Department of Health

Manual for Accounts 2013-14

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Manual for Accounts 2013-14

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1. Introduction

Introduction

1.1. The Department of Health Manual for Accounts (MFA) sets the accounting policies to be followed by members of the Department's Consolidation Group and provides principles-based guidance to NHS bodies on how to prepare and complete their annual report and accounts (but see paragraph 1.3 below re: Monitor).

1.2. The Group is defined in law by Designation Orders (SI 2013 No.488, The Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013) made under the Government Resources and Accounts Act 2000 (GRAA). The GRAA requires Group bodies to:

- prepare such financial information in relation to the year as HM Treasury may request
- present the information in such form as HM Treasury may direct
- arrange for the information to be audited, and
- deliver the information to HM Treasury, in such manner and by such date in the next year as HM Treasury may direct.

1.3. This Manual is not directly applicable to NHS Foundation Trusts. These bodies will follow guidance issued by Monitor. Monitor prepares a sector-specific consolidated account that represents a sub-consolidation from the Group viewpoint. It follows that the sub-consolidation and Group returns must be prepared in accordance with accounting policies set out in this Manual.

1.4. NHS England will issue Accounts Directions to Clinical Commissioning Groups (CCGs). The Directions require compliance with the MFA: the Manual is therefore directly applicable to CCGs, as it is to NHS England.

1.5. Annex 1 below summarises the current statutory requirements on Accounts Directions and guidance for the various NHS organisations.

The FReM

1.6. This MFA has been drafted to meet the Government Financial Reporting Manual 2013 to 2014 requirements. The FReM is the technical accounting guide for the preparation of Departmental Accounts. The FReM follows International Financial Reporting Standards (IFRS) and Companies Act requirements, but in several important areas interprets and adapts Standards to better meet Government's reporting requirements. The FReM also details additional disclosures for the public sector. The MFA provides guidance that specifically addresses the NHS' requirements, but readers must refer to both documents.

1.7. While not directly applicable to NHS Trusts and NHS Foundation Trusts, the FReM makes reference to this MFA and to the Foundation Trust ARM as the source of detailed guidance for these bodies. CCGs, as vote-funded bodies, are required to follow the FReM.

1.8. The MFA follows the FReM except for a small number of divergences that have been formally agreed between the Department and Treasury. Divergences for 2013-14 relate to accounting for the transfer of assets and liabilities under transition at 1 April 2013 (see paragraph 3.16).

1.9. Treasury is required to consult an independent body, the Financial Reporting Advisory Board (FRAB), when preparing the FReM. The MFA and FT ARM are also reviewed by the FRAB.

The Manual for Accounts: structure and relationship to other guidance.

1.10. The MFA is not an accounting textbook and does not repeat IFRS requirements where these can be applied without specific interpretation for the NHS. The MFA assumes that the user will be conversant with current accounting standards. The manual:

- Forms part of Accounts Directions issued to reporting bodies by the Secretary of State, and NHS England in the case of CCGs.
- Mandates particular accounting treatments where Standards permit a choice, to ensure consistency within the sector
- Draws attention to interpretations and adaptations of Standards set out in Treasury's Financial Reporting Manual (FReM), usually repeating the required departures from Standards
- Highlights further NHS-specific departures from the FReM, as agreed with Treasury
- Specifies contents and layout of Accounts and Annual Report scope and contents, to ensure that these documents meet Treasury expectations and provide consistent data for national summaries and consolidations
- Provides detailed accounting guidance in complex and technical areas (e.g. PFI and group reconstruction) where IFRS requirements are difficult to apply in the NHS context.

1.11. This Manual will be supplemented, as necessary, by numbered updates over the course of the year. Updates will be posted to the finance manual 'finman' website at www.info.doh.gov.uk/doh/finman.nsf. Any updates issued in this way should be treated as having the same status as guidance issued in this Manual. Users should check the 'finman' site regularly for new guidance under 'What's New' and 'Frequently Asked Questions'.

Changes to earlier versions

1.12. For 2013-14, the manual has been extensively revised to define Group accounting policies and applications in its core chapters.

1.13. Detailed guidance in the following areas has been removed and will be made available either on the "finman" website or by Monitor and NHS England to their sub-consolidation group bodies:

- **Detailed model accounts format**: A generic reporting format based on the Arms' Length Bodies (ALB) consolidation schedules content is provided in the Manual. NHS trust-specific accounts pro-formas (linked to the "FMA" consolidation forms will be issued in 2014 when the year-end FMA formats are complete
- **Detailed accounts completion guidance**: Guidance that assists in completing both the FMA and accounts documents has been removed from the manual and can be found with Quarterly FMA completion guidance on the finman website
- **Agreement of balances (AoB) guidance**: Detailed guidance will be posted on the DH website as required: the guidance will have the same status as that in this Manual. Guidance will be common to each type of entity within the consolidation group and will be agreed with Monitor and NHS England
- **Losses and special payments guidance**: This is drawn from Treasury's *Managing Public Money* (updated in July 2013) and will be placed with Agreement of Balances and other detailed completion guidance on the website.

1.14. The following items will be available on the 'finman' website (or Treasury website in the case of Treasury guidance). These do not form part of the Manual for Accounts, but form part of a wider body of guidance, as represented by the "finman" website:

- Quarterly monitoring guidance: produced for the FMA forms, this guidance is specifically intended to facilitate completion of the quarterly returns. This guidance will draw on MFA guidance and the two sets of guidance will be consistent with each other. The MFA is intended to set accounting policy, whereas quarterly guidance provides the means of ensuring (a) internal consistency of reporting, and (b) consistency across the NHS, such that figures can be reliably consolidated at the national level
- For 2013-14 detailed accounts completion guidance for NHS Trusts is also provided alongside the quarterly monitoring (FMA) guidance
- Treasury valuation guidance
- Treasury public sector spending and reporting

Accounts submission and audit

NHS trusts

1.15. A detailed accounts submission process, showing deadlines and procedures for handling statutory accounts and summarisation schedules, will be posted to the ‘finman’ website later in the year. The Department ***require*** copies of NHS trust FMA forms and their local audited accounts as the Department itself consolidates NHS trust financial data.

NHS FTs and CCGs

1.16. Monitor and NHS England will issue the relevant guidance to these bodies, setting timescales and procedures that permit the sub-consolidations to be carried out in time to meet the national consolidation timetable.

Chapter 1 Annex 1 - Accounts Directions

NATIONAL HEALTH SERVICE ACT 2006

DIRECTIONS BY THE SECRETARY OF STATE IN RESPECT OF NATIONAL HEALTH SERVICE TRUSTS' ACCOUNTS

The Secretary of State for Health, with the approval of the Treasury, in exercise of powers conferred on him by section 232 (schedule 15,3(1)) of the National Health Service Act 2006 and of all other powers enabling him in that behalf, hereby gives the following Directions:

Application and interpretation

1.-(1)These Directions apply to NHS trusts in England.

(2) In these Directions:

"The Accounts" means the accounts of a National Health Service trust for the financial year;

"the financial year" means the period from 1st April in any one calendar year to 31st March in the next calendar year;

"the trust" means the National Health Service trust in question.

Form of Accounts

2.-(1)The Accounts submitted under section 232 schedule 15 of the 2006 Act shall show, and give a true and fair view of the trust's gains and losses, cash flows and financial state at the end of the financial year.

(2) The Accounts shall meet the accounting requirements of the NHS trusts Manual for Accounts in force for the relevant financial year, which shall be agreed with the Treasury.

Statement of directors' responsibilities

3.The statement of directors' responsibilities in respect of the Accounts shall be signed and dated by the Chief Executive and Finance Director of the trust.

Signed by the authority of the Secretary of State for Health

Member of the Senior Civil Service, Department of Health

Chapter 1 Annex 1 (cont) - Accounts Directions (structure)

Entity	Accounts Direction Determination by:	Accounts Direction Approved by:
NHS England **(own accounts and consolidation of CCG accounts)**	Department of Health (Secretary of State)	Treasury
Monitor **(own accounts and consolidation of FT accounts)**	Department of Health (Secretary of State)	Treasury
NHS Trusts	Department of Health (Secretary of State)	Treasury
NHS Foundation Trusts	Monitor	Department of Health (Secretary of State)
CCGs	NHS England	Department of Health (Secretary of State)
ALBs	Department of Health (Secretary of State)	Treasury

NHS Trust accounts: National Health Service Act 2006 c. 41 Schedule 15: Preparation of annual accounts

FT accounts: paragraph 24 of Schedule 7 to the National Health Service Act 2006 amended*:* Health and Social Care Act 2012 c. 7 part 4: Governance and management Section 154

Consolidated FT accounts (s.17) and Monitor's own accounts (s.18): Health and Social Care Act 2012 c. 7 Schedule 8: Accounts of NHS foundation trusts

NHS England: Health and Social Care Act 2012 c. 7 Schedule 1 s.16: Annual Accounts

CCG accounts: Health and Social Care Act 2012 c. 7 Schedule 2 s.17

2. Annual Report

Introduction

2.1. NHS bodies are required to publish, as a single document, an annual report and accounts. This document includes:

- The annual report (including the directors' report, remuneration report and other public sector disclosures mandated by the FReM)
- A statement of the Accountable Officer's responsibilities
- A Governance Statement
- Foreword to the accounts, referencing the relevant Accounts Direction
- The primary financial statements
- Notes to the accounts
- The audit opinion and report.

Accounting Officer's signature

2.2. The Accounting Officer (or Accountable Officer for individual NHS bodies) shall sign and date the Annual Report, the Remuneration Report, the Governance Statement and the Statement of Financial Position. For the purposes of publication, the Accounting Officer/Chief Executive's signature on the Annual Report will also satisfy the requirement to sign the Remuneration Report, which is an integral part of the Annual Report.

Summary financial information

2.3. Summary Financial Statements (SFS) may be produced as an addition to the full accounts and annual report – they cannot replace these documents. The annual report and SFS (if produced) must contain a prominent note that the financial statements might not contain sufficient information for a full understanding of the entity's financial position and performance. The note should say how the user might obtain the full accounts, and these must be provided on request, subject to a reasonable copying charge if the entity chooses. The summary data must also be followed by an auditors' statement as to whether, in their opinion, the summary data is consistent with the full financial statements.

Annual Report

2.4. This guidance sets out the minimum content of the annual report. Beyond this however, the entity must take ownership of the annual report and ensure that additional information is included where necessary to reflect the position of the NHS body within the community and give sufficient information to meet the requirements of public accountability.

2.5. The auditors must be given a copy of the annual report and, where applicable, summary financial statements, in sufficient time to carry out the required work before the completion of the auditor's opinion. Certain information contained in the remuneration report is subject to audit and will be referred to in the audit opinion and the remuneration report must be available at the start of the audit. Other quantitative aspects of the annual report are reviewed by auditors to ensure consistency with the annual accounts.

2.6. Where a NHS Trust has been authorised as a NHS Foundation Trust mid-year, an annual report and audited accounts must still be published for its final year, reporting transactions up to the date of authorisation.

2.7. The application of absorption accounting (see Chapter 4) extends this principle to all closures of NHS bodies or where functions are transferred to other public sector entities. A closing body will have to prepare an Annual Report for the year (covering the part-year if a mid-year dissolution), along with Accounts and FMAs, as the successor body will only bring its own transactions in the year to account from the date of transfer of functions.

2.8. The Annual Report consists of:

- A Directors' Report, based on the requirements of Chapter 5 of Part 15 of the Companies Act 2006, and
- A Remuneration Report based on Chapter 6 of Part 15 of the Companies Act 2006

Sustainability Report

2.9. NHS bodies are required to produce a Sustainability Report (SR) as part of their Annual Report: this element of the Annual Report is not subject to audit. The Sustainability Development Unit (SDU) at the Department has developed a standard reporting format for NHS bodies, and this should form the basis of the report. Further guidance and support is available from the SDU at http://www.sdu.nhs.uk/corporate-requirements/governance/reporting.aspx. NHS bodies may also wish to refer to general HM Treasury guidance for the preparation of SRs at: https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance.

Directors' Report

2.10. Auditors will review the Annual Report for consistency with the information in the financial statements. The main elements of the Directors' Report are:

- Details of the directors
- The management commentary
- Information on environmental, social and community issues, and:
- Details of progress against agreed targets

Details of the directors

2.11. The report will provide:

- the names of the Chairman and Chief Executive, and
- the composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year
- (recommended) the names of the directors forming an audit committee or committees
- details of company directorships or other significant interests held by directors where those companies are likely to do business, or are possibly seeking to do business with the NHS where this may conflict with their managerial responsibilities.

2.12. Each director must state that as far as he/she is aware there is no relevant audit information of which the NHS body's auditors are unaware. In addition, that he/she has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the NHS body's auditors are aware of that information (Companies Act 2006 s418 refers. Note: s418(6) and (6) are not applicable).

Management Commentary

2.13. The Management Commentary is based on the disclosure requirements of s417 of the Companies Act 2006, taking into consideration the Accounting Standards Board's recommendations in the Reporting Statement (RS) 'Operating and Financial Review' (OFR).

2.14. The RS was originally issued as Reporting Standard 1 but was repealed in 2006 and reissued as a Reporting Statement that provides guidance on best practice. HM Treasury decided that all bodies covered by the FReM should follow the RS. FReM Chapter 5 refers to a management commentary: an OFR prepared as required in the RS will satisfy the requirements set out by HM Treasury for the management commentary.

2.15. The RS makes clear the detailed content of the OFR must be decided by the directors. It is therefore the responsibility of the directors of each NHS body to ensure that the OFR includes reference to current performance and policy targets.

The OFR should include details of performance that are not reported in the annual accounts including useful non-financial and financial information.

2.16. The objective of the OFR is to prepare a balanced and comprehensive analysis consistent with the size and complexity of the business of:

- development and performance of the business of the entity during the year
- position of the entity at the end of the year
- main trends and factors underlying the development, performance and position of the business of the entity during the year, and
- the main trends and factors which are likely to affect the entity's future development, performance and position.

2.17. There are seven principles underlying the OFR:

- it shall set out an analysis of the business through the eyes of the board of directors (this shall be taken to be the NHS body's governing body)
- it shall focus on matters that are relevant to the members. In the context of the public sector 'members' shall be interpreted to be all users of accounts
- it shall have a forward looking orientation, identifying those trends and factors relevant to the members' assessment of the current and future performance of the business and the progress towards the achievement of the long term business objectives. Where elements cannot be objectively verified but have been made in good faith, the directors may wish to include a statement to treat such elements with caution and explain the uncertainties underpinning such information. Emphasis should be placed on factors affecting development, performance and position of the NHS body during the year and those likely to have an effect on future years. Details of the impact on future performance of significant events after the balance sheet date should be included. The OFR should comment on predictions made in previous years disclosing whether or not these have been borne out by events
- it shall complement as well as supplement the annual accounts in order to enhance the overall disclosure. This will include providing additional financial and non-financial information about the NHS body and its performance that is not reported in the annual accounts. NHS bodies may also provide additional explanations of amounts recorded in the annual accounts, explaining the conditions and events that shaped the information. If information included in the annual accounts has been adjusted for inclusion in the OFR this must be stated and a reconciliation to the information in the annual accounts must be provided
- it shall be comprehensive and understandable. The requirement to be comprehensive does not mean that the OFR shall cover all possible matters, the objective is quality, not quantity of content. Directors will need to consider the key issues that will provide information that is focused and relevant. The inclusion of too much information may obscure judgements and will not promote understanding. Where additional information is discussed elsewhere in the

annual report or in the annual accounts this should be cross-referenced. Where relevant, directors will explain the source of the information and the degree to which it is objectively supportable to allow the reader to assess the reliability of the information presented

- it shall be balanced and neutral, dealing even-handedly with both good and bad aspects, and
- it shall be comparable over time. Directors should also consider including information that is comparable with reviews prepared by other NHS bodies.

2.18. The RS stresses that the framework and headings it describes are not a template and it is for the preparers of the OFR to consider how best to structure the review to ensure that the principles have been addressed. That said, it sets out a number of key elements which should be discussed.

Nature, objectives and strategies of the business

2.19. The OFR shall provide the reader with an understanding of the NHS body, including a description of:

- the location and type of facilities provided
- the structure of the business, its main services and user
- the external environment in which it operates. The discussion on the external environment may include reference to the competitive position and markets for the NHS, and the legal, regulatory, macro-economic and social environment that influence the business
- A brief history of the NHS body and its statutory background. Where a new NHS body has been created as a result of a merger background information should include;
    - the parties that have come together to form the merged NHS Body
    - the effective date of the merger
    - the need for any debt write-off and
    - the benefits expected to accrue from the merger.

2.20. The OFR shall discuss the objectives of the NHS body over the long term, the time scale used being dependent on the type of objective. Objectives will be defined in terms of non-financial and financial performance. The OFR shall set out the directors' strategies for achieving the objectives of the NHS body and discuss the effect of past and current actions undertaken. This may include the Key Performance Indicators (KPI), both financial and non-financial, used by the directors to assess progress against their stated objectives. The KPIs disclosed shall be those that the directors judge are effective in measuring the delivery of their strategies and managing their business. Comparability will be enhanced if the KPIs disclosed are accepted and widely used within the NHS.

2.21. For each KPI disclosed in the OFR:

- the definition and calculation method shall be explained
- its purpose shall be explained
- the source of underlying data shall be disclosed and any assumptions explained
- quantification or commentary on future targets shall be provided
- where information from the annual accounts has been adjusted for inclusion in the OFR, that fact shall be highlighted and a reconciliation provided
- where available, corresponding amount for the previous year shall be disclosed, and
- any changes to KPIs shall be disclosed, including calculation method used compared to previous years and any changes to the accounting policies.

Development and performance of the business for the period under review and in the future

2.22. The OFR shall describe the significant features of the development and performance of the NHS body in the year, focusing on those areas that are relevant to an understanding of the development and performance as a whole. The OFR shall analyse the main trends and factors that directors consider likely to impact on the future, this could include the development of new services or the benefits expected from capital investment. The OFR should discuss the current level of investment expenditure, planned future expenditure and how this investment will assist the NHS body to achieve its objectives.

The resources, principal risks and uncertainties and relationships that may affect the entity's long-term value

2.23. The OFR shall include a description of the resources available to the NHS body and how they are managed. The OFR shall set out the key strengths and resources, tangible and intangible, which will assist it in the pursuit of its objectives and, in particular, those items that are not reflected in the balance sheet. The review will disclose strategic, commercial, operational and financial risks where these may significantly affect the NHS body's strategies and development. The directors' policy for managing principal risks shall be disclosed. The OFR shall include information about significant relationships with stakeholders which are likely, directly or indirectly, to influence the performance of the NHS body. For example, relationships with patients, suppliers, employees and contractors, also the NHS body's broader impact on society and the communities affected by its activities. Strategic alliances with other entities can also affect the performance of the NHS body, for example joint initiatives with local authorities.

Position of the business (including descriptions of: capital structure, treasury policies and objectives and liquidity)

2.24. The analysis, whilst based upon the annual accounts, shall comment on the events that have impacted the financial position of the NHS body during the year, and factors that are likely to affect the financial position going forward. The OFR shall highlight accounting policies focusing on those which have required the particular exercise of judgement and which have changed during the year. The purpose and effect of major financing transactions undertaken up to the date of approval of the annual accounts shall be explained. The effect of interest costs on outturn and the potential impact of interest rate changes shall also be discussed. Discussions on cash flow shall supplement information provided in the annual accounts by, for example, commenting on any special factors that have influenced cash flows in the financial year and those that may have a significant effect on future cash flows.

Carrying amount vs. market value of land.

2.25. The difference (with such precision as is practicable) between the carrying amount and market value of interests in land, where in the opinion of the directors, it is of such significance that it needs to be drawn to attention. If the market values of the NHS body's interests in land are known then these should be used to determine whether material differences exist. However, NHS bodies should not obtain a valuation solely for the purpose of determining market values for disclosure purposes.

Pension Liabilities

2.26. An indication of how pension liabilities are treated in the accounts and a reference to the statements of the relevant pension scheme. A cross-reference to the accounting policy note in the accounts and the remuneration report will normally be sufficient.

Severance payments

2.27. HM Treasury has issued specific guidance on severance payments (i.e. covering any payments that are not made under either legal or contractual obligation): this is now included in HM Treasury's Managing Public Money. Special severance payments when staff leave a public sector employer should ~~be~~ only rarely be considered. They will always require HM Treasury approval because they are usually novel, contentious and potentially repercussive: NHS bodies have no delegated authority to make such payments unless so approved. Further guidance on losses and special payments is provided in separate guidance.

2.28. Nothing in the RS requires the disclosure of information about impending developments or about matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the NHS body.

Information on environmental, social and community issues

2.29. Further information on the kinds of information to be provided in respect of environmental and social and community issues can be found in the FReM website.

Sustainability Report:

2.30. Where NHS bodies already prepare a separate Sustainability Report to complement the Annual Report and Accounts the OFR should cross-refer to HM Treasury guidance on sustainability (see paragraph 2.920 above).

Emergency Preparedness

2.31. NHS organisations should ensure that they have in place a Major Incident Plan that is fully compliant with the requirements of the NHS Emergency Planning Guidance 2005 and all associated guidance.

Principles for Remedy

2.32. HM Treasury's *Managing Public Money* contains guidance at Annex 4.14 about the steps public bodies should take where they have caused injustice or hardship by maladministration or service failure. The Parliamentary and Health Service Ombudsman published a revised *Principles for Remedy* in May 2010, setting out six principles that represent best practice and are directly applicable to NHS procedures.

2.33. NHS bodies are required to include a reference in their Annual Reports to *Principles for Remedy* and state to what extent such principles have been adopted by the body and form part of its complaints handling procedure.

Better Payments Practice Code

2.34. [Also paragraph 12 of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410)]:

- A narrative summary of the Confederation of British Industry (CBI) Better Payments Practice code
- Quantitative evidence of compliance with that code. Evidence can be provided as follows:
- Where the annual report incorporates the full annual accounts, the annual report must, as a minimum, state "details of compliance with the code are given in note x to the accounts".

Prompt Payments Code

2.35. Disclose whether or not the body has signed up to the Code.

Employee consultation

2.36. The action taken to maintain or develop the provision of information to, and consultation with, employees.

Disabled employees

2.37. The policy in relation to disabled employees.

Equal opportunities

2.38. The policy on equal opportunities.

Sickness absence data

2.39. This should ideally be included in the Annual Report. However, a table has been added to the Employee Benefits Note in the consolidation schedules to permit consolidation at the Group level (as Annual Report contents cannot be aggregated). Entities may present the data in the Annual Report if preferred. Detailed guidance on the content and calculation of the sickness absences disclosure has been added to accounts completion and summarisation schedules guidance.

External audit

2.40. The name of the NHS body's external auditor and disclosure of the cost of work performed by the auditor in respect of the reporting period should be disclosed. Disclosure should provide sufficient information about the nature and extent of services provided to allow readers to make an informed judgement as to whether the potential for conflicts of interest has been satisfactorily addressed by the auditor and by those charged with the governance of the NHS body. Cost should be disclosed under the following categories:

- Audit services i.e. the statutory audit and services carried out in relation to the statutory audit e.g. reports to the Department of Health
- Further assurance services – this refers to services unrelated to the statutory audit where the NHS body has discretion whether or not to appoint an auditor e.g. review of achievement of performance indicators
- Other services – any other services provided.

2.41. In relation to the provision of non-audit services, narrative disclosures should be provided to explain the NHS body's policy for ensuring that the auditor's independence has not been compromised.

2.42. Auditors may undertake statutory activities under the Code of Practice that are not related to the audit of the NHS body's financial statements e.g. value for money work. The cost of this work should be disclosed under 'audit services'. Disclosure should set out the basis for such work and its nature and extent.

Disclosure of "serious untoward incidents"

2.43. Incidents involving data loss or confidentiality breaches. Details of the disclosures required are given in Annex A of Sir David Nicholson's letter to NHS Chief Executives and Finance Directors, 20 May 2008, *"Information Governance Assurance Programme"*.

2.44. A statement that the entity has complied with HM Treasury's guidance on setting charges for information is required. This guidance is available as Appendix 6.3 to Treasury's Managing Public Money. In the unlikely event that an entity has not complied with this guidance (e.g. on commercial sensitivity grounds), DH should be consulted.

Details of progress against agreed targets

2.45. Completion of the financial returns will generally meet the requirement to disclose performance against financial targets.

2.46. Entities should consider what disclosures of progress against other delivery objectives are appropriate.

Remuneration Report

2.47. The FReM requires that a Remuneration Report shall be prepared by NHS bodies, providing information under the headings in SI 2008 No. 410 to the extent that they are relevant. (FReM paragraphs 5.2.16 et seq refer) The definition of "Senior Managers" is:

> *'those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments.'*

2.48. The Chief Executive should be asked to confirm whether this covers more than the executive and non-executive directors. It is usually considered that the regular attendees of the entity's board meetings are its senior managers – usually between nine and twelve individuals in total.

2.49. For staff-sharing arrangements: the remuneration report should include remuneration details of those senior managers holding a position in the entity, showing the *entity's* share of the relevant components of remuneration. In addition, the senior manager's total salary (e.g. for a number of organisations) should be shown separately.

Pay Multiples

2.50. Entities must report the mid-point of the banded remuneration (remuneration includes that paid for work other than as a director) of the highest paid director, whether or not this is the Accounting Officer or Chief Executive, and the ratio between this and the median remuneration of the reporting entity's staff. The calculation is based on the full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis and is subject to audit. Further guidance can be found in the Hutton Review.

2.51. NHS organisations should include, in the Remuneration Report, a narrative highlighting the reasons for any variance in year-on-year multiples. This is because:

- it describes the purpose of including the ratios, and what they mean;
- it ensures transparency in executive remuneration;
- it allows the public to hold government to account for their use of public funds;
- it provides an opportunity for entities to monitor their own remuneration and note any adverse or anomalous trends.

2.52. The narrative should be concise and clearly linked to the figures disclosed in the remuneration report, and use terms that are easily understandable by the public. The narrative should be introduced by the following text:

> "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 [the organisation] in the financial year 201X-1Y was £xx (201W-1X, £xx). This was – times (201W-1X,-) the median remuneration of the workforce, which was £xx (201W-1X, £xx).
>
> In 201X-1Y, xx (201W-1X, xx) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £xx to £xx (201W-1X £xx-£xx)
>
> Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions."

2.53. It should then be followed by a concise and factual explanation of the changes on either side of the ratio, taking into account where relevant:

- Adjustment to the number or composition of the general workforce (e.g. through restructuring, downsizing and outsourcing);
- A change to the remuneration of the most highly paid individual. Departments should note that this may not necessarily be an increase to base pay, but a change in taxable expenses or allowances. Where the allowance is temporary (e.g. relocation allowance), departments should note this and its likely impact on the pay multiple.
- A change of the most highly paid individual (e.g. a new appointment, or the previously highest paid post having been vacated and/or eliminated); and
- The impact of any pay freeze on the multiple (e.g. senior pay freeze that does not affect the majority of staff.

2.54. The above list is not exhaustive and should be treated only as general guidance. It is not intended to act as a checklist of justifications for higher multiples.

2.55. Where there is a sharing arrangement, it is cost to the entity of an individual that identifies them as “highest paid” and not the total of that individual’s remuneration. Termination benefits must be excluded from the calculation of the highest-paid Director’s salary to avoid distorting the ratio.

Disclosure

2.56. There is a presumption that information about named individuals will be given in all circumstances. The Remuneration Report shall disclose information under the standard headings to the extent that they are relevant. Non-disclosure is acceptable only where publication would:

- Prejudice the rights, freedom or legitimate interests of the individual; or
- Cause or be likely to cause substantial damage or substantial distress to the individual or another, and that damage or distress would be unwarranted.

which for entities covered by the requirements of this Manual include grounds of national security or where an individual may be at risk if his or her name is disclosed.

2.57. In other cases, it would be for the staff member to make a case for non-disclosure, which should be considered by the employer on a case-by-case basis. Where non-disclosure is agreed, the fact that certain disclosures have been omitted should be disclosed.

2.58. The remuneration report must be signed and dated by the Accounting or Accountable Officer or Chief Executive. For the purpose of publication, the Accounting Officer/Chief Executive’s signature on the Annual Report will also satisfy the requirement to sign the Remuneration Report, which is an integral part of the Annual Report.

Remuneration Report and Exit packages disclosure (detail)

2.59. The tables for use as part of the Remuneration Report are reproduced below in Annex 1. HM Treasury also requires the disclosure of exit package information in the format set out in Chapter 5 (Accounts example). The exit packages disclosure may be included in NHS bodies’ Annual Reports, but (as it is data that needs to be consolidated into the DH Resource Account) summarisation schedules include a table for the disclosure, and this is mirrored in the accounts format. The figures to be disclosed here relate to exit packages agreed in the year. The actual date of departure might be in a subsequent period, and the expense in relation to the departure costs may have been accrued in a previous period. The data here cannot therefore be agreed with other staff cost and expenditure notes in the accounts. Additional disclosure is required here where exit packages exceed contractual amounts and are outside the terms of the normal pension scheme provisions. Such payments will require HM Treasury approval before they are offered.

2.60. Exceptionally, where the Board has agreed something short of full disclosure, the fact that certain disclosures have been omitted should be disclosed.

2.61. The figures relate to all those individuals who hold or have held office as a senior manager of the NHS body during the reporting year or in the prior period (If seconded into the organisation at no cost to the organisation, disclose the arrangement). It is irrelevant that:

- an individual was not substantively appointed (holding office is sufficient, irrespective of defects in appointment), or
- an individual's title as senior manager included a prefix such as "temporary" or "alternate", or
- an individual was engaged via a corporate body, such as an agency, and payments were made to that corporate body rather than to the individual directly.

2.62. The Remuneration Report will contain the following information where relevant:

(a) Details of the membership of the Remuneration and Terms of Services Committee.

(b) Statement of the policy on the remuneration of senior managers for current and future financial years.

(c) Explanation of methods used to assess whether performance conditions were met and why those methods were chosen. If relevant, why the methods involved comparison with outside organisations.

(d) Explanation of relative importance of the relevant proportions of remuneration which are, and which are not, subject to performance conditions.

(e) Summary and explanation of policy on duration of contracts, and notice periods and termination payments.

(f) Details of the service contract for each senior manager who has served during the year:

- date of the contract, the unexpired term, and details of the notice period;
- provision for compensation for early termination; and
- other details sufficient to determine the entity's liability in the event of early termination.

(g) Explanation of any significant awards made to past senior managers.

For each senior manager who served during the year the following three items (h; i; and j) of financial data should be given, in tabular form. The

Annex gives the pro-forma tabular format, including bandings. This information is subject to audit:

(h) Salaries and other remuneration

Name and title: If the senior manager was appointed or resigned during the year, the dates of holding of office should be shown.

Salary and other remuneration: this covers both pensionable and non- pensionable amounts. The amounts paid or payable by the NHS body in respect of the period the senior manager held office must be shown. Where, for example, an individual held a contract of employment for the entire financial year but was only a senior manager for six months, it is the remuneration for six months which should be shown. Where there has been overlap in a post, e.g. where there have been two finance directors for a month, both must be shown, together with the date the post was started or vacated.

Salary includes:

- all amounts paid or payable by the NHS body including recharges from any other health body
- the gross cost of any arrangement whereby a senior manager receives a net amount and an NHS body pays income tax on their behalf
- any financial loss allowances paid in place of remuneration
- geographical allowances such as London weighting, and
- any other allowance which is subject to UK taxation and any ex-gratia payments.

Salary excludes:

- recharges to any other health body
- reimbursement of out-of-pocket expenses
- reimbursement of "travelling and other allowances" (paid under determination order) including home to work travel costs
- employers' superannuation and National Insurance contributions
- performance related bonuses (these are recorded separately)
- golden hellos and compensation for loss of office, and
- any amount paid which the director must subsequently repay.

Other remuneration: Payments should be shown in an additional column where a senior manager holds two contracts of employment, or some other distinction between duties as a director and other duties can be soundly established.

Compensation for loss of office should be shown separately, including a description of the compensation payment and details of the total amounts paid .

Performance related bonuses: Bonuses ***or bonuses payable*** should be disclosed separately from salary in bands of £5,000. Amounts paid to medical consultants under the national clinical excellence reward scheme should be disclosed as bonuses

Benefit in kind: the estimated value of non-cash benefits.

If a payment for compensation for loss of office paid or receivable has been made under the terms of an approved Compensation Scheme, the fact that such a payment has been made and details of the amounts paid;

The cash equivalent transfer value is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The benefits valued are the member's accumulated benefits and any contingent spouse's pension payable from the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Some of the information required in the senior managers' pension table will be provided by the NHS Business Services Agency – pensions division. Detailed instructions for obtaining this information will be published separately in detailed guidance outside the manual,.

Where the NHS body has senior managers who are members of a different pension scheme the disclosure information should be requested in good time from the scheme.

(i) Details of compensation payable to former senior managers [this information is subject to audit].

(j) Details of amounts included above which are payable to third parties for services of a senior manager [this information is subject to audit].

Off-payroll engagements

2.63. HM Treasury requires disclosure of certain remuneration arrangements whereby individuals are paid other than the usual payroll methods under which tax is deducted under PAYE. PES(2012)17 Annual *Reporting Guidance 2012-13* details the form of disclosure and the types of contractual arrangements falling to be reported. A FAQ on the DH "finman" site dated 12 March 2013 contains a copy of the PES requirement and associated DH guidance.

2.64. The disclosure should be included in the Annual Report and is not subject to audit.

Statement of Accountable Officer's Responsibilities

2.65. The Accountable Officer should explain his/her responsibility for preparing the financial statements in a statement that should be positioned after the Annual Report and before the Governance Statement.

2.66. Pro-forma statements of the Accountable Officer's responsibilities and Governance Statements are posted to the DH website ('finman') with the pro-forma audit certificates each year.

Governance Statement

2.67. In preparing the statement, the Accountable Officer should reflect the particular circumstances in which the entity operates, and adapt the proforma accordingly. The full Governance Statement need not be included where summary accounts are provided with the annual report, as the full Governance Statement is available with the full accounts. The annual report and summary accounts must state prominently how the full Governance Statement may be obtained.

2.68. Pro-forma statements of the Accountable Officer's responsibilities and Governance Statement are posted to the DH website with the pro-forma audit certificates each year.

2.69. A model outline for the 2012-13 Governance Statement (for NHS Trusts) is available on the DH website on GOV.UK. Updates for 2013-14 will also be published to that website.

Primary Financial Statements and Notes

2.70. These are covered in Chapter 4.

Audit Opinion and Report

2.71. Chapter 1 outlines the audit process and requirements: arrangements differ between organisation types. The detailed accounts submission process, showing deadlines and procedures for handling statutory accounts and summarisation schedules, will be posted to the DH website later in the year.

Chapter 2 Annex 1 - Salary and Pension disclosure tables

Salaries and allowances

	2013-14				2012-13			
Name and title	Salary (bands of £5,000) £000	Other Remuneration (bands of £5000) £000	Bonus Payments (bands of £5,000) £000	Benefits in kind (Rounded to the nearest £00) £00	Salary (bands of £5,000) £000	Other Remuneration (bands of £5000) £000	Bonus Payments (bands of £5,000) £000	Benefits in kind (Rounded to the nearest £00) £00

[Disclose compensation for loss of office details separately]

[Where more than one individual occupied the same post over the year details must be disclosed here

*Note: £ hundreds are used for the benefits in kind disclosure]

Pension Benefits

Name and title	Real increase in pension at age 60 (bands of £2,500) £000	Real increase in pension lump sum at aged 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 20xx (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 20xx (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 20xx £000	Cash Equivalent Transfer Value at 31 March 20xx £000	Real increase in Cash Equivalent Transfer Value £000	Employer's contribution to stakeholder pension £00

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

Cash Equivalent Transfer Values

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 scheme or arrangement) and uses common market valuation factors for the start and end of the period.

3. Financial Reporting Requirements

Introduction

Government Financial Reporting Manual (FReM)

3.1. The financial reporting requirements for NHS bodies are determined by the Department of Health with the approval of HM Treasury. Bodies within the resource accounting boundary must follow the Treasury's Government Financial Reporting Manual (FReM). The FReM generally applies EU-adopted International Financial Reporting Standards (IFRS) in effect for accounting periods commencing on or before 1 January 2013. NHS bodies must follow the FReM unless there are any divergences agreed by HM Treasury. The one agreed divergence for 2013-14 relates to the accounting arrangements for NHS transition and the break-up of the Statement of Financial Position (SoFP) of those bodies that were dissolved on 1 April 2013 (see paragraph 3.16 below). FReM requirements are reflected, as appropriate, in this manual.

Generally accepted accounting practice (GAAP)

3.2. This manual follows GAAP to the extent that it is meaningful and appropriate in the NHS context. It was announced in the Government's 2008 budget that public sector bodies would produce financial statements based on International Financial Reporting Standards from 2009-10. From that year, therefore, GAAP consists of:

- the accounting and disclosure requirements of the Companies Act 2006, and
- pronouncements by or endorsed by the International Accounting Standards Board (IASB) including the Framework for the Preparation and Presentation of Financial Statements, International Financial Reporting Standards and interpretations,

interpreted as necessary by

- the body of accumulated knowledge built up over time and promulgated in, for example, textbooks, technical journals and research papers.

3.3. International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides that, where there is no specific international standard or interpretation for a particular issue, users can look to the pronouncements of other standard setters (for example, the UK Accounting Standards Board) provided that they do not conflict with international standards and interpretations.

International Financial Reporting Standards (IFRS)

3.4. The Government FReM and the Manual for Accounts follow International Financial Reporting Standards (as adopted by the European Union) and interpretations to the extent that they are meaningful and appropriate to public benefit entities: the FReM often applies interpretations and adaptations to EU-adopted Standards. A table below provides, for each international financial reporting standard and interpretation:

- its objective
- as dictated by the FReM, its applicability to the NHS, including any interpretations and adaptations
- a listing of those Standards not yet adopted

3.5. Disclosure requirements are reflected in proforma accounts and detailed guidance issued outside this Manual.

3.6. International Financial Reporting Standards can be obtained from the International Accounting Standards Board (IASB) at www.ifrs.org .

Accounting convention

3.7. NHS financial statements are prepared under the historical cost convention modified by the revaluation of *non-current* assets and, where material, current asset investments and inventories, to fair value as determined by the relevant accounting standard.

The Framework

3.8. The IASB Framework for the Preparation and Presentation of Financial Statements (the Framework) sets out the principles that should underlie general purpose financial statements, the objective of which is to provide information about the financial position, performance and changes in financial position. Presentation should meet the 'common needs of most users'.

True and fair view

3.9. NHS financial statements should give a true and fair view of the state of affairs of the reporting body at the end of the financial year and of the results of the year. Section 393 of the Companies Act 2006 requires that directors must not approve accounts unless they are satisfied that they give a true and fair view. In applying section 393, any reference to 'company' should be read to mean 'NHS body'.

NHS Charities: local consolidation

3.10. From 2013-14, NHS bodies are required to consolidate NHS Charitable Funds and any other Funds that are considered to be under common control under the terms of IAS 27 *Consolidated and Separate Financial Statements*. The consolidation, in both annual accounts and summarisation schedules, report core entity and Charitable Funds components of the consolidation distinctly. NHS bodies' performance outturns will be based on the core entity's returns, rather than on the consolidation outturn.

3.11. There is also a requirement for the Department to consolidate NHS Charities classified by the Office of National Statistics to the public sector. "NHS Charities" is defined by section 43 of the Charities Act 1993, and includes those where trustees are appointed by the Appointment Commission under NHS Acts.

3.12. NHS bodies will therefore need to distinguish between:

- Those charitable funds that fall to be consolidated in the body's own accounts by virtue of IAS 27 and
- Funds classified to the public sector by the ONS

3.13. In the rare event that a fund falls into the second category but not the first, a NHS body will be required to exclude that fund from its local consolidation, but to report financial data in respect of it to the Department to permit consolidation at the national level.

3.14. In general, it is likely that the IAS 27 criteria will apply to most NHS charities.

3.15. Detailed guidance on the format of the consolidated accounts and summarisation schedules will be issued separately by the relevant authorities.

Departure from the FReM

Transfer of assets from NHS bodies closed at 1 April 2013

3.16. The handling of transfers of assets from those NHS bodies that closed under NHS transition on 1 April 2013 is outlined in Chapter 4 Annex 10. More detailed guidance and instructions for the completion of central returns is given on the "finman" website under "closedown and transition FAQs".

Standards and Interpretations – applicability to the NHS

EU-adopted Standards applicable in 2013-14 (except where indicated)

Standard/Interpretation and its objective	**Applicability to the NHS** **(as prescribed by the FReM)**
IAS 1 Presentation of Financial Statements (as amended June 2011) IAS 1 prescribes the basis for presentation of general purpose financial statements to ensure comparability with the entity's financial statements of previous periods and with the financial statements of other entities. The standard sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.	Applies in full with the following interpretations: References in IAS 1 to 'present fairly' and 'fair presentation' should be read to mean 'give a true and fair view' and 'truthful and fair presentation' to comply with the requirements of the Companies Act 2006. The notes to the accounts shall disclose the legislative authority for producing the accounts and the basis of preparation of the financial statements as being in accordance with the Manual for Accounts. The following provide the interpretations of going concern for the public sector context: • for non-trading entities, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. However, a trading entity needs to consider whether it is appropriate to continue to prepare its financial statements on a going concern basis where it is being, or is likely to be, wound up. • Where an entity ceases to exist, it should consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of financial statements. NHS bodies (other than NHS Trusts and FTs) within the resource accounting boundary shall prepare a Statement of Comprehensive Net Expenditure (SOCNE) rather than a Statement of Comprehensive Income. NHS Trusts/FTs will prepare a Statement of Comprehensive Net Income (SOCNI). The flexibility to select the order of presentation of line items in the Statement of Financial Position and to present on a liquidity basis is withdrawn. NHS bodies

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
	shall prepare their Statement of Financial Position in accordance with their respective pro forma accounts. Capital disclosures (IAS 1.79-80A and 134-136A) are not required. This is because the financing of public sector entities is ultimately tax-based. An amendment effective on or after 1 July 2012 has been incorporated in model accounts formats for 2013-14. This requires items of OCI to be grouped, separately identifying those that might at some point be reclassified (‘recycled’) from OCI to profit (e.g. available for sale financial assets and cash flow hedges) from those that will not (e.g. gains on PPE revaluation and actuarial gains/losses).
IAS 2 Inventories The objective of IAS 2 is to prescribe the accounting treatment for inventories. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value.	Applies in full.
IAS 7 Statement of Cash Flows The objective of IAS 7 is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows that classifies cash flows during the period from operating, investing and financing activities.	Applies in full.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors The objective of IAS 8 is to prescribe the criteria for selecting and changing accounting policies, and the accounting treatment and disclosure of changes in accounting policies, accounting estimates and	Applies in full. Note: Preparers should consult DH about any novel or contentious accounting policies they might propose to adopt to reflect their specific circumstances.

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
corrections of errors.	Where preparers consider it necessary to adjust retrospectively for changes in accounting policies or material errors, they should first consult DH to ensure that the budgeting and Estimates implications have been properly considered. Additionally, preparers will need to differentiate between local prior period adjustments and TCS adjustments to opening balances and the DEL and AME impact of any such adjustments.
IAS 10 Events after the Reporting Period This standard prescribes when an entity should adjust its financial statements for events after the reporting period and the disclosures required.	Applies in full with the following interpretation, for NHS trusts: Any unpaid dividends for the year will be shown as liabilities in the Statement of Financial Position. (This is because public dividend capital is not an equity instrument as defined by IAS 32).
IAS 11 Construction Contracts The objective of IAS 11 is to prescribe the accounting treatment by contractors of revenue and costs associated with construction contracts.	Not relevant to NHS bodies other than as referred to by IAS 18.21 regarding the rendering of services.
IAS 12 Income Taxes The objectives of IAS 12 are to specify the accounting for current and deferred tax.	Not relevant. (Note: amendment effective 2013-14)
IAS 16 Property, Plant and Equipment The objective of IAS 16 is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment.	Applies in full with the following interpretations and adaptations: **Interpretations:** All tangible non-current assets shall be carried at valuation at the end of the reporting period, that is, the option in IAS 16 to carry at cost is withdrawn.

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
Also, see: IAS 23 *Borrowing costs* IAS 36 *Impairment of assets* IFRS 5 *Non-current assets held for sale and discontinued operations.*	It is not necessary to disclose the historical cost carrying amounts. In considering the treatment of interest at initial recognition, entities shall not capitalise the Cost of Capital charge. The 'value in use' of a non cash-generating asset is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. **Adaptations:** Gains on revaluation of non-current assets shall be credited to the revaluation reserve. Losses on revaluation shall be debited to the relevant reserve (as above) to the extent that gains have been recorded previously, and otherwise to expenditure. (But see IAS 36 Impairments: FReM divergence). Also, note that following the annual review of the useful lives of assets required by IAS 16, NHS bodies shall discuss any significant proposals to change asset lives with DH, to ensure that the budgeting implications have been considered. For 'in use' non-specialised property assets fair value should be interpreted as market value for existing use. In the RICS Red Book, this is defined as 'market value on the assumption that property is sold as part of the continuing enterprise in occupation'.
IAS 17 Leases The objective of IAS 17 is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases. Also see: SIC 15 *Operating leases – incentives*	Applies in full.

<table>
<tr><th>Standard/Interpretation and its objective</th><th>Applicability to the NHS
(as prescribed by the FReM)</th></tr>
<tr><td>SIC 27 Evaluating the substance of transactions involving the legal form of a lease

IFRIC 4 Determining whether an arrangement contains a lease</td><td></td></tr>
<tr><td>IAS 18 Revenue
The objective of IAS 18 is to identify the circumstances when revenue recognition criteria will be met. It also provides practical guidance on the application of those criteria.

Also see SIC 31 Revenue – barter transactions involving advertising services</td><td>Applies in full.</td></tr>
<tr><td>IAS 19 Employee benefits
IAS 19 prescribes the accounting and disclosures for all types of employee benefits:
short-term benefits, for example salaries and wages, social security contributions, paid leave and non-monetary benefits
post-employment benefits that result from employment, for example retirement benefits
other long-term benefits, for example long service or sabbatical leave
termination benefits, that is, that arise directly from termination rather than from employment.
It requires an entity to recognise the cost of providing employee benefits in the period in which the benefit is earned rather than when paid or payable</td><td>Applies with the following interpretations:
NHS bodies shall account for the NHS Superannuation Scheme as a defined contribution plan.
For NHS bodies with staff who are in funded schemes eg the local government scheme:
All actuarial gains and losses shall be recognised in reserves The use of the corridor approach is not allowed.
The discount rate determined in accordance with IAS 19 by the scheme's actuary should be used.
Voluntary terminations with agreed terms under a pension scheme should be treated as post-employment benefits and so discounted using the rate applicable to pensions of that scheme. Involuntary terminations and voluntary terminations whose terms are available for a short time only should be treated as termination benefits and so discounted using the rate for provisions.
For defined benefit obligations, the FReM interprets IAS</td></tr>
</table>

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
	19's requirements on current valuations to mean that the period between formal actuarial valuations should be four years, with approximate valuations in intervening years. Note: 2011 revision is applicable in 2013-14.
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance The objective of IAS 20 is to prescribe the accounting treatment for government grants and the disclosures about other government assistance. Also see SIC 10 *Government assistance – no specific relation to operating activities*	Applies in full with the following interpretations: Parliamentary Supply does not fall within the meaning of government grants. Entities receiving a grant to fund the purchase of a specific asset should credit that grant to current year income, unless the entitlement to the asset is conditional such that the income should be deferred. A requirement that a grant or donate asset should be returned to the transferor contingent on some specified future event does not in itself prevent the grant being recognised as income in the SOCNE/SOCNI. FReM 6.2.71 has more detail.
IAS 21 The Effects of Changes in Foreign Exchange Rates The objective of IAS 21 is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentational currency.	Applies in full with the following interpretation: The presentational currency will be the same as the functional currency i.e. pounds sterling.
IAS 23 Borrowing Costs The objective of IAS 23 is to prescribe the accounting for borrowing costs.	Applies in full with the following interpretations: Borrowing costs in respect of qualifying assets held at fair value shall be expensed.
IAS 24 Related Party Disclosures	Applies in full with the following interpretations: NHS bodies must disclose the Department of Health as the parent department; a note of the main entities within

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.	the public sector with which the body has had dealings (no information needs to be given about these transactions), and details of material transactions between the body and individuals who are regarded as related parties. The requirement to disclose the compensation paid to management, expense allowances and similar items paid in the ordinary course of an entity's operations will be satisfied by the disclosures made in the notes to the accounts and in the remuneration report. In considering materiality, regard should be had to the definition in IAS 1, which requires materiality to be judged 'in the surrounding circumstances'. As a result, materiality should thus be judged from the viewpoint of both the entity and the related party, whether it is an individual or a corporate body. NHS bodies must disclose as a related party all linked charities (unless formally consolidated) including the nature of the relationship, and details of material transactions between the body and the linked charity.
IAS 26 Accounting and Reporting by Retirement Benefit Plans The objective of IAS 26 is to provide guidance on the form and content of the financial statements prepared by retirement benefit plans.	Not applicable
IAS 27 Consolidated and Separate Financial Statements IAS 27 requires parent undertakings to provide information about the economic activities of their group as a single economic entity in consolidated financial statements.	Applies in full, except for the following divergences: The divergence that NHS linked charitable funds are not to be consolidated where the NHS body is considered to have the power to control the funds in accordance with IAS 27 has been removed for 2013-14. NHS bodies within the resource accounting boundary shall only consolidate interests in other entities where:

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
Also see: SIC 12 *Consolidation – special purpose entities*	• the other entity is also within the resource accounting boundary; and • the parent entity exercises in-year budgetary control over the entity. Even so, there is an exemption if both bodies are consolidated by an ultimate parent. If either of the above conditions for consolidation are not met, the interest shall be shown as an investment (see IAS 39). IAS 27 Separate Financial Statements has been issued but not yet adopted by FReM
IAS 28 Investments in Associates The objective of IAS 28 is to reflect the effect of investments in associates where the reporting entity is partly accountable for the associate's activities.	Not relevant, as FReM determines the treatment of investments in what would be, under this Standard, associates. IAS 28 Associates and Joint Ventures has been issued but not yet adopted by FReM
IAS 29 Financial Reporting in Hyperinflationary Economies IAS 29 requires the financial statements of an entity whose functional currency is that of a hyperinflationary economy to be stated in terms of the measuring unit current at the end of the reporting period.	Unlikely to be relevant.
IAS 31 Interests in Joint Ventures The objective of IAS 31 is to reflect the effect of a venturer's shares in joint ventures.	Relevant in respect of jointly-controlled assets or jointly-controlled operations that do not involve the creation of separate entities. Not relevant where separate entities exist, due to the Departmental Accounting boundary override. IAS 31 is superseded by IAS 28 (2011). EU adopted on 1 January 2014, so expected to apply to 2014-15 subject to FReM adoption.
IAS 32 Financial Instruments: Presentation IAS 32 establishes principles for presenting financial	Applies in full with the following interpretation: Public dividend capital (PDC) is not an equity instrument

<table>
<tr><th>Standard/Interpretation and its objective</th><th>Applicability to the NHS
(as prescribed by the FReM)</th></tr>
<tr><td>instruments as liabilities or equities and for offsetting financial assets and financial liabilities.
Also see:
IAS 39 Financial instruments: recognition and measurement
IFRS 7 Financial instruments: disclosures
IFRIC 9 Reassessment of embedded derivatives</td><td>as defined by the IAS. It should be presented as a form of financing in the Statement of Financial Position. Dividends payable on PDC should be charged in arriving at the trust's retained surplus/deficit for the year.</td></tr>
<tr><td>IAS 33 Earnings per Share
The objective of IAS 33 is to prescribe principles for the determination and presentation of earnings per share to improve performance comparisons.</td><td>Not relevant.</td></tr>
<tr><td>IAS 34 Interim Financial Reporting
IAS 34 prescribes the minimum content of an interim financial report and the principles for recognition and measurement for an interim period.
Also see:
IFRIC 10: Interim Financial Reporting and Impairment.</td><td>NHS bodies are not required to publish interim financial reports. Applies in full to a body that elects to do so.</td></tr>
<tr><td>IAS 36 Impairment of Assets
The objective of IAS 36 is to ensure that assets are carried at no more than their recoverable amount.</td><td>Applies in full with the following adaptations as per Treasury FREM:
Where an impairment arises from a clear consumption of economic value, this must be taken in full to the revenue account, whatever the state of the revaluation reserve on that asset.
In other words, the Standard's requirement to take</td></tr>
</table>

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
	impairments in all cases to reserves in the first instance does not apply. Where impairments are posted to the revenue account and a revaluation reserve balance does exist, a transfer is to be made from the revaluation reserve to the General Fund/I&E Reserve. That transfer will be the lower of the total impairment or the balance available on the revaluation reserve. For impairments that do not represent a clear consumption of economic resources (generally, market/price fluctuations) the treatment is to take these to the revaluation reserve in the first instance, with any excess taken to the revenue account. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. Reversal of impairment – FReM's adaptation of IAS 36 applies only to the recognition of impairments. Otherwise, IAS 36 applies in full. It follows then that reversals of impairments will be accounted for as in the Standard.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets The objective of IAS 37 is to ensure that provisions, contingent liabilities and contingent assets are appropriately recognised and measured and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount.	Applies in full with the following interpretation: Where the cash flows to be discounted are expressed in current prices, entities should use the real discount rate set by Treasury. Note – voluntary early retirement provisions under scheme terms are discounted at the pensions rate rather than the general provisions rate: Treasury sets discount rates for post employment benefits including injury benefit liabilities. (See Chapter 4 for more detail on Treasury standard discount rates)

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
IAS 38 Intangible Assets IAS 38 prescribes the measurement and accounting for intangible assets that are not specifically dealt with in another standard. It allows an intangible asset to be recognised only if specific criteria are met. Also see: IAS 36 *Impairment of assets* SIC 32 *Intangible assets – web site costs.*	Applies in full with the following interpretations: An entity adopting the requirements of the FReM for the first time may only use retrospective capitalisation where it holds reliable original cost information in relation to the internally generated asset. FReM 7.2.4 provides more detail. Following initial recognition, for subsequent measurement IAS 38 permits the use of either the cost or revaluation model for each class of intangible asset. Where an active market exists, intangible assets should be carried at fair value at the end of the reporting period, that is, the cost option is withdrawn. Where no active market exists, entities should revalue the asset, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use from income generation, the asset should be valued using depreciated replacement cost. These measures are an estimate of fair value.
IAS 39 Financial Instruments: Recognition and Measurement The objective of IAS 39 is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Also see: IAS 32 *Financial instruments: presentation* IFRS 7 *Financial instruments: disclosures* IFRIC 9 *Reassessment of embedded derivatives*	Applies in full with the following interpretations: Public dividend capital should be reported at historical cost, less any impairment. Where future cash flows are required to be discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real discount rate set by HM Treasury. Liabilities under financial guarantee contracts that are not accounted for as insurance contracts should be measured initially at their fair value and, as appropriate, amortised subsequently to expenditure. Subsequent changes in probabilities should not be reflected in the carrying value except where the result is that IAS 37 would require recognition of a liability because it is more

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
	probable than not that a transfer of resources will occur. Any financial instrument that is not held in furtherance of the entity's objectives, but is held on behalf of government more generally, should be accounted for in a separate Trust Statement. In the event that this situation arises, entities should discuss with DH. Note: IAS 39 includes a number of alternative accounting treatments. Entities should discuss any significant choices to be made with DH to ensure that the budgeting implications have been properly considered.
IAS 40 Investment Properties The objective of IAS 40 is to prescribe the accounting treatment for investment property and related disclosure requirements.	Where properties are held for income generation or capital investment as their primary purpose then IAS 40 will apply. Such properties should be measured at their fair value, that is the cost option in the standard is withdrawn.
IAS 41 Agriculture The objective of IAS 41 is to prescribe the accounting treatment and disclosures related to agricultural activity, which is the management of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.	Not relevant.
IFRS 1 First-time Adoption of International Financial Reporting Standards The objective of IFRS 1 is to ensure that the entity's first IFRS financial statements contain high quality information that: ● is transparent for users and comparable over all periods presented; ● provides a suitable starting point for accounting under IFRS, and	Applies. The FReM lists interpretations: • That assets are carried at valuation; and • Entities may not use the "corridor" approach permitted in IAS 19 Employee Benefits.

Standard/Interpretation and its objective	Applicability to the NHS (as prescribed by the FReM)
● can be generated at a cost that does not exceed the benefits to users	
IFRS 2 Share-based Payment The objective of IFRS 2 is to specify the financial reporting by an entity when it undertakes a share-based payment transaction under which the entity acquires or receives goods or services.	Not relevant.
IFRS 3 Business Combinations IFRS 3 requires business combinations to be accounted for using the purchase method (also known as the acquisition method).	Applies in full to any combination of an NHS body with an entity outside the public sector. IFRS 3 does not apply to combinations involving entities under common control. The combination of two or more public sector bodies (i.e. entities within the boundary of the Whole of Government Accounts) into one new body, or the transfer of functions from one part of the public sector to another shall be accounted for using the absorption-based approach set out in the FReM. However, where two or more NHS trusts are dissolved and a new one established, there will be a new start, with public dividend capital set equal to the value of the net assets of the new body, as required under legislation.
IFRS 4 Insurance Contracts The objective of IFRS 4 is to specify the financial reporting for insurance contracts by an entity that issues such contracts (the insurer)	Not relevant.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations IFRS 5 sets out requirements for the classification, measurement and presentation of non-current assets held for sale.	Applies in full with the following interpretation: To qualify as 'discontinued operations' activities must cease completely. Responsibilities transferred from one part of the public sector to another are not discontinued operations. The 'value in use' of a non-cash-generating asset is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.
IFRS 6 Exploration for and Evaluation of Mineral Resources The objective of IFRS 6 is to specify the financial reporting for the exploration for and evaluation of mineral resources.	Not relevant.
IFRS 7 Financial Instruments: Disclosures The objective of IFRS 7 is to require entities to provide disclosures in their financial statements that enable users to evaluate • the significance of financial instruments to the entity's financial position and performances; and • the nature and extent of risks from financial instruments and how the entity manages those risks. Also see: IAS 32 *Financial instruments: presentation* IAS 39 *Financial instruments: recognition and measurement* IFRIC 9 *Reassessment of embedded derivatives*	Applies in full subject to the interpretations as set out above for IAS 32 and IAS 39. Additional disclosures required where: - financial assets derecognised in their entirety, but the entity has continuing involvement in them - financial assets are not derecognised in their entirety

IFRS 8 Operating Segments The objective of IFRS 8 is to require an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environment in which it operates.	Applies in full. Note: Unless already provided by IFRS 8 disclosures, NHS bodies are also required to provide the following fees and charges information for each income generation activity where the full cost is over £1m or is otherwise material: • the financial objective; • full cost; • income; • surplus or deficit; and • performance against the financial objective.
IFRS 9 Financial Instruments IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts.	**Issued but not adopted by the FReM** Deferred until January 2015 This forms the first phase in the ASB's project to replace IAS39.
IFRS 10 Consolidated Financial Statements The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.	**Issued but not adopted by the FReM** Published by IASB October 2010. Effective from 2014-15.
IFRS 11 Joint Arrangements The objective of the IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).	**Issued but not adopted by the FReM** Published by IASB May 2011. Effective from 2014-15.
IFRS 12 Disclosure of Interests in Other Entities The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate:	**Issued but not adopted by the FReM** Published by IASB May 2011. Effective from 2014-15.

(a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.	
IFRS 13 Fair Value Measurement This IFRS: (a) defines fair value; (b) sets out in a single IFRS a framework for measuring fair value; and (c) requires disclosures about fair value measurements.	**Issued but not adopted by the FReM** A FReM Exposure Draft (12)03 refers. The Standard is not yet adopted or included in the FReM.
SIC 7 Introduction of the Euro The requirements of IAS 21 regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover to the Euro.	Would apply in full but not relevant at present.
SIC 10 Government Assistance – No Specific Relation to Operating Activities Government assistance to entities meets the definition of government grants in IAS 20 even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants shall not be credited directly to equity.	Applies in full with the following interpretations: Parliamentary Supply does not fall within the meaning of government grants. Entities receiving a grant to fund the purchase of a specific asset should credit that grant to the revenue account, unless such conditions are attached to the grant that it cannot be recognised immediately (in which case the value of the receipt will be credited to deferred income).
SIC 12 Consolidation – Special Purpose Entities The objective of SIC 12 is to ensure that, regardless of the equity holding and control structure, where in substance the special purpose entity is controlled by the sponsor, it should be consolidated.	Applicable. NHS bodies within the resource accounting boundary shall only consolidate interests in other entities where: • the other entity is also within the resource accounting boundary; and • the parent entity exercises in-year budgetary control over the entity.

	Even so, there is an exemption if both bodies are consolidated by an ultimate parent. If either of the above conditions for consolidation are not met, the interest shall be shown as an investment. SIC 12 is superseded by IFRS 10 Consolidated Financial Statements which has a proposed FReM application date of 1 April 2014.
SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers Where venturers make non-monetary contributions in exchange for an equity share in a jointly controlled entity, the venturer recognises in profit and loss the element of any gain or loss that is attributable to the equity interests of the other venturers except when specific conditions are met.	Not relevant, as the FReM prescribes the method of accounting for investments in external entities. Withdrawn for periods starting on or after 1 January 2013 when SIC 13 is superseded by IFRS 11 Joint Arrangements.
SIC 15 Operating Leases – Incentives All incentives for the agreement of a new or renewed operating lease shall be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the nature of the incentive or the timing of payments.	Applies in full.
SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets The deferred tax liability or asset arising from the revaluation of a non-depreciable asset should be measured on the basis of the tax consequences that would follow from recovery of the carrying amount of that asset through sale, regardless of the basis of measuring the carrying amount of the asset.	Not relevant. Withdrawn for periods starting on or after 1 January 2012, when the SIC is superseded by the Deferred Tax: Recovery of Underlying Assets amendment to IAS 12.
SIC 25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders A change in tax status does not give rise to increases or decreases in amounts recognised directly in equity	Not relevant.

unless the consequences relate to transactions and events that result in a direct charge or credit to equity.	
SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease A series of transactions that involve the legal form of a lease is linked and shall be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.	Applies in full.
SIC 29 Service Concession Arrangements: Disclosures SIC 29 lists the disclosure requirements for service concession arrangements. Also see: IFRIC 12 *Service concession arrangements.*	The disclosures in SIC 29 'Service Concession Arrangements: Disclosures' should be provided for all PFI and LIFT schemes where they are accounted for as service concession arrangements.
SIC 31 Revenue – Barter Transactions Involving Advertising Services Revenue from an exchange involving advertising services cannot be reliably measured by reference to the fair value of the services received. This is because reliable information is not available to the seller to support such measurement. However, a seller can reliably measure revenue at fair value of the advertising service it provides in a barter transaction.	Applies in full.
SIC 32 Intangible Assets – Web Site Costs SIC-32 lays down the conditions for an entity to recognise internal web site development costs as an intangible asset	Applies in full.

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities IFRIC 1 prescribes the accounting for changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources, or a change in the discount rate.	The circumstances are unlikely to arise. If they do, applies in full.
IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments The entity must consider all the terms and conditions of the financial instrument in determining its classification as a financial liability or equity.	Not relevant.
IFRIC 4 Determining whether an Arrangement contains a Lease Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether: • fulfilment of the arrangement is dependent on the use of a specific asset or assets; and • the arrangement conveys a right to use the asset. See also: IAS 17 *Leases.*	Applies in full.
IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds The contributor to a fund shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay.	Not relevant.

IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment A liability for waste management costs for historical household equipment does not arise as the products are manufactured or sold. There is no obligation unless and until a market share exists during the measurement period.	Not relevant
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies In the reporting period in which the entity first adopts IAS 29, the entity shall apply the requirements of IAS 29 as if the economy had always been hyperinflationary.	Unlikely to be relevant.
IFRIC 9 Reassessment of Embedded Derivatives An entity shall assess whether an embedded derivative is required under IAS 39 to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.	Applies in full.
IFRIC 10 Interim Financial Reporting and Impairment An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. See also: *IAS 34 Interim Financial Reporting.*	NHS bodies are not required to publish interim financial reports at present. Applies in full to a body that elects to do so.

IFRIC 11: IFRS 2 - Group and Treasury Share Transactions	Unlikely to be relevant.
IFRIC 12 Service Concession Arrangements IFRIC 12 deals primarily with public-to-private service concession arrangements for the delivery of public services. It applies only to concession agreements where the use of the infrastructure is controlled by the grantor. Also see: SIC 29 *Service Concession Arrangements: Disclosures*	The FReM interprets IFRIC 12 to apply 'mirror accounting' arrangements to infrastructure service concession arrangements. In practice this means that the assets of most PFI schemes and many NHS LIFT schemes will be accounted for as Property, Plant and Equipment. The application of this interpretation is complex. NHS bodies should refer to both Treasury's guidance 'Accounting for PPP arrangements including PFI contracts under IFRS' in chapter 6 of the Financial Reporting Manual (FReM) at http://www.hm-treasury.gov.uk/frem_index.htm (6.2.49 et seq) and the DH guidance on accounting for PFI and NHS LIFT under IFRS published on the Download/IFRS section of the finman website.
IFRIC 13 Customer Loyalty Programmes An entity shall account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted.	Not relevant
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction An entity shall determine the availability of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan. An entity shall analyse any minimum funding requirement at a given date into contributions that are required to cover (a) any existing shortfall for past service on the minimum funding basis and (b) the future accrual of benefits. If an entity has an obligation under a minimum funding	Potentially relevant where NHS bodies have pension assets and liabilities for staff who remain in a Local Government Pension Scheme. FReM Chapter 12 lists the adaptations and interpretations of IAS 19 relevant to the public sector.

requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity shall determine whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan.	
IFRIC 15 Agreements for the Construction of Real Estate If an entity contracts to deliver goods or services in addition to the construction of real estate, the agreement may need to be split into separately identifiable components.	Not relevant
IFRIC 16 Hedges of a Net Investment in a Foreign Operation Hedge accounting may be applied only to the foreign exchange differences arising between the functional currency of the foreign operation and the parent entity's functional currency.	Unlikely to be relevant.
IFRIC 17 Distributions of non-cash assets to owners This interpretation clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners.	Applicable.
IFRIC 18 Transfer of assets from customers This interpretation clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service.	Applicable.
IFRIC 19 Extinguishing financial liabilities with equity instruments	Unlikely to be relevant

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Not relevant

Standards issued or amended but not yet adopted in FReM	
IFRS 9 Financial Instruments	Published October 2010. Date of adoption uncertain.
IFRS 10 Consolidated Financial Statements	Published May 2011 Expected to be effective in 2014-15
IFRS 11 Joint Arrangements	Published May 2011 Expected to be effective in 2014-15
IFRS 12 Disclosure of Interests in Other Entities	Published May 2011 Expected to be effective in 2014-15
IFRS13 Fair Value	Published May 2011 FReM adaptations under consideration. May be adopted in 2013-14
IAS 27 Separate Financial statements	Published May 2011 Expected to be effective in 2014-15
IAS 28 Associates and Joint Ventures	Published May 2011 Expected to be effective in 2014-15
IAS 32 Financial instruments – presentation (amendment)	Published December 2011 Expected to be effective in 2014-15

4. Financial Statements and Notes

Introduction

This chapter addresses the significant application issues that affect the Department of Health (DH) group and does not refer to International Financial Reporting Standards (IFRS) where there are no NHS-specific aspects to full IFRS application. It also outlines the additional requirements for group consolidation in general: there are additional requirements placed on NHS bodies (e.g. in handling prior-period adjustments, inter-authority transactions and reporting formats) that go beyond the straightforward application of Standards. The contents and structure of the formats and summarisation schedules are subject to development in the year, under HM Treasury's "simplification project", for example.

Primary statements: terminology

4.2. The various types of NHS organisation use different presentations for financial data. HM Treasury permits certain departures from the Government Financial Reporting Manual (FReM) and Department Yellow formats in the interest of presentations that most appropriately report underlying transactions and business activity. Differences arise mainly between those bodies that are Vote-funded, for example commissioning bodies such as Clinical Commissioning Groups (CCGs), and those that generate revenue receipts (e.g. NHS providers such as NHS Trusts and NHS Foundation Trusts). Thus, the former will have a Statement of Comprehensive Net Expenditure (SoCNE), while the latter will have a Statement of Comprehensive Income (SOCI). Again, the former will have a General Fund, while the latter will have a Retained Earnings Reserve.

Summarisation schedules

4.3. In addition to the statutory annual report and accounts produced by each entity, bodies need to communicate the same data, with further analysis to permit consolidation, to the Department, NHS England or Monitor in a standard format that can be automatically processed. For example, where NHS bodies will report intra-group transactions at a relatively summarised level appropriate for local reporting, more extensive entity-by-entity figures are required to meet the practical requirements of consolidation.

4.4. Summarisation schedules are therefore produced for each reporting entity by the body the entity reports to. For example, NHS Foundation Trusts (FTs) report directly to their regulator, Monitor, which submits consolidated information to DH. While such schedules are not formally audited, audit assurance that the schedules and accounts are consistent is sought. The Department is then able to establish that the national consolidated account is based on underlying audited accounts data.

4.5. Summarisation schedules are produced towards the end of the financial year and are supported by detailed completion instructions. NHS bodies will wish to adapt their Annual Reports and Accounts to reflect their unique business requirements and to meet the needs of their stakeholders (e.g. by adding detail to some notes and disclosures and omitting others where immaterial). Summarisation schedules, as computer-input documents, cannot be amended locally and must be completed as set out in completion instructions from the organisations that issue them.

Accounting policies and materiality (IAS 1, IAS 8)

4.6. DH group entities must adopt the accounting policies set out in this manual and shown in the example accounts format's Accounting Policies Note. While IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, permits entities to select appropriate accounting policies, DH group reporting requirements requires that the same standards are be applied consistently across the group.

4.7. While an individual body's statutory accounts may be edited, for example to avoid disclosures of immaterial transactions, for example, summarisation schedules may not be edited and all specified disclosures should be completed.

Estimation and judgement

4.8. Under IAS 1, *Presentation of Financial Statements*, NHS bodies should disclose information about key sources of estimation uncertainty at the Statement of Financial Position (SoFP) date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Notes must give details of their nature and carrying amount at the SoFP date.

4.9. The determination of the carrying values of some assets and liabilities may require estimation of the effects of future uncertain events. Examples include the estimation of the recoverable amount of plant, property and equipment in the absence of recently observed market prices, or the assumptions underlying the estimation of material provisions.

Gross and Net accounting

4.10. The overarching principle is that transactions should be accounted for in accordance with accounting standards, with all treatments having been agreed by both parties. Generally, this means revenue income and expenditure should be recorded gross unless the transaction is of a non-trading nature and an organisation is deemed to be acting solely as an agent and does not gain any economic benefit from the transaction. One example of where it may be appropriate to account for transactions on a net basis relates to employee benefits, where a member of staff is employed jointly by a NHS trust and another NHS body, that is, part-time for each. In this case, only the element of the salary relating to the Trust should be recorded as expenditure as in substance the employee works for both organisations and the recharge is merely an administrative arrangement.

4.11. Similarly, for full-time staff secondments, it is necessary to ensure that the national summarised accounts correctly consolidate employee benefits, and only costs and numbers of staff actually providing service for an individual body are reported in that account. As such it is important that each arrangement is assessed individually against the relevant accounting standards and that the treatment is agreed between parties to avoid mismatches during the agreement of transactions and balances process.

4.12. Where one NHS body "A" does work for another "B" on an agency basis, (for example, ordering supplies in bulk to gain efficiencies, then passing supplies on the B and recharging appropriately) and does not gain any economic benefit from the transaction, the transactions it processes on behalf of the other body should not be reflected in the A's accounts. Where "A" is paid for providing the service and adds value to the process, a gross accounting approach would be appropriate. Transactions that are of a trading nature should be shown as gross by both parties.

Going concern

4.13. The FReM (2.2.15) notes that in applying paragraphs 25 to 46 of IAS 1, preparers of financial statements should be aware of the following interpretations of Going Concern for the public sector context.

- For non-trading entities in the public sector, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. However, a trading entity needs to consider whether it is appropriate to continue to prepare its financial statements on a going concern basis where it is being, or is likely to be, wound up.
- Sponsored entities whose statements of financial position show total net liabilities should prepare their financial statements on the going concern basis unless, after discussion with their sponsors, the going concern basis is deemed inappropriate.
- Where an entity ceases to exist, it should consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern in its final set of financial statements.

4.14. Should a NHS body have concerns about its "going concern" status (and this will only be the case if there is a prospect of services ceasing altogether) it should raise the issue with the Department as soon as possible.

Prior period adjustments (PPAs)

4.15. This manual makes a clear distinction between:

- Those PPAs required as a result in a change in accounting policy (a "national" PPA), and
- PPAs that are required under IAS 8 to correct material errors in the accounts ("local" PPAs).

4.16. In the case of the former, the FReM will usually prescribe the appropriate handling arrangements, and the Department will issue detailed guidance on restatement of accounts and the collection of restated data via summarisation schedules where appropriate, even if immaterial at a local body level.

4.17. For 2013-14, the consolidation of NHS Charitable Funds into underlying accounts in accordance with IAS 27, *Consolidated and Separate Financial State*ments, is likely to will require prior-year restatement, where material in prior or current year, as a change in [the application of] accounting policies. For more information, see the section on the consolidation of charitable funds below.

4.18. Local PPAs present difficulties in terms of reconciling local accounts data with that in national consolidated accounts. Generally, the correct application of IAS 8 will result in a requirement for local accounts to be restated, but will prohibit a matching national restatement (as the different materiality levels operating locally and nationally affect the decision on whether to restate).

4.19. As a result, individual local PPAs may appear in the statutory accounts but such PPAs will not be disclosed in the summarisation schedules. If the national consolidated account is not to be restated, it follows that opening 1 April xx balances reported to the Department must be identical to closing 31 March xx balances. Similarly, at the national level, prior period comparator income and expenditure figures will be unchanged.

4.20. The resulting inconsistency between local accounts and the summarisation schedules based on those accounts is handled by clear disclosures of the nature and impact of the PPA (as required by IAS 8) and a detailed reconciliation in the schedules between the accounts and the schedules opening balances.

Events after the reporting period

4.21. IAS 10, *Events after the Reporting Period*, is applicable: it states the requirements as to whether events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period (the latter being disclosed where material).

4.22. NHS bodies treated the closure of SHAs and PCTs on 1 April 2013 as non-adjusting events after the reporting period, as their 2012-13 statements were prepared on a going concern basis and the reporting of balances and transactions in that year were not directly affected by transition. Entities that close at the end of 2013-14 (whether formally on 31 March or 1 April 2014) are likely to report the event in the same way (unless going concern considerations apply and/or the successor entity is a body outside the public sector).

Absorption accounting

Transfer of functions within the public sector (other than 1 April 2013 transition)

4.23. The FReM requires a form of absorption accounting in the public sector below Department level. Annex 9 outlines the normal application of absorption accounting in the NHS.

4.24. Annex 10 notes the agreed departure from the FReM in respect of transition and closure of bodies on 1 April 2013. This departure from FReM is that the counter entry to the SOFP transaction dr/cr asset is to the General Fund/retained earnings reserve rather than current year income or expenditure.

4.25. In each case, revaluation reserves are preserved by means of a subsequent transaction (dr General Fund/retained earnings reserve, cr revaluation reserve).

4.26. Neither treatment requires restatement of prior-year results.

Charitable funds consolidation

4.27. Until 2012-13, Treasury required that NHS charitable funds were excluded from consolidation (the Office for National Statistics (ONS) classification of NHS Charitable Funds to the public sector required Resource Account consolidation, but this was not reflected in local accounts). From 2013-14 however, the FReM requires that IAS 27, *Consolidated and Separate Financial Statements*, is followed in this respect. Where the standard's IAS 27 criteria of control are satisfied, related charitable funds will be consolidated in the accounts of the individual entity.

4.28. As this is a change in national accounting policy, IAS 8 requires the restatement of comparators for 2012-13, with accounts presenting the SOFP position at 1 April 2012, 31 March 2013 and 31 March 2014 as if the a charitable fund had always been consolidated.

4.29. Detailed guidance and amended summarisation schedules will be issued to facilitate restatement and consolidation. Both local accounts and summarisation schedules will be presented so as to identify the NHS body's own transactions and the consolidated position in separate columns.

4.30. Charitable funds' balances and transactions with the linked NHS body must be identified and eliminated in local consolidations. Further, elimination data (i.e. transactions and balances with other DH group or Whole of Government Accounts (WGA) entities) will need to be submitted to the Department to permit consolidation with other bodies at the group level.

4.31. The charitable fund accounts themselves are prepared under the Charities Statement of Recommended Practice (SORP) which is UK GAAP based. Further, the legislative timetable for the production of the charity accounts to be submitted to the Charities Commission does not agree with fall within the NHS accounts' timetables. NHS bodies will need therefore to arrange to make the required consolidation adjustments to (a) align the charitable funds results with those prepared under IFRS and FReM; (b) eliminate transactions and balances between the host NHS body and the related funds; and (c) obtain charitable funds data in time to meet the entity's own accounts timetables.

Other business combinations (IFRS 3)

4.32. IFRS 3, *Business Combinations*, does not apply to combinations involving entities under common control. Public sector bodies are deemed to be under common control, so IFRS 3 is applicable only to those business combinations that involve an entity or entities outside the public sector (as defined by the ONS).

4.33. Where IFRS 3 is applicable, the combination is accounted for at fair value at the date of combination. Goodwill arising from the transaction is accounted for as an asset: it is not amortised but is subject to impairment testing as required by IAS 36 Impairment of Assets.

Subsidiaries, associates, joint ventures.

4.34. The following Standards are relevant, subject to the FReM guidance on applicability:

- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 31 *Interests in joint Ventures*
- *SIC 12 Consolidation – Special Purpose Entities*
- *SIC 13 Jointly Controlled Entities – non-monetary contributions by venturers*

4.35. The group boundary is determined by the control criteria used by the ONS, rather than by reference to the Standards above.

4.36. Public bodies that would fall to be consolidated within the group accounts under these Standards will only be consolidated if they have been classified to the Departmental group by the ONS. If they are not classified in this way, an entity's investment in the subsidiary or associate should be reported as an asset under IAS 39, *Financial Instruments: Recognition and Measurement*.

Merger accounting

4.37. The FReM gives guidance on merger accounting. It is unlikely that NHS bodies will need to apply merger accounting as the arrangement applies to "machinery of Government" transactions that cross Departmental boundaries – transactions with Local Authorities will be dealt with by use of "absorption accounting". Even where the cross-Departmental arrangement applies, the local body will apply absorption accounting (see above para 4.23 et seq). The Department will however bring the transaction to account using merger accounting.

4.38. NHS bodies therefore need to be aware of the circumstances in which merger accounting will be required in the group account, so that the Department can be advised of the arrangement on an individual case basis.

Business combinations etc. disclosures

4.39. A NHS body that receives the transfer of functions, assets or liabilities must disclose:

- the fact that the transfer has taken place
- a brief description of the transfer, including:
  - the date of the transfer
  - the name of the body that transferred the function, and
  - the effect on the financial statements.
- the historical financial performance of the function, to enable users to understand the operational performance.

4.40. The party that transfers the functions, assets or liabilities outwards should provide similar disclosures. Where that body has dissolved, the final set of accounts should contain an "events after the balance sheet date" disclosure, giving this detail.

4.41. Summarisation schedules will require more a detailed analysis to enable the transitions to be reconciled between transferor and transferee.

Statement of Comprehensive Net Expenditure (SOCNE) / Statement of Comprehensive Income (SOCI)

Administration and programme expenditure analysis

4.42. The consolidated DH group must analyse revenue and expenditure as administration or programme. Whilst the revenue and expenditure of NHS Trusts and Foundation Trusts, will be exclusively programme, other bodies are required to carry out this analysis in such a way that transactions can be eliminated correctly, by programme and admin splits, on consolidation. Detailed accounts and consolidation schedules formats and guidance are issued separately to those bodies reporting on this basis.

Gains and losses on transfers by absorption

4.43. The general structure of the SOCNE/SOCI is given in the Chapter 5 example accounts format. A notable departure from IAS 1 formats is the presentation of gains or losses arising from transfers (of assets and liabilities) by absorption. Where these occur, the counter-entry to the SOFP addition/reduction in asset values is a credit to realised income in the year (gain) or a charge to expenditure (loss). These items are shown in the SOCNE/SOCI below net operating costs, but before "other comprehensive income". They thus impact on the performance of the entity for the year. (Note the special arrangement in respect of 1 April 2013 "transition" events: paragraph 4.23 above refers).

4.44. For NHS trusts, an adjustment to reported performance for the period is permitted: this removes the impact of such gains and losses from the reported underlying "breakeven" performance of the trust.

Income

4.45. IAS 18, *Revenue*, applies, and the classification of types of income is shown in the example accounts format. Vote-funded entities must distinguish between Parliamentary Funding and income: it is possible for entities to receive cash from the Department in either category. FReM (11.2.15) details those items that must be dealt with through the General fund and not as income. A rule of thumb is that entities will recognise income where it delivers a specific service or provides goods to the Department, using usual order and invoicing systems.

4.46. Income and expenditure (in addition to the analysis by category required by the group account) must be analysed by intra-group or intra-WGA counter-party to permit consolidation. More detail is given on the DH website to assist with the 'Agreements of Balances' process.

4.47. As noted above, the "gross" accounting principle applies to intra-NHS transactions. By default, income and expenditure are recorded separately and not netted off. For some transactions (for example, where a body acts as an agent for another and receives no consideration for providing a service), it is appropriate to account "net" with the agent excluding both income and expenditure from its books.

Partially completed treatments spells

4.48. Partially completed treatment spells can pose practical difficulties, particularly between commissioners and providers of healthcare. Both parties should consider the terms of the contracts that they have entered into to determine how revenue should be recognised in accordance with IAS 18.

4.49. From the provider viewpoint, where it is certain to receive the income for a treatment or spell once the patient is admitted and treatment begins then the income for that treatment or spell can start to be recognised at the time of admission and treatment starting. Costs of treatment are then expensed as incurred.

4.50. Income relating to those spells which are partially completed at the financial year end should be apportioned across the financial years on a pro rata basis. This basis may be the expected or actual length of stay or may be based on the costs incurred over the length of the treatment. It is for the provider and commissioner to establish and agree a suitable pro rata basis, and where material, disclose this in the accounting policy note.

4.51. It is of course essential that both parties share information to ensure consistent income and expenditure entries across the group.

Government grants (IAS 20) and donations

4.52. NHS bodies should apply IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, to the treatment of government and other grants, with the following interpretations.

- The option in IAS 20 to deduct the grant from the carrying value of the asset is not permitted
- Grant income relating to assets is recognised within income when the entity becomes entitled to it. Where the grantor imposes conditions about the use and application of the grant or donation the grant is recognised as deferred and carried forward to future financial years to the extent that the condition has not yet been met.

4.53. A grant for an asset may be received subject to a condition that it is to be returned to the grantor if a specified future event does or does not occur. For example, a grant may need to be returned if the entity ceases to use the asset purchased with that grant for a purpose specified by the grantor. In these cases, a return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such a condition would not therefore require the grant to be treated as deferred.

4.54. Credits arising from receipt of grants and donations are taken to the SOCNE/SOCI.

Statement of Financial Position (SOFP)

4.55. IAS 1, *Presentation of Financial Statements*, refers. The content and format of the SOFP is set out in Treasury's Department Yellow example format and reflected in Chapter 5 of this manual. The Chapter 5 format specifies the required analysis of Plant, Property and Equipment (PPE) and intangible non-current assets by category of asset.

4.56. Assets and liabilities must be analysed as "current" and "non-current" on the face of the SOFP. IAS 1 provides the following definitions:

4.57. An asset shall be classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle
- it is held primarily for the purpose of being traded
- it is expected to be realised within twelve months after the end of the reporting period, or
- it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

All other assets shall be classified as non-current.

4.58. A liability shall be classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the entity's normal operating cycle
- it is held primarily for the purpose of being traded
- it is due to be settled within twelve months after the end of the reporting period, or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities shall be classified as non-current.

4.59. IAS 1 adds that "the operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents" and that "when the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months". The standard requires that where an asset or liability line in the statement of financial position combines amounts that fall due within and beyond one year, the split must be disclosed in the notes.

Statement of Comprehensive Taxpayers Equity (SOCTE)

4.60. The relevant standards are IAS1, *Presentation of Financial Statements*, and IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Points to note on the example accounts format:

- "Release of reserves to SOCNE/SOCI" shows transfers that are required e.g. on disposal of available-for-sale assets where earlier revaluation gains have been taken to the revaluation reserve
- "Reserves eliminated on dissolution" should be used only by those bodies involved in mid-year reconfigurations. It allows bodies closing before 31 March to reflect the disposal of their net assets and elimination of reserves in the period. Bodies that have merged mid-year should use this line to make adjustments for any reserves that have been eliminated as part of the merger.

"Transfers between reserves" include those:

- between the revaluation reserve and retained earnings, for the excess of current cost depreciation over the depreciation amount that would have been charged on a historic cost basis
- from the revaluation reserve to retained earnings where there is disposal of an asset with a balance in the revaluation reserve, or
- from the revaluation reserve to retained earnings in respect of "economic" impairments charged to the revenue account.

4.61. For NHS trusts and FTs: Public Dividend Capital (PDC) is issued only by Statutory Instrument (SI), in the case of a NHS trust's Originating Capital, or by drawing down cash from DH. Therefore, the only adjustments trusts can make to PDC balances are those notified by DH. When appropriate, "New PDC received" and "PDC repaid in year" must be gross figures. The line "PDC written off" should be used, if appropriate, for a mid-year merger and in the rare event that PDC write-off is agreed by Treasury. "Other movements in PDC in-year" is used for "non-cash" PDC received on establishment.

Statement of Cash Flows (SOCF)

4.62. The relevant standard is IAS 7, *Statement of Cash Flows*. For foreign exchange entries, the relevant standard is IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Points to note on the example accounts format:

- Amounts must be shown gross. This is very important for receipts and repayments of loans and PDC (where relevant), to enable DH reconciliations
- Non-cash elements of the operating surplus are now eliminated on the face of the Statement of Cash Flows
- "Net foreign exchange gains/(losses)" are those arising during the year. It does not include gains/losses accruing on the restatement of cash and cash equivalents at the end of the year (see below)
- "**Dividends paid**" (NHS trusts, FTs) is the actual amount paid during the year
- "**Rental proceeds**" is cash received under rentals recognised in Note 14 "*Investment Revenue*", that is:
    - normal planned rentals under finance leases where the NHS trust is the lessor, and
    - PFI contingent rental revenue where the NHS body sub-leases a PFI asset and where annual charges are increased by the full uplift in RPI each year.
- "**Public Dividend Capital received/repa**id" refer only to cash movements in PDC (NHS trusts and FTs only)
- "**Other capital receipts**" includes government grants and donations from NHS charitable funds, to buy non-current assets
- "**Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies**". This is the gain/loss on the restatement of year end cash and cash equivalent balances using foreign exchange rates ruling at the year end. This, plus the foreign exchange gains and losses, above, will equal the total "gain/loss on foreign exchange" in the "other gains and losses" note

4.63. **Cash and cash equivalents** in the Statement of Cash Flows should include bank overdrafts where they are repayable on demand and form an integral part of the entity's cash management. This is different to the treatment in the Statement of Financial Position, where IAS 39 prohibits overdrafts from being set-off in this way.

Notes to the Accounts

Note 1 - Accounting policies

4.64. The relevant standards are IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Points to note:

- NHS bodies must use the accounting policies given in Note 1 of the example accounts in Chapter 5. This enables DH to prepare valid summarised accounts. Alternative policies are only allowed where indicated in the example accounts
- An individual policy should be omitted from the note if it has no material application in the entity.

4.65. Extra information must be included where necessary to give a true and fair view.

Note 2 - Pooled budgets

4.66. The relevant standard is IAS 31, *Interests in Joint Ventures*. Annex 1 refers. Points to note:

- Inclusion of a pooled budget note in the accounts is optional
- When involved in such an arrangement, a NHS body must bring only its share of the transactions and balances of the arrangement to account. Where cash is held in a "pooled budget", each party must bring its own share of that cash to account (i.e. one partner may hold cash on behalf of another, but each will bring a proportion of that cash to account).

Note 3 - Operating segments

4.67. The relevant standard is IFRS 8, *Operating Segments*. An operating segment is a component of an entity:

- that engages in activities from which it may earn revenues and incur expenses (including revenue and expenses generated internally)
- whose operating results are regularly reviewed by the entity's "chief operating decision maker" (CODM) to make decisions about resource allocation to the segment and assess its performance, and
- for which discrete financial information is available.

4.68. A separate segment must be reported only if it exceeds one of the quantitative thresholds: 10% of revenue, profit/loss or assets; unless this would result in less than 75% of the body's revenue being included in reportable segments. An "all other segments" category must be included, as part of the reconciliation to total revenue, profit or loss, and assets.

4.69. The amounts reported for each operating segment should be the amounts reported to the CODM. Only those elements of cost, revenue, assets and liabilities that are used by the CODM for the purposes of allocating resources and measuring performance should be given.

4.70. The example accounts operating segments note is an example only: alternative formats can be used.

Note 4 - Income generation activities

4.71. There is no relevant accounting standard: this note is a Treasury requirement.

4.72. In addition to reporting operating segments under IFRS, Treasury's FReM requires bodies to provide additional disclosures for fees and charges raised under legislation, where the full cost exceeds £1 million or the service is otherwise material in relation to the accounts. This includes NHS income generation activities. Where the additional disclosures are shown separately in the Note 3, Operating Segments, they do not need to be repeated.

Note 5 - Revenue from patient care activities

4.73. (Not relevant for all types of entity). The relevant standard is IAS18, *Revenue*. Points to note:

- Revenue from patient transport services should only be included here by ambulance trusts. Non-ambulance trusts include patient transport services under "Other Operating Revenue"
- "Local Authorities" includes income from them under patient care joint arrangements and for delayed discharges.

4.74. Injury costs recovery (ICR) revenue should be accrued only when form NHS2 has been received and it has been confirmed from the NHS provider's records that injury treatment has been given. If there are discrepancies that need investigating, income should not be accrued. On average, the Compensation Recovery Unit advise that there is an 12.6% [to be updated during the year] probability of not receiving the income.

4.75. Therefore, if it is material, 12.6% of accrued ICR revenue should be included under the "Provision for impairment of receivables" heading within operating expenses. However, where providers have evidence that this rate is not correct then they should use their own local information to inform the provision.

4.76. "Non-NHS – other" records all income for the provision of patient care services from sources other than those detailed above, such as prescription charges, income from social care clients and income from Scottish, Welsh and Irish bodies.

Note 6 - Other operating revenue

4.77. The relevant standard is IAS 18, *Revenue*. Points to note:

- **Education, training and research** includes income under contracts with DH from centrally held budgets and Health Education England
- **Charitable and other contributions to expenditure** is the total of all grants and other non-exchequer money received in support of the revenue activities of the entity, including transfers from grant deferred income. Where a contribution to expenditure is received in the form of a benefit in kind, the value of the benefit should be disclosed here and under the appropriate operating expenses line
- **Non-patient care services to other bodies** covers income from the provision of services such as laundry, pathology, payroll, internal audit, training, to bodies both within and outside the NHS
- **Income generation** is any income from non-patient-care activities that are designed to create surplus income, such car-parking
- **Rental revenue** is the total revenue (normal and contingent) from operating leases where the body is the lessor. It also includes contingent rent from finance leases, but not from sub-leasing PFI where the annual payment increases annually by the full uplift of RPI (see Note 12). Guidance on this subject is given in Annex 4 to this chapter
- **Other revenue** is any income not chargeable to the above headings, such as staff payments for use of cars provided by the body, and income received directly from the Department of Health for non-patient care services. It also includes, in respect of PFI schemes:
  - the release of the deferred credits for PFI “free” lifecycle items
  - the release of deferred credits in respect of balances relating to schemes funded principally by third parties
  - the element of the unitary payment received from sub-lessee entities in respect of services

  Guidance on these is in the document “Accounting for PFI under IFRS“, which is in the download/IFRS section of the finman website.

Note 7 - Revenue

4.78. The relevant standard is IAS 18, *Revenue*, paragraph 35(b).

4.79. Gross accounting is the default position for NHS bodies unless the transaction is of a non-trading nature and an organisation is deemed to be acting solely as an agent and does not gain any economic benefit from the transactions. In some circumstances, where each party agrees the accounting treatment and the sums involved, it may be appropriate to report net expenditure where entities share or jointly incur expenditure as opposed to entering into inter-authority trading transactions.

Note 8 - Operating expenses

4.80. (The analysis will vary by types of entity, and immaterial items may be combined in accounts, but not in summarisation schedules). The relevant standards are IAS 1, *Presentation of Financial Statements*, paragraph 99 and IFRS *7*, *Financial Instruments: Disclosures*, paragraph 20(e). The cost of services provided under PFI schemes should be shown under relevant headings. Operating lease rentals (normal and contingent) and finance lease contingent rentals (but not PFI contingent rentals where the annual unitary payment increases by the whole of RPI each year) should be included under the relevant heading. See Annex 4 to this chapter.

4.81. **Services from other NHS bodies** should be used only when services cannot be allocated to other expense lines. Recharges should be shown under the operating expense heading to which the recharge relates rather than under these headings.

4.82. **Purchase of healthcare from non-NHS bodies** includes private patient care bought by the entity, and expenditure on healthcare from Scottish, Welsh and Irish health bodies.

4.83. **Chair & Non Exec Directors (to be excluded from Employee Benefits)**: This line records the allowances paid to the Chair and non-executive directors. These are not included under employee benefits.

4.84. **Employee Benefits**: This records all NHS body employee benefits, excluding any costs that are capitalised. It equals, and is recorded on the same basis as, the figure for non-capitalised employee benefits on the Employee Benefits Note.

4.85. When staff are employed on research and development activities, include their cost here rather than under the “Research and development” line.

4.86. **Supplies and services - clinical**. This is current expenditure on supplies and services for clinical use. It includes expenditure on occupational and industrial therapy materials, drugs, medical gases, dressings, X-ray equipment, and blood. It also includes expenditure under related maintenance contracts.

4.87. **Supplies and services - general** is current expenditure on such things as cleaning equipment, materials and external contracts; food and contract catering; hardware and crockery; and staff uniforms, patient clothing, laundry and bedding and linen.

4.88. **Consultancy services**. This line records spending on management consultancy. Please see Annex 5 for a detailed description of what should be included here.

4.89. **Establishment** is current expenditure on administrative expenses such as printing and stationery, advertising and telephones.

4.90. **Transport** includes all transport-related current expenditure, such as vehicle insurance, fuel, maintenance equipment, materials and external contracts.

4.91. **Premises** includes current expenditure on rates, electricity, gas and furnishings and fittings.

4.92. **Provision for impairment of receivables** should include 12.6% of accrued injury cost recovery (ICR) revenue to reflect the average value of claims withdrawn, as advised to DH by the Compensation Recovery Unit. Where a provider has evidence of its specific rate of withdrawal, that figure should be used instead. Further guidance on ICR can be found on the "finman" site at http://www.info.doh.gov.uk/doh/finman.nsf/4db79df91d978b6c00256728004f9d6b/a47831c49cbf5c23002569ba003aaaae?OpenDocument.

4.93. **Other auditor's remuneration**: This excludes any internal audit costs, where not provided by an external auditor. Companies (Disclosure of Auditor Remuneration and Liability Agreements) Regulations 2008, as amended by the Companies Act (Disclosure of Auditor Remuneration and Liability Agreements) (Amendment) Regulations 2011 require, in addition to the audit fee, disclosure of non-audit fees across detailed headings. For consolidation purposes, DH collects details as analysed below, but NHS bodies will wish to consider fuller accounts disclosures in line with the Regulations:

- audit fee for associated companies
- taxation services
- IT services
- internal audit services
- valuation and actuarial services
- litigation services
- recruitment and remuneration services
- all other services

4.94. **Clinical negligence** is the entity's contribution to the NHS Litigation Authority.

4.95. **Research and Development**: where research and development expenditure can be separated from patient care activity, it should be recorded here but the cost of staff employed on R&D activity should be included under "Other Employee Benefits" rather than here.

4.96. **Other** includes movements of provisions for emissions made under the EU Emissions Trading Scheme (see para 4.193-4.199) and compensation paid to cover debt recovery costs under the Late Payment of Commercial Debts (Interest) Act

1998. It does not include Interest on late payment of commercial debt, which is recorded under "Finance Costs" on Note 14.

Note 9 - Operating Leases

4.97. The relevant standards are IAS 17, *Leases*, SIC 15, *Operating Leases – Incentives*, SIC 27, *Evaluation the Substance of Transactions Involving the Legal Form of a Lease*, IFRIC4, *Determining whether an Arrangement contains a Lease*.

4.98. A contingent rent is the portion of a lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time, such as, percentage of future sales or future price indices.

Note 10.1 - Employee benefits

4.99. This note is a requirement of the Companies Act 2006, section 411. IAS 19, *Employee benefits*, is relevant. Points to note:

- The figures exclude non-executive directors but include executive board members and staff recharged by other NHS bodies. The total (after deduction of capitalised staff costs) will equal that for "employee benefits" in the expenses note which excludes all non-executive directors' costs and any staff costs that have been capitalised
- Permanently employed staff – this is staff directly employed by the entity and includes staff on outward secondment or on loan to other organisations. The recovery of the cost of these staff should be netted off only where the transaction is deemed to be non-trading in nature and where the organisation is acting solely as an agent and does not gain any economic benefit from the transaction.
- The "Other" column includes those on inward secondment or loan from other organisations, agency staff and those engaged on a contract to undertake a project or other temporary task. It does not include amounts payable to contractors for services, that is, where the staff remain under the control of the contractor
- "Salaries and wages" exclude termination benefits (redundancy payments) and the value of non-monetary benefits
- "Social security costs" is the total of the employer's national insurance contributions net of statutory maternity pay deductions
- "Employer contributions to NHS Pension Scheme" does not include early retirement costs
- "Other pension costs" includes early retirement costs and pension costs to non-NHS schemes, such as a local government scheme

- A line has been provided for “other post-employment benefits”, although NHS bodies are unlikely to have anything to record. IAS 19 gives the examples of post-employment life insurance and medical care
- Termination benefits will include redundancy payments, MARS and compensation for loss of office.

Note 10.2 - Staff numbers

4.100. This note is a requirement of the Companies Act 2006, section 411. Points to note:

- This note is analysed over the same column headings as employee costs, above, and the same definitions apply. Staff on outward secondment should not be included in the average number of employees
- In allocating employees to categories, the employee definitions should be those in the Information Centre’s Occupational Code Manual:http://www.ic.nhs.uk/statistics-and-data-collections/data-collections/information-supporting-our-data-collections
- The average number of employees is calculated as the whole time equivalent number of employees under contract of service in each week in the financial year, divided by the number of weeks in the financial year. The “contracted hours” method of calculating whole time equivalent number should be used, that is, dividing the contracted hours of each employee by the standard working hours.

Ill health retirements

4.101. The number of people retired of ill health grounds and the associated additional accrued pension liabilities should be disclosed. Further information and guidance on completion of this note will be issued at year-end on the “finman” website.

Note 10.3 - Staff Sickness disclosures

4.102. NHS bodies are also required to make a report on staff sickness. This disclosure is not necessarily required in the accounts themselves but must be included in the annual report and on summarisation schedules. Details of the disclosure are included in the guidance for summarisation schedules.

Note 10.4 - Exit Packages

4.103. NHS bodies must provide an analysis of exit packages agreed during the financial year. The bandings for these are set out in the example contained in Chapter 5. Exceptionally in the accounts, this note is not on an accruals basis, rather it should be completed on the basis of the date when an agreement for the departure was made.

Note 10.5 - Pension costs

4.104. The relevant standard is IAS 19, *Employee Benefits*. A standard pensions disclosure note is provided each year by NHS BSA and this is made available on the 'finman' website.

Note 10.6 – Severance payments

[Guidance to follow]

Note 11.1 - Better Payment Practice code – measure of compliance

4.105. The note reports compliance with the better payment practice code in respect of invoices received from both NHS and non-NHS trade creditors. The code is summarised as:

- Target: pay all NHS and non-NHS trade creditors within 30 calendar days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed
- Compliance: at least 95% of invoices paid (by the bank automated credit system or date and issue of a cheque) within thirty days or within agreed contract terms.

Points to note:

- The note must relate to all invoices paid during the year, excluding those issued up to 31 March that are in dispute at the year-end
- Further details and guidance on the Better Payment Practice Code and "A User's Guide to late payments legislation" can be found at http://www.payontime.co.uk.

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

4.106. The Late Payment of Commercial Debts (Interest) Act 1998 allows entities to claim interest on the late payment of debts by contracting partners.

Note 12 - Investment revenue

4.107. The relevant standards are IAS 17, *Leases*, IAS 18, *Revenue*, paragraph 35(b), IFRS 7, *Financial Instruments: Disclosures*, paragraphs 20(b) and (d).

4.108. PFI contingent rental revenue is the contingent rent received under a PFI sublease under which the annual payment increases by the whole RPI uplift each year. See Annex 4, Lease Accounting Entries, below.

4.109. Other finance lease revenue is the finance cost element of finance leases where the entity is the lessor.

4.110. **"Other loans and receivables"** includes the interest element of finance leases where the entity is the lessor.

4.111. Where any financial asset has been impaired (directly or through the "provision for impairment of receivables" account) any investment revenue receivable (e.g. interest; unwinding of discount on long-term financial asset) should be disclosed under "impaired financial assets" in this note.

Note 13 - Other gains and losses

4.112. The relevant standards are IAS 1, *Presentation of Financial Statements*, paragraph 98(c) and (d), and IFRS 7, *Financial Instruments: Disclosures*, paragraph 20. Realised overage should be included as a gain on disposal of property.

4.113. Guidance on financial instruments is given in Annex 3, Financial Instruments, below.

Note 14 - Finance costs

4.114. The relevant standard is IFRS 7, *Financial Instruments: Disclosures*, paragraph 20(b)

4.115. Interest on loans includes interest payable on loans received under the capital loans and deposits scheme.

4.116. Guidance for "interest on obligations under PFI contracts" is available in the document "Accounting for PFI under IFRS", which is available on the download/IFRS section of the "finman" website.

4.117. Interest on late payment of commercial debt must equal the amount disclosed in the note "The Late Payment of Commercial Debts (Interest) Act 1998.

4.118. Other interest expense includes interest on early retirements payable over five instalments.

4.119. Other finance costs include unwinding of the discount on provisions and the net finance cost of non-NHS pension schemes (see Annex 2, Accounting for Defined Benefit Pension Schemes).

Note 15 - Property, plant and equipment

4.120. The relevant standard is IAS 16, *Property, Plant and Equipment*, and IFRS 5, *Non-current assets held for sale and discontinued operations*. NHS bodies are required to follow the revaluation model. FReM guidance (6.2.7) and the associated guidance on the Treasury website refers. Annex 7, Valuation Issues, discusses revaluation issues in the NHS context.

4.121. For "in use" non-specialised property assets fair value should be interpreted as market value for existing use. For specialised property for which no effective market exists, “fair value” is deemed to be the depreciated replacement cost for a modern equivalent asset (i.e. one that is capable of delivering the same throughput or volume of service).

4.122. Note that a Treasury consultation is underway in 2013-14, consequent on the issue of IFRS 13, *Fair Value*. FReM amendments in the future are likely to include adaptations and interpretations of this standard for the public sector.

4.123. The example accounts format at Chapter 5 provides the categorisation of PPE into the required headings.

4.124. Asset transactions between NHS bodies must be dealt with as non-cash transfers, accounted for under the absorption accounting methodology (where these are in connection with a transfer of functions or “machinery of Government” change).

4.125. Disposals by sale do not feature in this note as assets are reclassified as “non-current assets held for sale” before the sale.

4.126. Charges on properties will result in the property being included in this note if the conditions of IFRIC 12 (as adapted by the FReM) or IFRIC 4 apply. See the guidance Accounting under IFRS for properties where a body holds a legal charge on the Download/IFRS section of the Finman website.

4.127. **Land** includes land underlying buildings. Land underlying or associated with dwellings should be separately disclosed.

4.128. **Dwellings** are buildings used entirely or primarily as residences. Include any associated structures, such as garages, and parking areas.

4.129. **Assets under construction** include contributions of land and cash to PFI and LIFT schemes until the property is made available to the entity.

4.130. **Transport equipment** is equipment for moving people and/or objects, for instance cars, ambulances.

4.131. **Information technology** relates to hardware used for processing data and communications. Where purchased software is integral to the operation of hardware, for example operating system software, the cost should be capitalised as part of that item of property, plant and equipment.

4.132. **Reclassifications** are the movement of assets from one category to another within the entity. The most likely occurrence is from assets under construction to buildings, on completion of construction.

4.133. **Reclassified as held for sale**. This line removes assets from “property plant and equipment” when they become available for sale, as defined by IFRS 5.

4.134. Points to note for the cost or valuation section of the table:

- Cumulative depreciation
  - Cost and cumulative depreciation balances must be carried forward, without adjustment, from year to year, hence:
  - Adjustments to cumulative depreciation balances are made in-year (at the date of revaluation);
  - On formal revaluation (as opposed to indexation), cumulative depreciation is “zeroed” as an in-year movement. A corresponding adjustment to the “cost” lines ensures that the “zeroing” arrangement does not itself distort net book values.
  - A revalued asset may attract further depreciation charges after “zeroing” at the date of revaluation, such that (depending on the date of revaluation) some cumulative depreciation may still be attached to the asset at the year-end.
- Revaluation gains. NHS bodies are required to ensure that assets are carried at a valuation using a suitable method selected by them. Where indices are used, these should be widely recognised and in common use. The source of the index should be disclosed in the narrative to the note in the accounts. The revaluations line should only be used for upward revaluations, and even so, only when the upward revaluation is not the reversal of an impairment.
- Impairments relate to impairment losses charged to reserves. This includes downward revaluations.
- Reversals of impairments relates to increases in the value of assets that reverse earlier impairments taken to reserves.

Points to note for the depreciation section of the table:

- Depreciation at 1 April XX is used for opening depreciation relating to plant and machinery, transport and equipment, information technology, and furniture and fittings. No cumulative depreciation should be carried forward for land, buildings and dwellings where these have been revalued in the period.
- Impairments relates to impairment losses charged to expenditure. Note the FReM adaptation of IAS 36, *Impairment of Assets*, outlined in Chapter 3. Economic losses are always taken, in full, to the SOCNE/SOCI as a realised operating expense in the year, even if the revaluation reserve is in credit. This contrasts with the Standard’s approach, which takes losses to the revaluation reserve in the first instance. The FReM brings the SOFP in line with one prepared under IAS 36 by requiring a subsequent transfer of a balance from the revaluation reserve to the General Fund/Retained Earnings
- Reversal of impairments relates to increases in the value of assets that reverse earlier impairments taken to expenditure.

Capitalisation threshold of non-current assets – de minimis limits

4.135. NHS bodies adopt a capitalisation threshold of £5,000. This figure includes VAT where it is not recoverable.

Grouped assets

4.136. "Grouped assets" are a collection of assets which individually may be valued at less than £5,000 but which together form a single collective asset because the items fulfil all the following criteria:

- the items are functionally interdependent
- the items are acquired at about the same date and are planned for disposal at about the same date
- the items are under single managerial control, and
- each individual asset thus grouped has a value of over £250.

IT assets

4.137. It is expected that IT hardware will be considered interdependent if it is attached to a network, the fact that it may be capable of stand-alone use notwithstanding. The effect of this will be that all IT equipment purchases, where the final three criteria listed above apply, will be capitalised.

Initial equipping and setting-up costs of a new building

4.138. Assets which are capital in nature, but which are individually valued at less than £5,000 but more than £250, may be capitalised as collective, or “grouped”, assets where they are acquired as part of the initial setting-up of a new building. The enhancement or refurbishment of a ward or unit should be treated in the same way as "new build", provided that the work would be considered as “subsequent expenditure” in IAS16 terms.

Note 16 - Intangible Non-Current assets

4.139. The relevant standards are IAS 38, *Intangible Assets*, and SIC 32, *Intangible Assets – Web Site Costs*.

4.140. Guidance under Note 15: Property Plant and Equipment is generally applicable. The same points as for property plant and equipment, apply in respect of donated assets; disposals; reclassifications; reclassified as held for sale; impairments and reversals of impairments.

4.141. Where there is an active market, intangible assets must be carried at a market value. In all other respects, the guidance above, for “Property Plant and Equipment”, applies.

4.142. CRC and EU Emissions Trading Scheme allowances should be included here (under “licences”) if they are not expected to be realised within twelve months of the end of the reporting period.

Economic Lives of Non-Current Assets

4.143. The range of the remaining economic lives of non-current assets used by NHS bodies should be disclosed below the non-current assets Note, together with other revaluation details.

Note 17 - Analysis of impairments and reversals

4.144. The relevant standard is IAS 36, *Impairment of Assets*, paragraph 130. Downward revaluations are included in impairments. However, the Treasury FReM has a public sector-specific adaptation of the Standard (see Chap 3 on IAS 36) which follows more closely the UK GAAP treatment. An impairment arising from the consumption of economic resources will be taken in full to the revenue account, whatever the state of the associated revaluation reserve. Where a balance exists on the revaluation reserve, this is transferred to the General Fund/Retained Earnings Reserve (the transfer being equal to the lower of: (a) the amount charges to expense as impairment and (b) the balance remaining on the revaluation reserve that relates to the asset). Price/market movement impairments should be taken to the revaluation reserve, to the extent that a balance on that reserve exists. The revaluation reserve should not show a negative balance.

4.145. More detailed guidance and definitions on the components of this note is issued separately as part of summarisation schedule completion guidance.

Note 18 - Investment property

4.146. The definition of investment property in IAS 40, *Investment Property*, applies. The property is held “to earn rentals or for capital appreciation, or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes: or (b) sale in the ordinary course of business.

Note 19 - Commitments

4.147. For capital commitments, the relevant standards are IAS 16, *Property, Plant and Equipment*, paragraph 74(c) and IAS 38, *Intangible Assets*, paragraph 122(e).

4.148. Other commitments (excluding leases, PFI and LIFT) under non-cancellable contracts are also shown.

Note 19.1 - Capital commitments.

4.149. IAS 16 (para 74c) and IAS 38 (para 122e) require that the contractual commitments at the year end to purchase property, plant and equipment and intangible assets are disclosed. An asset provided under a finance lease does not give rise to statement of financial position entries in respect of the creation of the non-current asset and its related capital creditor until the asset is delivered and is operational in the entity's hands. When a NHS body has signed an "on-balance sheet" finance lease contract in the accounting period (whether PFI or other), but the asset does not become operational until a future period, a disclosure in the format provided in Chapter 5 should be included as a note to the Accounts.

Note 20 - Intra Government and other balances

4.150. This note is a FReM requirement. Intra-government balances are defined as balances between the reporting entity and other bodies within the boundary set for the whole of government accounts. Details of this boundary and a full list of public corporations and trading funds are available on the Treasury website at: http://www.hm-treasury.gov.uk/wga_guidance_centralgov.htm

4.151. The disclosure should be analysed between:

- balances with other central government bodies
- balances with local authorities
- balances with NHS Bodies
- balances with public corporations and trading funds
- balances with bodies external to government .The current/non-current totals must agree to the current/non-current totals at Notes 22.1 and 27.

Note 21 - Inventories

4.152. The relevant standard is IAS 2, *Inventories*. The example accounts provide the headings thought to be most relevant to NHS bodies. Where other categories of material amounts of inventory are held the accounts, the format should be expanded to include these.

4.153. Work-in-progress is the value of items in the process of manufacture. It does not include partially completed episodes of healthcare.

Note 22.1 - Trade and other receivables

4.154. The relevant standards are IAS 1, *Presentation of Financial Statements*, paragraph 78(b) and IFRS 7, *Financial Instruments Disclosures*, paragraph 36. Receivables from Scottish, Welsh and Irish health bodies should be treated as non-NHS.

4.155. Prepayments and accrued income includes PFI lifecycle items received later than planned. Guidance is given in the document "Accounting for PFI under IFRS", which is on the download/IFRS section of the finman website.

4.156. Other receivables includes operating lease receivables and income due from the Compensation Recovery Unit under the Injury Costs Recovery Scheme.

Note 22.2 - Receivables past their due date but not impaired

4.157. The relevant standard is IFRS 7, *Financial Instruments: Disclosures*, paragraph 37(a).

Note 22.3 - Provision for impairment of receivables

4.158. The relevant standard is IFRS 7, *Financial Instruments: Disclosures*, paragraph 16. The term "impaired" is used in the standard; this includes the write-off or provision for an irrecoverable debt.

4.159. Amount written off during the period refers to receivables written off that were included in the provision. When included in the provision the entries would have been:

Dr SOCNE/SOCI

Cr Provision for impairment of receivables

At write-off, the entries are:

Dr Provision for impairment of receivables

Cr Receivables

4.160. "Amount recovered during the year" refers to income received in respect of receivables that were included in the provision. When included in the provision the entries would have been:

Dr SOCNE/SOCI

Cr Provision for impairment of receivables

At write-back, the entries are:

Dr Provision for impairment of receivables

Cr SOCNE/SOCI

And, (on payment):

Dr Cash

Cr Receivables

Note 23 - NHS LIFT investments

4.161. This note gives details of any LIFT investments held by the entity. Details of investments held at the closing Statement of Financial Position date should be disclosed in the accounts and analysed by equity shareholding and loan-stock holding.

Note 24 - Other financial assets

4.162. The relevant standard is IFRS 7, *Financial Instruments: Disclosures*, paragraph 8, IAS 32, *Financial Instruments: Presentation*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRIC 9, *Reassessment of Embedded Derivatives*.

4.163. Guidance on financial instruments is given in Annex 3, Financial Instruments. Financial assets carried at fair value through profit or loss includes embedded derivatives.

Note 25 - Other current assets

4.164. The relevant standard is IAS 1, *Presentation of Financial Statements*, paragraph 77.

4.165. EU Emissions Trading Scheme allowances should be included here when they are expected to be realised within twelve months of the end of the reporting period. Further guidance on accounting for EU ETS can be found at Annex 3.

Note 26 - Cash and cash equivalents

4.166. The relevant standard is IAS 7, *Statement of Cash Flows*.

4.167. The definition of cash and cash equivalents may be different between the Statement of Financial Position and the Statement of Cash Flows due to the treatment of bank overdrafts. Where overdrafts are used as part of day-to-day cash management, then they may be included within cash and cash equivalents in the Statement of Cash Flows. However, for the Statement of Financial Position, bank overdrafts are included under "borrowings". This note reconciles the two.

4.168. The figure for "Current Investments" should capture only cash equivalent balances that fall within the definition in IAS 7: "Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value".

4.169. There should be no "cash equivalents" balances included in the lines for cash at GBS and cash at bank and in hand, notwithstanding that some cash-equivalents may be held in commercial bank accounts.

Note 27 - Non-current assets held for sale

4.170. The relevant standard is IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. A "disposal group" is a group of assets to be disposed of (by sale or otherwise) together as a group in a single transaction. Associated liabilities are liabilities directly associated with those assets that will be transferred in the transaction.

Note 28 - Trade and other payables

4.171. The relevant standard is IAS 1, *Presentation of Financial Statements*, paragraph 77. Payables to Scottish, Welsh and Irish health bodies should be treated as non-NHS.

Note 29 - Other liabilities

4.172. The relevant standard is IAS 1, *Presentation of Financial Statements*, paragraph 77.

4.173. The “PFI asset – deferred credit” line reflects free lifecycle items and balances relating to schemes funded principally by third parties. Guidance on these is in the document “Accounting for PFI under IFRS” on the download/IFRS section of the finman website.

4.174. Pension liabilities (non-NHS scheme) should be included under “Other”.

Note 30 - Borrowings

4.175. The relevant standard is IAS 1, *Presentation of Financial Statements*, paragraph 77.

4.176. Bank overdrafts include any cash balances that are negative in the entity’s books, regardless of whether there is a formal overdraft with the bank.

4.177. Guidance on PFI lifecycle costs is given in “Accounting for PFI under IFRS”, which is available on the Download/IFRS section of the finman website.

Note 31 - Other financial liabilities

4.178. The relevant standard is IFRS 7, *Financial Instruments: disclosures*, paragraph 8 (e).

4.179. Guidance on financial instruments is provided at Annex 3, Financial Instruments.

Note 32 - Deferred income

4.180. This note tracks movements in deferred income balances.

Note 33 - Finance obligations (as lessee)

4.181. The relevant standards for this note are IAS 17, *Leases*, SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and IFRIC 4, *Determining whether an Arrangement contains a Lease*.

4.182. The minimum lease payments are:

- the payments over the term of the lease,
- less the following:
  - contingent rent;

- costs for services;
- costs that will be reimbursed;
- any amounts guaranteed by the other party or a related party to them, and,
- where the lessee has the option to purchase the asset at a price that makes it reasonably certain at the inception of the lease that the option will be exercised, the payment to exercise the option.

4.183. Minimum lease payments are shown in those columns undiscounted: discounting is applied under “less future finance charges” to bring the total to a discounted (present value) figure.

4.184. The present values of minimum lease payments are the “minimum lease payments” discounted to present value. As the discounting has been applied in these three rows, no entry is required against “less future finance charges”.

4.185. A general description of significant lease arrangements should also be included in this note.

Note 34 - Finance lease receivables as lessor

4.186. The note should include a reconciliation between the gross investment in finance leases at the Statement of Financial Position date and the present value of the minimum lease payments receivable at the Statement of Financial Position date.

Note 35 - Provisions

4.187. The relevant standard is IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IAS 19, *Employee benefits*, is also relevant.

4.188. “Other” includes provisions for emissions under the EU Emissions Trading Scheme.

4.189. There is no need to provide a disclosure of the movements in provisions in the prior year because IAS37 (paragraph 84) provides an exemption from the general IAS 1 requirement for comparative information.

4.190. Treasury requires the expected timing of cash flows to be stated in relation to the remainder of the current Spending Review period then five yearly periods rather than the time bands required by IAS 37. The relevant periods are given in the example accounts at chapter 5. In addition, the timing of expected cashflows determines the current & non-current slit required for the accounts.

4.191. Where the time value of money is material, futures cashflows are discounted. Treasury issues guidance on appropriate discount rates, and this is summarised below at Annex 6, Treasury Discount Rates.

Clinical negligence provisions

4.192. Where the NHS Litigation Authority has assumed responsibility for settlement of claims, the relevant provisions will be brought to account by the NHSLA. NHS bodies should however disclose, within the provisions note, the value of those liabilities recognised by the NHSLA on their behalf. The NHS Litigation Authority will provide the figure for the narrative disclosure of clinical negligence liabilities each year.

Carbon Reduction Commitment Energy Efficiency Scheme (CRC)

4.193. The CRC scheme is a mandatory cap and trade scheme for non-transport CO^2 emissions. Where NHS organisations are registered with the CRC scheme, they are required to surrender to the government an allowance for every tonne of CO^2 they emit during the financial year. Therefore, in line with IAS 37, *Provisions, contingent liabilities and contingent assets*, NHS organisations should recognise a liability (and related expense) in respect of this obligation as CO^2 emissions are made.

4.194. The scheme is operated by the Environment Agency. Full details of the CRC Scheme are available at the Agency's website: http://www.environment-agency.gov.uk/crc.

4.195. The FReM guidance is as follows:

- Participation by reporting entities in the CRC Scheme gives rise to an asset for allowances held, and for a liability, which is recognised (as emissions are generated) for the surrender of the allowances to the CRC Registry
- CRC Scheme assets are classified as either current or non-current intangible assets, or if held for the purpose of trading, as a current asset. The asset, whether classified as a current or as an intangible (current or non-current) asset shall be measured initially at cost. Allowances that are issued for less than their fair value shall be measured initially at their fair value, with the difference between fair value and the purchase price recognised as income
- Scheme assets in respect of allowances shall be revalued at fair value where there is evidence of an active market. Where there is no evidence of an active market, scheme assets in respect of allowances shall be measured at cost, as a proxy for fair value.

4.196. The carrying amount of the liability at 31 March 2014 will, therefore, reflect the CO^2 emissions that have been made during 2013-14.

4.197. The liability will be measured at the amount expected to be incurred in settling the obligation. Where there is evidence of an active secondary market for CRC allowances, they should be measured subsequently at fair value. If there is no evidence of an active secondary market, then the allowances should be measured at cost, less impairment.

Note 36 - Contingencies

4.198. The relevant standard is IAS 37, *Provisions, contingent liabilities and contingent assets*. The likely outcome of a contingency will usually be based on legal advice, and disclosure is only required where an inflow of resources is probable, should the contingent event occur.

4.199. "Overage" in property transactions is a contingent asset.

Note 37 - PFI and LIFT - additional information

4.200. The relevant standards are IFRIC 12, *Service Concession Arrangements*, and SIC 29, *Service Concession Arrangements: Disclo*sures.

4.201. Discounting: where a discount rate implicit in the transaction cannot be established, the Treasury discount rate used for investment appraisal and arriving at current asset/liability values is used. Treasury "Green Book": Green Book - HM Treasury refers.

4.202. NHS bodies should apply both Treasury's guidance Accounting for PPP arrangements, including PFI contracts, under IFRS, in chapter 6 of the Government Financial Reporting Manual (FReM) at www.financial-reporting.gov.uk and DH guidance Accounting for PFI/LIFT under IFRS on the download/IFRS section of finman.

4.203. IFRIC 12 applies to service concession arrangements for infrastructure assets.

Recognition of assets under PPP or PFI arrangements

4.204. An amendment to the FReM (6.2.54) notes that the grantor (under a service concession arrangement) should recognise the infrastructure as a non-current asset and value it in the same way as other non-current assets of that generic type. The asset will be recognised when:

- it is probable that future economic benefits associated with the asset will flow to the organisation, and
- the cost of the asset can be measured reliably.

4.205. The grantor should consider the asset recognition criteria, together with the specific terms and conditions of the binding arrangement, when determining whether to recognise the service concession asset during the period in which the asset is constructed or developed. If the asset recognition criteria have been met a work-in-progress service concession asset and associated liability should be recognised. If not and the grantor makes contributions to the operator in advance of the asset coming into use, the grantor should account for those payments as prepayments and then set against the finance lease liability established when the asset is recognised.

4.206. Any embedded derivatives in the arrangement and any guarantees to the operator must be accounted for under financial instrument standards (IAS 32 and IAS 39). Guidance on financial instruments is provided in Annex 3, Financial Instruments.

4.207. Enhancements/additions to on-Statement of Financial Position PFI assets that are financed through the unitary charge should be recognised when they are provided. Those financed by the NHS body should be recognised as its own asset.

Note 38 - Impact of IFRS treatment

4.208. This note reflects budgetary information that was collected as management information in previous years. It identifies impacts to revenue expenditure flowing from the implementation of IFRS and where DH budgetary treatments may differ from the IFRS treatment. Under alignment/CLOS this data forms part of the Department's Resource Account and so is now included as an auditable part of the Annual Accounts format.

4.209. Detailed guidance on the completion of this note is included separately in the summarisation schedule guidance. Comparator figures are not required for prior years as the disclosure (a) is not required by IFRS and (b) only current year information is of relevance to the Department.

Note 39 - Financial Instruments

4.210. The relevant standards are IAS 32, *Financial Instruments: Presentation*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures* and, IFRIC 9, *Reassessment of Embedded Derivatives*.

4.211. The disclosures in this note apply to all the entity's financial instruments except:

- interests in subsidiaries, associates and joint ventures where they are consolidated, partially consolidated or equity-accounted; and
- employers' rights and obligations under employee benefit plans.

4.212. They therefore apply to financial instruments whose accounting is unchanged by the financial instrument standards, such as current payables and receivables, and financial instruments that are measured under other standards, such as provisions arising under contracts, finance leases and PFI liabilities. See paragraph 7 of Annex 3, Financial Instruments for the full list of financial instruments.

4.213. Borrowings includes financial liabilities under PFI contracts and finance leases.

Note 40 - Events after the reporting period

4.214. The relevant standard is IAS 10, *Events after the Reporting Period*. Adjusting events will be reflected in the financial statements.

4.215. Where non-adjusting events after the reporting period are so material that non-disclosure could influence the economic decisions of users taken on the basis of the financial statements, the following information is required:

- the nature of the event, and
- an estimate of its financial effect, or a statement that such an estimate cannot be made.

4.216. NHS bodies should disclose the date when the financial statements were authorised for issue and who gave that authorisation (IAS 10.17).

Note 41 - Related party transactions

4.217. Related party disclosures must be in accordance with IAS 24, *Related Party Disclosures*.

4.218. HM Treasury considers Government Departments and their agencies, and Department of Health Ministers, their close families and entities controlled or influenced by them, as being parties related to NHS bodies.

4.219. A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the entity's perspective but material from a related party viewpoint then the entity must disclose it.

4.220. NHS bodies must disclose as a related party all linked charities (where these are not consolidated) including the nature of the relationship, and details of material transactions between the body and the linked charity.

Note 42 – Losses and special payments

4.221. HM Treasury's *Managing Public Money* and detailed summarisation schedule completion guidance on the subject should be followed. The example accounts format at Chapter 5 illustrates the contents of this disclosure. Figures recorded here are recorded on an accruals basis.

4.222. The relevant standard is IAS1, *Presentation of Financial Statements*, paragraph 77.

Note 43 - Performance information (NHS trusts only)

4.223. The performance outturn against targets listed below are reported in this note by NHS trusts. These results form part of the NHS trust's annual report and accounts. Detailed descriptions of their operation and instructions on the completion of the note are given in the trust-specific summarisation schedules completion guidance.

- Breakeven performance
- Capital cost absorption rate
- External financing limit

- Capital Resource limit

Note 44 - Third party assets

4.224. This note is a HMT requirement. Third party assets are assets held by the entity on behalf of a third party. Examples are money held on behalf of patients, or balances belonging to other parties to a pooled budget where the organisation is the host. Third party assets are not recognised in the entity's SOFP.

Chapter 4 Annex 1: Pooled Budgets

The relevant standard is IAS 31, *Interests in Joint Ventures*.

1. A pooled budget is not an entity in its own right and so will fall into the IAS31 category "jointly controlled operations" (IAS 31.13-17) or, if there is joint control or joint ownership of assets, the IAS31 category "jointly controlled assets" (IAS 31.18-23).

2. If the entity is in a "jointly controlled operation", it must recognise in the financial statements:
    - the assets the entity controls
    - the liabilities it incurs
    - the expenses it incurs
    - its share of the income from the pooled budget activities.

3. If the entity is involved in a "jointly controlled assets" arrangement, in addition to the above, the following must be recognised:
    - the entity's share of the jointly controlled assets (classified according to the nature of the assets)
    - its share of any liabilities incurred jointly
    - its share of the expenses jointly incurred.

4. It is for the entity to decide whether to include in the financial statements a policy note on the subject and a note of the income and expenditure and balances of the pooled budget. There is no IFRS requirement to do so but, either way, working papers will be needed to support accounts entries that result from pooled budget activities.

5. It is important to remember that a pooled budget is simply an aggregation of balances that belong to the pooled budget partners rather than an entity in its own right. For example, if cash is injected into a pooled budget and this is used to contribute to the purchase of an asset and to buy services, with some cash held at the year end, the financial statements must include:
    - the share of the asset purchased (plus share of the depreciation and any change in value)
    - the expenditure (and payables, if relevant) on which the cash has been used
    - an appropriate share of income (and receivables, if relevant) in line with the pooled budget agreement
    - the cash balance remaining at year-end, even if this is held on an agency basis by a pooled budget partner (in their financial statements the cash would be a "Third Party Asset").

6. An entity may purchase services available under a pooled budget of which it is a partner. The expenditure on the services will become income of the pooled budget, of which the

entity will be due a share as a partner of the pooled budget. Similarly, if the entity owes money for services provided under the pooled budget, the creditor balance in its books will be a debtor balance of the pooled budget, of which it owns a share. The agreement of balances exercise will only apply to the share owned by other partners of the pooled budget.

Chapter 4 Annex 2: Accounting for Defined Benefit Pension Schemes

1. The relevant standard is IAS19, *Employee Benefits*. The FReM requires NHS bodies to account for the NHS Pension Scheme as a defined contribution scheme and so they will generally recognise an expense each year equal to their total employer contribution.

2. For NHS bodies that have staff who are members of a defined benefit pension scheme other than the NHS Pension Scheme) and where their assets and liabilities in the scheme can be separately identified, for example, Local Government Pension Schemes) IAS 19 (revised 2011) is relevant.

3. The Standard requires:

   - that the expected return on assets and the interest cost on the defined benefit obligation are no longer calculated as separate items. Instead the discount rate is applied to the net pension liability
   - that administration costs are now generally charged to expenses as incurred
   - that "Actuarial gains and losses" are renamed "remeasurement of the defined benefit liability". It continues to be presented in other comprehensive income, and although the revised standard now permits it to be recognised in a separate component of taxpayers' equity, NHS bodies should continue to recognise it in the General Fund/Retained Earnings Reserve.

4. Where NHS bodies employ staff who are members of a Local Government Pension Scheme, it is common for the scheme to contract with an actuary on behalf of all member bodies.

Disclosures

5. IAS 19 contains disclosure requirements in respect of defined benefit pension plans. (IAS 19, paragraph 135). NHS bodies will wish to take into account materiality, particularly where there are relatively few employees belonging to such schemes. Disclosures should:

   - explain the characteristics of the defined benefit plans and risks associated with them
   - identify and explain the amounts in the financial statements arising from the defined benefit plans
   - describe how the defined benefit plan may affect the timing and uncertainty of the entity's future cash flows.

Chapter 4 Annex 3: Financial Instruments

Introduction

1. The relevant standards are:

    - IAS32 *Financial Instruments: Presentation*
    - IAS39 *Financial Instruments: Recognition and Measurement*
    - IFRS7 *Financial Instruments: Disclosures*
    - IFRIC9 *Reassessment of Embedded Derivatives*

2. The standards are complex and this guidance provides only a basic overview of the issues that may affect NHS bodies.

3. DH and all NHS bodies have financial instruments. However, the accounting for basic short-term financial instruments will be unchanged by the adoption of these standards. All bodies will need to check whether they have longer-term or more complex financial instruments whose accounting may change. If so, you will need to ensure that the requirements in the standards are followed. Treasury has also provided some guidance (Chapter 9 of the FReM), which is available at http://www.hm-treasury.gov.uk/frem_index.htm

Financial instruments

4. IAS 32 defines a financial instrument as:

    "a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity".

5. The definitions for financial assets and liabilities are complex. From DH/NHS bodies' perspective: financial assets will be:

    - Cash
    - An equity instrument (e.g. shareholding) of another entity, or
    - A contractual right to receive cash or another financial asset (or to exchange financial assets/liabilities with conditions favourable to the entity)

    and financial liabilities will be:

    - a contractual obligation to pay cash or another financial asset (or to exchange financial assets/liabilities with conditions unfavourable to the entity).

6. Some examples of what are and what are not financial instruments will help understanding. Firstly, other than for cash, there has to be a contract.

7. The following are not financial instruments because they arise under legislation rather than under contract:

    - Public Dividend Capital

- European Union Emissions Trading Scheme allowances
- Early retirement liabilities (with the NHS Business Services Authority)
- Injury benefit liabilities (with the NHS Business Services Authority)

The following are, or could be, financial instruments:

- Cash at bank and in hand
- Receivables and payables
- Loans
- Investments
- Provisions (which arise under contract)
- Finance leases
- PFI
- Interests in subsidiaries, associates and (in some circumstances) joint ventures

However, to be classed as financial assets or liabilities, they must meet the definitions in 5, above, for example, prepayments are not financial assets because they are contractual rights to receive goods or services rather than to receive cash or another financial asset.

8. The accounting for some financial instruments is already covered by specific financial reporting standards:

   - Provisions (IAS 37)
   - Leases (IAS 17)
   - PFI (Mirror of IFRIC 12)
   - Interests in subsidiaries, associates and joint ventures (IAS 27, 28 and 31)

9. This leaves cash, other receivables and payables, loans, and other investments to be accounted for under the financial instrument standards. The standards require financial instruments to be recognised initially at fair value. In many instances the transaction value is fair value and so the accounting will not change. This is the case for cash, short-term receivables, short-term payables, and loans and investments that carry a market rate of interest. Also, the government financial reporting manual dictates the accounting for investments of resource account bodies in entities outside the resource accounting boundary (for example loans and public dividend capital). It requires these to be held at historic cost less any impairment. The accounting for these investments is not affected by the financial instrument standards.

10. The financial instrument standards are therefore only likely to bring changed accounting for:

    - Long-term receivables and payables that are financial instruments. They are likely to require discounting to reflect fair value.

- Any loans that are not at a market rate of interest. Their value would need to be adjusted to reflect fair value.
- Any investments that are not at a market rate of interest, that are not interests in subsidiaries, associates or joint ventures and that are not investments of resource account bodies in bodies outside the resource accounting boundary. Their value would need to be adjusted to reflect fair value.
- Derivatives and embedded derivatives. These may need to be recognised for the first time.
- Any financial guarantees
- Any hedge instruments.

Derivatives

11. A derivative is a financial instrument that derives its value from an underlying variable. For a financial instrument to be a derivative it must have all three of the following characteristics:

    - The value changes in response to a change in a specified variable eg interest rate, foreign exchange rate, prices index, credit rating, commodity price and so on
    - Requires no or little initial investment, and
    - Is settled at a future date

    A contract with a bank to buy foreign currency, at a future date, at an agreed rate, is an example of a derivative.

12. Embedded derivatives are derivatives that form part of another contract and cannot be transferred independently. IAS 39 defines an embedded derivative as:

    "a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract."

13. A critical indicator of an embedded derivative is variation of cash flows over the life of a contract. Embedded derivatives can arise inadvertently through market practices or common contracting arrangements. An example is given at the end of this section.

14. Examples of host contracts that could have embedded derivatives are:

    - Purchase and sale agreements
    - Debt instruments

- Leases (operating and finance)
- PFI contracts

Contracts rarely make explicit reference to a derivative. Instead they may include reference to, for example:

- Pricing based on a formula
- Right to purchase/sell additional units
- Indexed to/adjusted by
- Limits
- Rights to cancel/extend/repurchase

15. However, an embedded derivative is only accounted for separately from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract i.e. the economic characteristics or risks of the embedded derivative differ from those of the host contract.

16. For instance, if a loan with an RPI-linked component is given by DH to a PFI consortium, the index-linked element does not need to be accounted for separately. This is because the index relates to inflation in the entity's own economic environment: it is closely related because all parties are UK-based and all the materials and workforce are being paid for in Sterling.

17. However, a lease for a photocopier where part of the price of the contract varies with the price of paper is an example of an embedded derivative that is not closely related. The cost of paper does not have the same economic characteristics or risks of the lease of the machine. In this case, the embedded derivative would be accounted for separately from the lease.

18. Care must be taken in this assessment since, for example, if the effect on the fair value or cash flows is magnified e.g. twice the rate of RPI, this may be sufficient to remove the close relationship. IAS 39 does not define the term "closely related" but a series of examples is contained in the Application Guidance of the standard.

19. If an embedded derivative is closely related to the host contract, the embedded derivative can be ignored and the contract accounted for in accordance with the relevant standard. If an embedded derivative is not closely related to the host contract and the value of the embedded derivative cannot be determined, the whole contract must be accounted for "at fair value through profit and loss", that is, changes in fair value of the whole contract go through the operating cost statement or income and expenditure account.

20. Unless clearly immaterial, DH/NHS bodies will need to review all contracts to identify any embedded derivatives that are not closely related to the host contracts, so that they can be accounted for separately from the host contracts, with changes in fair value taken through the operating cost statement or income and expenditure account (unless the derivative is used for hedging). Auditors will need to see evidence of the review. Bodies

will also need to implement a system change to ensure that, in future, embedded derivatives that are not closely related are identified at the time of entering into contracts.

21. Example: An NHS Trust enters into a contract to buy a large machine from the US. The machine was built using US components and was assembled in the US. If the contract was settled in US dollars, the embedded foreign currency derivative would be closely related to the host contract and so would not be accounted for separately. However, if the contract was settled in Euros, the embedded derivative would not be closely related, movements on the exchange rate with the Euro having different economic characteristics and risks from those of the host contract. If the value of the host contract was 2m Euros, the fair value of the derivative would be the difference between the 2m Euros translated at the period closing rate and the original spot rate when the contract was entered into. If the Euro spot rate when the contract was entered into was 1.48 and the period end spot rate was 1.61, the accounting treatment would be:

2m/1.48 = £1,351,351

2m/1.61 = £1,242,236

The fair value is £1,351,351 – £1,242,236 = £109,115

The accounting entries would be:

Dr: Derivatives £109,115

Cr: Gains/losses from derivatives (I&E A/c) £109,115

Financial guarantees

22. Public sector organisations may take on liabilities by issuing specific guarantees (usually for loans) and writing letters of comfort.

23. Under IAS 39, a financial guarantee is “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.” These contracts can take various legal forms, including a guarantee, some types of letters of credit, letters of comfort or a credit insurance contract.

24. Indemnities, for example for activities of board members, do not meet the above definition for financial guarantees. Instead, they should be treated as contingent liabilities under FRS 12.

25. Example: DH guarantees a private sector loan to an NHS body, to secure a beneficial rate of interest. The fair value of the guarantee is the present value of the interest saving (i.e. the difference between the interest charged and what would have been charged without the guarantee) over the life of the loan. DH would account for this as:

Dr: Investment in NHS body

Cr: Guarantee liability

The guarantee liability is amortised to the operating cost statement over 5 years.

In the NHS body's accounts, the same figure is credited to equity (capital contribution by DH). This, together with the credit to "loan payable" balances the cash received.

Hedge instruments

26. Hedging is the use of financial instruments provided by commercial markets to offset changes in fair values or cash flows of another transaction, to control or limit risk. It is unlikely that DH/NHS bodies use hedge instruments.

Recognition and de-recognition

27. Financial assets and liabilities are recognised when the body becomes a party to the contract or, in the case of trade receivables/payables, when the goods have been delivered.

28. Financial assets should be derecognised when:

- the contractual rights to the cash flows of the financial asset have expired, or
- the financial asset has been transferred (e.g. sold) and the risks and rewards of ownership have transferred.

Financial liabilities should be derecognised when the liability has been discharged, that is, paid or expired.

Measurement and classification

29. Initially, all financial instruments must be measured at fair value. Fair value is a quoted market price, if available. If there is no market price, a valuation technique should be used, for example the value of a recent similar transaction at arms length or discounted cash flows from the transaction. If discounted cash flows are used, the discount rate to use is the higher of the rate intrinsic to the financial instrument and the real discount rate set by Treasury. Exceptionally, if no reliable estimate of fair value can be made, cost can be used.

30. Subsequent measurement is different for different categories of financial Instruments. The categories in the tables, below, are defined in IAS 39.

Financial assets	**Examples**	**Subsequent Measurement**
Financial assets carried at 'fair value through profit and loss'	Derivatives (other than if a financial guarantee or a hedge instrument)	Fair value with movements through OCS/I&E A/c
Held to maturity investments	These are rare in practice. They are long term investments unlikely to be	*Amortised cost

	held by DH and NHS bodies	
Loans and receivables		*Amortised cost (except loans by DH to bodies outside the departmental boundary. Treasury requires these to be carried at cost less impairment)
Available for sale	LIFT investments	Fair value with movements through reserves. Accumulated gains or losses in equity are recycled to OCS/I&E A/c on de-recognition or impairment of the investment

Financial Liabilities	**Examples**	**Subsequent Measurement**
Financial liabilities carried at 'fair value through profit and loss'	Derivatives	Fair value with movements through OCS/I&E A/c
Financial Guarantees		The higher of The amount determined in accordance with FRS 12 and The amount initially recognised less, where appropriate, cumulative amortisation
Other financial liabilities	Loans from DH	*Amortised cost

*Amortised cost is the initial value minus both principal repayments and cumulative amortisation.

31. In determining the categorisation of their financial instruments, DH and NHS bodies must ensure that they are aware of, and can manage, the financial consequences.

Impairments

32. Financial assets, other than those measured at fair value through profit and loss, must be reviewed for impairment at each statement of financial position date. There is no requirement to impair financial liabilities.

33. Impairments should be recognised when they occur, not when expected. An impairment loss must impact on future cash flows, and there must be objective evidence of impairment as a result of one or more events that occurred after initial recognition. IAS 39 provides examples. Impairments are always charged to the SOCNE/SOCI, not to reserves.

34. The measurement and accounting for impairments varies depending on the classification of the financial asset:

Financial assets carried at amortised cost (loans and receivables, and held to maturity investments) – the impairment loss is measured as the difference between the carrying amount and the present value of future estimated cash flows discounted at the asset's original effective interest rate (see FRS 26.9). If the impairment loss decreases in a subsequent period, and this can be related to an objective event occurring after the impairment was recognised (for example, an improvement in credit rating) the impairment can be reversed. The reversal must not result in a carrying amount higher than what the amortised cost would have been had the impairment not been recognised.

Financial assets carried at cost – the impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate for similar financial assets. These impairment losses may not be reversed.

Available for sale financial assets – Where there is evidence of impairment of this class of asset the amount of any fall in value previously recognised in reserves must be removed from reserves and charged to the operating cost statement or income and expenditure account. The impairment loss may be reversed if its reversal can be objectively linked to an event occurring after the impairment was recognised in the income statement.

Disclosures

35. The objective of IAS 32 is to require entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance, and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks.

Chapter 4 Annex 4: Lease accounting entries

Operating leases

1. The minimum lease payments of operating leases are recognised on a straight line basis over the life of the lease. Contingent rentals are recognised as and when incurred but IAS 17 requires the amount of contingent rental recognised to be disclosed each year.

2. Where the NHS body is the lessee, all of the rental expense (normal plus contingent) is recognised in Note 8 Operating Expenses under the relevant heading. The disclosure of the split between "normal" and contingent rent is disclosed in Note 9.1.

3. Where the entity is the lessor, all of the rental income (normal plus contingent) should be recognised in Note 6 Other Operating Revenue under the "Rental revenue" line. The disclosure of the split between "normal" and "contingent" is picked up by Note 9.2.

Finance leases

4. Since finance leases are akin to borrowing, the minimum lease payments are split between the finance cost and repayment of the borrowing. Where the entity acts as lessee, the finance cost will be recorded as a finance expense in Note 16, and where the entity is lessor it will be recorded as finance income in Note 14.

5. The complication is around contingent rental. As with operating leases, contingent rental is only recorded as income or expense when it is actually incurred. IAS 17 is silent on where this is recorded. Under this manual, it should be recognised in Note 6 Other Operating Revenue – Rental revenue or Note 8 Operating Expense against the relevant line, as appropriate. The disclosure of the contingent rental is given in Notes 30 and 31.

6. There is a special case for particular PFI schemes where the annual unitary payment is increased by the whole of RPI each year (rather than a proportion) and therefore some of this RPI uplift is attributable to the finance lease element recognised. The substance of this contingent rental is a finance cost due to the way that the PFI operator sculpts its finance cost in the model. It is therefore appropriate to disclose this specific contingent rental within Note 16 Finance Costs.

Chapter 4 Annex 5: Consultancy

The provision to management of objective advice and assistance relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such assistance will be provided outside the "business as usual" (BAU) environment when in-house skills are not available and will be of no essential consequence and time-limited. Services may include the identification of options with recommendations and/or assistance with (but not delivery of) the implementation of solutions. The consultancy category will include areas such as:

- Strategy: The provision of objective advice and assistance relating to corporate strategies, appraising business structures, value for money reviews, business performance measurement, management services, product design and process and production management.
- Finance: The provision of objective advice and assistance relating to corporate financing structures, accountancy, control mechanisms and systems. This does not include "auditor's remuneration", this is reported separately. It will include:
  - Strategic Finance: Providing specialist services and support in the form of financial, legal, insurance advice to develop a Public Private partnership/Private Finance Initiative deal for procurement requirement.
  - Operational Finance: Procurement advice on risk management and internal control systems including audit arrangements. Advice on the commercial viability of grant recipients, suppliers and partners; solvency checks
- Organisation and Change Management: Provision to management of objective advice and assistance relating to the strategy, structure management and operations of an organisation in pursuit of its purposes and objectives. Long range planning, re-organisation of structure, rationalisation of services, general business appraisal of organisation.
- IT/IS: The provision of objective advice and assistance relating to IT/IS systems and concepts, including strategic studies and development of specific projects. Defining information needs, computer feasibility studies and making computer hardware evaluations. Including consultancy related to e-business.
- Property and Construction: The provision of specialist advice relating to the design, planning and construction, tenure, holding and disposal strategies. This can also include the advice and services provided by surveyors and architects.
- Procurement: the provision of objective advice and assistance when establishing procurement strategies.
- Legal Services: The provision of external specialist legal advice and opinion in connection with the policy formulation and strategy development particularly on commercial and contractual matters.
- Marketing and Communication: The provision of objective advice, assistance and support in the development of publicising and the promotion of the DoH's

Business Support programmes, including advice on design, programme branding, media handling and advertising.

- Human Resource, training and education: The provision of objective advice and assistance in the formulation of recruitment, retention, manpower planning and HR strategies and advice and assistance relating to the development of training and education strategies.
- Programme and Project Management: The provision of advice relating to ongoing programmes and one-off projects. Support in assessing, managing and or mitigating the potential risks involved in a specific initiative; work to ensure expected benefits of a project are realised.
- Technical: The provision of applied technical knowledge. To aid understanding, this can be sub-divided into:
  - Technical Studies: Research based activity including studies, prototyping and technical demonstrators.
  - Project Support: Project based activities including technical consultancy, concept, development and in-service support activities.
  - Engineering Support: Task based support including Post Design Services, repair, calibration, analysis testing and integration.

Chapter 4 Annex 6 - Treasury Discount Rates

1. The "Green Book" is Treasury's investment appraisal manual, and contains guidance on the use of discounting for option appraisal purposes only.

2. Treasury has set standard discount rates applicable for 31 March 2013, as detailed below. These rates will determine the unwinding-of-provisions charges for 2013-14. It is expected that Treasury will issues revised rates applicable at 31 March 2014 towards the end of the 2013 calendar year.

3. The following PES papers were published on 30 November 2012:

   - PES(2012)15 *Discount Rates for General Provisions: Announcement of Rates*, and
   - PES(2012)16 *New Discount Rate for Valuing Post-Employment Benefits*

   Copies of these Papers have been posted to the "finman" website (FAQ 4th February 2013), and their key points are summarised below.

General Provisions

4. Treasury now gives rates for short, medium and long-term general provisions. These are defined:

   - Short-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary of between 0 and up to and including 5 years from the Statement of Financial Position date.
   - Medium-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary of after 5 and up to and including 10 years from the Statement of Financial Position date.
   - Long-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary exceeding 10 years from the Statement of Financial Position date.

   The rates to be applied on 31 March are:

Timing of Cash Flows	**Real Rate**
0 to 5 years inclusive	Minus 1.80%
6 to 10 years inclusive	Minus 1.00%
Over 10 years	Plus 2.20%

5. Note: it is the timing of the cash flow that governs the discount rate used – the PES papers make no reference to setting discount rates according to the overall term of the arrangement. Thus, to arrive at the SOFP balance for a provision with expected cashflows occurring in each year for 20 years, each of the three rates will be applied in arriving at the final balance. It would not be correct to discount cashflows at 2.20% in the

first 10 years simply because the liability is not expected to be wholly discharged until year 20.

Post-Employment Benefits Provisions

6. The real discount rate applicable on 31 March 2013 is 2.35% (the previous year's rate was 2.80%)

7. The rate is applicable for all provisions arising from continuing obligations arising from previous employment service.

Accounting – Both Categories of Discount Rate

8. Any change in the 31 March 2014 discount rates will result in an increase or decrease in the carrying amount of the provision at 31 March and this will be matched by a corresponding charge/credit to the current year SOCNE or SOCI.

9. The new rates will impact on unwinding charges or credits in 2013-14.

Chapter 4 Annex 7 - Valuation Issues

1. In considering how best to apply the valuation requirements of IAS 16 to ensure that the SOFP gives a true and fair view of the value of the assets at the reporting period, entities should consider the following guidance (together with Treasury guidance – see 4.120 above).

2. For “in use” non-specialised property assets fair value should be interpreted as market value for existing use. In the RICS Red Book, this is defined as “market value on the assumption that property is sold as part of the continuing enterprise in occupation”.

Modern Equivalent Asset (MEA) valuations

3. For specialised properties (i.e. those for which no active market exists), depreciated replacement cost is considered to be a satisfactory approximation of fair value. Within that methodology, the MEA concept is applied: the “replacement cost” is based on the cost of a modern replacement asset that has the same productive capacity as the property being valued.

Recognition and measurement

4. Entities should value their property using the most appropriate valuation methodology. Such methods might include:

   - a quinquennial valuation supplemented by annual indexation and no interim professional valuation
   - annual valuations, or
   - a rolling programme of valuations of properties (whether specialised or non-specialised).

5. It is for valuers, using the Royal Institution of Chartered Surveyors; (RICS) “Red Book” (RICS Appraisal and Valuation Standards), and following discussions with the entity, to determine the most appropriate methodology for obtaining a fair value. Where a valuer, following discussion with the entity, determined that depreciated replacement cost (DRC) is the most appropriate, entities and their valuers should have regard to the RICS Valuation Information Paper No. 10. VIP extracts. Other detailed valuation guidance is available on the FReM dedicated website: http://www.hm-treasury.gov.uk/d/guidance_on_asset_valuation.pdf

6. Where DRC is used as the valuation methodology, entities should normally value a modern equivalent asset in line with the Red Book. Any plans to value a reproduction of the existing asset instead should be discussed with the Department to determine whether such an approach is appropriate to the entity’s circumstances.

7. Where DRC is used as the valuation methodology, entities should use the “instant build” approach;

8. Where DRC is used as the valuation methodology, the choice of an alternative site will normally hinge on the policy in respect of the locational requirements of the service that

is being provided. Where the practical requirements of healthcare delivery, for example, require that a hospital is located within the same geographical area it now occupies, the valuation should be based on that site and not an alternative. A valuation on an alternative site basis may however be appropriate where it is clear that the alternative would offer advantages in serving the target population.

9. The cost of enhancements to existing assets (such as building of a new wing within an existing hospital) should be capitalised during the construction phase as an asset under construction. At the first valuation after the asset is brought into use, any write down of cost should be treated as an impairment and charged to the revenue account.

10. For "in use" non-specialised property assets fair value should be interpreted as market value for existing use. In the RICS Red Book, this is defined as "market value on the assumption that property is sold as part of the continuing enterprise in occupation" (FReM 6.2.5).

Disclosure

11. Entities should:

- disclose in the accounting policies note the fact that assets are carried at fair value. Entities should also provide information about the approach to valuing their estates, including a statement (where applicable) that alternative sites have been used in DRC valuations;
- disclose in the notes on tangible non-current assets: the date of the last valuations of those property assets that are subject to revaluation, and the names and qualifications of the valuer; and
- discuss in the Management Commentary, where they hold extensive estates: their estate management strategy; the indicative alternative use values provided by the valuer as part of the routine valuation work, and what those alternative use values mean in terms of their estate management policy.

Equipment

12. The accounting policy remains that equipment is carried at current cost. However, where non-property assets are short-lived, or are of low value (or both) it is acceptable for such assets to be carried at depreciated historic cost as this will be a reasonable proxy for current cost. The main consideration is that no material difference should arise in the financial statements as a consequence of the use of depreciated historic cost in preference to other possible measures of current cost, including indexation.

13. The following disclosures must be given: in the accounting policies note, that the assets are carried at fair value, with depreciated historical cost used as a proxy for fair value for named classes of assets, if appropriate, with the reasons why. Information must also be given about any significant estimation techniques, if applicable.

Chapter 4 Annex 8 - IFRIC 12 further information

IFRIC 12 Service Concession Arrangements

1. Also relevant:
   - IAS 17 *Leases*
   - SIC 15 *Operating Leases – Incentives*
   - SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
   - IFRIC 4 *Determining whether an Arrangement contains a Lease*
   - SIC 29 *Service Concession Arrangements: Disclosures*
2. This guidance outlines the key considerations for NHS bodies that enter into PPP or PFI arrangements that meet the IFRIC 12 definition of "service concession arrangements".

Identification of "service concession arrangements"

3. IFRIC 12 is applicable only where:
   - the infrastructure (i.e. the property) is used to deliver public services; and
   - the public sector grantor (the NHS body) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
   - the public sector grantor (the NHS body) controls the residual interest in the asset at the end of the term of the arrangement.

Summary of required accounting – on-SOFP under IFRIC12

4. Properties that are on-SOFP under IFRIC 12 should be included in the PFI disclosures. The property will be recorded in the SOFP, together with an associated liability. The unitary payment stream is separated into: the interest element; the capital creditor repayment element; and the service element.
5. While the required accounting mirrors that for a finance lease, and techniques for apportioning the payments as above may also be the same as used for finance leases, the arrangement is not reported as a finance lease. IFRS make a distinction between finance lease arrangements and IFRIC 12 arrangements.
6. The arrangement should instead be included in the PFI disclosures, as the FReM places both PFI and IFRIC 12 arrangements within the category of Public-Private Partnerships.

Summary of required accounting – on-SOFP under IFRIC4

7. Properties that are on-SOFP by virtue of IFRIC 4 (i.e. where an IFRIC 12 service concession does not exist) should be included within the normal leasing disclosure notes.
8. Where the following conditions apply:

- The fulfilment of the arrangement is dependent on the use of a specific asset; and.
- The arrangement conveys the right to use the asset; and
- IAS 17 tests require the recognition of a finance lease,

the NHS body will be required to account for the transaction as a finance lease. In such cases, disclosure is within the finance lease notes to the SOFP in accordance with IAS 17.

Sale of asset that subsequently requires recognition on the seller's SOFP

9. The IFRICs do not specifically address this situation, but the arrangement is similar to a "sale and leaseback" arrangement which is dealt with by IAS 17, *Leases*. This guidance therefore follows the principles set out in IAS 17.

10. The transaction is considered as a financing transaction: the seller or lessee never disposes of the risks and rewards of ownership of the asset and so should not recognise a profit or loss on the sale. Any apparent profit (i.e. the difference between carrying amount and sale proceeds) should be deferred and amortised over the lease term. (IAS 17, para 59).

New transactions funded by "s28" and "s64" grants

11. Where a grant for the purchase of a NHS asset is made in the current year, and the arrangement results in the retention of the asset under IFRIC 12 or IFRIC 4 it is important to identify the substance of the transaction.

12. Cash is granted by the NHS body to the purchaser. The purchaser then buys the asset from the NHS body, but the NHS body retains the asset on its SOFP by virtue of IFRIC 12 or IFRIC4. A circular flow of cash has taken place: from the NHS to the purchaser and then back to the NHS; and the asset has remained on the NHS body's SOFP. Assuming no "profit" or "loss" has been made (in which case the IAS 17 sale and leaseback principles outlined above come into play) the economic and accounting reality is that no substantive transactions have taken place. At the completion of the series of transactions there should be no net impact either on the revenue account or SOFP.

13. This means that there will be no expense recognised in the NHS body's SOCNE as the circular flow of cash neither generates expenditure nor a capital receipt. In this situation there is therefore no need to record the issue of a capital grant and there is no need for the Department to effect a budgetary transfer from capital to revenue.

14. While no accounting entries should therefore be made, a narrative disclosure of the nature of the transaction should be provided in the accounts.

Chapter 4 Annex 9 - Transfer by Absorption

1. IFRS 3, *Business Combinations*, does not include intra-public sector combinations within its scope.
2. Amendments to the FReM were effective from 2012-13. Transfers of non-current assets that are not connected to "machinery of Government" or transfers of functions are outside the scope of this guidance.
3. The FReM adaptation of IFRS 3 is outlined in Chapter 3 and the following paragraphs offer some practical guidance to NHS bodies.
4. The authorisation of a NHS Foundation Trust is governed by statute, and the guidance in this Annex is not applicable to the situation where a NHS Trust is authorised as a NHS Foundation Trust.

Accounting entries

5. Prior-period figures must not be restated on a transfer of functions, assets or liabilities between public sector bodies under absorption accounting.
6. Each party in a transfer will account for transactions in the period in which they fell. The "successor" does not account for any transactions carried out by the "transferor" prior to the date of transfer.
7. Where assets and liabilities transfer as part of a transfer of functions, the date of transfer will normally coincide with the date that responsibilities passed from one body to the other. Normal IFRS asset recognition criteria will apply: clearly if the transferor of functions retains control of the related assets, there may be nothing to record in this respect.
8. Where a transfer takes place in-year, or where an entity closes down mid-year, both parties record the transfer and receipt of assets and liabilities as in-year transactions. In the event of a mid-year closedown, the closing body will prepare closing SOFPs for the year showing zero entries.
9. For closure on 31 March xx, the closing body will present a full SOFP: this will include all the assets and liabilities that transfer to either a new entity or an existing successor on 1 April xx.
10. The successor body excludes the transferred assets and liabilities from its closing 31 March xx and its opening 1 April xx SOFP. It will record the receipt of the assets and liabilities as an in-year movement at the start of the new period.
11. Transfers of assets and liabilities are balanced by corresponding entries to the SOCNE/SOCI as gains/losses that impact on in-year performance, but identified separately from operating costs.
12. As reserves are not transferred, it will be necessary for entities to make manual transfers between the General Fund/Retained Earnings and the Revaluation Reserve (to preserve the Revaluation Reserve value associated with a transferred asset). NHS bodies will

therefore need to provide information on the associated Revaluation reserve values, as well as the carrying amount value, to the successor body.

13. Transfers of assets and liabilities must be recorded in detail, listing counter-parties, in both the Accounts and Summarisation Schedules. Accounts will need to contain meaningful narrative disclosures about the transfer event. These disclosures might fall under "events after the reporting period" if the transfers are a consequence of the dissolution of a NHS body.

Chapter 4 Annex 10 - NHS Transition: Modified Absorption Accounting for 1 April 2013 Transfers

Accounting for assets transferred from closed NHS bodies

1 For 2013-14, the default arrangement for handling routine intra-NHS asset transfers (on transfer of functions) and intra-Group reconstructions remains absorption accounting (see above, Annex 9). Treasury has, however, agreed a departure from the FReM in accounting for the transfer of assets, liabilities and functions in respect of the closure of: SHAs; PCTs; and certain Special Health Authorities (SpHA) on 1 April 2013. For the sake of simplicity, these are referred to as "closed" entities below.

2 Where a NHS body receives assets or liabilities on 1 April 2013, and those assets or liabilities were brought to account at 31 March 2013 in the SOFP of a body that was dissolved on 1 April 2013, it shall account for the transaction through reserves using modified absorption accounting.

3 For all other asset/liability transfers between NHS bodies that follow transfers of functions, absorption accounting must be applied, as in 2012-13. In summary, modified absorption accounting is appropriate only where two conditions are met:

- The transfer is from a SHA, PCT or SpHA that dissolved at the end of 2012-13 (i.e. 1 April 2013); and,
- The asset or liabilities involved were included in the closing balance sheet of the closed entity.

Background

4 Those entities that closed on 1 April 2013 prepared full accounts on a going concern basis in respect of 2012-13 and therefore reported a full set of SOFP balances at 31 March 2013. They will not however produce any financial statements in respect of 2013-14.

5 Most of the successor bodies to the closed entities either did not exist at 31 March 2013 or had not assumed their full functions at that date (CCGs, NHS Property Services, PHE). None of the successor bodies has a counter party in 2013-14 against which to record transition transactions.

6 It is necessary, for the Group consolidation, that aggregate 1 April 2013 balances are identical to the aggregate position on the previous day.

7 A further consideration is that absorption accounting recognises the receipt of e.g. net assets by a successor as dr asset, cr current year income, thereby generating an in-year surplus or over-performance position in the successor on the date of transfer. To balance performance nationally, it would be necessary for the core Department to recognise an in-year loss to the same value.

8 The Department considers that it would be misleading and distorting to allow the reconfiguration of the NHS to generate reported performance gains on losses on the first

day of the accounting period. For successor bodies, and CCGs in particular, this arrangement would also fail to convey the reality of having new entities set up under Statute and vested with certain assets by Secretary of State.

Accounting for 1 April 2013 transition receipts from closed bodies

9 The Department, with Treasury approval, has therefore set the following accounting requirements:

- Successor bodies must balance receipts of net assets/liabilities by means of credits/debits to reserves, thereby avoiding distorting performance entries
- Transferred assets/liabilities are shown as 2013-14 adjustments to opening balances. This ensures that for each successor, whether a new entity or existing organisation, closing and opening balances are identical. The adjustment to opening balances in respect of transfers from closed entities will be clearly identified within accounts and will be accompanied by full and detailed disclosures to explain the source and circumstances of the asset/liability receipts
- This accounting policy is not applied retrospectively. No restatement of 2012-13 figures is required in respect of NHS transition closures except by means of the formal 1 April 2013 adjustment to opening balances
- Revaluation reserves are preserved. Following the practice adopted in 2012-13, those bodies that receive net assets that are funded in part by revaluation reserves will preserve those reserves by means of a second transaction subsequent to the initial recognition of the asset transfer itself. This transaction will transfer an amount from the General Fund (or retained earnings reserve) to the credit of the revaluation reserve, such that the asset's historic revaluation reserve is recognised by the successor. While this achieves the same effect as "transferring" the reserve itself, this is not strictly the case. The transaction is dr Gen Fund, cr reval reserve and not dr asset, cr reval reserve. This revaluation reserve transaction should take place in all cases in 2013-14 (i.e. in both transition-related closures and under "normal" absorption accounting).

10 The formats of the 2013-14 accounts and consolidation schedules have not been finalised but they will show, for the SOFP and each Note to the SOFP:

Opening balance (will equal 12-13 closing balance)	100
Transfer of asset (liability) from closed NHS body - received	20
Balance at 1 April following adjustment	120
In-year movements etc	30

In-year transfer of (liability) under absorption accounting - received	(25)
Closing balance	125

11 For bodies that became operational on 1 April 2013 (e.g. CCGs), the brought forward balances will, strictly speaking, be zero. The receipt of transferred assets and liabilities will be clearly identified and result in an adjusted 1 April 2013 balance being shown.

12 In the example above, the net asset receipt of 20 will be further analysed in accounts and summarisation schedules to detail the type of asset or liability transferred, and the identities of the source bodies. This meets Treasury disclosure requirements, and will permit a national reconciliation of closing balance sheets to (adjusted) 1 April 2013 balances. It is of course essential that both senders and receivers of asset and liabilities agree values and categories.

13 The reserves transactions will be reflected in accounts and summarisation schedules as follows:

dr asset	20
cr General Fund*	20

and subsequently (if we assume the asset carried a revaluation balance of 5 in the closed body):

dr General Fund*	5
cr revaluation reserve	5

* for Trusts & FTs, retained earnings.

Other in-year machinery of government changes

14 Where the conditions at 3 above are not met, NHS bodies' accounting defaults to absorption accounting as set out in the FReM, FT ARM and above.

15 The accounts and summarisation schedules will need to distinguish between 1 April 2013 transactions outlined above and other in-year transfers. This second category will, as in 2012-13, be dealt with through the in-year revenue account. The SOFP and Notes to the SOFP will therefore include lines in which to report such transfers, and these entries will be detailed by category and counter-party and reconciled to the gain or loss recognised in the SOCNE/SOCI for the period.

16 In the example at 10 above, the entity will, in addition to the 1 April 2013 transaction, also report a transfer in of liabilities (25), resulting in a realised loss, recognised in the SOCNE/SOCI.

Asset valuation

17 Assets and liabilities transferring within the DH Group, whether under transition or other functions transfer arrangements, transfer at their net book value in the transferor's SOFP. Revaluation is not required simply because the asset is transferring: absorption accounting does not require revaluation.

18 However, either the transferring body or the recipient may have cause to revalue assets as in-year transactions before or after the date of transfer (e.g. within the routine valuation cycle, or where a current reduction in service potential has been identified). Any such revaluation must be accounted for as a distinct and separate exercise from the transfer itself to ensure that asset values are identical in each set of accounts.

19 The normal considerations on impairment apply – where a review of an asset's service potential is required (e.g. because it has already been taken out of service) it may be necessary to recognise an impairment in the normal way. Where an asset is however still operational at the point of transfer, and the transferor has no control over its future use, the transferor should not make any assumptions about the future use of the asset. The successor body (including NHS PS) will carry out an impairment review when and if it considers it necessary to do so. In other words, the fact that an asset is being transferred to another part of the DH Group is not in itself a sufficient reason to impair it while it remains in use by the transferor.

5. Proforma Accounts

5.1. Proforma accounts are provided in a separate excel file in the 'finman' website. A converted PDF version of this file is included below.

Data entered below will be used throughout the workbook:

Trust name	My NHS body
This year	2013-14
Last year	2012-13
This year ended	31 March 2014
Last year ended	31 March 2013
This year commencing:	1 April 2013
Last year commencing:	1 April 2012

Manual for Accounts 2013-14

Key

Cells outlined are used by NHS Trusts

Shows requirements for vote-funded entities

Statement of Comprehensive Net Expenditure for year ended 31 March 2014

	NOTE	**2013-14 £000s**	2012-13 £000s
Gross employee benefits	10.1	**0**	0
Other costs	8	**0**	0
Revenue from patient care activities	5	**0**	0
Other Operating revenue	6	**0**	0
Operating surplus/(deficit)		**0**	0
Investment revenue	12	**0**	0
Other gains and (losses)	13	**0**	0
Finance costs	14	**0**	0
Surplus/(deficit) for the financial year		**0**	0
Public dividend capital dividends payable		**0**	0
Net Gain/(loss) on transfers by absorption		**0**	0
Retained surplus/(deficit) for the year		**0**	0

Other Comprehensive Expenditure	**2013-14 £000s**	2012-13 £000s
Impairments and reversals	**0**	0
Net gain/(loss) on revaluation of property, plant & equipment	**0**	0
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*	**0**	0

Financial performance for the year

Retained surplus/(deficit) for the year	**0**	0
Prior period adjustment to correct errors	**0**	0
IFRIC 12 adjustment	**0**	0
Impairments	**0**	0
Adjustments iro donated asset/gov't grant reserve elimination *[if required]*	**0**	0
Adjustment re Absorption accounting	**0**	0
Adjusted retained surplus/(deficit)	**0**	0

[Insert explanation re adjustments made to accounting outturn to arrive at reported performance. Note that prior year performance is not re-assessed following accounting restatements]

[Where PDC dividends have been overpaid or underpaid in aggregate, disclose here the amounts due to or from the organisation]

PDC dividend: balance receivable/(payable) at 31 March 2014	**0**
PDC dividend: balance receivable/(payable) at 1 April 2013	**0**

The notes on pages x to xx form part of this account.

Supply funded bodies will, additionally, analyse revenue and expenditure into "admin" & "programme"

Reconciliation of Cash Drawings to Parliamentary Funding

	2013-14 £000s
Total cash received from DH (Gross)	0
Less: Trade revenue from DH	0
Less/(Plus): movement in DH working balances	0
Sub total: net advances	**0**
(Less)/plus: transfers (to)/from other resource account bodies (free text note required)	0
Plus: cost of Dentistry Schemes (central charge to cash limits)	0
Plus: drugs reimbursement (central charge to cash limits)	0
Parliamentary funding credited to General Fund	**0**

Statement of Financial Position as at 31 March 2014

	NOTE	**31 March 2014** £000s	31 March 2013 £000s
Non-current assets:			
Property, plant and equipment	15	**0**	0
Intangible assets	16	**0**	0
Investment property	18	**0**	0
Other financial assets		**0**	0
Trade and other receivables	22.1	**0**	0
Total non-current assets		**0**	0
Current assets:			
Inventories	21	**0**	0
Trade and other receivables	22.1	**0**	0
Other financial assets	24	**0**	0
Other current assets	25	**0**	0
Cash and cash equivalents	26	**0**	0
Total current assets		**0**	0
Non-current assets held for sale	27	**0**	0
Total current assets		**0**	0
Total assets		**0**	0
Current liabilities			
Trade and other payables	28	**0**	0
Other liabilities	29	**0**	0
Provisions	35	**0**	0
Borrowings	30	**0**	0
Other financial liabilities	31	**0**	0
Working capital loan from Department	30	**0**	0
Capital loan from Department	30	**0**	0
Total current liabilities		**0**	0
Non-current assets plus/less net current assets/liabilities		**0**	0
Non-current liabilities			
Trade and other payables	28	**0**	0
Other Liabilities	31	**0**	0
Provisions	35	**0**	0
Borrowings	31	**0**	0
Other financial liabilities	30	**0**	0
Working capital loan from Department	30	**0**	0
Capital loan from Department	30	**0**	0
Total non-current liabilities		**0**	0
Total Assets Employed:		**0**	0
FINANCED BY:			
TAXPAYERS' EQUITY			
General Fund		**0**	0
Public Dividend Capital		**0**	0
Retained earnings		**0**	0
Revaluation reserve		**0**	0
Other reserves		**0**	0
Total Taxpayers' Equity:		**0**	0

The notes on pages x to xx form part of this account.

The financial statements on pages *[a to b]* were approved by the Board on *[date]* and signed on its behalf by

Chief Executive: Date:

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

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2013	**0**	**0**	**0**	**0**	**0**
Changes in taxpayers' equity for 2013-14					
Retained surplus/(deficit) for the year		0			**0**
Net gain / (loss) on revaluation of property, plant, equipment			0		**0**
Net gain / (loss) on revaluation of intangible assets			0		**0**
Net gain / (loss) on revaluation of financial assets			0		**0**
Net gain / (loss) on revaluation of assets held for sale			0		**0**
Impairments and reversals			0		**0**
Movements in other reserves			0	0	**0**
Transfers between reserves		0	0	0	**0**
Release of reserves to Statement of Comprehensive Income			0		**0**
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**
On Disposal of Available for Sale financial Assets			0		**0**
Reserves eliminated on dissolution	0	0	0	0	**0**
Originating capital for Trust established in year	0				**0**
New PDC Received	0				**0**
PDC Repaid In Year	0				**0**
PDC Written Off	0				**0**
Transferred to NHS Foundation Trust	0	0	0	0	**0**
Other Movements in PDC In Year	0				**0**
Net Actuarial Gain/(Loss) on Pension		0		0	**0**
Net recognised revenue/(expense) for the year	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2014	**0**	**0**	**0**	**0**	**0**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2012	**0**	**0**	**0**	**0**	**0**
Changes in taxpayers' equity for the year ended 31 March 2013					
Retained surplus/(deficit) for the year		0			0
Net gain / (loss) on revaluation of property, plant, equipment			0		0
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of assets held for sale			0		0
Impairments and reversals			0		0
Movements in other reserves				0	0
Transfers between reserves		0	0	0	0
Release of reserves to Statement of Comprehensive Income			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
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received	0				0
PDC Repaid In Year	0				0
PDC Written Off	0				0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0				0
Net Actuarial Gain/(Loss) on Pension		0		0	0
Net recognised revenue/(expense) for the year	0	0	0	0	0
Balance at 31 March 2014	**0**	**0**	**0**	**0**	**0**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2014

	NOTE	**2013-14 £000s**	2012-13 £000s
Cash Flows from Operating Activities			
Operating Surplus/(Deficit)		**0**	0
Depreciation and Amortisation		**0**	0
Impairments and Reversals		**0**	0
Other Gains/(Losses) on foreign exchange		**0**	0
Donated Assets received credited to revenue but non-cash		**0**	0
Government Granted Assets received credited to revenue but non-cash		**0**	0
Interest Paid		**0**	0
Dividend (Paid)/Refunded		**0**	0
Release of PFI/deferred credit		**0**	0
(Increase)/Decrease in Inventories		**0**	0
(Increase)/Decrease in Trade and Other Receivables		**0**	0
(Increase)/Decrease in Other Current Assets		**0**	0
Increase/(Decrease) in Trade and Other Payables		**0**	0
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions Utilised		**0**	0
Increase/(Decrease) in Provisions		**0**	0
Net Cash Inflow/(Outflow) from Operating Activities		**0**	0
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		**0**	0
(Payments) for Property, Plant and Equipment		**0**	0
(Payments) for Intangible Assets		**0**	0
(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		**0**	0
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**0**	0
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		**0**	0
Public Dividend Capital Repaid		**0**	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		**0**	0
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		**0**	0
Capital grants and other capital receipts		**0**	0
Net Cash Inflow/(Outflow) from Financing Activities		**0**	0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**0**	0
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**0**	0
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		**0**	0

Supply funded bodies will, additionally, report "Parliamentary Funding" and "Capital receipts surrendered"

NOTES TO THE ACCOUNTS [to be adapted for specific organisation types]

1. Accounting Policies *[example is based on the NHS trusts' note - to be adapted as appropriate]*
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 Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

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

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

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

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

1.4 Charitable Funds
For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with bodies' own returns is removed. Under the provisions of IAS 27 *Consolidated and Separate Financial Statements*, those Charitable Funds that fall under comon control with NHS bodies are consolidated within the entities' returns. In accordance with IAS 1 *Presentation of Financial Statements*, restated prior period accounts are presented where the adoption of the new policy has a material impact.

1.5 Pooled Budgets
The *[NHS body]* has entered into a pooled budget with [xxx]. Under the arrangement funds are pooled under S75 of the NHS Act 2006 for *[describe]* activities [*and a note to the accounts provides details of the income and expenditure*].

The pool is hosted by [body]. Payments for services provided by the [NHS body]are accounted for as income from [xxx]. The [NHS body] accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

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

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

1.6.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the [NHS body]'s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.
[Disclose the critical judgements made by the [NHS body]s management, as required by IAS1.122.]

1.6.2 Key sources of estimation uncertainty

[Disclose information about the key assumptions for the trust, as required by IAS 1.125. Disclosures must include the nature of the assumption and the carrying amount of the asset/liability at the end of the reporting period and may include sensitivity of the carrying amount to the assumptions, expected resolution of uncertainty and range of possible outcomes within the next financial year, and an explanation of changes to past assumptions if the uncertainty remains unresolved. Examples could include: indices used for asset valuations, asset lives, provision balances, intangible asset valuations.]

1.7 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of *length of stay at the end of the reporting period compared to expected total length of stay/costs incurred to date compared to total expected costs.
**Delete as appropriate*
Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The [NHS body] receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The [NHS body] 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.

[If the [NHS body] sells goods, include an accounting policy note for this too.]

1.8 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees, *except for bonuses earned but not yet taken which, like leave earned but not yet taken is not accrued for at the year end, on the grounds of immateriality.

**alternatively, replace with*

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.

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

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 [NHS body] commits itself to the retirement, regardless of the method of payment.

[Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the [NHS body]'s accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the Income and Expenditure reserve and reported as an item of other comprehensive income.]

1.9 Other expenses

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

1.10 Property, plant and equipment

Recognition

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

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

Valuation

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

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

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

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:
● Land and non-specialised buildings – market value for existing use
● Specialised buildings – depreciated replacement cost

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

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

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value. *[A different policy should be adopted and disclosed here where assets are not of sufficiently low value and/or do not have sufficiently short lives for DRC to be materially the same as fair value.]*

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

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

1.11 Intangible assets

Recognition

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

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

● the ability to sell or use the intangible asset
● how the intangible asset will generate probable future economic benefits or service potential
● the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
● the ability to measure reliably the expenditure attributable to the intangible asset during its development

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

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

1.12 Depreciation, amortisation and impairments
Freehold land, properties under construction, and assets held for sale are not depreciated.

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

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

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

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

1.13 Donated assets

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

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

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

1.15 Non-current assets held for sale

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

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

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

1.16 Leases

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

The trust as lessee

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

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

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

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

The [NHS body] as lessor

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

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

1.17 Private Finance Initiative (PFI) transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[For PFI assets funded principally by third party usage, the following alternative policies should be used:

Where there is a unitary payment from the [NHS body] in respect of part of the asset, the following paragraph should replace the first paragraph above for the PFI liability:

"A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured at the present value of the minimum lease payments, discounted using the implicit interest rate. It is subsequently measured as a finance lease liability in accordance with IAS 17.

[The following policy is needed for the deferred income balance:]

[Either: where there is also a liability:
"On initial recognition of the asset, the difference between the fair value of the asset and the initial liability is recognised as deferred income, representing the future service potential to be received by the Trust through the asset being made available to third party users.

The balance is subsequently released to operating income over the life of the concession on a straight-line basis."

Or, if there is no initial liability at all:
"On initial recognition of the asset, an equivalent deferred income balance is recognised, representing the future service potential to be received by the [NHS body] through the asset being made available to third party users.

The balance is subsequently released to operating income over the life of the concession on a straight-line basis."]

[If you have any off-statement of financial position PFI, provide an accounting policy note, including the nature and business purpose of the arrangement and the financial impact on the trust.]

[If you sub-lease a PFI property to another NHS body, then you will need to provide appropriate accounting policies in addition to those above]

[If you sub-lease a PFI property from another NHS body, then you should provide accounting policies based on those above, but incorporating any local changes]

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

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

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

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

1.20 Provisions

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

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

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

1.21 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the [NHS body]'. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 35.

1.22 Non-clinical risk pooling

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

1.23 Carbon Reduction Commitment Scheme (CRC)

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

1.24 Contingencies

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

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

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

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

1.25 Financial assets

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

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

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

Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition. *[Disclose how fair value is determined.]*

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques *[specify – see IAS 39 AG 74 and following paragraphs]*

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

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

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

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

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

1.26 Financial liabilities

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

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

Financial guarantee contract liabilities

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

The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ; and

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.
[Omit any of the above that does not apply to the [NHS body]']

1.27 Value Added Tax

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

1.28 Foreign currencies

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

1.29 Third party assets

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

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

1.30 Public Dividend Capital (PDC) and PDC dividend [NHS trust only]

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

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

1.31 Losses and Special Payments

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

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

1.32 Subsidiaries

Material entities over which the [NHS body] 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 [NHS body] or where the subsidiary's accounting date is not co-terminus.

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

From 2013-13, the [NHS body] consolidates the results of [name] Charitable Funds over which it considers it has the power to exercise control in accordance with IAS27 requirements.

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

1.33 Associates

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

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

1.34 Joint ventures

Material entities over which the [NHS body] has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. Joint ventures are accounted for by [delete: proportional consolidation, equity method].

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

1.35 Joint operations

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

1.36 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SOCNE/SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

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

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

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. XYZ pooled budget (optional)

XXXXX has a pooled budget arrangement with XXXXX. XXXXX is the host. The memorandum account for the pooled budget is:)

(Or, if the memorandum account is not available in time, disclose any balances in the [organisation]'s statement of financial position that relate to the pooled budget.)

The [organisation]'s shares of the income and expenditure handled by the pooled budget in the financial year were:

	2013-14	2012-13
	£000s	£000s
Revenue	**0**	0
Expenditure	**0**	0

3. Operating segments

[Disclose the factors used to identify the segments and the types of services from which each segment derives its revenues.]

[Whether or not segmental information is given:

- disclose the income (included in the [organisation]'s surplus/deficit) from external customers for each service or group of similar services XXXXXXXXXXXXX activities, and
- if income from transactions with a single external customer amount to 10% or more of total income, disclose the fact, the total amount of income from each such customer and (if appropriate) the segments) reporting the income. Note: as commissioners and providers are under common control, they are classed as a single customer for this

	Segment [identify]		Segment [identify]		Total	
	2013-14	2012-13	**2013-14**	2012-13	**2013-14**	2012-13
	£000s	£000s	**£000s**	£000s	**£000s**	£000s
Income	**0**	0	**0**	0	**0**	0
Surplus/(Deficit)						
Segment surplus/(deficit)	**0**	0	**0**	0	**0**	0
Common costs	**0**	0	**0**	0	**0**	0
Surplus/(deficit) before interest	**0**	**0**	**0**	**0**	**0**	0
Net Assets:						
Segment net assets	**0**	0	**0**	0	**0**	0

[Disclose the:

- *basis of accounting for any transactions between segments*
- *nature of differences in surpluses/deficits from those in the statement of comprehensive income*
- *nature of differences in values of assets from those in the statement of financial position*
- *nature of differences in values of liabilities from those in the statement of financial position*
- *nature and effect of any changes from prior periods in measurement methods used to determine segment surpluses/deficits*
- *nature and effect of any asymmetrical allocations to segments eg allocating depreciation but not the related assets]*

[Provide reconciliations of:

- *total segments' income to the [organisation]'s income*
- *total segments' surplus/deficit to the surplus/deficit for the financial year*
- *total segments' assets to the [organisation]'s assets*
- *if liabilities are reported above, total segments' liabilities to the [organisation]'s liabilities*
- *total of segments' amounts for any other material item to the value given for the [organisation]]*

[Desirable disclosures:

Cash flows from:

£x

£x

£x

4. Income generation activities

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

Summary Table - aggregate of all schemes	**2013-14 £000s**	2012-13 £000s
Income	**0**	0
Full cost	**0**	0
Surplus/(deficit)	**0**	0

[Repeat the above for each income generation activity whose full cost was over £1m or was otherwise material (ie showing a separate table for each scheme)
Disclose the financial objective and achievement against the objective for both years.]

5. Revenue from patient care activities	**2013-14 £000s**	2012-13 £000s
CCGs	**0**	0
NHS England	**0**	0
NHS Trusts	**0**	0
NHS Foundation Trusts	**0**	0
Local Authorities	**0**	0
Department of Health	**0**	0
NHS other	**0**	0
Non-NHS:		
Private patients	**0**	0
Overseas patients (non-reciprocal)	**0**	0
Injury costs recovery	**0**	0
Other	**0**	0
Total Revenue from patient care activities	**0**	0

6. Other operating revenue	**2013-14 £000s**	2012-13 £000s
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**0**	0
Charitable and other contributions to revenue expenditure - NHS	**0**	0
Charitable and other contributions to revenue expenditure -non- NHS	**0**	0
Receipt of donations for capital acquisitions - NHS Charity	**0**	0
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**0**	0
Income generation	**0**	0
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**0**	0
Other revenue	**0**	0
Total Other Operating Revenue	**0**	0
Total operating revenue	**0**	0

7. Revenue	**2013-14 £000**	2012-13 £000
From rendering of services	**0**	0
From sale of goods	**0**	0

[Or, *if revenue from sale of goods is immaterial* include the following statement.
Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.']

Format and content of the revenue statement will vary between organisation types

8. Operating expenses	**2013-14 £000s**	2012-13 £000s
Services from other NHS trusts	**0**	0
Services from CCGs/NHS England	**0**	0
Services from other NHS bodies	**0**	0
Services from foundation trusts	**0**	0
Purchase of healthcare from non NHS bodies	**0**	0
Trust Chair and Non-executive Directors	**0**	0
Supplies and services - clinical	**0**	0
Supplies and services - general	**0**	0
Consultancy services	**0**	0
Establishment	**0**	0
Transport	**0**	0
Premises	**0**	0
Impairments and Reversals of Receivables	**0**	0
Inventories write down	**0**	0
Depreciation	**0**	0
Amortisation	**0**	0
Impairments and reversals of property, plant and equipment	**0**	0
Impairments and reversals of intangible assets	**0**	0
Impairments and reversals of financial assets [by class]	**0**	0
Impairments and reversals of non current assets held for sale	**0**	0
Impairments and reversals of investment properties	**0**	0
Audit fees	**0**	0
Other auditor's remuneration [detail]	**0**	0
Clinical negligence	**0**	0
Research and development (excluding staff costs)	**0**	0
Education and Training	**0**	0
Change in Discount Rate	**0**	0
Other	**0**	0
Total Operating expenses (excluding employee benefits)	**0**	0
Employee benefits		
Employee benefits excluding Board members	**0**	0
Board members	**0**	0
Total employee benefits	**0**	0
Total operating expenses	**0**	0

Format and content of the expense statement will vary between organisation types

9 Operating Leases

[Where the [organisation] is a lessee, include a general description of significant leasing arrangements, including:
(a) basis on which contingent rent is determined
(b) terms of renewal, purchase options or escalation clauses and
(c) restrictions imposed by lease arrangements]

9.1 [organisation] as lessee

	Land	Buildings	Other	2013-14 Total	2012-13
	£000s	£000s	£000s	£000s	£000s
Payments recognised as an expense					
Minimum lease payments	0	0	0	**0**	0
Contingent rents	0	0	0	**0**	0
Sub-lease payments	0	0	0	**0**	0
Total	**0**	**0**	**0**	**0**	0
Payable:					
No later than one year	0	0	0	**0**	0
Between one and five years	0	0	0	**0**	0
After five years	0	0	0	**0**	0
Total	**0**	**0**	**0**	**0**	0
Total future sublease payments expected to be received:				0	0

9.2 [organisation] as lessor

[A general description of leasing arrangements]

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

10 Employee benefits and staff numbers

10.1 Employee benefits

	2013-14 Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	**0**	0	0
Social security costs	**0**	0	0
Employer Contributions to NHS BSA - Pensions Division	**0**	0	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 employee benefits	**0**	**0**	**0**
Less recoveries in respect of employee benefits (table below)	**0**	0	0
Total - Net Employee Benefits including capitalised costs	**0**	**0**	**0**
Employee costs capitalised	**0**	0	0
Gross Employee Benefits excluding capitalised costs	**0**	**0**	**0**

Employee Benefits 2013-14 - revenue			
Salaries and wages	**0**	0	0
Social Security costs	**0**	0	0
Employer Contributions to NHS BSA - Pensions Division	**0**	0	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	**0**	**0**	**0**

	Total £000s	Permanently employed £000s	Other £000s
Gross Employee Benefits & Net expenditure 2012-13			
Salaries and wages	**0**	0	0
Social security costs	**0**	0	0
Employer Contributions to NHS BSA - Pensions Division	**0**	0	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 - including capitalised costs	**0**	**0**	**0**
Less recoveries in respect of employee benefits	**0**	0	0
Total - Net Employee Benefits including capitalised costs	**0**	**0**	**0**
Recognised as			
Employee costs capitalised	**0**		
Net Employee Benefits excluding capitalised costs	**0**		

10.2 Staff Numbers

	2013-14 Total Number	Permanently employed Number	Other Number	2012-13 Total Number
Average Staff Numbers				
Medical and dental	**0**	0	0	0
Ambulance staff	**0**	0	0	0
Administration and estates	**0**	0	0	0
Healthcare assistants and other support staff	**0**	0	0	0
Nursing, midwifery and health visiting staff	**0**	0	0	0
Nursing, midwifery and health visiting learners	**0**	0	0	0
Scientific, therapeutic and technical staff	**0**	0	0	0
Social Care Staff	**0**	0	0	0
Other	**0**	0	0	0
TOTAL	**0**	**0**	**0**	0
Of the above - staff engaged on capital projects	**0**	0	0	0

10.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	0	0
Total Staff Years	0	0
Average working Days Lost	#DIV/0!	#DIV/0!

	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	**0**	0
	£000s	£000s
Total additional pensions liabilities accrued in the year	**0**	0

10.4 Exit Packages agreed in 2013-14

	2013-14			2012-13		
Exit package cost band (including any special payment element)	***Number of compulsory redundancies**	***Number of other departures agreed**	**Total number of exit packages by cost band**	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	0	0	0	0	0	0
£10,001-£25,000	0	0	0	0	0	0
£25,001-£50,000	0	0	0	0	0	0
£50,001-£100,000	0	0	0	0	0	0
£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	0	0
Total number of exit packages by type (total cost	**0**	**0**	**0**	0	0	0
Total resource cost (£000s)	**0**	**0**	**0**	0	0	0

Redundancy and other departure costs have been paid in accordance with the provisions of the [NHS Scheme**]. Exit costs in this note are accounted for in full in the year of departure. Where the [organisation] has agreed early retirements, the additional costs are met by the [organisation] 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.

[Note: entities should provide additional text if any payments are not covered by the [NHS scheme]e.g. ex-gratia payments agreed with the Treasury / exit scheme details where using another scheme (e.g MARS).]

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

*[Numbers are rounded to the nearest ten, and numbers less than five are represented by "...". NOTE: This is optional]
** insert name of scheme used for compulsory redundancies

10.5 Pension costs *[to update - details from NHS BSA]*

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.

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

a) Full actuarial (funding) valuation

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

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

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

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

b) Accounting valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

[Where the Trust has employees who are members of other schemes, disclosures will be required in respect of them too.]

10.6 - Severance payments

Format of disclosure to be inserted after publication.

11 Better Payment Practice Code

11.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year				
Total Non-NHS Trade Invoices Paid Within Target				
Percentage of NHS Trade Invoices Paid Within Target	**#DIV/0!**	**#DIV/0!**	#DIV/0!	#DIV/0!
NHS Payables				
Total NHS Trade Invoices Paid in the Year				
Total NHS Trade Invoices Paid Within Target				
Percentage of NHS Trade Invoices Paid Within Target	**#DIV/0!**	**#DIV/0!**	#DIV/0!	#DIV/0!

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

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

	2013-14 £000s	2012-13 £000s
Amounts included in finance costs from claims made under this legislation		
Compensation paid to cover debt recovery costs under this legislation		
Total	**0**	0

12 Investment Revenue

	2013-14 £000s	2012-13 £000s
Rental revenue		
PFI finance lease revenue (planned)		
PFI finance lease revenue (contingent)		
Other finance lease revenue		
Subtotal	**0**	0
Interest revenue		
LIFT: equity dividends receivable		
LIFT: loan interest receivable		
Bank interest		
Other loans and receivables		
Impaired financial assets		
Other financial assets		
Subtotal	**0**	0
Total investment revenue	**0**	0

13 Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)		
Gain/(Loss) on disposal of assets other than by sale (intangibles)		
Gain/(Loss) on disposal of Financial Assets other then held for sale		
Gain (Loss) on disposal of assets held for sale		
Gain/(loss) on foreign exchange		
Change in fair value of financial assets carried at fair value through the SoCI		
Change in fair value of financial liabilities carried at fair value through the SoCI		
Change in fair value of investment property		
Recycling of gain/(loss) from equity on disposal of financial assets held for sale		
Total	**0**	0

14 Finance Costs

	2013-14 £000s	2012-13 £000s
Interest		
Interest on loans and overdrafts	**0**	0
Interest on obligations under finance leases	**0**	0
Interest on obligations under PFI contracts:		
- main finance cost	**0**	0
- contingent finance cost	**0**	0
Interest on obligations under LIFT contracts:		
- main finance cost	**0**	0
- contingent finance cost	**0**	0
Interest on late payment of commercial debt	**0**	0
Other interest expense	**0**	0
Total interest expense	**0**	0
Other finance costs	**0**	0
Provisions - unwinding of discount	**0**	0
Total	**0**	0

15.1 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2013	0	0	0	0	0	0	0	0	0
Additions of Assets Under Construction				0					0
Additions Purchased									0
Additions Donated									0
Additions Government Granted									0
Additions Leased									0
Reclassifications									0
Reclassifications as Held for Sale and reversals									0
Disposals other than for sale									0
Upward revaluation/positive indexation									0
Impairments/negative indexation									0
Reversal of Impairments									0
Transfers to NHS Foundation Trust									0
Transfer (to)/from Other Public Sector bodies									0
At 31 March 2014	0	0	0	0	0	0	0	0	0
Depreciation									
At 1 April 2013									0
Reclassifications									0
Reclassifications as Held for Sale and reversals									0
Disposals other than for sale									0
Upward revaluation/positive indexation									0
Impairments									0
Reversal of Impairments									0
Charged During the Year									0
Transfers to NHS Foundation Trust									0
Transfer (to)/from Other Public Sector bodies									0
At 31 March 2014	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2014	0	0	0	0	0	0	0	0	0
Purchased									0
Donated									0
Government Granted									0
Total at 31 March 2014	0	0	0	0	0	0	0	0	0
Asset financing:									
Owned									0
Held on finance lease									0
On-SOFP PFI contracts									0
PFI residual: interests									0
Total at 31 March 2014	0	0	0	0	0	0	0	0	0

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013									0
Movements (specify)									0
At 31 March 2014	0	0	0	0	0	0	0	0	0

Additions to Assets Under Construction in 2013/14

	£000's
Land	
Buildings excl Dwellings	
Dwellings	
Plant & Machinery	
Balance as at YTD	0

15.2 Property, plant and equipment prior-year

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2012									0
Additions - purchased									0
Additions - donated									0
Additions - government granted									0
Reclassifications									0
Reclassifications as Held for Sale and reversals									0
Disposals other than by sale									0
Revaluation & indexation gains									0
Impairments									0
Reversals of impairments									0
In-year transfers to/from NHS bodies									0
Transfer to NHS Foundation Trust									0
Cumulative dep netted off cost following revaluation									0
At 31 March 2013	0	0	0	0	0	0	0	0	0
Depreciation									
At 1 April 2012									0
Reclassifications									0
Reclassifications as Held for Sale and reversals									0
Disposals other than for sale									0
Upward revaluation/positive indexation									0
Impairments									0
Reversal of Impairments									0
Charged During the Year									0
Transfers to NHS Bodies									0
Transfer to NHS Foundation Trust									0
Cumulative dep netted off cost following revaluation									0
At 31 March 2013	0	0	0	0	0	0	0	0	0
Net book value at 31 March 2013	0	0	0	0	0	0	0	0	0
Purchased									0
Donated									0
Government Granted									0
Total at 31 March 2013	0	0	0	0	0	0	0	0	0
Asset financing:									
Owned									0
Held on finance lease									0
On-SOFP PFI contracts									0
PFI residual: interests									0
Total at 31 March 2013	0	0	0	0	0	0	0	0	0

15.3 (cont). Property, plant and equipment

[Disclose the donor of any assets donated in-year]

[For assets held at revalued amounts state:
- *the effective date of revaluation*
- *whether carried out by an independent valuer*
- *methods and significant assumptions applied, and*
- *the extent to which fair values have been determined by reference to markets or estimated using valuation techniques.]*

[Where the method of valuation has changed – e.g. to MEA – disclose the nature of the change, and the effect of this change]

[Give details of asset lives for each class of asset (in Note 1)]

Give details of changes of asset lives/residual values and the effect of the adjustment in the current and/or future years.]

[State the amount of any compensation from third parties for assets impaired, lost or given up, that is included in the SoCI.]

[Provide information about any write-downs to recoverable amount and any reversals of such write-downs.]

[Where a property is held at existing use value and that value is materially different from its open market value, give the open market value and the reasons for the difference, do not engage valuers solely to determine market values for disclosure purposes.]

[Desirable disclosures:
- *Carrying amount of temporarily idle assets.*
- *Gross carrying amount of any fully depreciated assets still in use.]*

16.1 Intangible non-current assets

2013-14	Software internally generated £000's	Software purchased £000's	Licences & trademarks £000's	Patents £000's	Development expenditure £000's	Total £000's
At 1 April 2013	**0**	**0**	**0**	**0**	**0**	**0**
Additions - purchased						**0**
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 2014	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation						
At 1 April 2013	**0**	**0**	**0**	**0**	**0**	**0**
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						**0**
Transfer to NHS Foundation Trust						**0**
Transfer (to)/from Other Public Sector bodies						**0**
At 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**
Net Book Value at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**
Net book value at 31 March 2014 comprises:						
Purchased						**0**
Donated						**0**
Government Granted						**0**
Total at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013						**0**
Movements (specify)						**0**
At 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**

16.2 Intangible non-current assets prior year

2012-13	Software internally generated £000s	Software purchased £000s	Licences & trademarks £000s	Patents £000s	Development expenditure £000s	Total £000s
Cost or valuation:						
At 1 April 2012						0
Additions - purchased						0
Additions - internally generated						0
Additions - donated						0
Additions - government granted						0
Reclassifications						0
Reclassified as held for sale						0
Disposals other than by sale						0
Revaluation & indexation gains						0
Impairments						0
Reversal of impairments						0
Transfer to NHS Foundation Trust						0
Less cumulative depreciation written down on revaluation						0
At 31 March 2013	0	0	0	0	0	0
Amortisation						
At 1 April 2012						0
Reclassifications						0
Reclassified as held for sale						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						0
Transfer to NHS Foundation Trust						0
Less cumulative depreciation written down on revaluation						
At 31 March 2013	0	0	0	0	0	0
Net book value at 31 March 2013	0	0	0	0	0	0
Net book value at 31 March 2013 comprises:						
Purchased						0
Donated						0
Government Granted						0
Total at 31 March 2013	0	0	0	0	0	0

16.3 Intangible non-current assets

[For each class of intangible asset disclose:
- *the effective date of revaluation*
- *the methods and significant assumptions applied in estimating fair values*
- *the carrying amount had they been held at cost.]*

[For each class of intangible asset, distinguishing between internally generated intangible assets and others, disclose:
- *whether the useful lives are indefinite or finite and:*
- *if finite, the useful lives or the amortisation rates used.]*

[For intangible assets assessed as having indefinite useful lives, disclose:
- *the carrying amount of each asset*
- *the reasons supporting the assessment of an indefinite useful life.]*

[For intangible assets acquired by government grant disclose:
- *The fair value initially recognised for them*
- *Their carrying amount]*

[Desirable disclosures:
- *Description of any fully amortised intangible asset still in use.*
- *Brief description of any significant intangible assets controlled by the entity but not recognized as assets because they didn't meet the recognition criteria of IAS 38.]*

17 Analysis of impairments and reversals recognised in 2013-14

	2013-14 Total £000s
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	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
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	0
Total impairments for PPE charged to reserves	**0**
Total Impairments of Property, Plant and Equipment	**0**
Intangible assets impairments and reversals charged 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	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
Intangible Assets 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	0
Total impairments for Intangible Assets charged to Reserves	**0**
Total Impairments of Intangibles	**0**
Financial Assets charged to SoCI	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	**0**
Loss as a result of catastrophe	0
Other	0
Total charged to Annually Managed Expenditure	**0**
Financial Assets impairments and reversals charged to the Revaluation Reserve	
Loss or damage resulting from normal operations	0
Loss as a result of catastrophe	0
Other	0
TOTAL impairments for Financial Assets charged to reserves	**0**
Total Impairments of Financial Assets	**0**
Non-current assets held for sale - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	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	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
Total impairments of non-current assets held for sale	**0**
Inventories - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
Total impairments of Inventories	**0**
Investment Property impairments charged to SoCI	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
Total Investment Property impairments charged to SoCI	**0**
Investment Property impairments and reversals charged to the revaluation reserve	
Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total impairments for Investment Property charged to reserves	**0**
Total Impairments of Investment Property	**0**
Total Impairments charged to Revaluation Reserve	**0**
Total Impairments charged to SoCI - DEL	**0**
Total Impairments charged to SoCI - AME	**0**
Overall Total Impairments	**0**
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

[For any material impairment loss recognised or reversed in the period for an individual asset, disclose

- the events and circumstances

- the amount

- the nature of the asset and, as appropriate, the operating segment to which it relates

- whether the recoverable amount is fair value less costs to sell or value in use in either case, the basis of how this has been determined]

18 Investment property

	31 March 2014 £000s	31 March 2013 £000s
At fair value		
Balance at 1 April 2013		
Additions Through Subsequent Expenditure		
Other Acquisitions		
Disposals		
Property Reclassified as Held for Sale		
Loss from Fair Value Adjustments - Impairments		
Gain from Fair Value Adjustments - Reversal of Impairments		
Gain from Fair Value Adjustments		
Transfer to other NHS Foundation Trust		
Transfers (to) / from Other Public Sector Bodies		
Other Changes		
Balance at 31 March 2014	**0**	0

Investment property transactions in 2012-13		
Capital expenditure		
Capital revenue		
	0	0

19 Commitments

19.1 Capital commitments

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

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

19.2 Other financial commitments

The trust has entered into non-cancellable contracts (which are not leases or PFI contracts or other service

	31 March 2014 £000s	31 March 2013 £000s
Not later than one year		
Later than one year and not later than five year		
Later than five years		
Total	**0**	**0**

20 Intra-Government and other balances

	Current receivables £000s	**Non-current receivables £000s**	**Current payables £000s**	**Non-current payables £000s**
Balances with other Central Government Bodies				
Balances with Local Authorities				
Balances with NHS bodies outside the Departmental Group				
Balances with NHS Trusts and Foundation Trusts				
Balances with Public Corporations and Trading Funds				
Balances with bodies external to government				
At 31 March 2014	**0**	**0**	**0**	**0**
prior period:				
Balances with other Central Government Bodies				
Balances with Local Authorities				
Balances with NHS Trusts and Foundation Trusts				
Balances with Public Corporations and Trading Funds				
Balances with bodies external to government				
At 31 March 2013	**0**	**0**	**0**	**0**

21 Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Work in progress £000s	Loan Equipment £000s	Other £000s	Total £000s
Balance at 1 April 2013							**0**
Additions							**0**
Inventories recognised as an expense in the period							**0**
Write-down of inventories (including losses)							**0**
Reversal of write-down previously taken to SOCNE/SOCI							**0**
Transfers (to) Foundation Trusts							**0**
Transfers (to) / from other Public Sector Bodies							**0**
Balance at 31 March 2014	0	0	0	0	0	0	**0**

[If reversal of inventory expense, describe circumstances].
Any non-current inventories should be disclosed.

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
NHS receivables - revenue				
NHS receivables - capital				
NHS prepayments and accrued income				
Non-NHS receivables - revenue				
Non-NHS receivables - capital				
Non-NHS prepayments and accrued income				
Provision for the impairment of receivables				
VAT				
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income				
Interest receivables				
Finance lease receivables				
Operating lease receivables				
Other receivables				
Total	**0**	0	**0**	0
Total current and non current	**0**	0		
Included in NHS receivables are prepaid pension contributions:	**0**	0		

The great majority of trade is with [NHS bodies category] . As [NHS bodies] are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary *[amend as appropriate]*

[Provide information about the credit quality of any other receivables that are neither past due nor impaired.]
[Give the carrying amount of financial assets that would otherwise be past due or impaired, whose terms have been renegotiated.]

22.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months		
By three to six months		
By more than six months		
Total	**0**	0

[Give details of any collateral held and, if possible an estimate of the fair value]

22.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013		
Amount written off during the year		
Amount recovered during the year		
(Increase)/decrease in receivables impaired		
Transfer to NHS Foundation Trust		
Balance at 31 March 2014	**0**	**0**

[Give details of receivables impaired, including factors considered in determining that they are impaired, collateral held and, if possible an estimate of the fair value.]

23 NHS LIFT investments

	Loan £000s	Share capital £000s	Total £000s
Balance at 1 April 2013			**0**
Additions			**0**
Disposals			**0**
Loan repayments			**0**
Revaluations			**0**
Loans repayable within 12 months			**0**
Balance at 31 March 2014	**0**	**0**	**0**
Balance at 1 April 2012			0
Additions			0
Disposals			0
Loan repayments			0
Revaluations			0
Loans repayable within 12 months			0
Balance at 31 March 2013	0	0	0

24.1 Other Financial Assets - Current

	31 March 2014 £000s	31 March 2013 £000s
Opening balance 1 April		
Transfers (to)/from Other Public Sector Bodies in year		
Other Movements		
Closing balance 31 March	**0**	0

24.2 Other Financial Assets - Non Current

	31 March 2014 £000s	31 March 2013 £000s
Opening balance 1 April		
Additions		
Revaluation		
Impairments		
Impairment Reversals		
Transferred to current financial assets		
Disposals		
Transfers (to)/from Other Public Sector Bodies in year		
Total Other Financial Assets - Non Current	**0**	0

24.3 Other Financial Assets - Non Current - Capital Analysis

	31 March 2014 £000s	31 March 2013 £000s
Capital Expenditure		
Capital revenue		

25 Other current assets

	31 March 2014 £000s	31 March 2013 £000s
EU Emissions Trading Scheme Allowance		
Other Assets		
Total	**0**	0

26 Cash and Cash Equivalents

	31 March 2014 £000s	31 March 2013 £000s
Opening balance		
Net change in year		
Closing balance	**0**	0
Made up of		
Cash with Government Banking Service		
Commercial banks		
Cash in hand		
Current investments		
Cash and cash equivalents as in statement of financial position	**0**	0
Bank overdraft - Government Banking Service		
Bank overdraft - Commercial banks		
Cash and cash equivalents as in statement of cash flows	**0**	0
Patients' money held by the [organisation], not included above	**0**	0

27 Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013										**0**
Plus assets classified as held for sale in the year										**0**
Less assets sold in the year										**0**
Less impairment of assets held for sale										**0**
Plus reversal of impairment of assets held for sale										**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale										**0**
Transfers to Foundation Trust										**0**
Transfers (to)/from other public sector bodies										**0**
Revaluation										**0**
Balance at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 1 April 2012										**0**
Plus assets classified as held for sale in the year										**0**
Less assets sold in the year										**0**
Less impairment of assets held for sale										**0**
Plus reversal of impairment of assets held for sale										**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale										
Transfers to Foundation Trust										
Transfers (to)/from other public sector bodies										
Revaluation										**0**
Balance at 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2013										0

[*For each that becomes classified as held for sale, or sold in the period,* disclose:

- *description of the asset*
- *description of the facts and circumstances of the sale or leading to the expected disposal with expected timing of disposal*
- *the gain or loss recognised on becoming classified as held for sale or subsequently*
- *if appropriate, the segment in which the non-current asset is presented.*
- *If there is reversal of a plan to sell, a description of the facts and circumstances and the effects on the results of the Current and past periods.]*

28 Trade and other payables

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Interest payable				
NHS payables - revenue				
NHS payables - capital				
NHS accruals and deferred income				
Non-NHS payables - revenue				
Non-NHS payables - capital				
Non_NHS accruals and deferred income				
Social security costs				
VAT				
Tax				
Payments received on account				
Other				
Total	**0**	0	**0**	0
Total payables (current and non-current)	**0**	**0**		

Included above:
to Buy Out the Liability for Early Retirements Over 5 Years
number of Cases Involved (number)
outstanding Pension Contributions at the year end

29 Other liabilities

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
PFI/LIFT deferred credit				
Lease incentives				
Other *[specify]*				
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	**0**		

30 Borrowings

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Bank overdraft - Government Banking Service				
Bank overdraft - commercial banks				
Loans from Department of Health				
Loans from other entities				
PFI liabilities:				
Main liability				
Lifecycle replacement received in advance				
LIFT liabilities:				
Main liability				
Lifecycle replacement received in advance				
Finance lease liabilities				
Other (describe)				
Total	**0**	**0**	**0**	**0**
Total other liabilities (current and non-current)	**0**	**0**		

Loans - repayment of principal falling due in:

	31 March 2014		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 years			**0**
1 - 2 Years			**0**
2 - 5 Years			**0**
Over 5 Years			**0**
TOTAL	**0**	**0**	**0**

31 Other financial liabilities

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Embedded Derivatives at Fair Value through SoCI				
Financial liabilities carried at fair value through profit and loss				
Amortised Cost				
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	**0**		

32 Deferred revenue

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

33 Finance lease obligations as lessee

[General description of significant leasing arrangements, including:
- the basis on which contingent rent is determined
- the terms of renewal or purchase options and escalation clauses, and
- restrictions imposed by lease arrangements
- narrative disclosure to reconcile the total future minimum lease payments at the end of the reporting period and their present value]

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

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

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

Finance leases as lessee	31 March 2014 £000s	31 March 2013 £000s
Future Sublease Payments Expected to be received		
Contingent Rents Recognised as an Expense		

34 Finance lease receivables as lessor

[General description of significant leasing arrangements]

Amounts receivable under finance leases (buildings)	**Gross investments in leases**		**Present value of minimum**	
Of minimum lease payments	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year				
Between one and five years				
After five years				
Less future finance charges				
Present value of minimum lease payments	**0**	0	**0**	0
Less allowance for uncollectible lease payments:				
Total finance lease receivable recognised in the statement of financial position	**0**	**0**	0	**0**
Included in:				
Current finance lease receivables				
Non-current finance lease receivables				
			0	0

Amounts receivable under finance leases (land)				
Of minimum lease payments	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Within one year				
Between one and five years				
After five years				
Less future finance charges			**-**	**-**
Present value of minimum lease payments	**0**	0	**0**	0
Less allowance for uncollectable lease payments:				
Total finance lease receivable recognised in the statement of financial position	**0**	**0**	**0**	**0**
Included in:				
Current finance lease receivables				
Non-current finance lease receivables				
			0	0

Amounts receivable under finance leases (Other)				
Of minimum lease payments	**31 March 2014**	31 March 2013	**31 March 2014**	31 March 2013
	£000	£000	**£000**	£000
Within one year				
Between one and five years				
After five years				
Less future finance charges			**-**	**-**
Present value of minimum lease payments	**0**	0	**0**	0
Less allowance for uncollectable lease payments:				
Total finance lease receivable recognised in the statement of financial position	**0**	**0**	**0**	**0**
Included in:				
Current finance lease receivables				
Non-current finance lease receivables				
			0	0

	31 March 2014	31 March 2013
	£000	£000
The unguaranteed residual value accruing to the [organisation] is		
Accumulated allowance for uncollectible minimum lease payments receivable		

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

Finance lease commitments

[Additional disclosures are required where any arrangement falls within the scope of SIC 27 – i.e. sale and leaseback arrangements which in substance are not leasing arrangements. PCTs should refer to the SIC for the details]

35 Provisions

	Total	Comprising: Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Restructuring	Continuing Care	Equal Pay	Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**0**									
Arising During the Year	**0**									
Utilised During the Year	**0**									
Reversed Unused	**0**									
Unwinding of Discount	**0**									
Change in Discount Rate										
Transfers to NHS Foundation Trusts (for Trusts becoming FTs only)	**0**									
Transferred (to)/from other public sector bodies	**0**									
Balance at 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0	**0**	**0**
Expected Timing of Cash Flows:										
No Later than One Year	**0**									
Later than One Year and not later than Five Years	**0**									
Later than Five Years	**0**									

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:
As at 31 March 2014
As at 31 March 2013

[For each class of provision, give an indication of the uncertainties about the amounts and timings and
For the 'other' class give a brief description of the nature of the obligations.]
Disclose any expected reimbursements, stating the amount of any asset that has been recognised.]

36 Contingencies

	31 March 2014 £000s	31 March 2013 £000s
Contingent liabilities		
Equal Pay		
Other *[give details]*		
Amounts Recoverable Against Contingent Liabilities		
Net Value of Contingent Liabilities	**0**	0
Contingent Assets		
Contingent Assets *[give details]*		
Net Value of Contingent Assets	**0**	0

37.1 PFI and LIFT - additional information

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

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI	**2013-14 £000s**	2012-13 £000s
Total charge to operating expenses in year - OFF SOFP PFI		
Service element of on SOFP PFI charged to operating expenses in year		
Total	0	0
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year		
Later than One Year, No Later than Five Years		
Later than Five Years		
Total	**0**	0

The estimated annual payments in future years are expected to be materially different from those which the [organisation] is committed to make materially different from those which the [organisation] is committed to make during the next year. The likely financial effect of this is:

Estimated Capital Value of Project - off SOFP PFI		
Value of Deferred Assets - off SOFP PFI		
Value of Reversionary Interest - off SOFP PFI		

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2013-14 £000s**	2012-13 £000s
No Later than One Year		
Later than One Year, No Later than Five Years		
Later than Five Years		
Subtotal	**0**	0
Less: Interest Element		
Total	**0**	0

Charges to operating expenditure and future commitments in respect of on and off SOFP LIFT	**2013-14 £000s**	2012-13 £000s
Total Charge to Operating Expenses in year - OFF SOFP LIFT		
Service element of on SOFP LIFT charged to operating expenses in year		
Total	**0**	**0**

Payments committed to in respect of off SOFP LIFT and the service element of on SOFP LIFT.	**2013-14 £000s**	2012-13 £000s
LIFT Scheme Expiry Date:		
No Later than One Year		
Later than One Year, No Later than Five Years		
Later than Five Years		
Total	**0**	0

	2013-14 £000s	2012-13 £000s
The estimated annual payments in future years are expected to be materially different from those which the NHS [organisation] is committed to make during the next year. The likely financial effect of this is:		
Estimated capital value of project - off SOFP LIFT		
Value of Deferred Assets - off SOFP LIFT		
Value of Residual Interest - off SOFP LIFT		

Imputed "finance lease" obligations for on SOFP LIFT Contracts due	**2013-14 £000s**	2012-13 £000s
No Later than One Year		
Later than One Year, No Later than Five Years		
Later than Five Years		
Subtotal	**0**	0
Less: Interest Element		
Total	**0**	0

38 Impact of IFRS treatment - current year

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

	Total £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)	
Depreciation charges	
Interest Expense	
Impairment charge - AME	
Impairment charge - DEL	
Other Expenditure	
Revenue Receivable from subleasing	
Impact on PDC dividend payable	
Total IFRS Expenditure (IFRIC12)	**0**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	
Net IFRS change (IFRIC12)	**0**
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12	
Capital expenditure 2013-14	
UK GAAP capital expenditure 2013-14 (Reversionary Interest)	

39 Financial Instruments

39.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS [organisation] has with [commissioners] and the way those [commissioners] are financed, the NHS [organisation] 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 [organisation] 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 [organisation] in undertaking its activities.

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

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

Interest rate risk

The [organisation] 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 [organisation] therefore has low exposure to interest rate fluctuations.

Credit risk

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

Liquidity risk

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

39.2 Financial Assets	**At 'fair value through profit and loss' £000s**	**Loans and receivables £000s**	**Available for sale £000s**	**Total £000s**
Embedded derivatives				**0**
Receivables - NHS				**0**
Receivables - non-NHS				**0**
Cash at bank and in hand				**0**
Other financial assets				**0**
Total at 31 March 2014	**0**	**0**	**0**	**0**
Embedded derivatives				0
Receivables - NHS				0
Receivables - non-NHS				0
Cash at bank and in hand				0
Other financial assets				0
Total at 31 March 2013	0	0	0	0

39.3 Financial Liabilities	**At 'fair value through profit and loss' £000s**	**Other £000s**	**Total £000s**
Embedded derivatives			**0**
NHS payables			**0**
Non-NHS payables			**0**
Other borrowings			**0**
PFI & finance lease obligations			**0**
Other financial liabilities			**0**
Total at 31 March 2014	**0**	**0**	**0**
Embedded derivatives			0
NHS payables			0
Non-NHS payables			0
Other borrowings			0
PFI & finance lease obligations			0
Other financial liabilities			0
Total at 31 March 2013	0	0	0

[If fair value of financial assets or financial liabilities differs from carrying amount:
- give the fair values by class of financial asset and financial liability (classes chosen according to type of information/characteristics of the financial instruments) in a way that allows comparison with carrying amount

- state how the fair values have been obtained
- state the assumptions used in applying any valuation technique]

40 Events after the end of the reporting period	**£000**
[For each non-adjusting event after the reporting period (e.g. major purchases, classifications of an asset as held for sale or announcement or commencement of a major restructuring: refinancing or renegotiation of financing terms) disclose:	0

- the nature of the event, and
- an estimate of the financial effect or state that an estimate can't be made.]

[For entities acquiring business activity, assets or liabilities under transition arrangements, describe the expected financial and business impact of the changes]

[Any transactions arising under absorption accounting arrangements will required a detailed disclosure]

41 Related party transactions

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

or

Details of related party transactions with individuals are as follows:

	Payments to Related Party £	Receipts from Related Party £	Amounts owed to Related Party £	Amounts due from Related Party £
DH Minister A				
Director A				
Senior employee A				

[Disclose the terms and conditions of the transactions and any provisions for doubtful debts.]

The Department of Health is regarded as a related party. During the year............ [organisation] 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. For example :

CCGs
NHS Foundation Trusts
NHS Trusts
NHS Litigation Authority
NHS Business Services Authority

In addition, the [organisation] 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 [e.g. the Department for Education and Skills in respect of University Hospitals, XYZ Local Authority in respect of joint enterprises]

The [organisation] has also received revenue and capital payments from a number of charitable funds, certain of the [organisation]ees for which are also members of the [organisation] board. [The audited accounts/the summary financial statements of the Funds Held on [organisation] are included in this annual report and accounts.]

[Disclose prior period comparators where meaningful.]

42 Losses and special payments

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

	Total Value of Cases £s	**Total Number of Cases**
Losses		
Special payments		
Total losses and special payments	0	0

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

	Total Value of Cases £s	**Total Number of Cases**
Losses	0	0
Special payments	0	0
Total losses and special payments	0	0

Details of cases individually over £250,000

For cases exceeding £250,000 the following should be disclosed both for the current year and prior year:

- the type of case i.e. loss of cash, fruitless payment;
- the total value of the case; and
- details of the case.

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

43.1 Breakeven performance	**2005-06 £000s**	**2006-07 £000s**	**2007-08 £000s**	**2008-09 £000s**	**2009-10 £000s**	**2010-11 £000s**	**2011-12 £000s**	**2012-13 £000s**	**2013-14 £000s**
Turnover									
Retained surplus/(deficit) for the year									
Adjustment for:									
Timing/non-cash impacting distortions:									
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]									
2006/07 PPA (relating to 1997/98 to 2005/06)									
2007/08 PPA (relating to 1997/98 to 2006/07)									
2008/09 PPA (relating to 1997/98 to 2007/08)									
Adjustments for Impairments									
Adjustments for impact of policy change re donated/government grants assets									
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*									
Adsorption Accounting Adjustment									
Other agreed adjustments									
Break-even in-year position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Break-even cumulative position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**	**2012-13 %**	**2012-13 %**
Materiality test (I.e. is it equal to or less than 0.5%):									
Break-even in-year position as a percentage of turnover									
Break-even cumulative position as a percentage of turnover									

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.

For vote funded bodies, diclosures here will relate to:

Revenue resource limit
Under/(over)spend against cash limit
Reconciliation of cash drawings to Parliamentary Funding

43.2 Capital cost absorption rate

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

43.3 External financing

The [organisation] is given an external financing limit which it is permitted to undershoot.

		2013-14	2012-13
	£000s	**£000s**	£000s
External financing limit			
Cash flow financing			
Finance leases taken out in the year			
Other capital receipts			
External financing requirement			
Undershoot/(overshoot)		**0**	0

The overshoot was caused by *[specify where material].*

43.4 Capital resource limit

The [organisation] is given a capital resource limit which it is not permitted to exceed.

	2013-14	2012-13
	£000s	£000s
Gross capital expenditure		
Less: book value of assets disposed of		
Less: capital grants		
Less: donations towards the acquisition of non-current assets		
Charge against the capital resource limit	**0**	0
Capital resource limit		
(Over)/underspend against the capital resource limit	**0**	0

The overspend was caused by [*specify where material]* .

44 Third party assets

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

	31 March 2014	31 March 2013
	£000s	£000s
Third party assets held by the [organisation]		

[Detail third party assets split between patients' monies and other (if