

FOI_1187_2023-24 – FOI Request Concerning – Annual Reports

1. Please send me the complete Accounts or Financial Statements for the following years:

2013/14



R1C_Solent NHS
Trust_Accounts Only

2014/15



R1C_Solent NHS
Trust_Accounts_2014

Data entered below will be used throughout the workbook:

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

Accounts 2013-14

Statement of Comprehensive Income for year ended 31 March 2014

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	9.1	(122,767)	(123,865)
Other operating costs	7	(63,025)	(67,464)
Revenue from patient care activities	4	163,731	172,046
Other Operating revenue	5	24,025	20,100
Operating surplus/(deficit)		1,964	817
Investment revenue	11	28	31
Other gains and (losses)	12	(134)	(72)
Finance costs	13	0	0
Surplus/(deficit) for the financial year		1,858	776
Public dividend capital dividends payable		0	0
Net Gain/(loss) on transfers by absorption		0	0
Retained surplus/(deficit) for the year		1,858	776

Other Comprehensive Income

	2013-14 £000s	2012-13 £000s
Impairments and reversals taken to the Revaluation Reserve	(1,662)	0
Net gain/(loss) on revaluation of property, plant & equipment	4,319	0
Total Comprehensive Income for the year	4,515	776

Financial performance for the year

Retained surplus/(deficit) for the year	1,858	776
Adjusted retained surplus/(deficit)	1,858	776

The notes on pages 5 to 25 form part of this account.

**Statement of Financial Position as at
31 March 2014**

		31 March 2014	31 March 2013
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	14	97,591	4,061
Intangible assets	15	1,332	322
Investment property	17	0	0
Other financial assets		0	0
Trade and other receivables	21.1	2,018	0
Total non-current assets		100,941	4,383
Current assets:			
Inventories	20	253	192
Trade and other receivables	21.1	17,856	7,083
Other financial assets	23	0	0
Other current assets	24	0	0
Cash and cash equivalents	25	10,300	7,870
Total current assets		28,409	15,145
Non-current assets held for sale	26	0	0
Total current assets		28,409	15,145
Total assets		129,350	19,528
Current liabilities			
Trade and other payables	27	(26,132)	(13,626)
Other liabilities	28	0	0
Provisions	34	0	(457)
Borrowings	29	(144)	0
Other financial liabilities	30	0	0
Total current liabilities		(26,276)	(14,083)
Net current assets/(liabilities)		2,133	1,062
Non-current assets plus/less net current assets/liabilities		103,074	5,445
Non-current liabilities			
Trade and other payables	27	(208)	(225)
Other Liabilities	28	0	0
Provisions	34	0	0
Borrowings	29	(676)	0
Other financial liabilities	30	0	0
Total non-current liabilities		(884)	(225)
Total Assets Employed:		102,190	5,220
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		213	0
Retained earnings		83,753	5,220
Revaluation reserve		18,224	0
Other reserves		0	0
Total Taxpayers' Equity:		102,190	5,220

The notes on pages 5 to 25 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 27 May 2014 and signed on its behalf by

Chief Executive:



Date: 27 May 2014

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

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
Balance at 1 April 2013	0	5,220	0	5,220
Transfer of asset from closed NHS Body - received		92,242		92,242
Transfers between reserves in respect of modified absorption - PCTs & SHAs		(15,873)	15,873	0
Balance at 1 April 2014 following adjustment	0	81,589	15,873	97,462
Changes in taxpayers' equity for 2013-14				
Retained surplus/(deficit) for the year		1,858		1,858
Net gain / (loss) on revaluation of property, plant, equipment			4,319	4,319
Impairments and reversals			(1,662)	(1,662)
Transfers between reserves		0	0	0
Reclassification Adjustments				
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption		306	(306)	0
New PDC Received/(Repaid) - PCTs and SHAs Legacy items paid for by Department of Health	213			213
Net recognised revenue/(expense) for the year	213	2,164	2,351	4,728
Balance at 31 March 2014	213	83,753	18,224	102,190
Balance at 1 April 2012	0	4,444	0	4,444
Changes in taxpayers' equity for the year ended 31 March 2013				
Retained surplus/(deficit) for the year		776		776
Net recognised revenue/(expense) for the year	0	776	0	776
Balance at 31 March 2013	0	5,220	0	5,220

Retained Earnings

Transfer of asset on acquisition 1 April 2011	2,581
Transfer of asset from closed NHS Body - received 1 April 2014	76,369
Transfer of assets	78,950
Retained surplus/(deficit) for the year ending 31 March 2012	1,863
Retained surplus/(deficit) for the year ending 31 March 2013	776
Retained surplus/(deficit) for the year ending 31 March 2014	1,858
Retained surplus/(deficit)	4,497
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption	306
Balance at 31 March 2014	83,753

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2014

	2013-14 £000s	2012-13 £000s
Cash Flows from Operating Activities		
Operating Surplus/(Deficit)	1,964	817
Depreciation and Amortisation	2,968	1,215
Dividend (Paid)/Refunded	0	108
(Increase)/Decrease in Inventories	(61)	234
(Increase)/Decrease in Trade and Other Receivables	(12,725)	2,476
Increase/(Decrease) in Trade and Other Payables	12,047	(1,018)
Provisions Utilised	(205)	(4,941)
Increase/(Decrease) in Provisions	(252)	187
Net Cash Inflow/(Outflow) from Operating Activities	<u>3,736</u>	<u>(922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	28	31
(Payments) for Property, Plant and Equipment	(343)	(2,145)
(Payments) for Intangible Assets	(1,204)	(818)
Net Cash Inflow/(Outflow) from Investing Activities	<u>(1,519)</u>	<u>(2,932)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	<u>2,217</u>	<u>(3,854)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital Received	493	0
Public Dividend Capital Repaid	(280)	0
Net Cash Inflow/(Outflow) from Financing Activities	<u>213</u>	<u>0</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,430</u>	<u>(3,854)</u>
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	<u>7,870</u>	<u>11,724</u>
Cash and Cash Equivalents (and Bank Overdraft) at year end	<u>10,300</u>	<u>7,870</u>

NOTES TO THE ACCOUNTS

Accounting Policies

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

1 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.

2 Acquisitions and discontinued operations

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

1.3 Movement of assets within the DH Group

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

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

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

Following the closure of Primary Care Trusts (PCTs) assets and liabilities from Portsmouth PCT, Southampton PCT and Hampshire PCT transferred to the Trust on 1 April 2013. The balances transferred are shown in the relevant notes in the accounts.

4 Charitable Funds

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

As the corporate trustee of Solent NHS Charity, the Trust has the power to exercise control. However the transactions of the charity are immaterial and have not been consolidated. Details of the transactions with the charity are included in note 38, Related Party Transactions.

5 Pooled Budgets

The Trust had entered into a pooled budget with Portsmouth City Council. Under the arrangement funds were pooled under S75 of the NHS Act 2006 for mental health activities. The pool was hosted by Solent NHS Trust. Payments for services provided by the Trust were accounted for as income from Portsmouth City Council. The Trust accounted 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. The pooled budget ceased on 30 June 2013.

6 Critical accounting judgements and key sources of estimation uncertainty

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

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

1.6.1 Critical judgements in applying accounting policies

The Trust has made critical judgements in applying accounting policies. Any critical judgements made are detailed in the relevant accounting policy.

1.6.2 Key sources of estimation uncertainty

Other than the valuation of non current assets the Trust has made no assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Non current assets have been revalued using indices relevant to the asset class and the exercise has been carried out by District Valuers who are RICS qualified.

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 treatment plans that are part-completed at the year end are apportioned across the financial years on the basis of percentage of treatment completed at the end of the reporting period compared to expected total treatment planned.

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

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it is received from the Department of Work and Pension's Compensation Recovery Unit.

1.8 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

1.9 Other expenses

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

1.10 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

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

Valuation

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

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

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

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

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

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

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

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

Subsequent expenditure

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

1.11 Intangible assets

Recognition

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

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

Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

Measurement

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

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

1.12 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 Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

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

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

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.

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.

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

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 Trust as lessor

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

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

1.17 Private Finance Initiative (PFI) transactions

The Trust has no PFI transactions.

1.18 Inventories

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

1.19 Cash and cash equivalents

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

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

1.20 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (2.8% for employee early departure obligations).

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

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 Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 34.

1.22 Non-clinical risk pooling

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

1.23 Carbon Reduction Commitment Scheme (CRC)

The Trust is not part of the Carbon Reduction Commitment Scheme.

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 Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

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

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

1.25 Financial assets

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

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

Financial assets at fair value through profit and loss

The Trust has no financial assets at fair value through profit and loss.

Held to maturity investments

The Trust has no maturity investments.

Available for sale financial assets

The Trust has no available for sale financial assets.

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.

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

1.26 Financial liabilities

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

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

Financial guarantee contract liabilities

The Trust has no financial guarantee contract liabilities.

Financial liabilities at fair value through profit and loss

The Trust has no financial liabilities at fair value through profit and loss.

Other financial liabilities

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

1.27 Value Added Tax

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

1.28 Foreign currencies

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

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 41 to the accounts.

1.30 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets, 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 Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

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

1.32 Subsidiaries

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

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

From 2013-14, the Trust consolidates the results of Solent NHS Charitable Funds over which it considers it has the power to exercise control in accordance with IAS27 requirements if it is deemed material.

1.33 Associates

The Trust has no associates.

1.34 Joint ventures

The Trust has no joint ventures.

1.35 Joint operations

The Trust has no joint operations.

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 :

- 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

4. **Operating segments**

The Trust has one overall operating segment which is the provision of healthcare. Whilst the Trust has implemented service line management during 2013-14 the Trust's activities are reviewed as one segment by the Board for the purpose of decision making about resources and performance and all service lines are subject to similar risks and returns and cover a similar economic environment. No discrete activities of the business individually generate revenue exceeding 10% of the total combined revenue, profit or assets.

5. **Income generation activities**

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of the activities which generate income had full costs which exceeded £1m.

4. **Revenue from patient care activities**

	2013-14 £000s	2012-13 £000s
NHS Trusts	0	8
NHS England	31,133	0
Clinical Commissioning Groups	108,534	0
Primary Care Trusts	0	160,669
NHS Foundation Trusts	537	175
Department of Health	0	633
NHS Other	250	0
Non-NHS:		
Local Authorities	23,041	10,405
Private patients	115	1
Injury costs recovery	0	1
Other	121	154
Total Revenue from patient care activities	163,731	172,046

5. **Other operating revenue**

	2013-14 £000s	2012-13 £000s
Education, training and research	6,759	5,850
Non-patient care services to other bodies	8,167	8,695
Income generation	1,765	2,130
Rental revenue from operating leases	3,384	516
Other revenue	3,950	2,909
Total Other Operating Revenue	24,025	20,100
Total operating revenue	187,756	192,146

6. **Revenue**

	2013-14 £000	2012-13 £000
From rendering of services	187,173	191,836
From sale of goods	583	310
	187,756	192,146

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

7. Operating expenses	2013-14 £000s	2012-13 £000s
Services from other NHS Trusts	3,265	3,428
Services from CCGs/NHS England	1,129	0
Services from NHS Foundation Trusts	2,783	4,001
Services from Primary Care Trusts	0	2,644
Purchase of healthcare from non-NHS bodies	2,061	2,103
Trust Chair and Non-executive Directors	53	50
Supplies and services - clinical	21,786	20,566
Supplies and services - general	2,139	2,774
Consultancy services	1,942	1,732
Establishment	4,756	5,107
Transport	614	571
Premises	16,112	20,558
Impairments and Reversals of Receivables	630	83
Depreciation	2,774	961
Amortisation	194	254
Audit fees	66	71
Other auditor's remuneration	63	55
Clinical negligence	389	344
Research and development (excluding staff costs)	686	1,356
Education and Training	1,000	653
Other	583	153
Total Operating expenses (excluding employee benefits)	63,025	67,464
Employee Benefits		
Employee benefits excluding Board members	122,011	122,998
Board members	756	867
Total Employee Benefits	122,767	123,865
Total Operating Expenses	185,792	191,329

8. Operating Leases

On 1st April 2013 all properties owned by Primary Care Trusts were transferred to other NHS organisations under Transforming Community Services (TCS). Prior to the transfer a number of properties owned by Primary Care Trusts were leased to the Trust. Under TCS, ownership for a number of properties, particularly in the Portsmouth area, transferred to the Trust, reducing the payments made under operating leases and increasing the rental income received by the Trust.

As leases transferred to the Trust a rationalisation of the entire estate and lease portfolio commenced with new occupational arrangements being put in place. Included within that rationalisation are properties that are currently occupied using operating leases.

The operating leases classified as other are for vehicles and equipment.

8.1 Trust as lessee	Buildings £000s	Other £000s	2013-14 Total £000s	2012-13 £000s
Payments recognised as an expense				
Minimum lease payments			8,256	14,817
Total			8,256	14,817
Payable:				
No later than one year	8,288	378	8,666	10,274
Between one and five years	3,235	428	3,663	3,499
After five years	4,041	0	4,041	4,188
Total	15,564	806	16,370	17,961

Total future sublease payments expected to be received: £nil

8.2 Trust as lessor

The Trust receives rental income from a number of tenants for rental of properties. The leases are being rationalised as the estate has transferred to Trust ownership.

	2013-14 £000	2012-13 £000s
Recognised as revenue		
Rental revenue	3,384	516
Total	3,384	516
Receivable:		
No later than one year	506	516
Between one and five years	0	0
After five years	0	0
Total	506	516

Employee benefits and staff numbers

9.1 Employee benefits

	Total	2013-14 Permanently employed	Other
	£000s	£000s	£000s
Employee Benefits - Gross Expenditure			
Salaries and wages	104,069	96,364	7,705
Social security costs	6,557	6,557	0
Employer Contributions to NHS BSA - Pensions Division	12,107	12,107	0
Termination benefits	449	449	0
Total employee benefits	123,182	115,477	7,705
Employee costs capitalised	415	10	405
Gross Employee Benefits excluding capitalised costs	122,767	115,467	7,300

	Total	Permanently employed	Other
	£000s	£000s	£000s
Employee Benefits - Gross Expenditure 2012-13			
Salaries and wages	105,777	95,247	10,530
Social security costs	6,570	6,570	0
Employer Contributions to NHS BSA - Pensions Division	11,943	11,943	0
Termination benefits	3	3	0
TOTAL - including capitalised costs	124,293	113,763	10,530
Employee costs capitalised	428	0	428
Gross Employee Benefits excluding capitalised costs	123,865	113,763	10,102

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

9.2 Staff Numbers

	Total	2013-14 Permanently employed	Other	2012-13 Total
	Number	Number	Number	Number
Average Staff Numbers				
Medical and dental	160	149	11	170
Ambulance staff	0	0	0	0
Administration and estates	744	681	63	764
Healthcare assistants and other support staff	714	682	32	612
Nursing, midwifery and health visiting staff	907	864	43	978
Nursing, midwifery and health visiting learners	38	38	0	34
Scientific, therapeutic and technical staff	600	584	16	577
Social Care Staff	0	0	0	0
Other	29	29	0	36
TOTAL	3,192	3,027	165	3,171
Of the above - staff engaged on capital projects	4	0	4	7

9.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	31,570	27,329
Total Staff Years	3,095	2,970
Average working Days Lost	10.20	9.20
	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	0	6
	£000s	£000s
Total additional pensions liabilities accrued in the year	0	0

9.4 Exit Packages agreed in 2013-14

Exit package cost band (including any special payment element)	Number of compulsory redundancies	2013-14	Total number of exit packages by cost band	Number of compulsory redundancies	2012-13	Total number of exit packages by cost band
		Number of other departures agreed			Number of other departures agreed	
	Number	Number	Number	Number	Number	Number
Less than £10,000	6	0	6	18	12	30
£10,000-£25,000	9	0	9	18	13	31
£25,001-£50,000	8	0	8	23	8	31
£50,001-£100,000	5	0	5	12	0	12
£100,001 - £150,000	0	0	0	5	0	5
£150,001 - £200,000	0	0	0	2	0	2
>£200,000	0	0	0	0	0	0
Total number of exit packages by type	28	0	28	78	33	111
Total resource cost (£000s)	783	0	783	3,028	538	3,566

This note provides an analysis of Exit Packages agreed during the year. Redundancy and other departure costs have been paid in accordance with the provisions of the NHS redundancy arrangements. Other departures have been paid in accordance with the Mutually Agreed Resignation Scheme (MARS). Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

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

9.5 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

0. Better Payment Practice Code

10.1 Measure of compliance	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	32,574	34,835	28,989	39,302
Total Non-NHS Trade Invoices Paid Within Target	28,962	28,893	26,147	34,718
Percentage of NHS Trade Invoices Paid Within Target	89%	83%	90%	88%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,312	25,153	1,689	43,421
Total NHS Trade Invoices Paid Within Target	1,110	18,740	1,482	39,374
Percentage of NHS Trade Invoices Paid Within Target	85%	75%	88%	91%

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

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

The Trust had no claims made under this legislation and paid no compensation.

11. Investment Revenue	2013-14 £000s	2012-13 £000s
Bank interest	28	31
Total investment revenue	28	31
12. Other Gains and Losses	2013-14 £000s	2012-13 £000s
Loss on disposal of assets other than by sale (Property, Plant & Equipment)	(134)	(72)
Total	(134)	(72)

13 Finance Costs

The Trust had no finance costs.

14. Property, plant and equipment

14.1 Property, plant and equipment 2013-14

	Land	Buildings excluding 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
Cost or valuation:								
At 1 April 2013	0	1,363	656	3,009	31	1,891	541	7,491
Transfers under Modified Absorption Accounting - PCTs & SHAs	25,830	66,126	0	141	66	300	0	92,463
Balance at 1 April 2013 following adjustment	25,830	67,489	656	3,150	97	2,191	541	99,954
Additions Purchased	0	0	1,257	181	0	24	0	1,462
Additions Leased	0	0	0	0	0	820	0	820
Reclassifications	0	280	(1,782)	0	0	503	35	(964)
Disposals other than for sale	0	0	0	(434)	0	(785)	(141)	(1,360)
Upward revaluation/positive Indexation	0	4,319	0	0	0	0	0	4,319
Impairments/negative indexation	(1,662)	0	0	0	0	0	0	(1,662)
At 31 March 2014	24,168	72,088	131	2,897	97	2,753	435	102,569
Depreciation								
At 1 April 2013	0	30	0	1,789	0	1,100	511	3,430
Disposals other than for sale	0	0	0	(298)	0	(785)	(143)	(1,226)
Charged During the Year	0	2,047	0	316	13	385	13	2,774
At 31 March 2014	0	2,077	0	1,807	13	700	381	4,978
Net Book Value at 31 March 2014	24,168	70,011	131	1,090	84	2,053	54	97,591
Asset financing:								
Owned - Purchased	24,168	70,011	131	1,090	84	1,233	54	96,771
Held on finance lease	0	0	0	0	0	820	0	820
Total at 31 March 2014	24,168	70,011	131	1,090	84	2,053	54	97,591

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	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
At 1 April 2013	5,352	10,521	0	0	0	0	0	15,873
Movements	(1,662)	4,013	0	0	0	0	0	2,351
At 31 March 2014	3,690	14,534	0	0	0	0	0	18,224

Additions to Assets Under Construction in 2013/14

Buildings excl Dwellings	£000's	402
Plant & Machinery	855	
Balance as at YTD	1,257	

14.2 Property, plant and equipment prior-year 2012-13

	Land	Buildings excluding dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:								
At 1 April 2012	0	200	70	2,620	0	1,563	541	4,994
Additions - purchased	0	122	2,585	148	0	8	0	2,863
Reclassifications	0	1,041	(1,999)	294	31	328	0	(305)
Disposals other than by sale	0	0	0	(53)	0	(8)	0	(61)
At 31 March 2013	0	1,363	656	3,009	31	1,891	541	7,491
Depreciation								
At 1 April 2012	0	0	0	1,284	0	842	346	2,472
Disposals other than for sale	0	0	0	(3)	0	0	0	(3)
Charged During the Year	0	30	0	508	0	258	165	961
At 31 March 2013	0	30	0	1,789	0	1,100	511	3,430
Net book value at 31 March 2013	0	1,333	656	1,220	31	791	30	4,061
Purchased	0	1,333	656	1,220	31	791	30	4,061
Total at 31 March 2013	0	1,333	656	1,220	31	791	30	4,061
Asset financing:								
Owned	0	1,333	656	1,220	31	791	30	4,061
Total at 31 March 2013	0	1,333	656	1,220	31	791	30	4,061

14.3 Property, plant and equipment

The Trust received no donated assets in the year.

Land and buildings are held at revalued amounts. The assets were revalued as at 31 March 2014 using Indices relevant to the asset class. The exercise was carried out by District Valuers who are RICS qualified.

The economic lives of the property, plant and equipment range from:

	Min Life (yrs)	Max Life (yrs)
Buildings excluding dwellings	2	62
Plant & machinery	1	25
Transport equipment	5	10
Information technology	1	5
Furniture & fittings	4	10

5. Intangible non-current assets**5.1 Intangible non-current assets 2013-14**

	IT - in-house & 3rd party software	Total
	£000's	£000's
At 1 April 2013	809	809
Additions - purchased	240	240
Reclassifications	964	964
Disposals other than by sale	(378)	(378)
At 31 March 2014	<u>1,635</u>	<u>1,635</u>
Amortisation		
At 1 April 2013	487	487
Disposals other than by sale	(378)	(378)
Charged during the year	194	194
At 31 March 2014	<u>303</u>	<u>303</u>
Net Book Value at 31 March 2014	<u>1,332</u>	<u>1,332</u>
Asset Financing: Net book value at 31 March 2014 comprises:		
Purchased	<u>1,332</u>	<u>1,332</u>
Total at 31 March 2014	<u>1,332</u>	<u>1,332</u>

Revaluation reserve balance for intangible non-current assets

The Trust does not hold any revaluation reserves for intangible non-current assets. No revaluation of intangible assets was carried out in the period.

15.2 Intangible non-current assets prior year

	IT - in-house & 3rd party software	Total
	£000s	£000s
2012-13		
Cost or valuation:		
At 1 April 2012	518	518
Reclassifications	305	305
Disposals other than by sale	(14)	(14)
At 31 March 2013	<u>809</u>	<u>809</u>
Amortisation		
At 1 April 2012	233	233
Charged during the year	254	254
At 31 March 2013	<u>487</u>	<u>487</u>
Net book value at 31 March 2013	<u>322</u>	<u>322</u>
Net book value at 31 March 2013 comprises:		
Purchased	<u>322</u>	<u>322</u>
Total at 31 March 2013	<u>322</u>	<u>322</u>

15.3 Intangible non-current assets

The Trust received no donated intangible assets in the year.

The economic lives of the intangible assets range from:

	Min Life (yrs)	Max Life (yrs)
IT - in-house & 3rd party software	2	7

16. Analysis of impairment and reversals recognised in 2013-14

No impairment losses have been recognised or reversed in the period.

17. Investment property

The Trust has no investment property.

18. Commitments**18.1 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	214	38
Intangible assets	97	10
Total	311	48

18.2 Other financial commitments

The Trust has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements), for ICT services. The payments to which the Trust is committed are as follows:

	31 March 2014 £000s	31 March 2013 £000s
Not later than one year	7,252	0
Later than one year and not later than five year	8,055	0
Later than five years	0	0
Total	15,307	0

19. Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	10,770	0	11,688	0
Balances with Local Authorities	3,304	0	995	0
Balances with NHS Trusts and Foundation Trusts	2,646	0	4,252	0
Balances with Public Corporations and Trading Funds	0	0	97	0
Balances with bodies external to government	1,136	2,018	9,100	208
At 31 March 2014	17,856	2,018	26,132	208
prior period:				
Balances with other Central Government Bodies	3,437	0	5,138	0
Balances with Local Authorities	1,070	0	242	0
Balances with NHS Trusts and Foundation Trusts	810	0	2,465	0
Balances with bodies external to government	1,766	0	5,781	225
At 31 March 2013	7,083	0	13,626	225

20. Inventories

	Drugs £000s	Consumables £000s	Loan Equipment £000s	Total £000s
Balance at 1 April 2013	42	142	8	192
Additions	9,695	3,431	0	13,126
Inventories recognised as an expense in the period	(9,695)	(3,362)	(8)	(13,065)
Balance at 31 March 2014	42	211	0	253

21.1 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	12,220	3,055	0	0
NHS prepayments and accrued income	1,196	845	0	0
Non-NHS receivables - revenue	4,093	2,204	0	0
Non-NHS prepayments and accrued income	1,238	954	2,018	0
Provision for the impairment of receivables	(891)	(261)	0	0
VAT	0	277	0	0
Other receivables	0	9	0	0
Total	17,856	7,083	2,018	0
Total current and non current	19,874	7,083		
Included in NHS receivables are prepaid pension contributions:	0			

The majority of trade is with Clinical Commissioning Groups and NHS England, as commissioners for NHS patient care services. As Clinical Commissioning Groups and NHS England are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Other trade receivables are reviewed on a regular basis with the person responsible. Provisions are established if debtors exceed the following time intervals past their agreed credit terms - after 90 days 50% provision and after 180 days 100% provision. Any overdue debts are actively pursued by specialised teams.

21.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	7,288	2,451
By three to six months	332	78
By more than six months	374	99
Total	7,994	2,628

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21.3 Provision for impairment of receivables	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	(261)	(178)
Amount written off during the year	0	0
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(630)	(83)
Balance at 31 March 2014	(891)	(261)

No collateral is held against these debts.

22. NHS LIFT investments
The Trust has no NHS Lift investments.

23. Other financial assets
The Trust has no other financial assets.

24. Other current assets
The Trust has no other current assets

25. Cash and Cash Equivalents	31 March 2014 £000s	31 March 2013 £000s
Opening balance	7,870	11,724
Net change in year	2,430	(3,854)
Closing balance	10,300	7,870
Made up of		
Cash with Government Banking Service	10,253	7,836
Commercial banks	24	22
Cash in hand	23	12
Cash and cash equivalents as in statement of financial position	10,300	7,870
Cash and cash equivalents as in statement of cash flows	10,300	7,870
Patients' money held by the Trust, not included above	32	0

26. Non-current assets held for sale
The Trust has no non-current assets held for sale.

27. Trade and other payables	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
NHS payables - revenue	748	1,807	0	0
NHS accruals and deferred income	11,272	2,131	0	0
Non-NHS payables - revenue	2,833	1,845	0	0
Non-NHS payables - capital	258	103	0	0
Non-NHS accruals and deferred income	7,056	3,663	208	225
Social security costs	1,070	1,048	0	0
VAT	146	0	0	0
Tax	1,044	1,143	0	0
Other	1,705	1,886	0	0
Total	26,132	13,626	208	225
Total payables (current and non-current)	26,340	13,851		
Included above:				
outstanding Pension Contributions at the year end	1,660	(1,545)		

28. Other liabilities
The Trust has no other liabilities.

29. Borrowings	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Finance lease liabilities	144	0	676	0
Total	144	0	676	0
Total other liabilities (current and non-current)	820	0		

30. **Other financial liabilities**
The Trust has no other financial liabilities.

31. Deferred revenue	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Opening balance at 1 April 2013	1,126	692	225	0
Deferred revenue addition	1,659	1,737	0	225
Transfer of deferred revenue	(924)	(1,303)	(17)	0
Current deferred Income at 31 March 2014	1,861	1,126	208	225
Total deferred income (current and non-current)	2,069	1,351		

32. Finance lease obligations as lessee Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
Within one year	175	0	144	0
Between one and five years	560	0	676	0
Less future finance charges	(89)	0		
Minimum Lease Payments / Present value of minimum lease payments	820	174	820	0
Included in:				
Current borrowings			144	0
Non-current borrowings			676	0
			820	0

33. **Finance lease receivables as lessor**
The Trust has no finance lease receivables as lessor.

34. Provisions	Total	Restructuring	Other
	£000s	£000s	£000s
Balance at 1 April 2013	457	457	0
Transfers under Modified Absorption Accounting - PCTs & SHAs	23	0	23
Utilised During the Year	(205)	(182)	(23)
Reversed Unused	(275)	(275)	0
Balance at 31 March 2014	0	0	0

£317,964 is included in the provisions of the NHS Litigation Authority at 31 March 2014 (£48,500 at 31 March 2013) in respect of clinical negligence liabilities of the Trust.

35. Contingencies	31 March 2014 £000s	31 March 2013 £000s
Contingent liabilities		
Other: NHS Litigation Authority	17	21
Net Value of Contingent Liabilities	17	21

Contingent Assets
The Trust has no contingent assets.

36. Financial Instruments

36.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

36.2 Financial Assets

	Loans and receivables £000s	Total £000s
Receivables - NHS	13,416	13,416
Receivables - non-NHS	4,423	4,423
Cash at bank and in hand	10,300	10,300
Total at 31 March 2014	28,139	28,139
Receivables - NHS	3,794	3,794
Receivables - non-NHS	2,458	2,458
Cash at bank and in hand	7,870	7,870
Total at 31 March 2013	14,122	14,122

36.3 Financial Liabilities

	Other £000s	Total £000s
NHS payables	12,020	12,020
Non-NHS payables	9,991	9,991
Total at 31 March 2014	22,011	22,011
NHS payables	3,960	3,960
Non-NHS payables	6,349	6,349
Total at 31 March 2013	10,309	10,309

37. Events after the end of the reporting period

There have been no events after the end of the reporting period.

38. Related party transactions

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Trust.

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

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000s	£000s	£000s	£000s
NHS England	1,658	31,246	371	4,012
<u>Clinical Commissioning Groups</u>				
NHS Southampton	0	38,310	31	152
NHS Portsmouth	0	51,841	117	447
NHS West Hampshire	0	6,614	142	389
NHS South Eastern Hampshire	0	5,358	0	661
NHS Fareham & Gosport	0	4,849	0	397
NHS North Hampshire	32	519	101	0
NHS North East Hampshire & Farnham	0	410	5	0
<u>NHS Trust and Foundation Trust</u>				
Hampshire Hospitals Foundation Trust	2,968	7	885	3
Portsmouth Hospitals NHS Trust	4,752	3,969	1,627	1,184
University of Southampton NHS Foundation Trust	2,280	4,180	847	838
Southern Health NHS Foundation Trust	1,510	1,542	795	549
NHS Litigation Authority	389	0	0	0
NHS Property Services Ltd	4,172	3,965	4,172	3,965
Community Health Partnerships	1,556	0	1,556	0
Solent NHS Charity	0	6	0	0

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with HM Revenue and Customs, NHS Pensions Agency, Portsmouth City Council, Southampton City Council and Hampshire County Council.

The Trust has also received revenue from Solent NHS Charity of which the NHS Trust Board is the Corporate Trustee.

39. Losses and special payments

There were 11 cases of losses and special payments totalling £13,312 accrued during 2013-14 (17 cases totalling £11,136 during 2012-13).

40. Financial performance targets**40.1 Breakeven performance**

The Trust has a duty to achieve breakeven or a surplus in each accounting period.

	2011-12 £000s	2012-13 £000s	2013-14 £000s
Turnover	193,935	192,146	187,756
Retained surplus/(deficit) for the year	1,863	776	1,858
Break-even in-year position	<u>1,863</u>	<u>776</u>	<u>1,858</u>
Break-even cumulative position	<u>1,863</u>	<u>2,639</u>	<u>4,497</u>

40.2 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%.

40.3 External financing

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

	2013-14 £000s	2012-13 £000s
External financing limit (EFL)	(600)	7,868
Cash flow financing	(2,217)	3,854
Finance leases taken out in the year	820	0
External financing requirement	<u>(1,397)</u>	<u>3,854</u>
Under/(Over) Spend against EFL	797	4,014

0.4 Capital resource limit

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

	2013-14 £000s	2012-13 £000s
Gross capital expenditure	2,522	2,863
Less: book value of assets disposed of	<u>(134)</u>	<u>(72)</u>
Charge against the capital resource limit	2,388	2,791
Capital resource limit	<u>4,344</u>	<u>4,414</u>
(Over)/underspend against the capital resource limit	<u>1,956</u>	<u>1,623</u>

1 Third party assets

The Trust held £31,567 cash and cash equivalents at 31 March 2014 (£496 at 31 March 2013) which relate to monies held by the NHS Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

Data entered below will be used throughout the workbook;

Trust name	Solent NHS Trust
This year	2014-15
Last year	2013-14
This year ended	31 March 2015
Last year ended	31 March 2014
This year commencing:	1 April 2014
Last year commencing:	1 April 2013

Accounts 2014-15

**Statement of Comprehensive Income for year ended
31 March 2015**

	NOTE	2014-15 £000s	2013-14 £000s
Gross employee benefits	8.1	(124,709)	(122,767)
Other operating costs	6	(65,455)	(63,025)
Revenue from patient care activities	4	165,152	163,731
Other operating revenue	5	22,088	24,025
Operating surplus/(deficit)		(2,924)	1,964
Investment revenue	10	29	28
Other gains and (losses)	11	(189)	(134)
Finance costs	12	(40)	0
Surplus/(deficit) for the financial year		(3,124)	1,858
Public dividend capital dividends payable		(3,376)	0
Net Gain/(loss) on transfers by absorption		0	0
Retained surplus/(deficit) for the year		(6,500)	1,858
Other Comprehensive Income			
		2014-15 £000s	2013-14 £000s
Impairments and reversals taken to the revaluation reserve		(557)	(1,662)
Net gain/(loss) on revaluation of property, plant & equipment		13,027	4,319
Total comprehensive income for the year		5,970	4,515
Financial performance for the year			
Retained surplus/(deficit) for the year		(6,500)	1,858
Impairments (excluding IFRIC 12 impairments)		423	0
Adjustments in respect of donated asset reserve elimination		(197)	0
Adjusted retained surplus/(deficit)		(6,274)	1,858

The notes on pages 5 to 26 form part of this account.

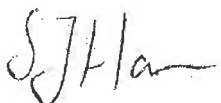
**Statement of Financial Position as at
31 March 2015**

		31 March 2015	31 March 2014
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	13	112,124	97,591
Intangible assets	14	1,153	1,332
Investment property	16	0	0
Other financial assets		0	0
Trade and other receivables	20.1	1,936	2,018
Total non-current assets		115,213	100,941
Current assets:			
Inventories	19	713	253
Trade and other receivables	20.1	15,474	17,856
Other financial assets	22	0	0
Other current assets	23	0	0
Cash and cash equivalents	24	785	10,300
Sub-total current assets		16,972	28,409
Non-current assets held for sale	25	0	0
Total current assets		16,972	28,409
Total assets		132,185	129,350
Current liabilities			
Trade and other payables	26	(16,178)	(26,132)
Other liabilities	27	0	0
Provisions	33	0	0
Borrowings	28	(317)	(144)
Other financial liabilities	29	0	0
Total current liabilities		(16,495)	(26,276)
Net current assets/(liabilities)		477	2,133
Total assets less current liabilities		115,690	103,074
Non-current liabilities			
Trade and other payables	26	(188)	(208)
Other liabilities	27	0	0
Provisions	33	0	0
Borrowings	28	(1,120)	(676)
Other financial liabilities	29	0	0
Total non-current liabilities		(1,308)	(884)
Total assets employed:		114,382	102,190
FINANCED BY:			
Public Dividend Capital		6,435	213
Retained earnings		77,690	83,753
Revaluation reserve		30,257	18,224
Total Taxpayers' Equity:		114,382	102,190

The notes on pages 5 to 26 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 28 May 2015 and signed on its behalf by

Chief Executive:



Date:

28.5.2015

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2015

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
Balance at 1 April 2014	213	83,753	18,224	102,190
Changes in taxpayers' equity for 2014-15				
Retained surplus/(deficit) for the year		(6,500)		(6,500)
Net gain / (loss) on revaluation of property, plant, equipment			13,027	13,027
Impairments and reversals			(557)	(557)
Transfers between reserves		437	(437)	0
New temporary and permanent PDC received - cash	11,222			11,222
New temporary and permanent PDC repaid in year	(5,000)			(5,000)
Net recognised revenue/(expense) for the year	6,222	(6,063)	12,033	12,192
Balance at 31 March 2015	6,435	77,690	30,257	114,382
Balance at 1 April 2013	0	5,220	0	5,220
Changes in taxpayers' equity for the year ended 31 March 2014				
Retained surplus/(deficit) for the year		1,858		1,858
Net gain / (loss) on revaluation of property, plant, equipment			4,319	4,319
Impairments and reversals			(1,662)	(1,662)
Transfers under Modified Absorption Accounting - PCTs & SHAs		92,242		92,242
Reclassification Adjustments				
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption		306	(306)	0
	213			213
New PDC received/(repaid) - PCTs and SHAs legacy items paid for by DH				
Net recognised revenue/(expense) for the year	213	94,406	2,351	96,970
Transfers between reserves in respect of modified absorption - PCTs & SHAs		(15,873)	15,873	0
Balance at 31 March 2014	213	83,753	18,224	102,190

Statement of Cash Flows for the Year ended 31 March 2015

	2014-15 £000s	2013-14 £000s
Cash Flows from Operating Activities		
Operating surplus/(deficit)	(2,924)	1,964
Depreciation and amortisation	3,569	2,968
Impairments and reversals	423	0
Interest paid	(40)	0
Dividend (paid)/refunded	(3,360)	0
(Increase)/Decrease in Inventories	(460)	(61)
(Increase)/Decrease in Trade and Other Receivables	2,464	(12,725)
Increase/(Decrease) in Trade and Other Payables	(11,554)	12,047
Provisions utilised	0	(205)
Increase/(Decrease) in movement in non cash provisions	0	(252)
Net Cash Inflow/(Outflow) from Operating Activities	<u>(11,882)</u>	<u>3,736</u>
Cash Flows from Investing Activities		
Interest Received	29	28
(Payments) for Property, Plant and Equipment	(3,685)	(343)
(Payments) for Intangible Assets	(7)	(1,204)
Net Cash Inflow/(Outflow) from Investing Activities	<u>(3,663)</u>	<u>(1,519)</u>
Net Cash Inflow / (outflow) before Financing	<u>(15,545)</u>	<u>2,217</u>
Cash Flows from Financing Activities		
Gross Temporary and Permanent PDC Received	11,222	493
Gross Temporary and Permanent PDC Repaid	(5,000)	(280)
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	(192)	0
Net Cash Inflow/(Outflow) from Financing Activities	<u>6,030</u>	<u>213</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(9,515)</u>	<u>2,430</u>
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	<u>10,300</u>	<u>7,870</u>
Cash and Cash Equivalents (and Bank Overdraft) at year end	<u>785</u>	<u>10,300</u>

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2014-15 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Movement of assets within the DH Group

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

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

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

1.4 Charitable Funds

Under the provisions of IFRS10 *Consolidated Financial Statements*, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 *Presentation of Financial Statements*, restated prior period accounts are presented where the adoption of the new policy has a material impact.

As the corporate trustee of Solent NHS Charity, the Trust has the power to exercise control. However the transactions of the charity are immaterial and have not been consolidated. Details of the transactions with the charity are included in note 37, Related Party Transactions.

1.5 Pooled Budgets

The Trust does not have any Pooled Budget arrangements.

1.6 Critical accounting judgements and key sources of estimation uncertainty

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

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

1.6.1 Critical judgements in applying accounting policies

The Trust has made critical judgements in applying accounting policies. Any critical judgements made are detailed in the relevant accounting policy.

1.6.2 Key sources of estimation uncertainty

Other than the valuation of non current assets the Trust has made no assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Non current assets have been revalued following a full valuation exercise carried out by District Valuers who are RICS qualified.

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 treatment plans that are part-completed at the year end are apportioned across the financial years on the basis of percentage of treatment completed at the end of the reporting period compared to expected total treatment planned.

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

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit.

1.8 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

1.9 Other expenses

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

1.10 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

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

Valuation

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

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

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

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

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

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

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

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

Subsequent expenditure

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

1.11 Intangible assets

Recognition

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised; it is recognised as an operating expense in the period in which it is incurred, unless it meets specific conditions as detailed in note 1.35.

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

Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

Measurement

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

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

1.12 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 Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are 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.

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

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.

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 of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's surplus/deficit.

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

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

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

The Trust as lessor

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

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

1.17 Private Finance Initiative (PFI) transactions

The Trust has no PFI transactions.

1.18 Inventories

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

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

1.19 Cash and cash equivalents

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

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

1.20 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (2.8% 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 Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 33.

1.22 Non-clinical risk pooling

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

1.23 Carbon Reduction Commitment Scheme (CRC)

The Trust is not part of the Carbon Reduction Commitment Scheme.

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 Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

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

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

1.25 Financial assets

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

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

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

The Trust has no financial assets at fair value through profit and loss.

Held to maturity investments

The Trust has no maturity investments.

Available for sale financial assets

The Trust has no available for sale financial assets.

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.

1.26 Financial liabilities

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

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

Financial guarantee contract liabilities

The Trust has no financial guarantee contract liabilities.

Financial liabilities at fair value through profit and loss

The Trust has no financial liabilities at fair value through profit and loss.

Other financial liabilities

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

1.27 Value Added Tax

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

1.28 Foreign currencies

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

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 40 to the accounts.

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

1.30 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets 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 the Trust not been bearing their own risk (with insurance premiums then being included as normal revenue expenditure).

1.32 Subsidiaries

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

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

From 2013-14, the Trust has reviewed the annual accounts of Solent NHS Charity, over which it considers it has the power to exercise control in accordance with IFRS10 requirements, and if it is deemed material has consolidated the accounts of the Charity with the Trust, see note 1.4.

1.33 Associates

The Trust has no associates.

1.34 Joint arrangements

The Trust has no joint arrangements.

1.35 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 is revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

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

The Treasury FR&M does not require the following Standards and Interpretations to be applied in 2014-15. The application of the Standards as revised would not have a material impact on the accounts for 2014-15, were they applied in that year.

IFRS 9 Financial Instruments - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

IFRS 15 Revenue from Contracts with Customers

2. Operating segments

From 1 April 2014 Trust activity has been organised into eight service lines as follows:

Child & Family Health Services	child development centre, family planning, children's respite, community health, paediatrics, child clinical psychology, school nursing, health visiting
Sexual Health Services	chlamydia screening, HIV outpatient services, sexual health promotion, termination of pregnancies, vasectomy services, sexual assault referral centre
Substance Misuse Services	substance misuse service
Dental	specialist dental care referrals
Adults Southampton	physiotherapy, community nursing, speech therapy, stoma care, palliative care, learning disabilities.
Primary Care & LTC	health promotion, community diabetes service, cardiac nurse service, podiatry, minor injuries, homeless healthcare, dermatology, phlebotomy service
Adults Portsmouth	occupational therapy, physiotherapy, community nursing, speech therapy, palliative care
Adult Mental Health	patient care and research into dementia, psychiatry

Each service has its own senior management team. The Chief Operating Decision Maker (COMD) of the Trust is the Trust Board which is required to approve the budget and all major operating decisions.

The year ending 31 March 2015 is the first full year of embedded service line reporting and therefore prior year comparators are not available.

The monthly performance report to the COMD reports the performance of each services operating contribution towards infrastructure and overhead costs against approved budgets. The financial information below is consistent with the monthly reporting.

	2014-15			Operating surplus / (deficit) £000s
	Revenue £000s	Employee Benefits £000s	Other Operating Costs £000s	
Child & Family Health Services	38,911	(28,789)	(2,048)	8,074
Sexual Health Services	27,398	(6,906)	(13,361)	7,131
Substance Misuse Services	9,555	(4,024)	(4,455)	1,076
Dental	8,023	(4,706)	(1,454)	1,863
Adults Southampton	26,342	(18,341)	(3,037)	4,964
Primary Care & LTC	18,411	(13,176)	(2,236)	2,999
Adults Portsmouth	24,751	(17,867)	(2,323)	4,561
Adult Mental Health	14,930	(10,376)	(1,129)	3,425
Discontinued Operations	650	(455)	(50)	145
Total Services	168,971	(104,640)	(30,093)	34,238
Infrastructure	7,967	(7,320)	(24,215)	(23,568)
Corporate Costs	10,331	(12,749)	(10,738)	(13,156)
Depreciation, amortisation, impairment			(4,014)	(4,014)
Operating surplus/(deficit)	187,269	(124,709)	(69,060)	(6,500)

3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of the activities which generate income had full costs which exceeded £1m.

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4. Revenue from patient care activities	2014-15 £000s	2013-14 £000s
NHS Trusts	0	0
NHS England	28,040	31,133
Clinical Commissioning Groups	105,532	108,534
Foundation Trusts	293	537
Department of Health	0	0
NHS Other (including Public Health England and Prop Co)	0	250
Non-NHS:		
Local Authorities	30,811	23,041
Private patients	357	115
Other	119	121
Total Revenue from patient care activities	<u>165,152</u>	<u>163,731</u>
5. Other operating revenue	2014-15 £000s	2013-14 £000s
Education, training and research	8,305	6,759
Receipt of donations for capital acquisitions	197	0
Non-patient care services to other bodies	5,197	8,167
Income generation	2,424	1,765
Rental revenue from operating leases	1,696	3,384
Other revenue	4,269	3,950
Total Other Operating Revenue	<u>22,088</u>	<u>24,025</u>
Total operating revenue	<u>187,240</u>	<u>187,756</u>

6. Operating expenses	2014-15 £000s	2013-14 £000s
Services from other NHS Trusts	3,077	3,265
Services from CCGs/NHS England	25	1,129
Services from other NHS bodies	1	0
Services from NHS Foundation Trusts	2,348	2,783
Total Services from NHS bodies*	5,451	7,177
Purchase of healthcare from non-NHS bodies	2,012	2,061
Trust Chair and Non-executive Directors	55	53
Supplies and services - clinical	18,926	21,786
Supplies and services - general	2,237	2,139
Consultancy services	2,084	1,942
Establishment	4,405	4,356
Transport	586	614
Business rates paid to local authorities	740	570
Premises	19,440	15,542
Legal Fees	484	400
Impairments and Reversals of Receivables	830	630
Depreciation	3,229	2,774
Amortisation	340	194
Impairments and reversals of property, plant and equipment	423	0
Audit fees	109	66
Other auditor's remuneration	79	63
Clinical negligence	379	389
Research and development (excluding staff costs)	2,598	686
Education and Training	847	1,000
Other	201	583
Total Operating expenses (excluding employee benefits)	65,455	63,025
Employee Benefits	123,617	122,011
Employee benefits excluding Board members	1,092	756
Board members	124,709	122,767
Total Employee Benefits	125,809	123,523
Total Operating Expenses	190,164	185,792

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

7. Operating Leases
The Trust occupies properties using operating lease arrangements with NHS and non NHS organisations.

7.1 Trust as lessee	Buildings £000s	Other £000s	2014-15 Total £000s	2013-14 £000s
Payments recognised as an expense			7,587	8,256
Minimum lease payments			7,587	8,256
Total			7,587	8,256
Payable:			6,142	8,666
No later than one year	5,900	242	6,142	8,666
Between one and five years	11,021	122	11,143	3,663
After five years	11,673	0	11,673	4,041
Total	28,594	364	28,958	16,370

Total future sublease payments expected to be received: £nil

7.2 Trust as lessor
The Trust receives rental income from a number of tenants for rental of properties.

	2014-15 £000	2013-14 £000s
Recognised as revenue	1,696	3,384
Rental revenue	1,696	3,384
Total	1,696	3,384
Receivable:	1,653	506
No later than one year	0	0
Between one and five years	0	0
After five years	1,653	506
Total	1,653	506

8.0 Employee benefits and staff numbers

8.1 Employee benefits

	Total £000s	2014-15 Permanently £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages			
Social security costs	104,459	99,162	5,297
Employer Contributions to NHS BSA - Pensions Division	7,214	7,214	0
Other pension costs	12,241	12,241	0
Termination benefits	1	1	0
Total employee benefits	1,076	1,076	0
Employee costs capitalised	124,991	119,694	5,297
Gross Employee Benefits excluding capitalised costs	282	94	188
	124,709	119,600	5,109

Employee Benefits - Gross Expenditure 2013-14

	Total £000s	Permanently £000s	Other £000s
Salaries and wages			
Social security costs	104,069	96,364	7,705
Employer Contributions to NHS BSA - Pensions Division	6,557	6,557	0
Other pension costs	12,107	12,107	0
Termination benefits	0	0	0
TOTAL - including capitalised costs	449	449	0
	123,182	115,477	7,705
Employee costs capitalised	415	10	405
Gross Employee Benefits excluding capitalised costs	122,767	115,467	7,300

8.2 Staff Numbers

	2014-15			2013-14
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	162	152	10	160
Administration and estates	761	737	24	744
Healthcare assistants and other support staff	777	760	17	714
Nursing, midwifery and health visiting staff	883	873	10	907
Nursing, midwifery and health visiting learners	30	30	0	38
Scientific, therapeutic and technical staff	613	601	12	600
Other	0	0	0	29
TOTAL	3,226	3,153	73	3,192
Of the above - staff engaged on capital projects	11	5	6	4

8.3 Staff Sickness absence and ill health retirements

	2014-15 Number	2013-14 Number
Total Days Lost	32,566	31,570
Total Staff Years	3,152	3,095
Average working Days Lost	10.33	10.20
	2014-15 Number	2013-14 Number
Number of persons retired early on ill health grounds	7	0
	£000s	£000s
Total additional pensions liabilities accrued in the year	391	0

8.4 Exit Packages agreed in 2014-15

Exit package cost band (including any special payment element)	2014-15			2013-14		
	*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	13	12	25	6	0	6
£10,000-£25,000	14	6	20	9	0	9
£25,001-£50,000	2	9	11	8	0	8
£50,001-£100,000	1	4	5	5	0	5
£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)	30	31	61	28	0	28
Total resource cost (£000s)	403	704	1,107	783	0	783

This note provides an analysis of Exit Packages agreed during the year. Redundancy and other departure costs have been paid in accordance with the provisions of the NHS redundancy arrangements. Other departures have been paid in accordance with the Mutually Agreed Resignation Scheme (MARS). Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS Pensions Scheme. Ill-health retirement costs are met by the NHS Pensions Scheme and are not included in the table.

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

8.5 Exit packages - Other Departures analysis

	2014-15		2013-14	
	Agreements	Total value of agreements £000s	Agreements	Total value of agreements £000s
	Number		Number	
Mutually agreed resignations (MARS) contractual costs	30	651	0	0
Contractual payments in lieu of notice	1	53	0	0
Total	31	704	0	0

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

As a single exit package can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 8.4 which will be the number of individuals.

8.6 Pension costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015, is based on valuation data as 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FRoM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

9. Better Payment Practice Code

9.1 Measure of compliance

	2014-15 Number	2014-15 £000s	2013-14 Number	2013-14 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	28,684	46,274	32,574	34,835
Total Non-NHS Trade Invoices Paid Within Target	23,961	37,341	28,962	28,893
Percentage of NHS Trade Invoices Paid Within Target	84%	81%	89%	83%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,560	38,627	1,312	25,153
Total NHS Trade Invoices Paid Within Target	1,224	28,820	1,110	18,740
Percentage of NHS Trade Invoices Paid Within Target	78%	75%	85%	75%

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.

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

The Trust had no claims made under this legislation and paid no compensation.

10. Investment Revenue

	2014-15 £000s	2013-14 £000s
Bank Interest	29	28
Total investment revenue	29	28

11. Other Gains and Losses

	2014-15 £000s	2013-14 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	(189)	(134)
Total	(189)	(134)

12. Finance Costs

	2014-15 £000s	2013-14 £000s
Interest		
Interest on obligations under finance leases	40	0
Total interest expense	40	0
Total	40	0

13.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Assets under construction & payments on account £000's	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
2014-15								
Cost or valuation:								
At 1 April 2014	24,168	72,088	131	2,897	97	2,753	435	102,569
Additions of Assets Under Construction	0	0	5,068	0	0	0	0	5,068
Additions Purchased	0	0	0	162	0	0	0	162
Additions - Purchases from Cash Donations & Government Grants	0	0	0	16	0	0	0	16
Additions Leased	0	0	0	0	0	810	0	810
Reclassifications	0	1,348	(1,956)	195	0	189	0	(224)
Disposals other than for sale	0	(36)	0	(34)	(27)	(29)	0	(126)
Upward revaluation/positive Indexation	1,982	6,884	0	0	0	0	0	8,866
Impairments/negative Indexation	(295)	(262)	0	0	0	0	0	(557)
At 31 March 2015	25,855	79,822	3,243	3,236	70	3,723	435	116,384
Depreciation								
At 1 April 2014	0	2,077	0	1,807	13	700	381	4,978
Disposals other than for sale	0	0	0	(9)	0	0	0	(9)
Upward revaluation/positive Indexation	(70)	(4,291)	0	0	0	0	0	(4,361)
Impairments	70	353	0	0	0	0	0	423
Charged During the Year	0	2,260	0	304	9	644	12	3,229
At 31 March 2015	0	399	0	2,102	22	1,344	393	4,260
Net Book Value at 31 March 2015	25,855	79,423	3,243	1,134	48	2,379	42	112,124
Asset financing:								
Owned - Purchased	25,855	79,374	3,243	1,024	48	960	42	110,546
Owned - Donated	0	49	0	110	0	0	0	159
Held on finance lease	0	0	0	0	0	1,419	0	1,419
Total at 31 March 2015	25,855	79,423	3,243	1,134	48	2,379	42	112,124

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Assets under construction & payments on account £000's	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
At 1 April 2014	3,690	14,534	0	0	0	0	0	18,224
Movements (specify)	1,757	10,276	0	0	0	0	0	12,033
At 31 March 2015	5,447	24,810	0	0	0	0	0	30,257

Additions to Assets Under Construction in 2014-15

	£000's
Buildings excl Dwellings	4,020
Plant & Machinery	118
IT - In-house & 3rd party software	930
Balance as at YTD	5,068

13.2 Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Assets under construction & payments on account £000s	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2013-14								
Cost or valuation:								
At 1 April 2013	0	1,363	658	3,009	31	1,891	541	7,491
Transfers under Modified Absorption Accounting - PCTs & SHAs	25,830	66,126	0	141	66	300	0	92,463
Additions of Assets Under Construction	0	0	1,257	0	0	0	0	1,257
Additions Purchased	0	0	0	181	0	24	0	205
Additions Leased	0	0	0	0	0	820	0	820
Reclassifications	0	280	(1,782)	0	0	503	35	(964)
Disposals other than for sale	0	0	0	(434)	0	(785)	(141)	(1,360)
Revaluation	0	4,319	0	0	0	0	0	4,319
Impairments/negative Indexation charged to reserves	(1,662)	0	0	0	0	0	0	(1,662)
At 31 March 2014	24,168	72,088	131	2,897	97	2,753	435	102,569
Depreciation								
At 1 April 2013	0	30	0	1,789	0	1,100	511	3,430
Disposals other than for sale	0	0	0	(298)	0	(785)	(143)	(1,226)
Charged During the Year	0	2,047	0	316	13	385	13	2,774
At 31 March 2014	0	2,077	0	1,807	13	700	381	4,978
Net Book Value at 31 March 2014	24,168	70,011	131	1,090	84	2,053	54	97,591
Asset financing:								
Owned - Purchased	24,168	70,011	131	1,090	84	1,233	54	96,771
Held on finance lease	0	0	0	0	0	820	0	820
Total at 31 March 2014	24,168	70,011	131	1,090	84	2,053	54	97,591

13.3 Property, plant and equipment

The Trust received donated assets from NHS England, Southampton Clinical Commissioning Group, University Hospitals Southampton NHS Foundation Trust and League of Friends in the year.

Land and buildings are held at revalued amounts. A full valuation was carried out on the assets as at 31 March 2015 by District Valuers who are RICS qualified.

The economic lives of the property, plant and equipment range from:

	Min Life (yrs)	Max Life (yrs)
Buildings excluding dwellings		90
Plant & machinery	1	25
Transport equipment	1	10
Information technology	5	7
Furniture & fittings	1	10

14.1 Intangible non-current assets

	IT - in-house & 3rd party software £000's	Total £000's
2014-15		
At 1 April 2014		
Additions Purchased	1,635	1,635
Reclassifications	7	7
Disposals other than by sale	224	224
At 31 March 2015	1,784	(82)
Amortisation		
At 1 April 2014		
Disposals other than by sale	303	303
Charged during the year	(12)	(12)
At 31 March 2015	340	340
Net Book Value at 31 March 2015	631	631
Asset Financing: Net book value at 31 March 2015 comprises:		
Purchased	1,153	1,153
Total at 31 March 2015	1,153	1,153

Revaluation reserve balance for intangible non-current assets

The Trust does not hold any revaluation reserves for intangible non-current assets. No revaluation of intangible assets was carried out in the period.

14.2 Intangible non-current assets prior year

	IT - in-house & 3rd party software £000s	Total £000s
2013-14		
Cost or valuation:		
At 1 April 2013		
Additions - purchased	809	809
Reclassifications	240	240
Disposals other than by sale	964	964
At 31 March 2014	(378)	(378)
Amortisation		
At 1 April 2013		
Disposals other than by sale	487	487
Charged during the year	(378)	(378)
At 31 March 2014	194	194
Net book value at 31 March 2014	303	303
Net book value at 31 March 2014 comprises:		
Purchased	1,332	1,332
Total at 31 March 2014	1,332	1,332

14.3 Intangible non-current assets

The Trust received no donated intangible assets in the year.

The economic lives of the intangible assets range from:

	Min Life (yrs)	Max Life (yrs)
IT - in-house & 3rd party software	1	7

15. Analyses of impairments and reversals recognised in 2014-15

	Property Plant and Equipment £000s	Total £000s
Impairments and reversals taken to SoCI		
Changes in market price	423	423
Total charged to Annually Managed Expenditure	423	423
Total Impairments of Property, Plant and Equipment changed to SoCI	423	423

No impairment losses on Donated and Government Granted Assets is Included above.

16. Investment property

The Trust has no Investment property.

17. Commitments

17.1 Capital commitments

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

	31 March 2015 £000s	31 March 2014 £000s
Property, plant and equipment	1,955	214
Intangible assets	145	97
Total	2,100	311

17.2 Other financial commitments

The Trust has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements), for ICT services. The payments to which the Trust is committed are as follows:

	31 March 2015 £000s	31 March 2014 £000s
Not later than one year	8,246	7,252
Later than one year and not later than five year	10,338	8,055
Later than five years	0	0
Total	18,584	15,307

18. 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	1,207	0	2,045	0
Balances with Local Authorities	3,459	0	978	0
Balances with NHS bodies inside the Departmental Group	9,951	0	4,265	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	857	1,936	9,207	1,308
At 31 March 2015	15,474	1,936	16,495	1,308
prior period:				
Balances with Other Central Government Bodies	0	0	3,920	0
Balances with Local Authorities	3,304	0	995	0
Balances with NHS bodies inside the Departmental Group	13,416	0	12,020	0
Balances with Public Corporations and Trading Funds	0	0	97	0
Balances with Bodies External to Government	1,136	2,018	9,100	208
At 31 March 2014	17,856	2,018	26,132	208

19. Inventories

	Drugs £000s	Consumables £000s	Total £000s
Balance at 1 April 2014	42	211	253
Additions	9,219	3,266	12,485
Inventories recognised as an expense in the period	(8,864)	(3,161)	(12,025)
Balance at 31 March 2015	397	316	713

20.1 Trade and other receivables

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
NHS receivables - revenue	7,272	12,220	0	0
NHS prepayments and accrued income	2,679	1,196	0	0
Non-NHS receivables - revenue	4,807	4,093	0	0
Non-NHS prepayments and accrued income	989	1,238	1,936	2,018
Provision for the impairment of receivables	(1,721)	(891)	0	0
VAT	1,207	0	0	0
Other receivables	241	0	0	0
Total	15,474	17,856	1,936	2,018
Total current and non current	17,410	19,874		
Included in NHS receivables are prepaid pension contributions:	0			

The great majority of trade is with Clinical Commissioning Groups and NHS England, as commissioners for NHS patient care services. As Clinical Commissioning Groups and NHS England are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Other trade receivables are reviewed on a regular basis with the person responsible. Provisions are established if debtors exceed the following time intervals past their agreed terms - after 90 days 100%. Any overdue debts are actively pursued by specialised teams.

20.2 Receivables past their due date but not impaired		31 March 2015	31 March 2014
		£000s	£000s
By up to three months		4,091	7,288
By three to six months		1,607	332
By more than six months		1,002	374
Total		6,700	7,994
20.3 Provision for impairment of receivables		2014-15	2013-14
		£000s	£000s
Balance at 1 April 2014		(891)	(261)
Amount recovered during the year		510	0
(Increase)/decrease in receivables impaired		(1,340)	(630)
Balance at 31 March 2015		(1,721)	(891)
No collateral is held against these debts.			
21. NHS LIFT Investments	The Trust has no NHS LIFT Investments.		
22. Other Financial Assets	The Trust has no other financial assets.		
23. Other current assets	The Trust has no other current assets.		
24. Cash and Cash Equivalents		31 March 2015	31 March 2014
		£000s	£000s
Opening balance		10,300	7,870
Net change in year		(9,515)	2,430
Closing balance		785	10,300
Made up of			
Cash with Government Banking Service		752	10,253
Commercial banks		12	24
Cash in hand		21	23
Cash and cash equivalents as in statement of financial position		785	10,300
Cash and cash equivalents as in statement of cash flows		785	10,300
Patients' money held by the Trust, not included above		5	32
25. Non-current assets held for sale	The Trust has no non-current assets held for sale.		
26. Trade and other payables		Current	Non-current
	31 March 2015	31 March 2014	31 March 2015
	£000s	£000s	£000s
NHS payables - revenue	807	748	0
NHS accruals and deferred income	3,442	11,272	0
Non-NHS payables - revenue	1,373	2,833	0
Non-NHS payables - capital	1,838	258	0
Non-NHS accruals and deferred income	6,608	7,056	0
Social security costs	1,053	1,070	188
PDC Dividend payable to DH	16	0	0
VAT	0	0	0
Tax	992	1,044	0
Other	49	1,705	0
Total	16,178	26,132	188
Total payables (current and non-current)	16,366	26,340	
Included above:			
outstanding Pension Contributions at the year end	6	1,660	

27. **Other liabilities**
The Trust has no other liabilities.

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
Finance lease liabilities	317	144	1,120	676
Total	317	144	1,120	676
Total other liabilities (current and non-current)	1,437	820		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2015	
	Other £000s	Total £000s
0-1 Years	317	317
1 - 2 Years	1,069	1,069
2 - 5 Years	51	51
Over 5 Years	0	0
TOTAL	1,437	1,437

29. **Other financial liabilities**
The Trust has no other financial liabilities.

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
Opening balance at 1 April 2014	1,861	1,126	208	225
Deferred revenue addition	1,461	1,659	0	0
Transfer of deferred revenue	(1,882)	(924)	(21)	(17)
Current deferred income at 31 March 2015	1,440	1,861	187	208
Total deferred income (current and non-current)	1,627	2,069		

31. **Finance lease obligations as lessee**
The finance leases relate to IT equipment.

	Minimum lease payments		Present value of minimum	
	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s
Within one year	345	175	317	144
Between one and five years	1,176	560	1,069	676
After five years	50	174	51	0
Less future finance charges	(134)	(89)		
Minimum Lease Payments / Present value of minimum lease payments	1,437	820	1,437	820
Included in:				
Current borrowings			317	144
Non-current borrowings			1,120	676
			1,437	820

32. **Finance lease receivables as lessor**
The Trust has no finance lease receivables as lessor.

33. **Provisions**
The Trust has no provisions.

£916,265 is included in the provisions of the NHS Litigation Authority at 31 March 2015 (£317,964 at 31 March 2014) in respect of clinical negligence liabilities of the Trust.

	31 March 2015 £000s	31 March 2014 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	9	17
Net value of contingent liabilities	9	17
Contingent assets		
The Trust has no contingent assets.		

35. Financial Instruments

35.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2015 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

35.2 Financial Assets

	Loans and receivables £000s	Total £000s
Receivables - NHS	9,951	9,951
Receivables - non-NHS	5,016	5,016
Cash at bank and in hand	785	785
Total at 31 March 2015	15,752	15,752
Receivables - NHS	13,416	13,416
Receivables - non-NHS	4,423	4,423
Cash at bank and in hand	10,300	10,300
Total at 31 March 2014	28,139	28,139

35.3 Financial Liabilities

	Other £000s	Total £000s
NHS payables	3,891	3,891
Non-NHS payables	8,801	8,801
Total at 31 March 2015	12,692	12,692
NHS payables	12,020	12,020
Non-NHS payables	9,991	9,991
Total at 31 March 2014	22,011	22,011

36. Events after the end of the reporting period

There have been no events after the end of the reporting period.

37. Related party transactions

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Trust.

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

	Payments to Related Party £000s	Receipts from Related Party £000s	Amounts owed to Related Party £000s	Amounts due from Related Party £000s
NHS England	4	28,344	923	4,749
<u>Clinical Commissioning Groups</u>				
NHS Southampton	8	31,576	34	105
NHS Portsmouth	4	52,092	93	458
NHS West Hampshire	0	8,016	71	960
NHS South Eastern Hampshire	0	5,510	23	252
NHS Fareham & Gosport	0	5,160	0	349
NHS North Hampshire	32	1,945	0	0
NHS North East Hampshire & Farnham	0	1,227	26	14
<u>NHS Trust and Foundation Trust</u>				
Hampshire Hospitals Foundation Trust	2,744	74	190	34
Portsmouth Hospitals NHS Trust	4,521	2,985	562	1,292
University of Southampton NHS Foundation Trust	2,174	3,219	362	474
Southern Health NHS Foundation Trust	1,539	1,781	215	507
NHS Litigation Authority	379	0	1	0
NHS Property Services Ltd	7,566	1,443	354	823
Community Health Partnerships	2,010	0	736	0
Solent NHS Charity	0	3	0	0

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with HM Revenue and Customs, NHS Pensions Agency, Portsmouth City Council, Southampton City Council and Hampshire County Council.

The Trust has also received revenue from Solent NHS Charity of which the NHS Trust Board is the Corporate Trustee.

38. Losses and special payments

There were 10 cases of losses and special payments totalling £39,888 accrued during 2014-15 (11 cases totalling £13,312 during 2013-14).

39. Financial performance targets

The Trust has a duty to achieve breakeven or a surplus in each accounting period.

39.1 Breakeven performance

	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s
Turnover	193,935	192,146	187,756	187,240
Retained surplus/(deficit) for the year	1,863	776	1,858	(6,500)
Adjustment for:				
Adjustments for Impairments	0	0	0	423
Adjustments for impact of policy change re donated/government grants assets	0	0	0	(197)
Break-even In-year position	<u>1,863</u>	<u>776</u>	<u>1,858</u>	<u>(6,274)</u>
Break-even cumulative position	<u>1,863</u>	<u>2,639</u>	<u>4,497</u>	<u>(1,777)</u>

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.

	2011-12 %	2012-13 %	2013-14 %	2014-15 %
Materiality test (i.e. Is it equal to or less than 0.5%):				
Break-even In-year position as a percentage of turnover	0.96	0.40	0.99	-3.35
Break-even cumulative position as a percentage of turnover	0.96	1.37	2.40	-0.95

39.2 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%.

39.3 External financing

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

	2014-15 £000s	2013-14 £000s
External financing limit (EFL)	16,884	(600)
Cash flow financing	15,545	(2,217)
Finance leases taken out in the year	810	820
External financing requirement	<u>16,355</u>	<u>(1,397)</u>
Under/(over) spend against EFL	<u>529</u>	<u>797</u>

39.4 Capital resource limit

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

	2014-15 £000s	2013-14 £000s
Gross capital expenditure	6,054	2,522
Less: book value of assets disposed of	(63)	(134)
Less: donations towards the acquisition of non-current assets	(17)	0
Charge against the capital resource limit	<u>5,974</u>	<u>2,388</u>
Capital resource limit	6,793	4,344
(Over)/underspend against the capital resource limit	<u>819</u>	<u>1,956</u>

40. Third party assets

The Trust held £4,970 cash and cash equivalents at 31 March 2015 (£31,567 at 31 March 2014) which relate to monies held by the Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.