North Cumbria University Hospitals
NHS Trust

ANNUAL ACCOUNTS

2012/13

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

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

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

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

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

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

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

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

Signed..Interim Chief Executive

Date.........................

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

....................Date..Interim Chief Executive

....................Date... Interim Finance Director

FINAL DRAFT - ANNUAL GOVERNANCE STATEMENT 2012/13

1. SCOPE OF RESPONSIBILITY

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively. In addition to this I am also responsible for ensuring our system for internal control supports the safety and quality of care given to patients.

I also acknowledge my responsibilities as set out in the NHS Accounting Officer Memorandum.

2. GOVERNANCE FRAMEWORK OF THE ORGANISATION

The governance framework of the Trust is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of its effectiveness.

The overarching governance framework of the organisation ensures that there is an overall system of internal control that is reviewed on an on-going basis in order to ensure a proactive approach is in place for the assessment and management of risk in relation to achievement of our policies, aims and objectives.

2.1 Trust Board

The Trust Board has formally met eleven times this financial year and conducts its business in accordance with its Standing Orders and Standing Financial Instructions. The Trust Board consists of a Non-Executive Chairman, Five Executive Directors (including the Chief Executive) and five Non-Executive Directors until November 2012 and then this was reduced to four Non-Executive Directors. Attendance for 2012/13 is attached at Appendix 1.

The Trust Board also has other non-voting Directors in attendance at the Trust Board, including the Director of Human Resources and Organisational Development and the Acting Director of Governance and Company Secretary. Other non-voting Directors of the Board are invited to attend to discuss specific Board items within their Director portfolio.

The Trust Board has standing agenda items which are reviewed at each meeting:

- Safety, quality and patient experience
- Performance against the NHS Operating Framework
- Compliance with the Care Quality Commission essential standards of quality and safety
- Financial performance
- Serious untoward incidents and serious complaints

During 2012/13, reports to the Trust Board on patient safety have been significantly developed to provider greater understanding and transparency on hospital mortality, patient harm, patient experience and complaints.

In December 2012 the Board also developed their reporting on serious concerns relating to clinical services identified by the Clinical Business Units, in relation to the associated risks and the action plans in place to mitigate the risks.

The acquisition of the organisation by Northumbria Healthcare NHS Foundation Trust has progressed well during the year and has been a key feature of the Boards focus and priorities. Whilst it is important to recognise there has been a delay to the initial timeframe, progress in each of the work streams has been made during the year.

The development of the new hospital in Whitehaven also made significant progress during the year with the release of the funding from the Treasury to commence the building work.

The Trust Board has continued to engage with a range of stakeholders throughout the year, including:

- Cumbria Clinical Commissioning Group / NHS Cumbria
- Health and Wellbeing Overview and Scrutiny Committee
- Cumbria Local Involvement Network
- Local Members of Parliament
- NHS North of England

In addition, it is important to highlight the communication and engagement with the Trade Unions which has taken place during the year and continues as the organisation prepares for the transfer of staff as part of the acquisition by Northumbria Healthcare NHS Foundation Trust.

2.2 Supporting Committee Structure

The Trust Board has in place a supporting Committee Structure which is outlined in the Trust's Governance, Quality and Risk Management Strategy. The supporting committee structure assists the Trust Board in carrying out its duties effectively. Each subcommittee formally reports to the Trust Board following each meeting through the minutes of the meeting. In addition to this Executive and Non-Executive Board members highlight specific areas of exception which need to be discussed by the Trust Board, including ratification of key strategies and associated reports.

The work of the sub committees assists with the assessment of risk across the organisation and informs the quarterly updates to the Integrated Risk Register and Assurance Framework.

2.3 Audit Committee

The Audit Committee has provided the Board with assurance on the key aspects of their work, including:

- Governance, risk management and internal control
- Internal and External Audit
- Counter Fraud and Security Management
- Annual Governance Statement
- Financial reporting

The Audit Committee reports to the Board following each meeting and highlights specific issues to the Board. The Audit Committee have reviewed specific reports including limited assurance internal audit reports. The Audit Committee continue to receive specific updates from officers of the Trust against key audits undertaken during the year, including progress with implementing internal audit recommendations.

The Audit Committee produces an annual report which is formally reported to the Board outlining the activity undertaken during the year against the committee's terms of reference.

2.4 Governance and Quality Committee

The Governance Committee has focused on the following core objectives during the year:

- Implementation of the Trust's Governance, Risk and Quality Strategy.
- Monitoring the key issues in relation to the Trust's Core Pillars of Governance.
- Scrutinising the governance of the clinical business units in order to ensure appropriate monitoring and escalation is in place on governance items from 'Ward to Board'.
- Receipt of periodic reports that inform the governance and risk management arrangements in place across the Trust.

2.5 Workforce Committee

During quarter three of 2012/13 the Trust Board approved to establish a dedicated Workforce Committee to ensure a clear focus on the development of all staff across the Trust as well as meeting mandatory standards such as training and appraisal.

2.6 Finance Committee

The Finance Committee has assisted the Trust Board in carrying out its duties on scrutinising the financial performance of the organisation, with a specific focus on the delivery of the Trust's cost improvement programme.

2.7 Charitable Funds Committee

The Charitable Funds Committee has met during 2012/13 in order to support the Trust Board in its role as the Corporate Trustee for Charitable Funds held by the Trust. Progress has been made during the year on the clinical engagement regarding the prioritisation of charitable funds.

2.8 Remuneration Committee

The Remuneration Committee has met during 2012/13 to discuss items in relation to the Terms and Conditions of Executive Directors.

2.9 Board's Assessment of its Effectiveness

The Trust Board's performance has focused on delivering the organisation's key objectives, with a specific proportion of the Board's business focussing on the pending acquisition of the organisation during 2013 as well as an in depth review into the Trust's mortality which was conducted in the summer of 2012.

The Board commenced self-assessment against Monitor's Quality Governance standard during the year, which was updated in January 2013. This will be reviewed again during 2013/14 in accordance with the Independent assessment which will be undertaken by KPMG in May 2013.

2.10 The UK Corporate Governance Code

The Trust Board has complied with the Corporate Governance Code. Appraisals for the Chairman, Non-Executive Directors and Executive Directors have all been undertaken during the year.

The Audit Committee has focussed its work in accordance with the Financial Reporting Council Guidance, September 2012.

3. RISK ASSESSMENT & CONTROL FRAMEWORK

As Accountable Officer, I have overall responsibility for risk management in the Trust, which is discharged clearly amongst the Executive and Non Voting Directors of the Trust Board, who have a collective responsibility for maintaining a system of sound internal control. Governance and Risk Management is co-ordinated by the Acting Director of Governance and assessed by the Medical Director and Director of Nursing in terms of any impact on patient safety and the quality of care provided by the Trust.

The Trust has a clear strategy in place and supporting policies for risk management, which define clear roles and responsibilities from the wards and departments to the Trust Board, including how risks are assessed and reviewed.

The Trust has one system (Ulysses) for recording and monitoring all risks. Risks are separated into two specific groups:

- **Strategic risks** – risks which have a clear impact on the delivery of the Trust's strategic objectives and are managed by the Trust Board and the lead Executive Director for that risk
- **Operational risks** – risks which have an operational impact and are managed by the Business Units/Divisions or Corporate Departments

All risks across the organisation are recorded using the National Patient Safety Agency (NPSA) matrix and are recorded on a single information management system. All risks which are added to the system include:

- Risk description
- Controls in place to mitigate the risk as far as possible
- Assurances/evidence that the controls are working
- Risk grading (likelihood and consequence)
- Assurance sources (types)
- Gaps in control
- Gaps in assurance

The combined operational and strategic risks which are on the Ulysses system form the complete Trust Risk Register.

The Trust uses the 'risk register heat maps' which summarises risks by plotting them on the NPSA matrix. Each of the clinical divisions produces a heat map which is updated on a quarterly basis.

The Trust Board receives an exception report on strategic risks which may have moved/changed since the previous reporting. This includes risks which may have been added as well as risks which may have been removed.

This ensures that the Board can monitor and review the movement of risks across the organisation, and provides assurance that the systems in place are picking up the critical issues and that these are discussed appropriately in open forum to support organisational learning.

During 2012/13 and in preparation for the acquisition the Trust has developed Clinical Business Units who are accountable for implementing local clinical governance and risk management systems.

The Trust has a Governance and Quality Committee, which supports the Trust Board in ensuring the principles of sound governance are adopted across the organisation.

The Clinical Business Units report formally each quarter to the Governance and Quality Committee on their operational risks. These are reviewed to ensure they are being managed effectively within the clinical teams and that appropriate escalation is in place on all risks. These reports also outline the key issues in relation to the 'core pillars of governance' as set out in the Trusts Governance, Risk and Quality Strategy.

The Trust Board reviews the strategic risks on a quarterly basis through an Integrated Risk Register and Assurance Framework. This ensures that there is a single reporting framework in place for all risks that reviews the control measures in place as well as identifying any gaps in assurance or control.

3.1 Trust Risk Profile

The highest scoring key strategic risks affecting the organisation as at 31 March 2013 are summarised below, including an indication of whether the risk was a new or revised risk identified during the year.

Significant clinical risks 2012/13

- Risk that the Trust does not reduce its mortality and harm rate (New)
- Non Delivery of Emergency Care Standard (New)
- Risk that the Trust does not align its capacity to meet activity demands and does not align with national efficiency benchmarks, including 18 week referral to treatment target (New)
- Lack of robust middle grade tier for obstetrics at West Cumberland Hospital, resulting in the ability to provide the service (New)
- Trust does not have enough sufficiently trained staff in terms of resuscitation update training (Revised)
- Risk that the Trust's uptake levels for mandatory training is poor/below the required standard (Revised)

Financial & business risks 2012/13

- Risk that the Trust does not have in place robust plans to deliver £16.9m Cost Improvement Plan (CIP) in 2013/14 (Revised)

- Financial negotiations not approved therefore delaying the acquisition of the Trust (Revised)

The Trust Board has received reports during the year against each of these risks which are summarised below:

3.1.1 Risk that the Trust does not reduce its mortality and harm rate (New)

A review of 1121 deaths within 2011/2012 commenced in September 2012 and completed in November 2012. The purpose of this review was to establish whether there are any causes of concern in our systems of care that we should be taking immediate appropriate action to mitigate the risk. From the review, care was found to be safe but for a few patients the documented treatment could have been better in less than 5% of patients, but this would not have changed the overall outcome.

The results of this review were shared at Clinical Policy Group (CPG) 16 November 2012 where it was agreed to implement the strategic aim of reducing harm by 50% in two years. In order to begin this process of delivering this reduction in harm, four themes of work were identified which are:

- **Theme One: Clinical Care**

To ensure a robust system of monitoring and escalation to cover all specialties. We would establish a Trust wide group for management of acutely ill patients to monitor the delivery of the National Institute for Health and Clinical Excellence (NICE) clinical guideline (number fifty) relating to the management of acutely ill patients in hospital.

- **Theme Two: Leadership and Reporting Culture**

To encourage all staff to take responsibility for patient safety and the delivery of harm free care by implementing best practice from teams that have locally embedded reporting and responding systems to all locations in the Trust. To promote Patient Safety and local innovative safety improvements by running hospital wide 'Patient Safety Days' from March 2013. To improve communication and learning from safety incidents by using new methods of communication and reporting.

- **Theme Three: Improved Use of Clinical Information**

To promote safe discharge by ensuring all inpatients and day cases have an acceptable discharge summary at the time of discharge. To develop and strategic plan for clinical records and improved case note availability, tracking and better structured content.

- **Theme Four: Improved Identification and Care for Dying Patients**

To develop a shared care document for care of the dying between primary and secondary care, to identify patients and make better use of community facilities for dying patients

Progress against delivery of the four themes is reported to the Trust Board on a monthly basis. A Trust wide harm group has been established in addition to a group looking at the management and escalation of acutely ill patients.

A review of the Trust's mortality framework has been undertaken and an updated framework for 2013/14 has been approved by the Clinical Policy Group.

In May 2013 the Trust was subject to the national review into high mortality rates in fourteen NHS organisations led by Sir Bruce Keogh.

3.1.2 Non Delivery of Emergency Care NHS Operating Framework Standard (New)

The Trust Board has received monthly updates in relation to the delivery of the emergency care standard. Introduction of Acute Care Physicians has commenced to ensure senior clinical review across both hospital sites and the Trust has invited the Intensive Support Team (IST) to review delivery of the emergency care standard.

Integrated discharge teams have commenced across both sites to support the priority of improving patient flow and discharge in order to manage emergency care demand.

3.1.3 Risk that the Trust does not align its capacity to meet activity demands and does not align with national efficiency benchmarks, including 18 week referral to treatment target (New)

Action plans are in place to support the delivery of the 18 week referral to treatment target and progress against delivery of the action plans are reported to the Board on a monthly basis. The Trust has had assistance from the IST and is on track to achieve 90% at Trust level by July 2013 by ensuring capacity and demand are aligned.

3.1.4 Lack of robust middle grade tier for obstetrics at West Cumberland Hospital (New)

A short term plan is in place regarding locum medical cover and full service provision is being maintained. Plans for future service reconfiguration are being developed which will be considered during Quarter 1 of 2013/14.

3.1.5 Trust does not have enough sufficiently trained staff in terms of resuscitation update training (Revised)

Regular reporting against the uptake levels of resuscitation training has commenced which is also reviewed by the re-established Resuscitation Committee. Additional resource for a further full time basic life support training officer has been approved.

3.1.6 Risk that the Trust's uptake levels for mandatory training is poor/below the required standard (Revised)

Significant progress has been made with improving the level of mandatory training across all wards and departments during the year. A robust action plan is in place to ensure this is built on during 2013/14.

3.1.7 Risk that the Trust does not have in place robust plans to deliver £16.9m CIP in 2013/14 (Revised)

In 2012/13 the Trust delivered £5.4m of CIP against a plan of £16.9m, with the shortfall being met by strategic support funding.

A robust process remains in place for the identification of cost savings which is generated from the clinical teams. This includes a quality and safety review by the Medical Director and Acting Director of Nursing. Performance Reviews have been re-established to focus on tracking of delivery on a month by month basis.

3.1.8 Financial negotiations not approved therefore delaying the acquisition of the Trust (Revised)

Progress has been made with key stakeholders regarding concluding the financial negotiations for the acquisition. It is envisaged that agreement will be reached during quarter 1 2013/14.

3.2 Information Governance

Risks to data security are actively managed and monitoring is undertaken by the Information Governance Group which reports to the Governance & Quality Committee via the Informatics Steering Board. The Director of Finance is the Senior Information Risk Owner for the organisation and the Associate Medical Director for Information Management and Technology is the Trust's Caldicott Guardian.

The Governance & Quality Committee review the Information Governance Toolkit submissions and supporting action plans. All data security incidents are reported using the Trust's Incident Management Reporting System.

During 2012/13 there was one Serious Untoward Incident (SUI) declared relating to Information Governance/data security. This was investigated through the Trust's incident management policy and formally reported to the Information Commissioner's Office (ICO). As with a previous incident notified in 2011/12 the ICO has notified the Trust that it does not require any further action to be taken other than that already identified in the SUI Report.

The Trust is required to evidence achievement of at least Level 2 on its annual self-assessment against all applicable Information Governance Toolkit Requirements, numbering 42 in total in 2012/13. For the first time the Trust achieved this, with a number attaining Level 3.

3.3 Identification of Fraud and Corruption

The Trust places high importance upon the identification, deterrence and detection of fraud and corruption issues within the NHS. The Trust's Local Counter Fraud Service work plan is structured around the seven domains as highlighted within the Secretary of State's Directions. In addition to proactive activities, the Trust supplements this work programme with additional resource for investigative activities.

All activities, both planned and investigative, are reported to and discussed within the Trust's Audit Committee to ensure planned activities are delivered in supporting organisational objectives and investigative activities are appropriately investigated and concluded in a timely way to minimise potential future risks within the Trust's systems of internal control.

The importance of fraud and corruption issues is also reflected in the Trust's Induction programme with all new starters within the organisation being provided with information on fraud awareness issues.

3.4 Incident Management

Incident reporting across the organisation is encouraged and all staff can report an incident via the online incident reporting system. During 2012/13 the Trust has started to see progress made in the number of incidents reported in comparison with other medium sized acute trusts. We now match the median reporting times for the UK. The Trust Board receives monthly updates on incident reporting across the organisation which has been developed during quarter 4 2012/13.

The Trust has also seen an increase in the number of Serious Untoward Incidents reported with a total of 44 reported during 2012/13. This increase reflects the focus on improved reporting and escalation as well as the threshold for declarations of SUIs which has been aligned to the national reporting framework. The Trust has also declared five Never Events during 2012/13.

The Trust reports all serious untoward incidents (SUIs) to the Trust Board with monthly updates on how investigations are progressing, including the reporting of incidents to the Trust's commissioners.

Following the establishment of the Clinical Policy Group, reporting on the lessons learned from SUIs has been introduced to encourage shared discussion on the learning and changes required to clinical practice.

3.5 Quality Governance

In preparation for achieving Foundation Trust status through the acquisition, the Trust Board has also assessed itself against the Monitor Quality Governance Framework. This has improved throughout the year against key areas, including quality being at the centre of the Board's agenda alongside clarity and transparency about the organisations key risks to quality.

4. ANNUAL QUALITY REPORT

The Trust is required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. The Trust has produced a Quality Account in accordance with the Department of Health Guidance.

The Quality Account has been reviewed by the Governance and Quality Committee and Audit Committee to ensure accuracy of content and to ensure it reflects the quality of care delivered across the organisation in 2012/13. The Quality Account summarises the performance of the Trust against the key performance measures, including the NHS Operating Framework, CQUIN, Advancing Quality and local quality measures.

4.1 Development of Safety and Quality Priorities

An extensive piece of work on developing the Trust's safety and quality priorities was undertaken during autumn 2012. This involved all clinicians and the senior management team to ensure the priorities identified contributed to improving patient safety and raising standards of care. The priorities have been updated for 2013/14 to incorporate the priorities in relation to improving the staff experience.

Reporting against the safety and quality priorities has been incorporated into the monthly Board report and will form a key feature of the Trust's Clinical Audit Plan for 2013/14.

5. REGISTRATION WITH THE CARE QUALITY COMMISSION (CQC)

The Trust is fully registered with the CQC. Progress against maintaining full registration is reported to the Trust Board.

As at 31 March 2013 the Trust has action plans in place against three of the essential outcomes:

Outcome 10 - Safety and suitability of premises

The Trust has in place an action plan to address compliance with fire safety regulations and the environmental health and safety risk assessments.

Full compliance with this outcome is forecast for the end of quarter 4 2013/14.

Outcome 11 - Safety, availability and suitability of equipment

The Trust has in place an action plan regarding compliance with the safety, suitability and availability of equipment. Specific areas of work to be complete by quarter 2 include:

- Uploading the maintenance schedules onto the asset management system
- Updating and implementing the Trust policies for medical devices
- Training ward sisters on their responsibilities for medical equipment including the competency sign offs for their ward/department
- Competency sign offs for medical staff

Full compliance with this outcome is forecast for the end of quarter 2 2013/14.

Outcome 16 - Assessing and monitoring the quality of service provision

The development of the business unit clinical governance arrangements has commenced, which is a key part of ensuring full compliance across the organisation with this outcome. Significant progress has been made on the development and delivery of the Trust's Clinical Audit Programme. A plan to improve the Trust's position on compliance with NICE has been approved by the Clinical Policy Group which will be implemented during quarter 1 of 2013/14.

Full compliance with this outcome is forecast for the end of quarter 1 2013/14.

5.1 CQC Inspections

During the year the CQC have carried out five unannounced inspections which are summarised below:

Quarter 1 2012/13 – Cumberland Infirmary A&E

Outcomes reviewed:

Outcome 4 – Care and welfare of people who use services
Outcome 7 – Safeguarding people who use services from abuse
Outcome 8 – Cleanliness and infection control
Outcome 9 – Management of medicines
Outcome 11 – Safety and suitability of equipment
Outcome 14 – Supporting workers

Outcome 16 – Assessing and monitoring the quality of service provision

Outcome from inspections confirmed non-compliance with four outcomes:

Outcome 8 - Cleanliness and infection control, judged as non-compliant (minor impact) People were not protected from the risk of infection because appropriate guidance had not been followed.

Outcome 11 - Safety, availability and suitability of equipment, judged as non-compliant (minor impact). People were not always protected from unsafe or unsuitable equipment.

Outcome 14 - Supporting workers, judged as non-compliant (moderate impact). People were not being cared for by staff who were supported appropriately. Mandatory training was not being completed by sufficient amounts of staff.

Outcome 16 - Assessing and monitoring the quality of service provision, judged as non-compliant (minor impact). The Trust did not have effective systems in place to monitor the quality of care that people receive.

A follow up inspection was carried out in Quarter 3 2012/13 which confirmed all necessary actions had been implemented to address the four areas of non-compliance.

5.2 Quarter 2 – 2012/13 West Cumberland Hospital Overwater Ward

Outcomes Reviewed:

Outcome 4 – Care and welfare of people who use services
Outcome 6 – Co-operating with other providers
Outcome 8 – Cleanliness and infection control
Outcome 13 – Staffing
Outcome 14 – Supporting workers
Outcome 16 – Assessing and monitoring the quality of service provision

Outcome from inspection confirmed full compliance.

5.3 Quarter 3 – 2012/13 Cumberland Infirmary Radiotherapy Department

The review assessed the Trust compliance against the Ionising Radiation Medical Exposure Regulations IR(ME)R and identified four improvement actions against Regulation 4 – duties of the employer.

- The trust should keep under review how it maintains IR(ME)R employers procedures and associated work instructions, in accordance with regulation 4(1) and schedule 1.

- The trust should review its arrangements for ensuring that all relevant staff read and understood the employer’s written procedures in order that they can comply with them.

- Protocols for treatment exposures should be reviewed as a matter of urgency, to ensure they reflect practice at the Cumberland Infirmary site.

- The trust should review its arrangements for triage and escalation of clinical incidents in radiotherapy treatment to ensure that those exposures ‘much greater than intended’ are duly notified to the Commission.

An action plan has been implemented against each of the four issued identified.

5.4 Quarter 4 2012/13 – Cumberland Infirmary Carlisle, Care of the Elderly

Outcomes reviewed:

Outcome 4 – Care and welfare of people who use services
Outcome 13 – Staffing
Outcome 21 – Records

The CQC report for this inspection was received in May 2013 which confirmed non-compliance with all three outcomes:

Outcome 4 - Care and welfare of people who use services, judged as non-compliant (moderate impact). Patients had not received care, treatment or support that met their needs in a timely manner.

Outcome 13 - Staffing, judged as non-compliant (major impact). There were not enough qualified, skilled and experienced staff to meet people's needs.

Outcome 21 - Records, judged as non-compliant (major impact). People were not protected from the risks of unsafe or inappropriate care and treatment because accurate and appropriate records were not maintained.

Action plans against these outcomes are currently being developed and will be reported to the Trust Board in June 2013.

The three areas of non-compliance (outcomes 04,13 and 21) following the inspection at the Cumberland Infirmary in quarter four, combined with the action plans the Trust already has in place for outcome’s 10, 11 and 16 confirms a position of compliance with 10 out of the 16 essential standards as at quarter one of the new financial year.

6. REVIEW OF EFFECTIVENESS

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, clinical audit as well as the delivery of the NHS operating framework and the Trust's safety and quality priorities.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and supporting committees of the Board. Plans are in place to address any areas of identified weakness and ensure continuous improvements to the organisation's system of internal control.

The Head of Internal Audit Opinion confirms an overall opinion of significant assurance, however there are a number of business critical action plans which remain in place as at 31 March 2013 following limited assurance reports issued during the year. Action plans are in place to address the areas of limited assurance, which will be reported to the Trust Board for approval and assurance of delivery during 2013/14.

The Trust Board, supported by the Audit Committee and Governance and Quality Committee, has routinely reviewed aspects of the Trust's system of internal control throughout the year specifically in relation to the management and assessment of risk and on-going registration with the Care Quality Commission.

I have also considered the key strategic issues facing the Trust during 2012/13, which have informed my review of the effectiveness of the Trust's system of internal control.

My review of effectiveness draws upon the achievements of the Trust during the year alongside the significant challenges faced by the Trust and my ability as Accountable Officer to control the risks associated against these challenges. This includes:

- Implementing safety and quality priorities to reduce our mortality and harm rate
- Progress with the acquisition of the organisation by Northumbria NHS Foundation Trust
- Retaining full registration with the Care Quality Commission
- Delivery of the Trust's Statutory Financial Duties after receiving strategic support funding.
- Delivery of key performance targets, with action plans in place to address any areas of non-achievement or under performance
- Commencement of the building works for the new West Cumberland Hospital redevelopment

The action plans in place, through the Executive Officers of the Trust to mitigate as far as possible the key risks affecting the delivery of the organisations objectives, are robust and reviewed on a regular basis in accordance with internal and external factors.

The historical financial challenges facing the Trust have continued to be monitored with rigour by the Finance Committee and Trust Board. Project management arrangements for delivery of the cost improvement programme have been further strengthened with the development of the Clinical Business Units during the year.

Whilst the level of achievement against the required costs savings have not been fully delivered during the year, the Trust has in place a robust system for monitoring the progress and impact associated against the plans in place in order to mitigate as far as possible the risks to the organisation.

7. CONCLUSION

The system of internal control has been in place in North Cumbria University Hospitals NHS Trust for the year ended 31 March 2013 and up to the date of the approval of the annual report and accounts.

Through the interim management arrangements which have been introduced during the year, enhanced controls for delivery of the critical objectives for the Trust have been implemented. Significant work has commenced on developing a culture of learning which is focussed on improving care for patients, which is formally reported to the Trust Board.

My review confirms that North Cumbria University Hospitals NHS Trust has a generally sound system of internal control, which is applied consistently to support the achievement of the organisation's policies, aims and objectives.

Signed ____

Date____

Ann Farrar
Interim Chief Executive

APPENDIX 1

TRUST BOARD ATTENDANCE 2012/13												
	April 2012	May 2012	June 2012	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	March 2013
Mr M Little Chairman	Y	Y	Y	Y		Y	N	N	N	N		
Mr I Gordon, Interim Chairman											Y	Y
Mr M Bonner, Vice Chairman	Y	Y	Y	Y		Y	N	Y	Y	Y	Y	Y
Mr P Day, Non Executive Director	N	N	N	N		N	N					
Mr M Evens, Non Executive Director	Y	Y	Y	Y		Y	Y	Y	N	Y	Y	Y
Ms J Cooke, Non Executive Director	Y	Y	Y	N		Y	N	Y	Y	N	Y	
Professor V Bruce, Non Executive Director	Y	Y	N	Y		Y	Y	Y	Y	Y	Y	N
Dr N Goodwin, Interim Chief Executive Officer	Y	N	Y	Y								
Mrs A Farrar, Interim Chief Executive Officer						Y	Y	Y	Y	Y	Y	Y
Mr A Mulvey, Director of Finance	Y	Y	Y	Y		Y						
Mr S Shanahan, Interim Director of Finance								Y	Y	Y	Y	Y
Ms C Siddall, Director of Operations	Y	Y	N	Y		Y	Y	Y	Y	Y	Y	Y
Mrs C Platton, Acting Director of Nursing	Y	Y	Y	Y		Y	Y	Y	Y	Y	N	Y
Mr M Walker, Medical Director	Y	Y	N	Y		Y	Y	Y	Y	Y	Y	Y

Y – ATTENDANCE
N – NON ATTENDANCE

HEAD OF INTERNAL AUDIT OPINION ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL AT NORTH CUMBRIA UNIVERSITY HOSPITALS NHS TRUST FOR THE YEAR ENDED 31 MARCH 2013

Roles and responsibilities

The whole Board is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accountable Officer, on behalf of the Board, setting out:

How the governance statement records the stewardship of the organisation to supplement the accounts. It will give a sense of how successfully the organisation has coped with the challenges it faces and of how vulnerable the organisation's performance is or might be. This statement will draw together position statements and evidence on governance, risk management and control, to provide a coherent and consistent reporting mechanism.

The organisation's Assurance Framework should bring together the evidence required to support the AGS requirements.

In accordance with NHS Internal Audit Standards, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Assurance Framework. As such, it is one component that the Board takes into account in making its AGS.

The Head of Internal Audit Opinion

The purpose of my annual HoIA Opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control. This Opinion will in turn assist the Board in the completion of its AGS.

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;
3. Commentary.

My **overall opinion** is that

> **Significant assurance** can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that

controls are generally being applied consistently. **However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.**

A number of reviews in business critical areas received **limited assurance** and action plans to address these in many cases exceeded the timescales for implementation. Plans are in place to address this in early 2013/14 and additional follow up will be undertaken to ensure completion. Specific concerns relate to:

- Safety and Suitability of Medical Devices
- Six Week Diagnostic Waiting Time
- Stroke Care – Data Quality and Implementation of Quality Standards
- Cost Improvement Plan – Identification and Achievement
- Systems for the consideration and Implementation of NICE guidance

Financial systems can be given significant assurance and report correctly the financial position of the Trust. The Trust requires significant support to achieve its financial targets and this is in place. However, the Trust has failed to meet cost improvement plan targets for several years (12/13 less than one third of the £16.9m target was achieved) and this remains a considerable challenge as the Trust moves forward with the acquisition process.

The **basis** for forming my opinion is as follows:

1. An assessment of the design and operation of the underpinning Assurance Framework and supporting processes; and

2. An assessment of the range of individual opinions arising from risk-based audit assignments, contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

The **commentary** below provides the context for my opinion and together with the opinion should be read in its entirety.

<u>The design and operation of the Assurance Framework and associated processes.</u>

An Assurance Framework and monitoring arrangements were in place. Changes to strengthen these processes have been implemented during the second half of the year and will complete during 13/14 at the business unit level.

The existence of action plans to address gaps in control and/or assurance are often noted in the Assurance Framework but without any more specific referencing as to where these can be located – it has been agreed to include this information going forward. Further improvements are still possible in ensuring that all sources of assurance are recognised and documented within the framework; controls and assurances are not confused and the reporting of gross as well as net risk scores could also be considered.

The range of individual opinions arising from risk-based audit assignments, contained within risk-based plans that have been reported throughout the year.

A risk based internal audit plan is derived from both an audit needs assessment and use of the Trust's own Risk Register and Assurance Framework. The plan is explicitly linked to these documents. Senior Management are involved in the process of audit planning and contribute suggestions for work in priority areas. The internal audit plan ensures annual coverage of risk and governance management processes, IT risks and work on fundamental financial and information systems. Operational audit work is carried out on other risk areas identified in the planning process.

I can confirm that there has been no impairment to internal audit independence or objectivity during the financial year 2012 – 2013 to which this opinion relates. Annual declarations of interests are made by all internal audit staff and used to ensure appropriate allocation of auditors to audit reviews. I can also confirm that there has been no interference by the Trust in limiting the scope, performance or communication of audit work although it has been necessary to invoke the escalation procedure several times to expedite the performance of our work in one particular area.

The following table summarises the individual opinions on each piece of assurance work completed for the year.

Trust Strategic Aim	Level of Assurance and report source.		Year –end position
A1 High Quality Safe Care	**Related reports and work:**		
	Overall Governance arrangements and assurance Framework -	**Significant** note full completion of all changes in13/14	**Significant** Internal audit work completed at year end
	CQC Evidencing Compliance & Monitoring Systems	**Significant** note full completion of all changes in 13/14	**Significant** Internal audit work completed at year end
	Six week diagnostic testing reporting	**Limited**	**Limited** 3 from 4 actions rated H priority due by 31.03.13 not complete.

Trust Strategic Aim	Level of Assurance and report source.		Year –end position
A1 High Quality Safe Care Cont.	**Related reports and work:**	**Assurance**	
	Data Quality and Reporting of referral to treatment times	**Significant re accuracy of reporting but noted that targets NOT achieved.**	As originally reported.
	Stroke care – reporting against national targets and quality standards	**Limited**	**Limited** 1 of 8 actions rated High priority completed to timescale 1 of 3 Medium priority actions completed to timescale Revised dates in 13/14 agreed for all actions to be completed.
	VTE and Pressure Ulcer Management systems	**Significant**	**Significant**
	NICE guidance - systems to manage implementation	**Limited**	**Limited – but noted that a great deal of work has been done. 1 of 3 Medium rated actions and 1 of 6 High rated actions complete before year-end (and due date)Work in progress will ensure all but one action will be completed in Q1 of 13/14 and to timescale.**
	Bed Management	**Limited**	**Significant** **All actions verified as implemented.**
	CQUIN Payments on healthcare contracts	**Significant**	**Significant**

Trust Strategic Aim	**Level of Assurance and report source.**		**Year –end position**
	Related reports and work:	**Assurance**	
A1 High Quality Safe Care Cont.	Incidents and Serious Untoward Incident Management	**Limited**	**Significant** Actions taken to address non-compliance with system issues. Re-instatement of previously “not-agreed” recommendation on trained pool of investigators and action already in progress on this.
	A&E system (Symphony) IT Application review	**Limited**	**Limited**
	IT Network Operation – Active Directory and User Account Management	**Limited**	**Limited** but with some recommendations completed
	IT Network Operation – Back-up and Anti-Malware Management	**Significant**	**Significant**
	Information Governance Toolkit Compliance	**Self-Assessment Agreed**	**Significant**
B1 Sustainable Financial Balance	Cost Improvement Plan	**Limited**	**Limited**
	Financial Systems reviews *Financial Mgt. and Budgetary Control* *Payroll* *Accounts receivable* *Accounts payable* *Assets* *Main Accounting System* *Cash, and banking management* *Miscellaneous income (note limited assurance re catering income – controls not operated leading to loss(not material) – now re-instated).*	**Significant** in the context of on-going need for financial support.	**Significant**

Trust Strategic Aim	Level of Assurance and report source.		Year –end position
	Related reports and work:	Assurance	
C1 Clinical Strategy	Overall Governance and Assurance Framework review – see above Bed Management - see above		**Significant**
D1 New West Cumberland Hospital	external review, Grant Thornton internal audit work planned 13/14		
E1 Acquisition Process	external review internal audit work planned 13/14		

Matters of concern and other comments

In order for the Trust to meet the requirements of becoming a Foundation Trust (FT) within the required timescale, it has sought through a rigorous process an existing FT to acquire the Trust and manage its future operations. This process is now under way although the original expected date of acquisition has been delayed and is now expected to conclude during 2013/14. The process is resource intensive and the Trust must continue to ensure that planned service quality improvements remain on track during the acquisition process. Financial support is still needed and the cost improvement target was again not met by a significant amount. This remains a considerable challenge for Trust management requiring continued close attention.

Concerns have been expressed above in giving my opinion. Expected improvements in the management of medical devices have been slow to materialise as were improvements needed to the processes for ensuring that NICE guidelines are implemented throughout the Trust. The latter are however on track for completion in Q1 of 2013/14.

Follow up reviews indicate a weakening in the timely implementation of audit recommendations and a new system of monitoring under the direct control of internal audit will be in place during 2013/14. Follow up will be continuous and effective implementation confirmed and signed off by internal audit staff.

Cheryl McAdams
Head of Internal Audit
May 30 2013.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF NORTH CUMBRIA UNIVERSITY HOSPITALS NHS TRUST.

We have audited the financial statements of North Cumbria University Hospitals NHS Trust for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes;
- the table of pension benefits of senior managers and related narrative notes; and
- the table of pay multiples and related narrative notes.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Cumbria University Hospitals NHS Trust as at 31 March 2013 and of its expenditure and income for the year then ended
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Trust and auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Trust has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Basis for adverse conclusion

In considering the Trust's arrangements we have identified the following**:**

- Trust has a Medium Term Financial Plan which requires a £45 million strategic cost reduction plan but has not yet developed a costed clinical strategy to deliver this. The Trust is working towards acquisition by Northumbria Healthcare NHS Foundation to secure financially sustainable service delivery. This is planned for 1 October 2013 but has not yet been approved by the Department of Health;
- The Trust required £31.2 million strategic and other support to break even in the year to 31 March 2013;
- The Trust has failed to achieve its Cost Improvement Plan for the year and has only delivered £5.4 million of savings against a plan of £16.9 million;
- The Trust's Service Line Reporting does not provide sufficient quality information to support decision making and does not have detailed comparative information regarding costs and reasons for high spending.

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, the matters reported in the basis for adverse conclusion paragraph above prevent us from being satisfied that in all significant respects North Cumbria University Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Delay in certification of completion of the audit

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

Jackie Bellard 6 June 2013

Senior Statutory Auditor, for and on behalf of:

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Statement of Comprehensive Income for year ended 31 March 2013

	NOTE	2012/13 £000	2011/12 £000
Gross employee benefits	10.1	**(143,271)**	(137,918)
Other costs	8	**(100,543)**	(77,208)
Revenue from patient care activities	5	**212,393**	207,918
Other operating revenue	6	**22,902**	19,565
Operating surplus/(deficit)		**(8,519)**	12,357
Investment revenue	12	**31**	39
Other gains and (losses)	13	**(3)**	(99)
Finance costs	14	**(6,893)**	(6,864)
Surplus/(deficit) for the financial year		**(15,384)**	5,433
Public dividend capital dividends payable		**(1,866)**	(1,957)
Net Gain/(loss) on transfers by absorption		**0**	0
Retained Surplus/(deficit) for the year		**(17,250)**	3,476

Other Comprehensive Income	2012/13 £000	2011/12 £000
Impairments and reversals	**(243)**	(835)
Net gain/(loss) on revaluation of property, plant & equipment	**273**	1,033
Net gain/(loss) on revaluation of intangibles	**0**	0
Net gain/(loss) on revaluation of financial assets	**0**	0
Movements in Other Reserves eg. Non NHS Pensions Scheme	**0**	0
Net gain/(loss) on available for sale financial assets	**0**	0
Net Gain / (loss) on Assets Held for Sale	**0**	0
Net actuarial gain/(loss) on pension schemes	**0**	0
Reclassification Adjustments		
On disposal of available for sale financial assets	**0**	0
Total comprehensive income for the year*	**(17,220)**	3,674

* This sums the rows above and the surplus / (deficit) for the year before adjustments for Public Dividend Capital

Financial performance for the year

	2012/13	2011/12
Retained surplus/(deficit) for the year	**(17,250)**	3,476
Prior period adjustment to correct errors	**0**	0
IFRIC 12 adjustment (a)	**1,719**	(2,196)
Impairments (b)	**15,723**	(98)
Adjustments iro donated asset/gov't grant reserve elimination (c)	**11**	(87)
Adjustment re Absorption accounting	**0**	0
Adjusted retained surplus/(deficit)	**203**	1,095

Note a: The revenue impact of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10) - NHS Trusts' financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This impact is not considered part of the organisation's operating position.

Note b: An impairment charge is not considered part of the organisation's operating position.

Note c: The Treasury FReM for 2011/12 changed accounting treatment for the funding elements of capital non-exchange transactions - i.e. government grants and donations. Where grants and donations are received in year they are accounted for as income receipts. Any difference between this income and the government grant and donated expenditure charged in the year is excluded from the organisation's operating position.

PDC dividend: balance receivable/(payable) at 31 March 2013	**99**
PDC dividend: balance receivable/(payable) at 1 April 2012	**(157)**

The notes on pages 34 to 68 form part of this account.

Statement of Financial Position as at 31 March 2013

	NOTE	**31 March 2013** £000	31 March 2012 £000
Non-current assets			
Property, plant and equipment	15	**124,931**	130,872
Intangible assets	16	**553**	442
Other financial assets	22	**0**	0
Trade and other receivables	21.1	**3,274**	3,887
Total non-current assets		**128,758**	135,201
Current assets:			
Inventories	20	**3,839**	3,332
Trade and other receivables	21.1	**5,607**	7,957
Other financial assets	22	**0**	0
Other current assets	23	**0**	0
Cash and cash equivalents	24	**2,320**	497
Total current assets		**11,766**	11,786
Non-current assets held for sale	25	**0**	0
Total current assets		**11,766**	11,786
Total assets		**140,524**	146,987
Current liabilities			
Trade and other payables	26	**(21,839)**	(19,336)
Other liabilities	27	**0**	0
Provisions	33	**(1,897)**	(471)
Borrowings	28	**(1,681)**	(2,267)
Other financial liabilities	29	**0**	0
Working capital loan from Department	28	**(856)**	(856)
Capital loan from Department	28	**0**	0
Total current liabilities		**(26,273)**	(22,930)
Non-current assets plus/less net current assets/liabilities		**114,251**	124,057
Non-current liabilities			
Trade and other payables	26	**0**	0
Other Liabilities	27	**0**	0
Provisions	33	**(3,287)**	(3,510)
Borrowings	28	**(51,135)**	(52,830)
Other financial liabilities	29	**0**	0
Working capital loan from Department	28	**(6,850)**	(7,706)
Capital loan from Department	28	**0**	0
Total non-current liabilities		**(61,272)**	(64,046)
Total Assets Employed:		**52,979**	60,011
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**68,198**	58,018
Retained earnings		**(20,832)**	(9,232)
Revaluation reserve		**5,613**	11,225
Other reserves		**0**	0
Total Taxpayers' Equity:		**52,979**	60,011

The notes on pages 34 to 68 form part of this account.

The financial statements on pages 30 to 33 were approved by the Board on 6 June 2013 and signed on its behalf by:

Interim Chief Executive: Date:

Statement of Changes in Taxpayers' Equity
31 March 2013

	Public Dividend capital £000	Retained earnings £000	Revaluation reserve £000	Other reserves £000	Total reserves £000
Balance at 1 April 2012	**58,018**	**(9,232)**	**11,225**	**0**	**60,011**
Changes in taxpayers' equity for 2012/13					
Retained surplus/(deficit) for the year	0	(17,250)	0	0	**(17,250)**
Net gain / (loss) on revaluation of property, plant, equipment	0	0	273	0	**273**
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	**0**
Net gain / (loss) on revaluation of financial assets	0	0	0	0	**0**
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	**0**
Impairments and reversals	0	0	(243)	0	**(243)**
Movements in other reserves	0	0	0	0	**0**
Transfer between reserves	0	5,650	(5,650)	0	**0**
Release of reserves to Statement of Comprehensive Income	0	0	8	0	**8**
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	**0**
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption	0	0	0	0	**0**
On Disposal of Available for Sale financial Assets	0	0	0	0	**0**
Reserves eliminated on dissolution	0	0	0	0	**0**
Originating capital for the trust established in year	0	0	0	0	**0**
New PDC Received	12,033	0	0	0	**12,033**
PDC Repaid In Year	(1,853)	0	0	0	**(1,853)**
PDC Written Off	0	0	0	0	**0**
Transferred to NHS Foundation Trust	0	0	0	0	**0**
Other Movements in PDC In Year	0	0	0	0	**0**
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	**0**
Net recognised revenue/(expense) for the year	**10,180**	**(11,600)**	**(5,612)**	**0**	**(7,032)**
Balance at 31 March 2013	**68,198**	**(20,832)**	**5,613**	**0**	**52,979**

	Public Dividend capital £000	Retained earnings £000	Revaluation reserve £000	Other reserves £000	Total reserves £000
Balance at 1 April 2011	**58,018**	**(13,519)**	**11,838**	**0**	**56,337**
Changes in taxpayers' equity for the year ended 31 March 2012					
Retained surplus/(deficit) for the year	0	3,476	0	0	3,476
Net gain / (loss) on revaluation of property, plant, equipment	0	0	1,033	0	1,033
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	(835)	0	(835)
Movements in other reserves	0	0		0	0
Transfers between reserves	0	811	(811)	0	0
Release of reserves to Statement of Comprehensive Income	0	0	0	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
On Disposal of Available for Sale financial Assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New PDC Received	0	0	0	0	0
PDC Repaid In Year	0	0	0	0	0
PDC Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	0
Net recognised revenue/(expense) for the year	0	4,287	(613)	0	3,674
Balance at 31 March 2012	**58,018**	**(9,232)**	**11,225**	**0**	**60,011**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2013

	NOTE	**2012/13 £000**	2011/12 £000
Cash Flows from Operating Activities			
Operating Surplus/Deficit		**(8,519)**	12,357
Depreciation and Amortisation	15/16	**6,432**	6,262
Impairments and Reversals	17	**17,320**	(2,450)
Other Gains / Losses in foreign exchange		**0**	0
Donated Assets received credited to revenue but non-cash		**(279)**	(407)
Government Granted Assets received credited to revenue but non-cash		**0**	0
Interest Paid		**(6,838)**	(6,867)
Dividend (Paid) / Refunded		**(2,122)**	(2,092)
Release of PFI/deferred credit		**0**	0
(Increase)/Decrease in Inventories		**(507)**	(409)
(Increase)/Decrease in Trade and Other Receivables		**2,963**	689
(Increase)/Decrease in Other Current Assets		**0**	0
(Increase)/Decrease in Trade and Other Payables		**200**	5,259
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions Utilised		**(510)**	(916)
Increase/(Decrease) in Provisions		**1,658**	29
Net Cash Inflow / (Outflow) from Operating Activities		**9,798**	11,455
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		**31**	39
(Payments) for Property, Plant and Equipment		**(14,903)**	(8,826)
(Payments) for Intangible Assets		**(238)**	(217)
(Payments) for Investments with DH		**0**	0
(Payments) for Other Financial Assets		**0**	0
(Payments) for Financial Assets (LIFT)		**0**	0
Proceeds of disposal of assets held for sale (PPE)		**0**	0
Proceeds of disposal of assets held for sale (Intangible)		**0**	0
Proceeds from Disposal of Investment with DH		**0**	0
Proceeds from Disposal of Other Financial Assets		**0**	0
Proceeds from the disposal of Financial Assets (LIFT)		**0**	0
Loans Made in Respect of LIFT		**0**	0
Loans Repaid in Respect of LIFT		**0**	0
Rental Revenue		**0**	0
Net Cash Inflow/(Outflow) from Investing Activities		**(15,110)**	(9,004)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**(5,312)**	2,451
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		**12,033**	0
Public Dividend Capital Repaid		**(1,853)**	0
Loans received from DH - New Capital Investment Loans		**0**	0
Loans received from DH - New Revenue Support Loans		**0**	0
Other Loans Received		**0**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**0**	0
Loans repaid to DH -Revenue Support Loans	28	**(856)**	(856)
Other Loans Repaid		**0**	0
Cash transferred to NHS Foundation Trusts		**0**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		**(2,468)**	(2,100)
Capital grants and other capital receipts		**279**	407
Net Cash Inflow/(Outflow) from Financing Activities		**7,135**	(2,549)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,823**	(98)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**497**	595
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		**0**	0
Cash and Cash Equivalents (and Bank Overdraft) at year end		**2,320**	497

NOTES TO THE ACCOUNTS

1.0 The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012/13 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

These accounts have been prepared on a going concern basis.

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 Critical accounting judgements and key sources of estimation uncertainty

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

1.3.1 Critical judgements in applying accounting policies

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

The Cumberland Infirmary was constructed under the Private Finance Initiative (PFI) and meets the criteria for inclusion in the accounts as a finance lease as the Trust bears the risks and rewards of ownership. See Note 31 Finance Leases and Note 35 PFI – additional information.

1.3.2 Key sources of estimation uncertainty

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

Asset life for buildings and dwellings is determined by professional advice relating to the remaining useful economic life of the asset (Note 15).

PPE and intangible assets not externally valued are carried at depreciated replacement cost as an approximation to fair value.

Provision balances are determined as per Note 33.

The cost of untaken holiday leave is estimated based on the actual cost of remaining leave for a sample of staff as at 31 March 2013 as per Note 26 (accruals).

The in year costs of the PFI agreement are based on actual RPI. However, future RPI is estimated so as to populate the PFI model which provides an analysis of future payments under the contract as per Note 1.14.

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

1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services.

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

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

1.5 Employee Benefits

Short-term employee benefits

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

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

Retirement benefit costs

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

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

1.6 Other expenses

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

1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

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.

The Trust has identified component parts of the estate as individual buildings which are separately identifiable and depreciated over their own useful economic lives.

Valuation

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

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. 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.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

Subsequent expenditure

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

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

1.8 Intangible assets

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

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

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

The Trust has no internally generated intangible assets.

1.9 Depreciation, amortisation and impairments

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

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

At each reporting period end, the trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

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) from 2011/12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

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

1.10 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011/12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants

Following the accounting policy change outlined in the Treasury FREM for 2011/12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.12 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then 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.

The Trust has no non-current assets that are classified as held for sale.

1.13 Leases

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

The Trust as lessee

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

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

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

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

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

The Trust as lessor

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

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

1.14 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.

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

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

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

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

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

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

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

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

1.17 Provisions
Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates. For employee early departure obligations the rate is 2.35% and for general provisions the rates are as follows: minus 1.8% for 0 to 5 years inclusive, minus 1.0% for 6 to 10 years inclusive and 2.2% for over 10 years. The appropriate rate is applied to the expected cashflow in each individual year.

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.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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 on going activities of the entity.

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

1.18 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 33.

1.19 Non-clinical risk pooling

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

1.20 Contingencies

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.
Where the time value of money is material, contingencies are disclosed at their present value.

1.21 Financial assets

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

Financial assets are initially recognised at fair value.

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.

The Trust recognises two categories of Financial Assets – cash and receivables.

Cash is the value of cash balances the Trust holds with its banking providers and its petty cash balances.

Receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Therefore, they are carried at cost as an approximation to fair value.

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

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

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

1.22 Financial liabilities

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

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

After initial recognition, all 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.

1.23 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.

1.24 Foreign currencies

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

1.25 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 42 to the accounts.

1.26 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 Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

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

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

1.28 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

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

For 2011/12 and 2012/13 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

1.29 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012/13. The application of the Standards as revised would not have a material impact on the accounts for 2012/13, were they applied in that year:

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

2. Pooled budget
The Trust did not participate in any Pooled Budget Projects during 2012/13 (2011/12: nil)

3. Operating segments
The Trust has one operating segment which is Healthcare and operates in one geographical location, North Cumbria.

The Trust's "Chief Decision Maker" is the Trust Board. Information presented to the Board is not split into segments.

The Trust received income from external organisations for Patient care activities amounting to £212,393k (2011/12: £207,918k) as shown in note 5.

£206,633k of this income comes from Primary Care Trusts in England (2011/12: £201,781k), which is 97% of the total (2011/12: 97%)

4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The Trust generated £1,392k during 2012/13 (2011/12: £1,249k). The main activities include: staff accommodation £498k (2011/12: £487k); catering £353k (2011/12: £344k) and car parking £386k (2011/12: £313k).

5. Revenue from patient care activities

	2012/13	2011/12
	£000	£000
Primary Care Trusts - tariff	**136,828**	132,285
Primary Care Trusts - non-tariff (a)	**65,892**	65,728
Primary Care Trusts - market forces factor	**3,913**	3,768
NHS Foundation Trusts	**207**	223
Local Authorities	**265**	259
Non-NHS:		
Private patients	**939**	867
Overseas patients (non-reciprocal)	**30**	52
Injury costs recovery (b)	**896**	1,120
Other (c)	**3,423**	3,616
Total Revenue from patient care activities	**212,393**	207,918

Note a: Non-tariff income from Primary Care Trusts in 2012/13 included £20m of strategic support monies with an additional £1.9m support from Cumbria Primary Care Trust. Also included in non-tariff income is £3m of Winter Pressures funding.

Note b: Injury cost recovery income is subject to a provision for impairment of receivables of 12.6% (2011/12: 10.5%) to reflect expected rates of collection.

Note c: The primary source of income for patient related activities is from Primary Care Trusts in England. In addition the Trust receives income for patient care activities from Health Boards in other parts of the UK, the main one being Dumfries and Galloway Health Board £2,912k (2011/12: £3,073k). This income is included in 'Non NHS Other'.

6. Other operating revenue	**2012/13**	2011/12
	£000	£000
Recoveries in respect of employee benefits	**5**	577
Education, training and research	**6,761**	7,341
Charitable and other contributions to revenue expenditure - NHS	**318**	235
Receipt of donations for capital acquisitions - NHS Charity	**279**	407
Non-patient care services to other bodies	**7,272**	7,428
Income generation	**1,392**	1,249
Rental revenue from operating leases	**13**	13
Other revenue	**6,862**	2,315
Total Other Operating Revenue	**22,902**	19,565
Total operating revenue	**235,295**	227,483

Other revenue includes £6.3m in support of the PFI costs at the Cumberland Infirmary. This funding was agreed by the Department of Health during 2012/13 and will be received on an on-going basis.

7. Revenue

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

8. Operating expenses (excluding employee benefits)

	2012/13	2011/12
	£000	£000
Purchase of healthcare from non NHS bodies	**742**	173
Trust Chair and Non-executive Directors	**57**	56
Supplies and services - clinical	**44,854**	43,499
Supplies and services - general	**6,624**	6,220
Consultancy Services	**561**	1,291
Establishment	**3,030**	2,897
Transport	**445**	364
Premises	**13,191**	12,100
Impairments and Reversals of Receivables	**519**	35
Inventories write down	**93**	49
Depreciation	**6,305**	6,180
Amortisation	**127**	82
Impairments and reversals of property, plant and equipment	**17,320**	(2,450)
Audit fees	**112**	208
Other auditor's remuneration (a)	**18**	0
Clinical negligence	**4,694**	4,723
Education and Training	**394**	478
Change in Discount Rate (b)	**90**	0
Other	**1,367**	1,303
Total Operating expenses (excluding employee benefits)	**100,543**	77,208
Employee benefits		
Employee benefits excluding Board members	**142,583**	136,911
Board members	**688**	1,007
Total employee benefits	**143,271**	137,918
Total operating expenses	**243,814**	215,126

Note a: Consultancy fees for report relating to the WCH Redevelopment Business Case.

Note b: During 2012/12 HM Treasury revised the discount rates used to calculate the present value of the cashflows associated with provisions. This has resulted in an increase to the Trust's Pension and Personal Injury Benefit provisions of £90k. (See also Note 33)

9 Operating Leases

The Trust has a small number of operating lease agreements which include land, buildings and equipment (including cars). None of the agreements are material in value.

9.1 Trust as lessee

	Land	Buildings	Other	2012/13 Total	2011/12
	£000	£000	£000	£000	£000
Payments recognised as an expense	**30**	**474**	**247**	**751**	784
Future Payments					
No later than one year	30	238	268	**536**	352
Between one and five years	24	772	157	**953**	272
After five years	0	1,322	0	**1,322**	0
Total	**54**	**2,332**	**425**	**2,811**	624

The Trust has revised 2011/12 comparative figures to include land and buildings operating leases.

9.2 Trust as lessor

	2012/13 Total	2011/12
	£000	£000
Recognised as Income		
Rents	**13**	13
Contingent rents	**0**	0
Total	**13**	13
Receivable:		
No later than one year	**9**	13
Between one and five years	**0**	0
After five years	**0**	0
Total	**9**	13

The Trust has one operating lease for which it is lessor which is the hospital shop at West Cumberland Hospital. This lease has currently been renewed until December 2013.

10 Employee benefits and staff numbers

10.1 Employee benefits

	2012-13 Total £000	2012-13 Permanently employed £000	2012-13 Other £000
Employee Benefits - Gross Expenditure			
Salaries and wages	**121,639**	108,882	12,757
Social security costs	**8,882**	8,019	863
Employer Contributions to NHS BSA - Pensions Division	**12,974**	12,583	391
Other pension costs	**21**	21	0
Other post-employment benefits	**0**	0	0
Other employment benefits	**69**	69	0
Termination benefits	**118**	118	0
Total employee benefits	**143,703**	**129,692**	**14,011**
Less recoveries in respect of employee benefits (table below)	**(5)**	(5)	0
Total - Net Employee Benefits including capitalised costs	**143,698**	**129,687**	**14,011**
Employee costs capitalised	**432**	369	63
Gross Employee Benefits excluding capitalised costs	**143,271**	**129,323**	**13,948**

	Total £000	Permanently employed £000	Other £000
Employee Benefits 2012/13 - income			
Salaries and wages	**4**	4	0
Social Security costs	**0**	0	0
Employer Contributions to NHS BSA - Pensions Division	**1**	1	0
Other pension costs	**0**	0	0
Other Post Employment Benefits	**0**	0	0
Other Employment Benefits	**0**	0	0
Termination Benefits	**0**	0	0
TOTAL excluding capitalised costs	**5**	**5**	**0**

	2011/12 Total £000	2011/12 Permanently employed £000	2011/12 Other £000
Gross Employee Benefits & Net expenditure 2011/12			
Salaries and wages	**115,817**	107,549	8,268
Social security costs	**8,394**	7,850	544
Employer Contributions to NHS BSA - Pensions Division	**12,828**	12,529	299
Other pension costs	**408**	408	0
Other post-employment benefits	**0**	0	0
Other employment benefits	**49**	49	0
Termination benefits	**833**	833	0
TOTAL - including capitalised costs	**138,329**	**129,218**	**9,111**
Less recoveries in respect of employee benefits	**(577)**	(577)	0
Total - Net Employee Benefits including capitalised costs	**137,752**	**128,641**	**9,111**
Recognised as			
Employee costs capitalised	**411**		
Net Employee Benefits excluding capitalised costs	**137,918**		

10.2 Staff Numbers

	2012/13 Total Number	2012/13 Permanently employed Number	2012/13 Other Number	2011/12 Total Number
Average Staff Numbers				
Medical and dental	**410**	365	45	403
Ambulance staff	**0**	0	0	0
Administration and estates	**690**	658	32	682
Healthcare assistants and other support staff	**501**	501	0	498
Nursing, midwifery and health visiting staff	**1,057**	1,057	0	1,053
Nursing, midwifery and health visiting learners	**4**	4	0	4
Scientific, therapeutic and technical staff	**443**	430	13	439
Social Care Staff	**0**	0	0	0
Other	**1**	1	0	1
TOTAL	**3,106**	**3,016**	**90**	3,080
Of the above - staff engaged on capital projects	**8**	7	1	7

2011/12 figures have been amended to reflect employee definitions as per the Information Centre's Occupational Code Manual. 2011/12 Medical staff figures have also been revised to reflect more accurately the number of agency medical staff employed to work at the Trust.

10.3 Staff Sickness absence and ill health retirements

	2012/13	2011/12
	Number	Number
Total Days Lost	33,069	29,903
Total Staff Years	2,936	2,965
Average working Days Lost	11.3	10.1

	2012/13	2011/12
	Number	Number
Number of persons retired early on ill health grounds	**10**	7
	£000	£000
Total additional pensions liabilities accrued in the year	**484**	477

10.4 Exit Packages agreed in 2012/13

	2012/13			2011/12		
Exit package cost band (including any special payment element)	***Number of compulsory redundancies**	***Number of other departures agreed**	**Total number of exit packages by cost band**	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	1	0	1	0	11	11
£10,001 - £25,000	1	0	1	4	9	13
£25,001 - £50,000	1	0	1	1	7	8
£50,001 - £100,000	0	0	0	0	3	3
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	2	2
Total number of exit packages by type (total cost	**3**	**0**	**3**	5	32	37
Total resource cost (£000s)	**47**	**0**	**47**	97	1,301	1,398

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Scheme and Trust policies. **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 taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

10.5 Pension costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

10.6 Salary and Pension entitlements of senior managers

Remuneration

Name and Title	2012/13				2011/12			
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in kind
	£000	£000	£000	To nearest £100	£000	£000	£000	To nearest £100
Mr Michael Bonner, Non Executive Director	5-10				5-10			
Professor Vicki Bruce, Non Executive Director	5-10				5-10			
Mr Kevin Clarkson, Chief Operating Officer / Deputy Chief Executive until 30 September 2011					60-65	245-250		900
Ms Judith Cooke, Non Executive Director until 31 March 2013	5-10				5-10			
Mr Philip Day, Non Executive Director until 30 November 2012	0-5				5-10			
Mr Mark Evens, Non Executive Director	5-10				5-10			
Ms Ann Farrar, Interim Chief Executive from 10 September 2012	105-110			4,600				
Dr Neil Goodwin, Interim Chief Executive from 6 June 2011 until 31 July 2012	70-75				235-240			
Mr Ian Gordon, Interim Chair from 1 February 2013	6-10							
Ms Carole Heatly, Chief Executive until 5 June 2011					30-35			
Mr Mike Little, Trust Board Chair until 31 January 2013	15-20			6,200	20-25			6,000
Mr Alistair Mulvey, Director of Finance & Deputy Chief Executive until 31 July 2012 & 11 September 2012 - 7 November 2012. Acting Chief Executive 1 August 2012 - 10 September 2012	75-80				125-130			
Mrs Christine Platton, Acting Director of Nursing	95-100			600	90-95			100
Mr Steve Shanahan, Interim Director of Finance from 8 November 2012	50-55							
Ms Corinne Siddall, Director of Operations from 1 October 2011	115-120				55-60			
Mr Michael Walker, Medical Director	30-35	140-145			30-35	150-155		
Band of Highest Paid Director's Total Remuneration (£000)	220-225				285-290			
Median Total Remuneration	£29,791				£30,113			
Ratio	7.5				9.5			

This note relates only to those senior managers with a voting right on the Trust's Board of Directors.

The salary range quoted is pro rata to the annual salary and relates to the period that the individual was employed by the Trust in the stated post.

The Trust is invoiced for Professor Bruce's salary by the University of Newcastle.

Ms Farrar is on secondment from Northumbria Healthcare NHS Foundation Trust and the Trust is invoiced for her salary costs.

The Trust was invoiced by Goodwin Hannah Ltd for the services of Dr Neil Goodwin. The salary of Dr Goodwin is included within the figure disclosed.

Other remuneration reflects payments to senior managers who have a second contract of employment, or some other distinction between duties as a director and other duties. It will also reflect any contractual entitlement due to the senior managers for loss of office.

The benefits in kind relate to lease cars.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in North Cumbria University Hospitals NHS Trust in the financial year 2012/13 was £220,000 - £225,000 (2011/12: £285,000 - £290,000). This was 7.5 times (2011/12: 9.5) the median remuneration of the workforce which was £29,791 (2011/12: £30,113).

In 2012/13 one Trust-employed member of staff (2011/12: 0) received remuneration in excess of the highest paid director whilst the equivalent of 18 agency medical staff also earned more than the highest paid director (2011/12: 0). Remuneration ranged from £14,153 to £290,129 (2011/12: £13,917 to £276,313).

Total remuneration includes salary and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The ratio has reduced between 2011/12 and 2012/13 as a result of a decrease in the annualised remuneration paid to the highest paid director.

2011/12 figures have been amended to reflect revised guidance and a more accurate reflection of the cost and number of agency staff employed.

Off-Payroll Engagements (not audited)

As part of the *Review of Tax Arrangements of Public Sector Appointees* published by Treasury in May 2012 the Trust is required to publish information about any off-payroll engagements that were in place as at 31 January 2012 that cost over £58,200 per annum. It must then provide an update to the current position.

At 31 January 2012 the Trust had 3 off-payroll engagements costing more than £58,200 per annum. Since then 2 engagements have come to an end and there have been no new off-payroll appointments. The Trust has the necessary contractual clause in place that gives it the right to request assurance in relation to the income tax and National Insurance obligations of the one remaining off-payroll engagement.

10.7 Salary and Pension entitlements of senior managers

Pension Benefits

Name and Title	Real increase in pension at age 60 (bands of £2,500) £000	Lump sum at aged 60 related to real increase in pension (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2013 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31st March 2013 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2013 £000	Cash Equivalent Transfer Value at 31 March 2012 £000	Real Increase in Cash Equivalent Transfer Value £000	Employer's Contribution to stakeholder pension £00
Ms Ann Farrar, Interim Chief Executive from 10 September 2012	(2.5-0)	(5-2.5)	55-60	165-170	986	944	(3)	0
Dr Neil Goodwin, Interim Chief Executive until 31 July 2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr Alistair Mulvey, Director of Finance & Deputy Chief Executive until 31 July 2012 & 11 September 2012 - 7 November 2012. Acting Chief Executive 1 August 2012 - 10 September 2012	0-2.5	0-2.5	25-30	85-90	465	420	15	0
Mrs Christine Platton, Acting Director of Nursing	0-2.5	2.5-5	30-35	95-100	595	527	41	0
Mr Steve Shanahan, Interim Director of Finance from 8 November 2012	0-2.5	0-2.5	10-15	30-35	222	194	7	0
Ms Corinne Siddall, Director of Operations	0-2.5	2.5-5	35-40	110-115	637	572	35	0
Mr Michael Walker, Medical Director	37.5-40	112.5-115	70-75	220-225	1,666	744	885	0

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

There are no pension entries in respect of Dr Goodwin as he was not a Trust employee.

The real increases noted above only reflect the increase for the proportion of the year that the member of staff has been in the stated post.

During 2012/13 Mr Walker completed a transfer-in of NHS Scotland service which has resulted in significantly larger increases to his pension benefits than had the transfer-in not taken place.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Cash Equivalent Transfer Factors (“CETVs”) are calculated by the Government Actuary Department (“GAD”) based on the assumption that benefits are indexed in line with CPI.

11 Better Payment Practice Code

11.1 Measure of compliance

	2012/13 Number	2012/13 £000s	2011/12 Number	2011/12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**57,831**	**105,595**	54,883	101,645
Total Non-NHS Trade Invoices Paid Within Target	**31,058**	**78,446**	28,511	78,027
Percentage of Non-NHS Trade Invoices Paid Within Target	**53.70%**	**74.29%**	51.95%	76.76%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**2,079**	**16,561**	1,750	**21,769**
Total NHS Trade Invoices Paid Within Target	**1,263**	**11,682**	592	**9,550**
Percentage of NHS Trade Invoices Paid Within Target	**60.75%**	**70.54%**	33.83%	43.87%

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

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

	2012/13 £000s	2011/12 £000s
Amounts included in finance costs from claims made under this legislation	**1**	0
Total	**1**	0

12 Investment Income

	2012/13 £000	2011/12 £000
Interest Income		
LIFT: equity dividends receivable	**0**	0
LIFT: loan interest receivable	**0**	0
Bank interest	**31**	39
Other loans and receivables	**0**	0
Impaired financial assets	**0**	0
Other financial assets	**0**	0
Subtotal	**31**	39
Total investment income	**31**	39

13 Other Gains and Losses

	2012/13 £000	2011/12 £000
Gain/(Loss) on disposal of assets other than by sale (PPE)	**(3)**	(99)
Gain/(Loss) on disposal of assets other than by sale (intangibles)	**0**	0
Gain/(Loss) on disposal of Financial Assets other then held for sale	**0**	0
Gain (Loss) on disposal of assets held for sale	**0**	0
Gain/(loss) on foreign exchange	**0**	0
Change in fair value of financial assets carried at fair value through the SoCI	**0**	0
Change in fair value of financial liabilities carried at fair value through the SoCI	**0**	0
Change in fair value of investment property	**0**	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	**0**	0
Total	**(3)**	(99)

14 Finance Costs

	2012/13 £000	2011/12 £000
Interest		
Interest on loans and overdrafts	**432**	476
Interest on obligations under finance leases	**42**	84
Interest on obligations under PFI contracts:		
- main finance cost	**5,236**	5,402
- contingent finance cost	**1,127**	844
Interest on obligations under LIFT contracts:		
- main finance cost	**0**	0
- contingent finance cost	**0**	0
Interest on late payment of commercial debt	**1**	0
Other interest expense	**0**	0
Total interest expense	**6,838**	6,806
Other finance costs	**0**	0
Provisions - unwinding of discount	**55**	58
Total	**6,893**	6,864

15.1 Property, plant and equipment

2012/13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2012	**7,191**	**89,752**	**2,844**	**14,302**	**35,424**	**72**	**9,147**	**1,327**	**160,059**
Additions of Assets Under Construction	0	0	0	14,444	0	0	0	0	**14,444**
Additions Purchased	0	156	11	0	2,122	0	558	87	**2,934**
Additions Donated	0	0	0	0	265	0	0	14	**279**
Additions Government Granted	0	0	0	0	0	0	0	0	**0**
Additions Leased	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	3,181	0	(3,181)	0	0	0	0	**0**
Reclassifications as held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(1,816)	0	0	0	**(1,816)**
Upward revaluation/positive indexation	0	257	16	0	0	0	0	0	**273**
Impairments/negative indexation	0	(220)	(23)	0	0	0	0	0	**(243)**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
Cumulative dep'n adjustment following revaluation	0	(18,386)	(60)	0	0	0	0	0	**(18,446)**
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**7,191**	**74,740**	**2,788**	**25,565**	**35,995**	**72**	**9,705**	**1,428**	**157,484**
Depreciation									
At 1 April 2012	**0**	**0**	**0**	**0**	**23,192**	**62**	**5,219**	**714**	**29,187**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(1,813)	0	0	0	**(1,813)**
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	**0**
Impairments	0	17,481	23	0	0	0	0	0	**17,504**
Reversal of Impairments	0	(180)	(4)	0	0	0	0	0	**(184)**
Charged During the Year	0	1,505	54	0	3,083	2	1,486	175	**6,305**
Cumulative dep'n adjustment following revaluation	0	(18,386)	(60)	0	0	0	0	0	**(18,446)**
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**0**	**420**	**13**	**0**	**24,462**	**64**	**6,705**	**889**	**32,553**
Net Book Value at 31 March 2013	**7,191**	**74,320**	**2,775**	**25,565**	**11,533**	**8**	**3,000**	**539**	**124,931**
Purchased	7,191	73,588	2,775	25,565	10,538	8	2,992	506	**123,163**
Donated	0	732	0	0	995	0	8	33	**1,768**
Government Granted	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2013	**7,191**	**74,320**	**2,775**	**25,565**	**11,533**	**8**	**3,000**	**539**	**124,931**
Asset financing:									
Owned	7,191	16,417	2,775	25,565	11,126	8	3,000	539	**66,621**
Held on finance lease	0	0	0	0	407	0	0	0	**407**
On-SOFP PFI contracts	0	57,903	0	0	0	0	0	0	**57,903**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2013	**7,191**	**74,320**	**2,775**	**25,565**	**11,533**	**8**	**3,000**	**539**	**124,931**

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	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012	3,763	6,084	996	0	366	0	0	16	**11,225**
Movements	0	(5,465)	(27)	0	(114)	0	0	(6)	**(5,612)**
At 31 March 2013	**3,763**	**619**	**969**	**0**	**252**	**0**	**0**	**10**	**5,613**

Additions to Assets Under Construction in 2012/13

	£000
Land	0
Buildings excl Dwellings	14,444
Dwellings	0
Plant & Machinery	0
Balance as at YTD	**14,444**

The Trust revalued its Land, Buildings and Dwellings at 31 December 2012 following the signing of the contract for the West Cumberland Hospital Redevelopment. This was carried out by the Trust's external valuer, DTZ, and is consistent with the requirements of IAS16. As the Trust has specialist assets for which there is no active market, the valuer has used Modern Equivalent Asset (MEA) valuations as a substitute for fair value. MEA is based on the value of an asset with the same service potential, not a like for like replacement.

The valuation was carried out at the time the contract for the West Cumberland Redevelopment was signed in order to ensure compliance with IAS 36 which requires the Trust to carry its assets at no more than recoverable value. A number of buildings which are due to be demolished as part of the Redevelopment were impaired. See Note 17 for additional information.

In June 2012 the Trust completed a refurbishment of J Block at the West Cumberland Hospital and there was a transfer from Assets Under Construction of £3,181k to reflect the asset coming into use at that time.

During 2012/13 the Trust carried out a validation exercise on Plant and Machinery, Fixtures and Fittings, Software purchased and IM&T assets and identified assets with a gross replacement cost of £1,816k that were no longer in use. The accumulated depreciation on these assets was £1,813k giving a net book value write-off of £3k.

Donated assets in year came from North Cumbria University Hospitals NHS Trust Charitable Fund.

The value of land associated with the houses/flats at the West Cumberland Hospital is £496k (11/12: £496k).

Asset lives for each class of asset are as follows:
Land - Infinite
Buildings - between 3 and 82 years
Dwellings - between 45 and 62 years
Information Management & Technology - between 5 and 10 years
Fixtures & Fittings - between 5 and 10 years
Plant & Machinery - between 5 and 20 years
Transport equipment - 7 years

15.2 Property, plant and equipment prior-year

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2011	8,026	88,639	2,566	9,888	34,139	64	13,484	1,839	158,645
Additions - purchased	0	443	4	4,414	1,199	8	1,142	112	7,322
Additions - donated	0	195	0	0	212	0	0	0	407
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(126)	0	(5,479)	(624)	(6,229)
Revaluation & Indexation gains	0	746	287	0	0	0	0	0	1,033
Impairments	(835)	0	0	0	0	0	0	0	(835)
Reversals of impairments	0	0	0	0	0	0	0	0	0
In year transfers to/from NHS Bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(271)	(13)	0	0	0	0	0	(284)
	7,191	89,752	2,844	14,302	35,424	72	9,147	1,327	160,059
Depreciation									
At 1 April 2011	0	1,316	22	0	20,146	61	9,153	1,173	31,871
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(45)	0	(5,461)	(624)	(6,130)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	0	790	0	0	0	0	0	0	790
Reversal of Impairments	0	(3,184)	(56)	0	0	0	0	0	(3,240)
Charged During the Year	0	1,349	47	0	3,091	1	1,527	165	6,180
Transfers to NHS Bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(271)	(13)	0	0	0	0	0	(284)
At 31 March 2012	0	0	0	0	23,192	62	5,219	714	29,187
Net book value at 31 March 2012	7,191	89,752	2,844	14,302	12,232	10	3,928	613	130,872
Purchased	7,191	87,745	2,844	14,302	11,245	10	3,920	585	127,842
Donated	0	571	0	0	987	0	8	28	1,594
Government Granted	0	1,436	0	0	0	0	0	0	1,436
Total at 31 March 2012	7,191	89,752	2,844	14,302	12,232	10	3,928	613	130,872
Asset financing:									
Owned	7,191	29,453	2,844	14,302	11,497	10	3,928	613	69,838
Held on finance lease	0	0	0	0	735	0	0	0	735
On-SOFP PFI contracts	0	60,299	0	0	0	0	0	0	60,299
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	7,191	89,752	2,844	14,302	12,232	10	3,928	613	130,872

The Trust revalued its Land, Buildings and Dwellings on 31 March 2012. This was carried out by the Trust's external valuer and is consistent with the requirements of IAS16. As the Trust has specialist assets for which there is no active market, the valuer has used Modern Equivalent Asset (MEA) valuations as a substitute for fair value. MEA is based on the value of an asset with the same service potential, not a like for like replacement.

During 2011/12 the Trust carried out a validation exercise on Plant and Machinery, Fixtures and Fittings, Software purchased and IM&T assets and identified assets with a gross replacement cost of £6,382k that were no longer in use. The accumulated depreciation on these assets was £6,283k giving a net book value write-off of £99k.

Donated assets in year came from North Cumbria University Hospitals NHS Trust Charitable Fund.

The value of land associated with the houses/flats at the West Cumberland Hospital is £496k (10/11: £496k).

Asset lives for each class of asset are as follows:
Land - Infinite
Buildings - between 33 and 86 years
Dwellings - between 45 and 61 years
Information Management & Technology - between 5 and 10 years
Fixtures & Fittings - between 5 and 10 years
Plant & Machinery - between 5 and 20 years
Transport equipment - 7 years

16 Intangible non-current assets

2012/13	Software purchased £000
At 1 April 2012	**583**
Additions - purchased	238
Additions - internally generated	0
Additions - donated	0
Additions - government granted	0
Additions - leased	0
Reclassifications	0
Reclassified as Held for Sale and Reversals	0
Disposals other than by sale	0
Revaluation & indexation gains	0
Impairments charged to reserves	0
Reversal of impairments charged to reserves	0
Transfer to NHS Foundation Trust	0
Transfer (to)/from Other Public Sector bodies	0
At 31 march 2013	**821**
Amortisation	
At 1 April 2012	**141**
Reclassifications	0
Reclassified as Held for Sale and Reversals	0
Disposals other than by sale	0
Revaluation or indexation gains	0
Impairments charged to operating expenses	0
Reversal of impairments charged to operating expenses	0
Charged during the year	127
Transfer to NHS Foundation Trust	0
Transfer (to)/from Other Public Sector bodies	0
At 31 March 2013	**268**
Net Book Value at 31 March 2013	**553**
Net book value at 31 March 2013 comprises:	
Purchased	516
Donated	37
Government Granted	0
Total at 31 March 2013	**553**

2011/12	Software purchased £000
Cost or valuation:	
At 1 April 2011	494
Additions - purchased	167
Additions - internally generated	0
Additions - donated	0
Additions - government granted	0
Reclassifications	0
Reclassified as held for sale	0
Disposals other than by sale	(78)
Revaluation & indexation gains	0
Impairments	0
Reversal of impairments	0
Transfer to NHS Foundation Trust	0
Less cumulative depreciation written down on revaluation	0
As at 31 March 2012	583
Amortisation	
At 1 April 2011	137
Reclassifications	0
Reclassified as held for sale	0
Disposals other than by sale	(78)
Revaluation or indexation gains	0
Impairments charged to operating expenses	0
Reversal of impairments charged to operating expenses	0
Charged during the year	82
Transfer to NHS Foundation Trust	0
Less cumulative depreciation written down on revaluation	0
At 31 March 2012	141
Net book value at 31 March 2012	442
Net book value at 31 March 2012 comprises:	
Purchased	412
Donated	30
Government Granted	0
Total at 31 March 2012	442

Revaluation reserve balance for intangible non-current assets

	£000
At 1 April 2012	0
Movements (specify)	0
At 31 March 2013	**0**

All purchased software is held at depreciated historic cost as an approximation of fair value.

All purchased software is amortised over a period between 5 and 7 years.

17 Analysis of impairments and reversals recognised in 2012/13

	2012/13 Total £000
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	15,716
Changes in market price	1,604
Total charged to Annually Managed Expenditure	**17,320**
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve	
Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	243
Total impairments for PPE charged to reserves	**243**
Total Impairments of Property, Plant and Equipment	**17,563**
Total Impairments charged to Revaluation Reserve	**243**
Total Impairments charged to SoCI - DEL	**0**
Total Impairments charged to SoCI - AME	**17,320**
Overall Total Impairments	**17,563**
Of which:	
Impairment on revaluation to "modern equivalent asset" basis	0
Donated and Gov Granted Assets, included above	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

The Trust revalued its Land, Buildings and Dwellings on 31 December 2012 following the signing of the contract for the West Cumberland Hospital Redevelopment. The revaluation took place at this time to ensure that the Trust complied with IAS 36 which requires that assets are carried at no more than their recoverable amount. A number of assets which are to be demolished as part of the Redevelopment were impaired as a result of the contract being signed. The total of impairments relating to the Redevelopment project were £15,716k and this was taken to the Statement of Comprehensive Income without utilising reserves as it was an economic impairment.

Market price changes resulted in additional impairments of £1,847k against which £243k of reserves were utilised leaving £1,604k chargeable to the Statement of Comprehensive Income. No further revaluations were required in 2012/13 as there were no movements in the relevant indices between December 2012 and March 2013.

All assets are held at value in use. The Trust does not intend to sell any assets as at 31 March 2013.

Of the £17,320k impairment charged to the Statement of Comprehensive Income, £1,423k related to PFI assets and £15,897k to non PFI assets. The impact of impairments is removed when calculating the adjusted retained surplus. The PFI impairment is adjusted as part of the IFRIC 12 calculation so only the non PFI impairments are shown on the impairments line.

18 Commitments

18.1 Capital commitments

In December 2012 the Trust received DoH approval for the redevelopment of West Cumberland Hospital at a total cost of £97m. The Trust signed a Procure 21 contract with Laing O'Rourke for £83m of the costs (inclusive of non recoverable VAT). The total value of this contract remaining at 31 March 2013 is £57.3m.

18.2 Other financial commitments

The Trust has not entered into any non-cancellable contracts other than leases or PFI contracts which are disclosed elsewhere in these statements. (2011/12: nil)

19 Intra-Government and other balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other Central Government Bodies	1,071	0	4,639	0
Balances with Local Authorities	26	0	4	0
Balances with NHS bodies outside the Departmental Group	0	0	29	0
Balances with NHS Trusts and Foundation Trusts	1,551	0	830	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	2,959	3,274	16,337	0
At 31 March 2013	**5,607**	**3,274**	**21,839**	**0**
prior period:				
Balances with other Central Government Bodies	1,030	1,558	6,199	0
Balances with Local Authorities	52	0	3	0
Balances with NHS Trusts and Foundation Trusts	1,071	0	455	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	5,804	2,329	12,679	0
At 31 March 2012	**7,957**	**3,887**	**19,336**	**0**

20 Inventories

	Drugs £000	Consumables £000	Energy £000	Other £000	Total £000
Balance at 1 April 2012	1,407	1,718	83	124	**3,332**
Additions	20,886	22,102	9	17	**43,014**
Inventories recognised as an expense in the period	(20,571)	(21,819)	(24)	0	**(42,414)**
Write-down of inventories (including losses)	(35)	(5)	(53)	0	**(93)**
Reversal of write-down previously taken to SoCI	0	0	0	0	**0**
Transfers(to) Foundation Trusts	0	0	0	0	**0**
Transfers (to) / from other Public Sector Bodies	0	0	0	0	**0**
Balance at 31 March 2013	1,687	1,996	15	141	**3,839**

21.1 Trade and other receivables

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	**31 March 2013 £000**	31 March 2012 £000
NHS receivables - revenue	**1,915**	2,055	**0**	1,558
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**392**	0	**0**	0
Non-NHS receivables - revenue	**579**	378	**0**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**1,625**	4,423	**0**	0
Provision for the impairment of receivables (a)	**(689)**	(162)	**(99)**	(107)
VAT	**315**	46	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**157**	81	**2,590**	1,416
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables (b)	**1,313**	1,136	**783**	1,020
Total	**5,607**	7,957	**3,274**	3,887
Total current and non current	**8,881**	11,844		
Included in NHS receivables are prepaid pension contributions:	**0**	0		

The great majority of trade has been with Primary Care Trusts (PCTs) as commissioners for NHS patient care services. In April 2013 PCTs have been replaced by Clinical Commissioning Groups and NHS Commissioning Boards. As with PCTs, these bodies are funded by Government to buy NHS patient care services and no credit scoring of them is considered necessary.

Note a: The increase in the provision for impairment of receivables reflects the change in impairment percentages applicable against Injury Cost Recovery from 10.5% in 2011/12 to 12.6% in 2012/13.

Note b: Included in current receivables at 31 March 2013 £1,124k (31 March 2012: £969k) for the Injury Cost Recovery Scheme and non-current of £783k (31 March 2012: £1,020k). Credit scoring is not appropriate for the Scheme as it only includes person(s) who have found to be, or accept, responsibility for injury caused. A provision of 12.6% is applied for any potential non recovery of costs (2011/12: 10.5%).

21.2 Receivables past their due date but not impaired

	31 March 2013 £000	31 March 2012 £000
By up to three months	**1,208**	1,040
By three to six months	**198**	128
By more than six months	**341**	216
Total	**1,747**	1,384

21.3 Provision for impairment of receivables

	2012/13 £000	2011/12 £000
Balance at 1 April 2012	**(269)**	(234)
Amount written off during the year	**0**	0
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(519)**	(35)
Transfer to NHS Foundation Trust	**0**	0
Balance at 31 March 2013	**(788)**	**(269)**

Non NHS Injury costs recovery (ICR) revenue is accrued and a provision for impairment is made at 12.6% (2011/12 10.5%) of the accrued revenue.

22 Other Financial Assets - Current

There are no other financial assets (2011/12: nil)

23 Other current assets

There are no other current assets (2011/12: nil)

24 Cash and Cash Equivalents

	31 March 2013	31 March 2012
	£000	£000
Opening balance	**497**	595
Net change in year	**1,823**	(98)
Closing balance	**2,320**	497
Made up of		
Cash with Government Banking Service	**2,316**	493
Commercial banks	**0**	0
Cash in hand	**4**	4
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**2,320**	497
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**2,320**	497
Patients' money held by the Trust, not included above	**1**	3

25 Non-current assets held for sale

The Trust does not hold any non-current assets for sale (2011/12: nil)

26 Trade and other payables

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Interest payable	**0**	0	**0**	0
NHS payables - revenue	**119**	2,393	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**906**	0	**0**	0
Non-NHS payables - revenue	**5,920**	6,451	**0**	0
Non-NHS payables - capital	**3,681**	1,128	**0**	0
Non-NHS accruals and deferred income	**6,664**	4,892	**0**	0
Social Security Costs	**1,276**	1,224	**0**	0
VAT	**0**	0	**0**	0
Tax	**1,454**	1,416	**0**	0
Payments received on account	**0**	0	**0**	0
Other	**1,819**	1,832	**0**	0
Total	**21,839**	19,336	**0**	0
Total payables (current and non-current)	**21,839**	**19,336**		
Included above:				
Outstanding Pension Contributions at the year end	1,743	1,550		

27 Other liabilities

The Trust has no other liabilities (2011/12: nil).

28 Borrowings

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Bank overdraft - Government Banking Service	**0**	0	**0**	0
Bank overdraft - commercial banks	**0**	0	**0**	0
Loans from Department of Health	**856**	856	**6,850**	7,706
Loans from other entities	**0**	0	**0**	0
PFI liabilities:				
Main liability	**1,405**	1,869	**51,135**	52,540
Lifecycle replacement received in advance	**0**	0	**0**	0
LIFT liabilities:				
Main liability	**0**	0	**0**	0
Lifecycle replacement received in advance	**0**	0	**0**	0
Finance lease liabilities	**276**	398	**0**	290
Other (describe)	**0**	0	**0**	0
Total	**2,537**	**3,123**	**57,985**	**60,536**
Total other liabilities (current and non-current)	**60,522**	**63,659**		

Loans - repayment of principal falling due in:

	31 March 2013		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0 - 1 years	856	1,681	**2,537**
1 - 2 Years	856	(164)	**692**
2 - 5 Years	2,568	3,140	**5,708**
Over 5 Years	3,426	48,159	**51,585**
TOTAL	**7,706**	**52,816**	**60,522**

The loan from the Department of Health consists of three separate fixed interest rate loans over 15 years:
£7,200k at 5.20% - 15 year loan commencing 22/03/07
£246k at 5.10% - 14.5 year loan commencing 15/09/07
£260k at 4.34% - 14 year loan commencing 15/03/08

The fair value of these loans at 31 March 2013 is £8,866k (31 March 2012: £9,784k).

The fair values of these loans have been obtained with reference to the current fixed interest rates offered by the Department of Health for similar loans for periods matching the remaining life of the existing loans.

Finance lease liabilities are discussed further in Note 31
The PFI liability is discussed further in Note 35

29 Other Financial Liabilities

The Trust has no other financial liabilities (2011/12: nil)

30 Deferred income

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Opening balance at 1 April 2012	1,211	1,217	0	0
Deferred income addition	1,507	1,201	0	0
Transfer of deferred income	(1,179)	(1,207)	**0**	0
Current deferred Income at 31 March 2013	**1,539**	1,211	**0**	0
Total deferred income (current and non-current)	**1,539**	**1,211**		

The balances for deferred income shown above are included within 'Trade and other payables' (see note 26)

31 Finance lease obligations as lessee

Amounts payable under finance leases	**Minimum lease payments**		**Present value of minimum lease**	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000	£000	**£000**	£000
Within one year	**302**	440	**276**	398
Between one and five years	**0**	316	**0**	290
After five years	**0**	0	**0**	0
Less future finance charges	(26)	(68)	**0**	0
Present value of minimum lease payments	**276**	688	**276**	688
Included in:				
Current borrowings			**276**	398
Non-current borrowings			**0**	290
			276	688

During 2012/13 the finance lease for Fluoroscopy equipment expired.

The Trust has 3 remaining finance leases:

1. Beds - commenced 11/11/07 - term 6 years
2. CT Scanner - commenced 09/08/07 - term 7 years
3. MRI Scanner - commenced 09/08/07 - term 7 years

32 Finance lease receivables as lessor

The Trust has no finance leases where it acts as lessor (2011/12 : nil).

33 Provisions

	Total	Pensions Relating to Other Staff	Legal Claims	Equal Pay	Other	Redundancy
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2012	**3,981**	704	1,347	1,887	0	43
Arising During the Year	**1,646**	131	356	0	1,045	114
Utilised During the Year	**(510)**	(114)	(188)	(208)	0	0
Reversed Unused	**(78)**	0	(35)	0	0	(43)
Unwinding of Discount	**55**	20	35	0	0	0
Change in Discount Rate (a)	**90**	33	57	0	0	0
Balance at 31 March 2013	**5,184**	**774**	**1,572**	**1,679**	**1,045**	**114**
Expected Timing of Cash Flows:						
No Later than One Year	**1,897**	114	261	363	1,045	114
Later than One Year and not later than Five Years	**2,052**	389	347	1,316	0	0
Later than Five Years	**1,235**	271	964	0	0	0

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

As at 31 March 2013	53,639
As at 31 March 2012	41,507

Note a: The discount rate used in the calculation of the Pensions and Personal Injury Benefit provisions has changed from 2.8% to 2.35%.

Pensions relating to other staff

The Pensions provision is based on an estimate of the number of years individual pensions will continue to be paid and is considered to be a realistic assessment of future pension costs.

Legal Claims

Personal Injury Benefit is included within legal claims. The provision stands at £1,403k as at 31/3/2013 (31/03/12: £1,334k).

NHS Litigation Authority

Provisions for legal claims includes claims made through the NHS Litigation Authority. This includes on-going cases where the date of conclusion and settlement figures are not certain. The total value of the provision made for the Trust through NHS Litigation Authority is £169k (2011/12: £100k) The provision is included within Legal claims.

Equal pay (Back to Back provisions)

The equal pay provision is based on the claims of 480 employees. Their entitlement is based on 3.5 years of an annual amount referred to as the "Raw Amount" which is adjusted for the proportion which their contracted hours bear to a full time working week of 37.5hours

34 Contingencies

In addition to those claims for equal value subject to the commercial settlement entered into by the Trust, the Trust has received 60 further claims from employees alleging a right to equal pay (of which 36 cannot currently be traced as having been employed by the Trust). The Trust is engaged in a legal process to understand the validity of these claims and at this stage it is not possible to either assess their validity or to quantify them in financial terms.

35 PFI - additional information

The PFI scheme is for the provision of a hospital facility, the Cumberland Infirmary. The scheme was completed in 2000 and the contract runs for 45 years with a break clause after 30 years.

The scheme is a design, build, finance and operate contract for a 444 bedded hospital which has enabled all services to be centralised on one site in Carlisle. The capital value of the scheme was £67m. Payments made to the consortium in 2012/13 were £20.8m (2011/12: £19.8m) with a recurring annual commitment of £21.1m (at March 2013 prices) subject to changes in inflation, performance of provider, availability of asset, and agreed variations to services provided by PFI operator.

Under IFRIC 12, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements – imputed finance lease charges and service charges – details of the imputed finance lease are shown below. This information is required by the Department of Heath for inclusion in national statutory accounts.

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI	**2012/13 £000**	2011/12 £000
Total charge to operating expenses in year - OFF SOFP PFI	**0**	0
Service element of on SOFP PFI charged to operating expenses in year	**10,844**	10,419
Total	**10,844**	10,419
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**11,304**	10,760
Later than One Year, No Later than Five Years	**47,492**	46,260
Later than Five Years	**171,497**	189,258
Total	**230,293**	246,278

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2012/13**	2011/12
	£000	£000
No Later than One Year	**6,459**	7,105
Later than One Year, No Later than Five Years	**22,681**	22,552
Later than Five Years	**84,194**	90,781
Subtotal	**113,334**	120,438
Less: Interest Element	**(60,793)**	(66,029)
Total	**52,541**	54,409

36 Impact of IFRS treatment - current year

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

	Total £000
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g. PFI / LIFT)	
Depreciation charges	894
Interest Expense	6,364
Impairment charge - AME	1,597
Impairment charge - DEL	0
Other Expenditure	10,844
Revenue Receivable from subleasing	0
Impact on PDC dividend payable	(168)
Total IFRS Expenditure (IFRIC12)	**19,531**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease income)	(17,812)
Net IFRS change (IFRIC12)	**1,719**
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12	
Capital expenditure 2012-13	201
UK GAAP capital expenditure 2012-13 (Reversionary Interest)	2,716

37 Financial Instruments

37.1 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 primary care trusts and the way those primary care trusts 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 income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2013 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. In addition the Trust has received £26.3m non recurrent non repayable resource from the North of England Strategic Health Authority. The Trust is not, therefore, exposed to significant liquidity risks.

37.2 Financial Assets	**At 'fair value through profit and loss'**	**Loans and receivables**	**Available for sale**	**Total**
	£000	**£000**	**£000**	**£000**
Embedded derivatives	0	0	0	**0**
Receivables - NHS	0	2,307	0	**2,307**
Receivables - non-NHS	0	939	0	**939**
Cash at bank and in hand	0	2,320	0	**2,320**
Other financial assets	0	0	0	**0**
Total at 31 March 2013	**0**	**5,566**	**0**	**5,566**
Embedded derivatives	0	0	0	0
Receivables - NHS	0	3,541	0	3,541
Receivables - non-NHS	0	659	0	659
Cash at bank and in hand	0	497	0	497
Other financial assets	0	0	0	0
Total at 31 March 2012	0	4,697	0	4,697

2011/12 figures have been restated.

37.3 Financial Liabilities	**At 'fair value through profit and loss'**	**Other**	**Total**
	£000	**£000**	**£000**
Embedded derivatives	0	0	**0**
NHS payables	0	1,026	**1,026**
Non-NHS payables	0	14,800	**14,800**
Other borrowings	0	8,866	**8,866**
PFI & finance lease obligations	0	123,566	**123,566**
Other financial liabilities	0	0	**0**
Total at 31 March 2013	**0**	**148,258**	**148,258**
Embedded derivatives	0	0	0
NHS payables	0	2,374	2,374
Non-NHS payables	0	11,162	11,162
Other borrowings	0	9,784	9,784
PFI & finance lease obligations	0	128,666	128,666
Other financial liabilities	0	0	0
Total at 31 March 2012	0	151,986	151,986

The DoH loan and PFI lease are included at fair value and 2011/12 comparative figures have also been restated at fair value.
Fair values have been obtained with reference to the current fixed interest rates offered by the Department of Health for similar loans for periods matching the remaining life of the existing liabilities.

38 Events after the end of the reporting period

There are no adjusting or non adjusting events after the end of the reporting period

39 Related party transactions

During the year the following members of the key management staff, or parties related to any of them, has undertaken material transactions with North Cumbria University Hospitals NHS Trust.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Goodwin Hannah Ltd	122,736	0	8,857	0
Endo Enterprises Ltd	74,133	0	23,966	0
Endo Med Ltd	57,702	0	0	0

Dr Neil Goodwin was Interim Chief Executive until 31 July 2012 and then continued to work for the Trust in an advisory capacity to support the Acquisition process.

Mr D Magee is a Medical Engineering Consultant for the Trust. He is a Technical Director for Endo Enterprises Ltd with a 9% share holding. This company purchased Endo Med Ltd in October 2012. Mr Magee was previously the Managing Director of Endo Med Ltd with a 50% share holding.

The Department of Health is regarded as a related party. During the year North Cumbria University Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are :

NHS North of England
Cumbria Teaching Primary Care Trust
Cumbria Partnership NHS Foundation Trust
NHS Litigation Authority
NHS Shared Business Services including Commercial Procurement Solutions
Northumbria Healthcare NHS Foundation Trust
Northumberland Care NHS Trust
North Lancashire Primary Care Trust
North West Specialised Commissioning Group
The Newcastle upon Tyne Hospitals NHS Foundation Trust
County Durham and Darlington NHS Foundation Trust
University Hospitals Morecambe Bay NHS Foundation Trust
NHS Business Services Authority

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Scottish Office in respect of Scottish Health Boards and the Department of Education and Employment in respect of University Hospitals.

During 2012/13, North Cumbria University Hospitals NHS Trust Charitable Fund spent £597k (2011/12: £607k) on medical and educational equipment, salaries and training courses from which the Trust has benefited. North Cumbria University Hospitals NHS Trust is the sole corporate trustee for the Charity.

40 Losses and special payments

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

	Total Value of Cases	**Total Number of Cases**
	£	
Losses	128,106	29
Special payments	30,953	22
Total losses and special payments	**159,059**	**51**

The total number of losses cases in 2011/12 and their total value was as follows:

	Total Value of Cases	**Total Number of Cases**
	£	
Losses	49,637	11
Special payments	3,388	26
Total losses and special payments	**53,025**	**37**

2011/12 figures have been amended to include bad debts.

41. Financial performance targets

The figures given for the 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.

41.1 Breakeven performance	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Turnover	172,640	182,406	197,824	212,236	216,098	223,132	227,483	**235,295**
Retained surplus/(deficit) for the year	56	97	51	993	(10,130)	1,661	3,476	**(17,250)**
Adjustment for:								
Timing/non-cash impacting distortions:								
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	**0**
2006/07 PPA (relating to 1997/98 to 2005/06)	0							
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0						
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0					
Adjustments for Impairments				0	4,992	(14)	(2,450)	**17,320**
Adjustments for impact of policy change re donated/government grants assets						(253)	(87)	**11**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					5,465	(38)	156	**122**
Absorption Accounting Adjustment								**0**
Other agreed adjustments	0	0	0	0	0	0	0	**0**
Break-even in-year position	**56**	**97**	**51**	**993**	**327**	**1,356**	**1,095**	**203**
Break-even cumulative position	**(6,355)**	**(6,258)**	**(6,207)**	**(5,214)**	**(4,887)**	**(3,531)**	**(2,436)**	**(2,233)**

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

The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2016.

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Materiality test (I.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover	0.03	0.05	0.03	0.47	0.15	0.61	0.48	**0.09**
Break-even cumulative position as a percentage of turnover	-3.68	-3.43	-3.14	-2.46	-2.26	-1.59	-1.07	**-0.95**

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

41.2 Capital cost absorption rate

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

41.3 External financing

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

		2012/13	2011/12
	£000	**£000**	£000
External financing limit		**13,217**	(2,287)
Cash flow financing	**5,312**		(2,451)
Finance leases taken out in the year	**0**		0
Other capital receipts	**(279)**		(407)
External financing requirement		**5,033**	(2,858)
Undershoot/(overshoot)		**8,184**	571

The undershoot was caused mainly by the delay in the signing of the contract for WCH Redevelopment.

41.4 Capital resource limit

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

	2012/13	2011/12
	£000	£000
Gross capital expenditure	**17,895**	7,896
Less: book value of assets disposed of	**(3)**	(99)
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(279)**	(407)
Charge against the capital resource limit	**17,613**	7,390
Capital resource limit	**23,551**	10,486
(Over)/underspend against the capital resource limit	**5,938**	3,096

The underspend was caused mainly by the delay in the signing of the contract for WCH Redevelopment.

42 Third party assets

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

	31 March 2013	31 March 2012
	£000	£000
Third party assets held by the Trust	**1**	3