates to the insurance excess on public and employer liability cases being administered by the NHS Litigation Authority. In all cases the timing and the value of the payments are uncertain and the Trust has provided based on the advice provided by legal advisors and the NHS Litigation Authority.

The Trust has provided £8,333,000 (2014-15: £11,575,000) in respect of additional costs in relation to income, pay and operating costs where the Trust has deemed there to be a risk and a qualifying providing event which is likely to result in the Trust incurring future cash outflows as a result of past events. These are classified under Continuing Care, Equal pay and Other.

The Trust has provided £1,371,000 (2014-15: £1,007,000) in respect of redundancy costs.

28. Contingencies

The member contingent liability relating to the excess due on clinical negligence cases covered by the NHS Litigation Authority is £177,000. The equivalent balance in 2014-15 was £160,000.

29. PFI and LIFT - additional information

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

The Trust has commitments to two PFI schemes:

- The main scheme covering the redevelopment of the City General site, facilities management services, PACS equipment, a managed equipment service and network and communications equipment
- A second scheme covering radiotherapy equipment

The Trust will retain existing estate at the City General site in addition to new buildings covered by the PFI scheme.

The main PFI contract ends in August 2044. A monthly unitary payment will be paid up to that point. Historically, bullet payments have been made to reduce the monthly unitary payment. The unitary payment is subject to annual increases in line with RPI. Services are subject to market testing every 7 years. The arrangement requires the operator to deliver services to the Trust in accordance with the service delivery specification. Non delivery of quality or performance can lead to a reduction in the service charge being paid by the Trust. The Trust retains step in rights should the contractor fail to meet minimum standards as set out within the contract. Under IFRIC 12 the asset is treated as an asset of the trust. The substance of the contract is that the trust has a financial lease and payments comprise 2 elements – imputed finance lease charges and service charges. Details of the imputed finance lease charges are included within the table below.

The radiotherapy contract commenced in May 2010 and runs for 10 years. A bullet payment was made at the beginning of the scheme. Monthly service payments are made to cover the cost of the equipment, maintenance and lifecycle costs.

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI

	2015-16 £000s	2014-15 £000s
Service element of on SOFP PFI charged to operating expenses in year	<u>30,759</u>	<u>30,312</u>
Total	30,759	30,312
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	31,464	31,340
Later than One Year, No Later than Five Years	123,476	124,915
Later than Five Years	<u>710,579</u>	<u>740,523</u>
Total	865,519	896,778

The above table discloses the total payments the Trust is committed to paying in respect of the service element of on SOFP PFI inflated at current inflation rate. If this rate was to increase by 2.5% each year, the Trust would be committed to pay an additional £314,725k in respect of service element of on SOFP PFI until the end of the PFI contract life in 2044.

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

	2015-16 £000s	2014-15 £000s
No Later than One Year	17,241	18,170
Later than One Year, No Later than Five Years	65,211	63,736
Later than Five Years	<u>370,248</u>	<u>387,822</u>
Subtotal	452,700	469,728
Less: Interest Element	<u>(134,645)</u>	<u>(142,685)</u>
Total	318,055	327,043

**Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due
Analysed by when PFI payments are due**

	2015-16 £000s	2014-15 £000s
No Later than One Year	8,970	9,695
Later than One Year, No Later than Five Years	34,415	32,206
Later than Five Years	<u>274,670</u>	<u>285,142</u>
Total	318,055	327,043

Number of on SOFP PFI Contracts

Total Number of on PFI contracts	2
Number of on PFI contracts which individually have a total commitments value in excess of £500m	1

30. Impact of IFRS treatment - current year

	2015-16 Income £000s	Expenditure £000s	2014-15 Income £000s	Expenditure £000s
The information below is required by the Department of Health for budget reconciliation purposes				
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)				
Depreciation charges		7,268		6,551
Interest Expense		14,746		13,303
Other Expenditure		30,759		30,312
Revenue Receivable from subleasing	(170)	0	0	
Impact on PDC dividend payable		(4,906)		(5,611)
Total IFRS Expenditure (IFRIC12)	(170)	47,867	0	44,555
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)		54,994		53,866
Net IFRS change (IFRIC12)		(7,297)		(9,311)

The Trust is not required to include the IFRS impact when measuring breakeven performance.

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

Capital expenditure 2015-16	2,683	3,629
UK GAAP capital expenditure 2015-16 (Reversionary Interest)	2,167	2,093

31. Financial Instruments

31.1. Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2016 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

31.2. Financial Assets

	Loans and receivables	Total
	£000s	£000s
Receivables - NHS	45,546	45,546
Receivables - non-NHS	3,747	3,747
Cash at bank and in hand	10,043	10,043
Total at 31 March 2016	59,336	59,336
Receivables - NHS	34,622	34,622
Receivables - non-NHS	2,641	2,641
Cash at bank and in hand	9,758	9,758
Total at 31 March 2015	47,021	47,021

31.3. Financial Liabilities

	Other	Total
	£000s	
NHS payables	15,017	15,017
Non-NHS payables	55,415	55,415
Other borrowings	1,371	1,371
PFI & finance lease obligations	320,118	320,118
Other financial liabilities	13,300	13,300
Total at 31 March 2016	405,221	405,221
NHS payables	13,004	13,004
Non-NHS payables	38,003	38,003
Other borrowings	1,007	1,007
PFI & finance lease obligations	329,457	329,457
Total at 31 March 2015	381,471	381,471

IFRS 7 requires the Trust to disclose the fair value of financial liabilities. The PFI scheme is a non-current Financial Liability where the fair value is likely to differ from the carrying value. The trust have reviewed the current interest rates available on the market and if these were used as the implicit interest rate for the scheme the fair value of the liability would be £316,722,000.

32. Events after the end of the reporting period

The Trust has not identified any major events that required disclosure.

33. Related party transactions

The Trust's Register of Interests shows that a number of individuals employed or contracted by the Trust in roles of significant influence are also employed or contracted in roles of significant influence by other organisations. The income received relates mainly to the purchase by the UHNM Charity of equipment that enhances the service provided by the Trust. For practical purposes these purchases are administered via the Trust's established ordering and payment procedures with the UHNM Charity reimbursing the cost to the Trust. The charitable and other contributions to revenue expenditure income disclosed in Note 4 relates to services provided by the Trust to the UHNM charity, i.e. the running of the Appeals Dept. Details of related party transactions with such parties are detailed below:

	2015-16			
	Payments to Related Party £'000	Receipts from Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000
Staffordshire University	127	1	5	0
Keele University	3,315	1,920	1,016	629
Worcestershire Acute NHS Trust	0	36	0	8
Nuffield Hospital	292	61	13	24
Mid Staffordshire Postgraduate Medical Centre (Education)	77	64	13	10
Capsticks Solicitors HR Advisory Practice	52	0	13	0
Stoke on Trent College	196	0	100	0

	2014-15			
	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
Keele University	3,806	2,768	434	636
Worcestershire Acute NHS Trust	6	44	0	1
Nuffield Hospital	463	68	170	82
Staffordshire University	32		1	
Stoke on Trent College	171	0	8	0
Baker Tilly	264	0	22	0

The Trust has included in the financial statements a provision of £22,000 (2014-15: £82,000) for amounts due from Keele University.

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, these are detailed below.

2015-16	2014-15
Department of Health	Department of Health
NHS South Cheshire CCG	NHS South Cheshire CCG
NHS Vale Royal CCG	NHS Vale Royal CCG
NHS Cannock Chase CCG	NHS Cannock Chase CCG
NHS North Staffordshire CCG	NHS North Staffordshire CCG
NHS Shropshire CCG	NHS Shropshire CCG
NHS Stafford & Surrounds CCG	NHS Stafford & Surrounds CCG
NHS Stoke on Trent CCG	NHS Stoke on Trent CCG
NHS Telford & Wrekin CCG	NHS Telford & Wrekin CCG
Betsi Cadwaladr UHB	Betsi Cadwaladr UHB
Health Commission Wales	Health Commission Wales
NHS England	NHS England
East Cheshire NHS Trust	East Cheshire NHS Trust
North Staffordshire Combined Healthcare NHS Trust	North Staffordshire Combined Healthcare NHS Trust
Shrewsbury and Telford Hospital NHS Trust	Shrewsbury and Telford Hospital NHS Trust
Staffordshire and Stoke on Trent Partnership NHS Trust	Staffordshire and Stoke on Trent Partnership NHS Trust
Mid Staffordshire NHS Foundation Trust	Mid Staffordshire NHS Foundation Trust
The Mid Cheshire NHS Foundation Trust	The Mid Cheshire NHS Foundation Trust
NHS Business Services Authority	NHS Business Services Authority
NHS Litigation Authority	NHS Litigation Authority

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. The majority of these transactions have been with HM Revenue and Customs, National Insurance Fund and the NHS Pension scheme.

The Trust has also received revenue and capital payments from the UHNM Charity and all of the Trustees are also members of the Trust board. In 2015-16 the total amount received from the UHNM Charity was £886,753 (2014-15: £1,061,496). At the end of the year £1,269,507 (2014-15: £976,350) was outstanding and is included within trade and other receivables.

34. Losses and special payments

The total number of losses cases in 2015-16 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	1,400	5
Special payments	<u>28,256</u>	<u>84</u>
Total losses and special payments	<u>29,656</u>	<u>89</u>

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

	Total Value of Cases £s	Total Number of Cases
Losses	49,082	10
Special payments	<u>35,820</u>	<u>64</u>
Total losses and special payments	<u>84,902</u>	<u>74</u>

There have been no cases in 2015/16 or 2014/15 over £300,000 individually.

35. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

35.1. Breakeven performance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Turnover	333,855	393,915	371,299	408,938	418,078	426,319	473,558	475,330	623,835	702,917
Retained surplus/(deficit) for the year	311	3,990	3,008	(62,470)	1,371	(125,084)	(53,483)	(20,099)	76,890	(37,748)
Adjustment for:										
Timing/non-cash impacting distortions:			0	61,227	28	127,898	57,106	1,113	6,231	11,281
Adjustments for impairments						22	(3,388)	(315)	(887)	(469)
Adjustments for impact of policy change re donated/government grants assets				6,555	2,742	(1,786)	0	0	0	0
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*							0			
Absorption accounting adjustment										
Break-even in-year position	311	3,990	3,008	5,312	4,141	1,050	235	(19,301)	3,782	(26,936)
Break-even cumulative position	(14,623)	(10,633)	(7,625)	(2,313)	1,828	2,878	3,113	(16,188)	(12,406)	(39,342)

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

Materiality test (i.e. it is equal to or less than 0.5%):
 Break-even in-year position as a percentage of turnover 0.09
 Break-even cumulative position as a percentage of turnover -4.38

The amounts in the above tables in respect of financial years 2006/07 to 2008/09 inclusive have not been restated to IFRS and remain on a UK GAAP basis.

The Trust has a statutory duty to break even on a cumulative basis. The Trust developed a 5 year Financial Recovery Plan (FRP) which was agreed with the Strategic Health Authority and the Department of Health to achieve cumulative break even by the end of 2010-11. During the 5 years to March 2011 the Trust generated surplus and was able to repay the deficit. In 2011-12 and 2012-13 the Trust achieved surplus positions which gave a cumulative surplus as at March 2013 of £3,113,000. The Trust submitted a deficit plan of £19,301,000 against this plan. In 2014-15 the Trust approved a financial plan with a planned deficit of £16,944,000 and has achieved a in year breakeven position of a surplus £3,782,000 giving a cumulative deficit position at March 2015 of £12,406,000. Because of the cumulative deficit the Trust's external auditors were required to issue Section 19 letters to the Secretary of State for Health informing him that the Trust has not met its statutory duty to break-even over a 3 year period in accordance with the Local Audit and Accountability Act 2014.

On 12 May 2015, the Trust's auditors issued a section 30 referral to the Secretary of State for health, informing him that the Trust will not meet its statutory duty to break-even over a 3 year period in accordance with the Local Audit and Accountability Act 2014. In 2015/16 the Trust prepared a budget with a deficit position for 2016/17 of £29,614,000. Due to this the Trust's auditors will issue a further section 30 referral to the Secretary of State for Health reporting that the Trust's expenditure is likely to continue to exceed income for the four year period ending 31 March 2017. NHS Improvement has provided written assurance that it will make sufficient cash financing available to the Trust over the next twelve month period so that the organisation is able to meet its current liabilities and trade as a going concern.

35.2. Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets based on the pre audited accounts and therefore the actual capital cost absorption rate is automatically 3.5%.

35.3. External financing

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

	2015-16 £000s	2014-15 £000s
External financing limit (EFL)	39,387	22,341
Cash flow financing	37,572	18,495
Finance leases taken out in the year	0	1,417
External financing requirement	<u>37,572</u>	<u>19,912</u>
Under/(over) spend against EFL	1,815	2,429

35.4. Capital resource limit

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

	2015-16 £000s	2014-15 £000s
Gross capital expenditure	57,766	42,183
Less: book value of assets disposed of	(112)	0
Less: capital grants	0	(54)
Less: donations towards the acquisition of non-current assets	<u>(1,190)</u>	<u>(1,486)</u>
Charge against the capital resource limit	56,464	40,643
Capital resource limit	<u>57,540</u>	<u>41,833</u>
(Over)/underspend against the capital resource limit	1,076	1,190

36. Third party assets

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

	31 March 2016 £000s	31 March 2015 £000s
Third party assets held by the Trust	<u>11</u>	<u>6</u>