Annex 1

FINANCIAL STATEMENTS OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION TRUST FOR THE YEAR 1st APRIL 2014 TO 31st MARCH 2015

Accounts for the year 1st April 2014 to 31st March 2015

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Accounts of Royal Brompton & Harefield NHS Foundation Trust
for the Year ended 31 March 2015

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION TRUST

The NHS Act 2006 states that the chief executive is the accounting officer of the NHS Foundation Trust. The relevant responsibilities of the accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officer Memorandum* issued by Monitor.

Under the NHS Act 2006, Monitor has directed Royal Brompton & Harefield NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Royal Brompton & Harefield NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *NHS Foundation Trust Annual Reporting Manual 2014-15* and in particular to:

- Observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- Make judgements and estimates on a reasonable basis;

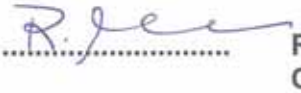
- State whether applicable accounting standards as set out in the *NHS Foundation Trust Financial Reporting Manual 2014/15* have been followed, and disclose and explain any material departures in the financial statements;

- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance; and

- Prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's *NHS Foundation Trust Accounting Officer Memorandum*.



Robert J Bell
Chief Executive and Accounting Officer **26th May 2015**

Accounts of Royal Brompton & Harefield NHS Foundation Trust for the year ended 31 March 2015

Annual Governance Statement 2014-15

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's polices, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve polices, aims, objectives; it can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control, is based on an ongoing process designed to identify and prioritise the risk to the achievement of the policies, aims and objectives of Royal Brompton & Harefield NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Royal Brompton & Harefield NHS Foundation Trust for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

To ensure that the Board is able to provide the appropriate levels of assurance on effective internal control to the Trust's patients, its Council of Governors and stakeholders, a committee of the Board, the Risk and Safety Committee, has been established. This committee, with membership of the Trust's Non-Executive Directors and attended by the Executive Directors, is accountable for seeking assurance that systems, processes and outcomes contribute to the Trust's aims and values and objectives relating to patient safety and quality, a safe and clean hospital environment and staff satisfaction and to ensure that there is evidence of robust governance and assurance processes in these areas. The Governance & Quality Committee reports into the Risk & Safety Committee.

The Governance and Quality Committee, chaired by the Medical Director & Responsible Officer, provides management scrutiny of the Trust's risk management issues against an integrated governance and patient safety agenda. It receives reports on clinical and non-clinical issues from each of the clinical divisions, to ensure that it has the opportunity to identify examples of both good and poor practice so as to ensure that these areas are operating to the highest clinical and quality standards. With representation from each of the clinical and non-clinical divisions present the Trust is able to share best practice and respond to identified weaknesses.

All Directors across all areas of the Trusts take responsibility for risk identification, management and mitigation within their areas of work and practice. The Divisions are responsible for their own areas, and this is supported by 6-monthly Divisional Quality & Safety reports which contain a wide-range of information including risks, incidents, complaints, clinical outcomes, clinical audits, compliance with best practice.

Training is available for all staff both an induction, and throughout their careers with regard to risk management. In addition, there are detailed guidance and support resources available through the intranet and a team of staff trained in risk management to provide additional support to staff across the organisation.

To ensure that the Trust undertakes its activities within a safe environment, the Trust has appointed an external specialist contractor to monitor compliance with its health and safety obligations. Additionally this contractor provides specialist advice and training in fire, health, safety and manual handling issues.

4. The risk and control framework

As the Trust provides specialist, innovative, tertiary cardiorespiratory services there are risks to patients and the organisation inherent in the healthcare delivery, clinical innovation and research undertaken. The Trust recognises that not all risk can be eliminated or avoided but specific risks can be effectively mitigated and managed. The level of risk deemed acceptable / tolerable is kept under review by the Trust Board.

The Trust is committed to doing everything possible to reduce risk (avoidable harm and death) to patients and to deliver high quality, safe and cost-effective care. Our aim is to develop the characteristics of a high reliability organisation, consistently delivering high quality evidence–based care whilst recognising that for many patients there are risks associated with treatment which cannot be eliminated, but can be controlled. The Trust commits to working with patients and their families to ensure that they understand fully the options for treatment including the potential risks, intended benefits, alternatives and effects of no treatment and are assisted in balancing the risks to come to a decision to give fully informed consent for treatment and/or research.

Governance structures have been established to ensure that a detailed assessment of all identified risks (clinical, research, operational, financial and infrastructure) is performed and managed through the risk register where responsibility for mitigation or management of each risk is identified.

Serious risks are identified as a significant risk to the fulfillment of the organisation's strategic objectives; or may present as a risk to compliance with the requirements of the NHS Provider Licence granted by Monitor. Therefore serious risks are included on the Risk Register and are summarised as the Trust's top risks subject to review by the Risk and Safety Committee of the Trust Board in order to assess mitigating actions, the adequacy of resources directed towards managing the risk and the level of assurance that the controls are effective. Lower scoring risks are managed within the division /department where they originate and held on the risk register.

The aim is not to remove all risk but to identify, assess and manage factors internal and external to the Trust which can threaten achievement of our objectives. Risk taking then occurs in an appropriate, balanced and sustainable way across the full breadth of the Trust's portfolio. The Trust recognises that controlled risk taking within defined parameters (policies, procedures, objectives, risk assessment, review and management and control processes) and agreed by the Trust Board encourages creativity, optimises financial rewards and improves performance, thereby benefiting the patients in our care.'

The Top Trust Risks are kept under review by the Trust Board, via the Risk and Safety Committee.
For 2014/15 the Top Risks and their mitigating actions have included:

Top Risks	Mitigation
Service Excellence: Failure to achieve expected standards of clinical care	• Clear lines of accountability; Medical director appointed as Responsible Officer, Divisional Directors/Care Groups Chairs responsible for clinical services • Clinical structure based around care groups which focus on disease pathway and needs of patients, rather than professions of staff • Service Level Agreements in place with other trusts to provide specialist input for patients with clinical needs which fall outside the heart and lung specialty areas. • Robust annual appraisal and revalidation process for medical staff in place • Lead clinicians for Clinical Risk appointed on each site • Clear reporting from regular Governance & Quality Committee, attended by Divisional Directors (clinical) and Executive Directors to discuss clinical issues affecting trust; underpinned by the divisional Quality & Safety meetings, as well as groups with a more specialised focus such as the Quality & Productivity Groups, Clinical Practice Committee, Medicines Management Board, Tissue Governance Oversight Board, Research Committee and the Medical Devices Safety Group. • Regular governance updates / training supplied through the Monthly Governance Day, where non-essential clinical activity is suspended to allow governance activities to occur. Includes peer review of all patients who die in hospital • Participation in all relevant national clinical audits and registries • Routine review, implementation and audit of practice against (inter)national guidelines and standards e.g. National Institute for Health and Care Excellence, Society for Cardiothoracic Surgery, British Thoracic Society • Programme of internal audits performed by KPMG, to review our governance arrangements across all aspects of care • Proactive engagement with all external stakeholders and monitoring organisations such as Care Quality Commission and Monitor, commissioners, professional societies, Royal Colleges, Dr Foster etc. • Proactive approach to tackling any areas where expected standards are not being achieved, from local reviews to involvement of external/national agencies e.g. review of Lung Cancer Service

Organisational Excellence: • Estates – out of date areas unsuitable for patients / staff	• Planned, preventative maintenance (PPM) programme focused on high-risk areas and issues. • Increased investment in Estates requirements overseen by Capital Working Group. • Long-term redevelopment plans for both sites overseen by the Redevelopment Advisory Steering Group, with professional advisors in place
• Estates – general maintenance backlog	• A 3 year programme of works (including costs) has been developed to reduce the maintenance backlog and has been presented to the Trust Board. • Progress against this plan is being monitored by the Chief Operating Officer through the Capital Working Group and the Head of Estates and Facilities has reported progress to the Trust Risk and Safety Committee • All maintenance risks are individually listed on the Risk Register
Reputation & Relationships: Many of the Trust's specialist services are subject to national designation or commissioning arrangements tied to evolving standards and specifications	• Compliance demonstrated with service standards and specifications wherever possible (e.g. in Congenital Heart Disease, Transplantation and VAD, Lung Cancer, Pulmonary Hypertension, Primary Ciliary Dyskinesia and Cystic Fibrosis) • High quality and volume of service provided and monitored: Clinical outcomes reported quarterly to divisions, and to clinicians. Participation in all national audits. Clinical outcomes are monitored via Governance & Quality and (Board) Quality & Safety Committees. • Engagement with commissioners via regular Clinical Quality Review (CQR) meetings to discuss compliance and current issues, attended by Director of Service Development, Director of Nursing & Clinical Governance and Director of Performance • Engagement with relevant regional and national bodies/processes: Many clinicians chairing/members of national CRGs.

• Failure to maintain effective influence with key external stakeholders	• Some of the Trust's care groups and teams (e.g. adult and paediatric Cystic fibrosis teams) have for several years engaged effectively with commissioners, medical charities and fellow clinicians from other peer centres in activities such as defining standards of care and planning of pathways. • This level of on-going engagement is not however replicated consistently across all care groups within the Trust. • A small internal project team is interviewing all care group chairs and senior clinicians - doctors, nurses, allied health professionals and technicians - in order to compile an inventory of all the external stakeholders / bodies with whom one or more of our clinicians a) have influence or membership, b) do NOT have influence or membership. The team will then identify common gaps, as well as identify key stakeholders at a Trust-wide level, prioritise gaps to be filled / areas where influence needs to be built, then revert to the care-group leads to agree the actions / campaign required.
• Failure to comply with external regulations	• All key targets are monitored and reported to the Trust Board, either routinely or by exception through the Clinical Quality Report. • Monitor was informed of 2 Risk Assessment Framework Targets were at risk during 2014/15; 62 day cancer target / C difficile. • Robust bottom-up process of internal control through review of performance information at meetings of the Operational Management Team (OMT), Management Committee, Governance and Quality Committee, Risk and Safety Committee and the Trust Board. • Clinical Quality Report presented to Trust Board at every meeting to ensure regular tracking of performance - includes untoward incidents • Review of CQC Intelligent Monitoring which is reported to G&Q Committee and the Risk & Safety Committee • Quarterly Trust Board declarations made against the standards set out in the Risk Assessment Framework published by Monitor • Regular meetings of the CQC Steering Group • Regular review of key performance indicators by commissioners through the Clinical Quality Review Group. • A Trust lead has been appointed in order to assist with preparation for CQC inspection during 2015

Financial Risk: Failure to maintain adequate liquidity, ensuring availability of cash	• Trust has made representations to NHS England and Monitor in relation to tariff proposals • Trust has processes in place to monitor and forecast liquidity levels and to arrange appropriate borrowing facilities • Trust has well defined process for planning and managing capital spend in line with available internal and external funding • Stock is managed; bulk purchases need to be agreed by Finance • The Trust has in place a revolving credit facility to meet short term cash requirements that occur. • Suitable internal monitoring processes are in place for accurate reporting to the Trust Board and its Committees to determine timely remedial action.

Productivity & Investment: • Information technology not meeting clinical needs	• The planned work to upgrade the wired and wireless network is going to plan and will be completed during the first quarter of 2015/16. This will significantly improve performance and reliability and will reduce the number of system failures associated with network issues. • The migration to Windows 7 and Microsoft Office 2010 is almost complete and PCs are being replaced or upgraded as necessary. This will provide a faster and more reliable platform for users. • Major procurements are complete for PAS, EDM and EPMA and these projects are progressing to plan. Pilots of EDM and EPMA were completed by the end of March 2015 • A new computer and storage platform has been implemented and work has started to migrate services off aging and obsolete hardware as part of the strategy to virtualise our server estate and move it to a 3rd party Data Centre.
• Failure to execute property re-development effectively and within budget	• Existence of the Redevelopment Advisory Steering Group which meets regularly to review progress • Continuous involvement of CEO and Associate Chief Executive – Finance • Appointment of leading property, financial, tax and legal advisers to the project team • Application of and compliance with the Trust's SFIs for major capital projects • Application of and compliance with Monitor's requirements for major capital projects • Establishment and maintenance of a detailed project model which includes milestones, cash flows and sensitivities • Forward planning for the capital programme facilitates integration and funding requirements • Phasing of redevelopment such that capital expenditure wherever possible is funded from earlier disposals

The risks detailed within the risk register are aligned to the Trust's Objectives through the Forward Planning process. The risk register is designed to reflect risks from all aspects of the organisation and provide details of the controls in place to mitigate the risks and identify where assurance can be located. The risk register provides, through ongoing review, assurance to the Board that these risks are being adequately controlled and informs the collation of the Annual Governance Statement.

The risk register recognises and is informed by the Trust's wider role and risk profile, especially as a leading centre for research and development, innovation, translational research and training and the part played by the Trust's stakeholders in its delivery of world class healthcare:

- Monitor, the Foundation Trust regulator, assesses the Trust's risk profile throughout the year and its ratings inform the risk register and Quality Governance Framework.
- Relationships with the Care Quality Commission for ongoing monitoring of compliance with registration requirements.
- Monthly monitoring meetings are held with the Trust's coordinating commissioner, NHS England to assess performance against the NHS Standard Contract – reported through the Clinical Quality Review Group (CQRG).
- The External Services Scrutiny Committee of London Borough of Hillingdon reviews Trust performance.
- Healthwatch in Hillingdon and Central West London. The Healthwatch groups have established a management board and a number of sub-groups focusing on particular health areas. In particular, Healthwatch groups are involved with the development of the Trust's Quality Report.
- The Care Quality Commission undertakes a range of monitoring to identify potential risk issues. The CQC has registered Royal Brompton and Harefield NHS Foundation Trust without restriction. The Trust reviews and responds to the regular updates from CQC which are presented to the Trust via the Intelligent Monitoring reports and through reports following inspections.
- Relationships with our health partners and stakeholders in relation to key objectives and future referral patterns.
- The Trust's continued relationship with the National Heart and Lung Institute of Imperial College London.
- The Trust's participation in the Academic Health Science Network
- The Trust's membership of the Institute of Cardiovascular Science and Medicine, a joint venture with Liverpool Heart and Chest NHS Foundation Trust.

The Trust manages its risks related to data security through a number of different approaches. The Trust has a Board level Senior Information Risk Owner (SIRO). The SIRO has overseen the implementation of a wide range of measures to protect the data we hold and the evidence base to support the Trust's assessment against the information governance toolkit has been extensively reviewed during 2014/15. The internal auditors have reviewed the evidence and have made recommendations to strengthen the evidence base supporting compliance. All of the toolkit indicators are being met at level 2 or 3. There have been no serious incidents involving data loss during 2014-15.

During 2014/15, data quality has been managed through the Performance and Information Team and kept under review through the Quality Indicator Assurance Framework.

NHS Provider Licence Condition 4; (FT Governance).
Compliance with Condition FT4 of the NHS Provider Licence has been reviewed by the Trust's internal auditors. The overall report rating was that of adequate assurance, this being the highest rating that can be achieved on the scale used by KPMG. Further information on enhanced quality governance reporting is provided within section 3.4 of the Directors' Report.

Care Quality Commission
The Trust is fully compliant with the registration requirements of the Care Quality Commission. Ongoing compliance with registration requirements is managed through the CQC Steering Group. There are registration leads for each of the registration requirements. During 2014/15 this group was reconstituted in line with the 2014 Regulations and the Fundamental Standards which come into force on 1st April 2015.

The CQC has not undertaken an inspection since its inspection of Harefield Hospital in February 2014, at which time they reported that the Trust was meeting all of the essential standards of quality and safety that were inspected. The CQC also undertook a routine inspection of Royal Brompton Hospital in August 2013 and again found no concerns for the standards inspected. The Trust continues to meet all of the essential standards of quality and safety as was declared at the time of initial registration in 2010.

NHS Employer
As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

Environment
The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Managing Public Money
There are a number of required disclosures which have been covered elsewhere in the Annual Report 2014/15. These include:

- Governance framework, to include the Board's committee structure, attendance records and the coverage of its work; please see section 4. Governance
- Board Committee reports; please see section 4. Governance
  An account of corporate governance; please see section 4 Governance and in particular the section dealing with Compliance with the NHS Foundation Trust Code of Governance on page 24 of this Annual Report.

5. Review of economy, efficiency and effectiveness of the use of resources

The development and reporting of patient level costing and service level reporting continues, to ensure that the Board is aware of relative profitability and efficiency and this is now produced on a quarterly basis. Monthly finance and performance reports are provided to the Board and this information is used to identify opportunities for improving efficiency and profitability for each Division. This has been achieved through the introduction of contribution reporting at Divisional level.

Annual Quality Report

The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) regulations 2010 (as amended) to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of the Annual Quality Reports which incorporate the above legal requirements in the *NHS Foundation Trust Annual Reporting Manual.*

The involvement of stakeholders regarding how our priorities were consulted on and decided is described in more detail in the Quality Report. Quality data is reported to the Board each time it meets and the Governance and Quality Committee receives regular updates covering performance against quality and safety metrics at divisional level.

During 2014/15, the Trust requested that the internal auditors review the quality of data with regards to the elective waiting time data, and the data for reporting cancelled operations. With regards to the elective waiting time data; the internal auditors finding was of 'significant assurance with minor improvement opportunities'. For cancelled operations, the finding was of 'partial assurance with improvement required'. Subsequent to this, an external audit review of referral to treatment time data for the incomplete patient pathway indicator has led to a qualified audit conclusion with regards to the Quality Report. The external auditors have also made recommendations regarding the management of data quality with respect to the incomplete referral to treatment time patient pathway. Further details of these recommendations; and the action to be taken by management, are given in the Quality Report 2014/15.

The recommendations of both the internal and external auditors for the improvement of data quality will be implemented during 2015. Implementation will be reviewed by the Audit Committee.

Both of the indicators are included within the Trust's Quality Indicator Assurance Framework and will be the subject of particular scrutiny during 2015/16 in order to ensure that the risks to the quality and accuracy of this data are managed effectively.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the Quality Report attached to this Annual Report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Risk & Safety Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The process which has been applied in maintaining and reviewing the effectiveness of the system of internal control has included the involvement of the following bodies:

The Board has exercised its role of oversight of the system of internal control through regular reports made by the Chairman of the Audit Committee to the Board. Reports have been provided to the next meeting of the Trust Board following every meeting of the Audit Committee. [At its meeting on 20th May 2015, the Board concluded that an effective system of internal control had been in place during 2014/15].

The Audit Committee provides the Trust Board with an independent and objective evaluation of the establishment and maintenance of an effective system of integrated governance, risk management and financial and non-financial internal controls that support the achievement of the organisation's objectives. The conclusion of this Committee is that it has discharged its duties appropriately during 2014/15. Three never events were reviewed by the Risk and Safety Committee during 2014/15. These all related to retained foreign objects post procedure. Two never events involved retention of swabs following cardiac surgery and one involved a guide wire that was left in situ following insertion of a peritoneal catheter. The Risk and Safety Committee will continue to review progress with the associated action plans.

The Risk & Safety Committee provides the Trust Board with independent and objective evaluation of whether the systems and processes in place in the Trust to manage risks, especially patient safety risks, are complete, appropriate, and working as intended. The conclusion of this Committee is that is has discharged its duties appropriately during 2014/15.

Clinical audits are regularly conducted across all clinical services of the Trust. Details of participation in the national clinical audit programme are detailed in the Quality Report, at Annex 2 of the Annual Report. The clinical audit team can confirm that it has fulfilled its duties throughout 2014/15.

Internal audit services are outsourced to KPMG, who have provided an objective and independent opinion to the Chief Executive, the Board and the Audit Committee on the degree to which risk management; control and governance support the achievement of the objectives of the organisation. KPMG's conclusion as set out in its formal Head of Internal Audit Opinion is that 'significant assurance with minor improvements can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'. This statement takes into account the control weaknesses and recommendations referred to on page 45 of the Annual Report 2014/15.

Deloitte LLP provides the Trust with its external audit assurance and reports on annual accounts. The Quality Governance Framework and Risk Register Assessments have to date identified no significant control issues.

6. Conclusion

Based on the information set out in this Statement, I consider that appropriate governance structures and internal control measures are in place and have operated throughout 2014/15. During which time, no significant control issues have been identified.

Signed: **Date: 26th May 2015**

Robert J Bell
Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS AND BOARD OF DIRECTORS OF ROYAL BROMPTON & HAREFIELD NHS FOUNDATION TRUST

Opinion on financial statements of Royal Brompton & Harefield NHS Foundation Trust

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the accounting policies directed by Monitor – Independent Regulator of NHS Foundation Trusts; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cashflows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by Monitor – Independent Regulator of NHS Foundation Trusts.

Qualified Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts except that we have qualified our conclusion on the quality report in respect of the "18 week referral to treatment waiting times" indicator.

Going concern

We have reviewed the directors' statement on page 14 of the Annual Report that the Trust is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Trust's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
NHS revenue and provisions	
There are significant judgments in the recognition of revenue from care of NHS patients and in provisioning for disputes with commissioners due to: • the complexity of the Payment by Results regime, in particular in determining the level of overperformance and CQUIN (Commissioning for Quality and Innovation) revenue to recognise; and • the judgemental nature of provisions for disputes, including in respect of outstanding overperformance income for quarters 3 and 4. The majority of the Trust's income is commissioned by NHS England. There are also a large number of commissioners with relatively low levels of activity which can increase the difficult of agreeing and recovering amounts owed. Further details upon the associated judgements are included in note 1.21 to the financial statements. Note 3 sets out the income recognised, and note 17 the associated receivables and provisions.	We evaluated the design and implementation of controls over recognition of Payment by Results income, with input from IT specialists. We performed detailed substantive testing of the recoverability of overperformance income and the adequacy of provision for underperformance through the year, and evaluated the results of the agreement of balances exercise. We tested the historical accuracy of provisions made for disputes with commissioners, and considered this in evaluating bad debt provisions and other provisions in respect of NHS income at 31 March 2015. We challenged key judgements around specific areas of dispute and actual or potential challenge from commissioners and the rationale for the accounting treatments adopted. In doing so, we considered the historical accuracy of provisions for disputes and reviewed correspondence with commissioners.
Property valuations	
The Trust is required to hold property assets within Property, Plant and Equipment at a modern equivalent use valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value. Further details upon the associated estimates are included in notes 1.21 and 12 to the financial	We evaluated the design and implementation of controls over property valuations, and tested the accuracy and completeness of data provided by the Trust to the valuer. We used our internal valuation specialists to review and challenge the appropriateness of the valuation approach and the key assumptions used in the valuation of the Trust's properties such as build costs per square metre,

statements.	including by comparing the results of the revaluation against those performed by other Trusts at 31 March 2015. We assessed whether the valuation and its accounting treatment were compliant with the relevant accounting standards, and in particular whether impairments should be recognised within the surplus for the year or in Other Comprehensive Income.

Accounting for Capital Expenditure	
The Trust has an extensive capital programme with expenditure of £27.6m in 2014/15 Determining whether expenditure should be capitalised can involve significant judgement as to whether costs should be capitalised under International Financial Reporting Standards, and when to commence depreciation. In addition, adjustments may be required to the carrying value of previously capitalised works that are being replaced or refurbished. Where existing properties are being modernised, the "modern equivalent use" valuation rules can lead to a "day one" impairment where the accumulated cost of the asset exceeds the cost of a newly built facility. Further details upon the associated estimates and balances are included in notes 1.21 and 12 to the financial statements.	We tested the design and implementation of controls around the capitalisation of costs, and tested expenditure on a sample basis to confirm that it complies with the relevant accounting requirements. We obtained an understanding of key projects and challenged management's assessment of whether any impairment arises in respect of newly capitalised expenditure, and that adjustments to the value of old assets were dealt with as part of the revaluation process.

Going concern assessment	
The Directors' Going Concern statement is set out on page 14 of the Annual Report, and the Trust's principal risks and uncertainties on page iii of the Annual Governance Statement. The going concern assessment was considered to be an area of audit focus due to the deficit of £3.3m for the year ended 31 March 2015, the increased deficit forecast for 2015/16, and the uncertainties detailed in the Directors' statement.	We evaluated management's going concern assessment by challenging the key judgements within the Trust's forecasts and annual plan including assumptions over activity levels, sensitivities, cost improvement programme savings, and working capital levels. We have held discussions with management to understand the current status of contract negotiations with its commissioners. We examined the Trust's funding agreements that are in place and evaluated the adequacy of management's downside sensitivity analysis in respect of its liquidity and forecast Continuity of Service Risk Ratings.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 43.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Trust to be £3.3m, which is below 1% of total operating revenues and is approximately 1.5% of taxpayer's equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £150,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit partner. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and Information Technology systems.

Data analytic techniques were used as part of audit testing, in particular to support profiling of populations to identify items of audit interest, in particular for journal testing.

Opinion on other matters prescribed by the National Health Service Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the National Health Service Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Annual Governance Statement, use of resources, and compilation of financial statements

Under the Audit Code for NHS Foundation Trusts, we are required to report to you if, in our opinion:

- the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, is misleading, or is inconsistent with information of which we are aware from our audit;
- the NHS foundation trust has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; or
- proper practices have not been observed in the compilation of the financial statements.

We have nothing to report in respect of these matters.

We are not required to consider, nor have we considered, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we have considered whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of the accounting officer and auditor

As explained more fully in the Accounting Officer's Responsibilities Statement, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Audit Code for NHS Foundation Trusts and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team.

This report is made solely to the Board of Governors and Board of Directors ("the Boards") of Royal Brompton & Harefield NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trust and the Boards as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

SUSAN BARRATT BA ACA FOR AND ON BEHALF OF:
(SENIOR STATUTORY AUDITOR)
Deloitte LLP
Chartered Accountants
St Albans, United Kingdom
26 May 2015

Accounts of Royal Brompton & Harefield NHS Foundation Trust
for the Year ended 31 March 2015

FOREWORD TO THE ACCOUNTS

These accounts for the year ended 31 March 2015 have been prepared by Royal Brompton & Harefield NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.

.....

Robert J Bell
Chief Executive

26th May 2015

A lifetime of specialist care

Royal Brompton & Harefield NHS
NHS Foundation Trust

Royal Brompton and Harefield NHS Foundation Trust

Annual accounts for the year ended 31 March 2015

Statement of Comprehensive Income

	Note	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Operating income from patient care activities	3	337,979	308,753
Other operating income	4	32,413	31,179
Total operating income from continuing operations		**370,392**	**339,932**
Operating expenses	5, 7	(366,301)	(333,090)
Operating surplus from continuing operations		**4,091**	**6,842**
Finance income	10	36	50
Finance expense - financial liabilities	11	(160)	(30)
Finance expense - unwinding of discount on provisions	21	(11)	(16)
PDC dividends payable		(6,681)	(6,355)
Net finance costs		**(6,816)**	**(6,351)**
Movement in the fair value of investment property and other investments	13	(593)	4,050
(Deficit)/surplus for the year		**(3,318)**	**4,541**
Other comprehensive income (will not subsequently be reclassified to I&E)			
Impairments	6, 12	-	(6,878)
Revaluations of operational properties	12	1,320	1,764
Other reserve movements		1	(3)
Total comprehensive expense for the period		**(1,997)**	**(576)**

Statement of Financial Position

	Note	31 March 2015 £000	31 March 2014 £000
Non-current assets			
Property, plant and equipment	12	189,224	179,765
Investment properties	13	30,612	31,205
Total non-current assets		**219,836**	**210,970**
Current assets			
Inventories	16	11,186	9,676
Trade and other receivables	17	46,828	27,384
Cash and cash equivalents	18	9,476	19,146
Total current assets		**67,490**	**56,206**
Current liabilities			
Trade and other payables	19	(46,724)	(41,657)
Borrowings	18, 20	(10,039)	(4,640)
Provisions	21	(856)	(1,989)
Total current liabilities		**(57,619)**	**(48,287)**
Total assets less current liabilities		**229,707**	**218,889**
Non-current liabilities			
Borrowings	20	(10,000)	-
Provisions	21	(2,234)	(2,267)
Total non-current liabilities		**(12,234)**	**(2,267)**
Total assets employed		**217,473**	**216,622**
Financed by			
Public dividend capital		108,152	105,304
Revaluation reserve		49,924	48,603
Income and expenditure reserve		59,397	62,715
Total taxpayers' equity		**217,473**	**216,622**

The financial statements on pages 1 to 37 were approved by the Trust Board and authorised for issue on, and signed on its behalf by:

Signed .....

Name **Robert J Bell**
Job title **Chief Executive**
Date **26 May 2015**

Statement of Changes in Equity for the year ended 31 March 2015

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2014 - brought forward	**105,304**	**48,603**	**62,715**	**216,622**
Deficit for the year	-	-	(3,318)	**(3,318)**
Impairments	-	-	-	**-**
Revaluations	-	1,320	-	**1,320**
Public dividend capital received	2,848	-	-	**2,848**
Other reserve movements	-	1	-	**1**
Taxpayers' equity at 31 March 2015	**108,152**	**49,924**	**59,397**	**217,473**

Statement of Changes in Equity for the year ended 31 March 2014

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2013 - brought forward	**104,759**	**53,718**	**58,176**	**216,653**
Surplus for the year	-	-	4,541	**4,541**
Impairments	-	(6,878)	-	**(6,878)**
Revaluations	-	1,764	-	**1,764**
Public dividend capital received	545	-	-	**545**
Other reserve movements	-	(1)	(2)	**(3)**
Taxpayers' equity at 31 March 2014	**105,304**	**48,603**	**62,715**	**216,622**

Information on reserves

Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. Additional PDC may be issued to NHS Foundation Trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the NHS Foundation Trust, is payable to the Department of Health as the public dividend capital dividend.

Revaluation reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Income and expenditure reserve

The balance of this reserve represents the accumulated surpluses and deficits of the NHS Foundation Trust.

Statement of Cash Flows

	Note	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Cash flows from operating activities			
Operating surplus		4,091	6,842
Non-cash income and expense:			
Depreciation	5	16,011	16,926
Impairments to operating expenses	5	3,480	2,903
(Gain)/loss on disposal of non-current assets	12	(52)	-
Increase in receivables and other assets		(19,444)	(7,178)
(Increase)/decrease in inventories		(1,510)	1,603
Increase in payables and other liabilities		4,687	1,921
(Decrease)/increase in provisions		(1,177)	13
Other movements in operating cash flows		1	(2)
Net cash generated from operating activities		**6,087**	**23,029**
Cash flows from investing activities			
Interest received	10	36	50
Purchase of property, plant, equipment and investment property		(27,174)	(20,506)
Net cash used in investing activities		**(27,138)**	**(20,456)**
Cash flows from financing activities			
Public dividend capital received		2,848	545
Movement on loans from the Independent Trust Financing Facility	20	10,000	-
Movement on other loans	20	39	(1,127)
Capital element of finance lease rental payments		-	(109)
Interest paid on finance lease liabilities		-	(3)
Other interest paid	11	(160)	(27)
PDC dividend paid		(6,705)	(6,142)
Net cash generated from/(used in) financing activities		**6,022**	**(6,863)**
Decrease in cash and cash equivalents		**(15,029)**	**(4,290)**
Cash and cash equivalents at 1 April		**14,506**	**18,796**
Cash and cash equivalents at 31 March	18	**(524)**	**14,506**

Note 18.1 reconciles cash and cash equivalents as presented in the Statement of Cash Flows and the Statement of Finanial Position, in the case of the latter it is reported gross of drawdown in committed facility and/ or overdrafts where applicable.

Notes to the Accounts

Note 1 Accounting policies and other information

Basis of preparation

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the *FT ARM* which shall be agreed with HM Treasury. Consequently, these financial statements have been prepared in accordance with the *FT ARM 2014/15* issued by Monitor. The accounting policies contained therein follow IFRS and HM Treasury's *FReM* to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

Going concern

These accounts have been prepared on a going concern basis as, after making enquiries, the directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future.

Note 1.1 Income

Income 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 income for the Trust is contracts with NHS commissioners for health care services.
Where income is received for a specific activity which is to be delivered in the subsequent financial year, that income is deferred.
Income is recognised on partially completed patient episodes at 31 March based on estimated costs at the balance sheet date insofar as NHS commissioning bodies agree to recognise the corresponding expenditure.
Government grants are grants from Government bodies other than income from commissioners or NHS trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.
Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Note 1.2 Expenditure on 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.

Pension costs

NHS Pension Scheme
Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. It is not possible for the Trust to identify its share of the underlying Scheme liabilities. Therefore, the Scheme is accounted for as a defined contribution scheme.

Employers pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the Scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

Note 1.3 Expenditure on goods and services

Expenditure on goods and services is recognised when, and to the extent that, they have been received and is measured at their fair value. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.4 Property, plant and equipment

Recognition
Property, plant and equipment is capitalised where:

- 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 be provided 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;
- collectively, items have a cost of at least £5,000 and, individually, a cost of more than £250, where they are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- the items form part of the initial equipping and set-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Measurement
Valuation
All property, plant and equipment assets are measured initially at cost, representing the costs 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 property, plant and equipment assets are measured subsequently at fair value.

Note 1.4 cont...

Valuation of Operating Properties
Land and buildings used for the Trust's services or for administrative purposes are stated in the balance sheet at their revalued amounts. Under IAS 16 this is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date. Fair values are determined as follows:

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings was estimated for an exact replacement of the asset in its present location. Since then, 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. As allowed by IAS 23 for assets held at fair value, cost includes professional fees and any direct borrowing cost charged by third parties as part of financing arrangements associated with construction of the asset, but not borrowing costs attributable to the provision of the asset, which are expensed immediately. Assets are revalued and depreciation commences when they are brought into use.

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

Any increase arising on revaluation is taken to the revaluation reserve except where 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 amount previously charged. A revaluation decrease 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. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure
Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred will result and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Depreciation
Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Assets under construction are not depreciated except where there is doubt over the completion of the construction project.

Revaluation gains and losses
Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Note 1.4 cont...

Impairments
Impairments that arise from a clear consumption of economic benefits or, of service potential in the asset, are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses and their reversals as revaluation gains.

Derecognition
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
  - management are committed to a plan to sell the asset;
  - an active programme has begun to find a buyer and complete the sale;
  - the asset is being actively marketed at a reasonable price;
  - the sale is expected to be completed within 12 months of the date of classification as 'held for sale'; and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are derecognised when all material sale contract conditions have been met.

The profit or loss 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, if any, is transferred to retained earnings.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated, government and other grant funded assets
Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

Assets are valued, depreciated and impaired as described above for purchased assets.

Note 1.4 cont...

Useful Economic lives of property, plant and equipment

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The ranges of useful economic lives are shown in the table below:

	Min life Years	Max life Years
Buildings, including dwellings	25	60
Plant & machinery	4	7
Transport equipment	2	7
Information technology	2	5
Furniture & fittings	4	7

Finance-leased assets (including land) are depreciated over the shorter of the useful economic life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.5 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where 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 is at least £5,000.

Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Trust intends to complete the asset and sell or use it;
- the Trust has the ability to sell or use the asset;
- the asset will generate probable future economic or service delivery benefits, e.g., the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset; and
- the Trust can measure reliably the costs attributable to the asset during development.

Note 1.5 cont...

Software
Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, e.g. application software, is capitalised as an intangible asset.

Measurement
Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment.

Intangible assets held for sale are measured at the lower of their carrying amount or "fair value less costs to sell".

Amortisation
Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Note 1.6 Government and other revenue grants

There are two types of government grants: revenue (to fund revenue expenditure for example research) and capital (to fund the acquisition of non-current assets by the Trust). Both types are commonly granted on condition that the funding should be applied in accordance with the intentions of the granting body. Non-current assets purchased using government grant funding are valued, depreciated and impaired as described above for purchased assets.

Revenue grants are taken to the Statement of Comprehensive Income to match the related expenditure and the value of granted non-current assets is recognised in full in the Statement of Comprehensive Income at the date of receipt.

Note 1.7 Inventories

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

Work-in-progress comprises goods in intermediate stages of production. Partially completed patient episodes are not accounted for as work-in-progress but as receivables. This is because partially completed patient episodes are verified with NHS providers and commissioners as part of the intra-NHS debtor/creditor balances agreement exercise.

Note 1.8 Financial assets and financial liabilities

Recognition
Financial assets and financial liabilities which arise from the sale and purchase of goods or services are recognised when delivery or receipt of the goods or services is made.

Financial assets or liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

All other financial assets and liabilities are recognised when the Trust becomes a party to the relevant contractual provisions.

Note 1.8 cont...

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Classification and measurement

Financial assets are categorised between 'at fair value through income and expenditure'; 'held to maturity investments'; 'loans and receivables' and 'available-for-sale'.

Financial liabilities are classified between 'at fair value through income and expenditure' and 'other financial liabilities'.

Financial assets and liabilities 'at fair value through income and expenditure'

Financial assets and liabilities at 'fair value through income and expenditure' are financial assets or liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated out from those contracts and measured in this category. Assets and liabilities in this category are classified as current.

These financial assets and liabilities are recognised initially at fair value, with transaction costs expensed in the Statement of Comprehensive Income. Subsequent movements in fair value are recognised as gains or losses in the Statement of Comprehensive Income.

The Trust has not entered into contracts that have different risks and characteristics to their host contract.

Held to maturity investments

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

The Trust does not hold any held to maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Note 1.8 cont...

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in 'finance costs' in the Statement of Comprehensive Income.

The Trust does not hold any 'available for sale' financial assets.

Other financial liabilities
All other financial liabilities including borrowings are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than twelve months after the Statement of Financial Position date, which are classified as non-current liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out by the Trust to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Determination of fair value
For financial assets and liabilities carried at fair value, carrying amounts are determined from quoted market prices where possible, otherwise by discounted cash flow analysis.

Impairment of financial assets
At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and have an impact on the estimated future cash flows for the asset.

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

Note 1.9 Leases

Finance leases
Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for as an item of property plant and equipment.

The annual rental cost is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to the Statement of Comprehensive Income. The lease liability is derecognised when the liability is discharged, cancelled or expires.

Note 1.9 cont...

Operating leases
Other leases are regarded as operating leases and the rentals are charged to operating expenses/credited to other operating income on a straight-line basis over the term of the lease. Operating lease incentives received and initial direct costs incurred in negotiating and arranging a lease are recognised on a straight-line basis over the lease term.

The Trust leases investment properties under operating leases as a lessor.

Note 1.10 Investment properties

Investment property is defined in IAS 40 as property (land or a building or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes; or
(b) sale in the ordinary course of business.

The elements of properties rented out for the purpose of relatives' accommodation are classified as investment property.

Investment property is initially valued at cost and thereafter stated at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Under IAS 40 revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date.

Gains and losses arising from the revaluation of Investment properties are recognised in the Statement of Comprehensive Income.

Note 1.11 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 within 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

Note 1.12 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount for which it is probable that there will be a future outflow of cash or other resources and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the rates published and mandated by HM Treasury.

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

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

A restructuring charge is recognised when the Trust has developed a detailed formal plan for restructuring at the Statement of Financial Position date 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 restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

Note 1.12 cont...

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. 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 21.2 but is not recognised as a liability in the Trust's accounts.

Non-clinical risk pooling

The Trust participates in the NHSLA's Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution 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 when the liability arises.

Note 1.13 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Trust's control) are not recognised as assets, but are disclosed where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Trust's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.14 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets (including lottery funded assets), (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts of the Trust. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.15 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.

Note 1.16 Foreign exchange

The functional and presentational currency of the Trust is sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the year in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1.17 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. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM*.

Note 1.18 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 expenditure headings on an accruals basis.

The losses and special payments note (Note 24) is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.19 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in the 2014/15 accounts.

Note 1.20 Standards, amendments and interpretations in issue but not yet effective or adopted

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) but have not yet been adopted in the NHS Foundation Trust Annual Reporting Manual. Monitor does not permit the early adoption of accounting standards, amendments and interpretations that are in issue at the reporting date but first effective at a subsequent reporting period:

IFRS 9 Financial instruments (not yet EU adopted)
IFRS 13 Fair value measurement (adoption delayed by HM Treasury)
IFRS 15 Revenue from contracts with customers (not yet EU adopted)
IAS 19 (amendment) - employer contributions to defined benefit pension schemes (not yet EU adopted)
IAS 36 (amendment) - recoverable amount disclosures (aligned to IFRS 13 adoption)
IRFIC 21 - Levies (adoption delayed by HM Treasury)

The directors do not expect that the adoption of these standards and interpretations will have a material impact on the financial statements in future periods. All other revised and new standards have not been listed here as they are not considered to have a significant impact or potential impact on the Trust.

Note 1.21 Critical accounting estimates and judgements

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, considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Critical judgements in applying accounting policies

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

Provisions

A provision is recognised when the Trust has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. In addition to widely used estimation techniques, judgement is required when determining the probable outflow of economic benefits relating to early voluntary retirement pension and injury benefit liabilities.

Provision for impairment of receivables

Management will use their judgement to decide when to write off revenue or to provide against the probability of not being able to collect debt.

Impairments, estimated asset lives and revaluations

The Trust is required to review property, plant and equipment and investment properties for impairment. Between formal valuations by qualified surveyors, management make judgements about the condition of assets and review their estimated lives. Estimates are used to assess the fair value of land and buildings assets at each year end, in comparison to the carrying values, which may result in revaluation surpluses or deficits being recognised.

Transitional funding to reflect case complexity

The Trust, in line with other specialist providers, has historically received additional funding from NHS England and the Department of Health for the additional complexity of its case mix which was not fully compensated for under standard tariff arrangements. The amount receivable for 2014/15 has been under negotiation, with a final settlement of £13.1m agreed. This represents the final tranche of this funding, with no further amounts expected to be available for 2015/16 or subsequent years. Although details are not yet available, the Trust anticipates that the announced introduction from 2016/17 of tariffs which recognise more fully the costs of delivering specialised services will at least partially compensate for this loss of funding.

The Trust has considered whether any of the funding received for 2014/15 should be deferred but has concluded that it is appropriate to recognise it in full in the year, as agreed with NHS England and the Department of Health.

Key sources of estimation uncertainty

Management has made the following critical judgements in the process of applying the entity's accounting policies where this has had a significant effect on the amounts recognised in the accounts:

1) The use of estimated asset lives in calculating depreciation (see Note 12) and professional valuations that can result in increases and decreases to property values.

2) Provisions covering items for contractual disputes, impairment of receivables, early voluntary retirement pension contributions and injury benefit obligations (which are estimated using expected life tables and discounted at the pensions rate of 1.3%, see Note 1.12).

Note 1.22 Prior year disclosures

Prior year disclosures are presented on a comparable basis to current year equivalent items.

Note 2 Operating segments

The segmental analysis below reflects the format of contribution reporting by the three clinical divisions of the Trust that is made monthly to the Trust Board.

	£000			
Full Year 2014/15	**RBH Heart**	**HH Heart**	**Lung**	**Total**
NHS clinical income	113,930	91,266	76,067	281,263
Non NHS income	19,994	5,032	5,607	30,632
Non clinical income	1,131	597	250	1,978
Total income	**135,055**	**96,895**	**81,924**	**313,874**
Pay	(70,029)	(46,055)	(31,147)	(147,231)
Non pay	(42,795)	(34,758)	(25,255)	(102,807)
Total expenditure	**(112,824)**	**(80,813)**	**(56,402)**	**(250,038)**
Contribution	**22,231**	**16,082**	**25,523**	**63,836**
Contribution %	16%	17%	31%	20%
Other income & costs				(42,589)
EBITDA				**21,246**
Capital charges/other				(24,564)
Deficit				**(3,318)**

	£000			
Full Year 2013/14	**RBH Heart**	**HH Heart**	**Lung**	**Total**
NHS clinical income	106,657	83,212	71,172	261,041
Non NHS income	18,276	4,359	4,733	27,368
Non clinical income	937	680	271	1,888
Total income	**125,870**	**88,251**	**76,176**	**290,297**
Pay	(64,690)	(43,043)	(28,997)	(136,730)
Non pay	(38,081)	(28,360)	(20,815)	(87,256)
Total expenditure	**(102,771)**	**(71,403)**	**(49,812)**	**(223,986)**
Contribution	**23,099**	**16,848**	**26,364**	**66,311**
Contribution %	18%	19%	35%	23%
Other income & costs				(39,632)
EBITDA				**26,679**
Capital charges/other				(22,138)
Surplus				**4,541**

The accounting policies of the reportable segments are the same as the Trust's accounting policies as described in Note 1.

Note 3 Operating income from patient care activities

Note 3.1 Income from patient care activities (by nature)

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Acute services		
Elective income	68,766	64,383
Non elective income	31,630	29,969
Outpatient income	23,237	21,901
Other NHS clinical income	175,250	158,237
Other services		
Private patient income	37,463	33,603
Other clinical income	1,633	660
Total	**337,979**	**308,753**

Note 3.2 Income from patient care activities (by source)

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
NHS England & CCGs*	284,972	265,056
Other NHS Foundation Trusts	2,595	2,537
NHS Trusts	1,504	1,611
NHS other	9,812	5,286
Non-NHS: private patients	37,463	33,603
Non-NHS: overseas patients (chargeable to patient)	494	299
NHS injury scheme	107	24
Other	1,032	337
Total	**337,979**	**308,753**

All income related to continuing operations.

*Income from NHS England & CCGs includes £5,534k at 31 March 2015 (£5,687k at 31 March 2014) for partially completed patient episodes

Note 3.3 Overseas visitors (relating to patients charged directly by the Trust)

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Income recognised this year	494	299
Cash payments received in-year	159	84
Amounts added to provision for impairment of receivables	494	299
Amounts written off in-year	157	8

Note 4 Other operating income and income from commissioner requested services

Note 4.1 Other opertaing income

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Research and development	11,045	12,678
Education and training	6,240	5,670
Receipt of capital grants and donations	2,829	786
Charitable and other contributions to expenditure	2,225	2,534
Non-patient care services to other bodies	338	272
Profit on disposal of non-current assets	52	-
Rental revenue from operating leases	1,565	1,454
Income in respect of staff costs where accounted on gross basis	1,233	1,209
Other income:		
Clinical excellence awards	2,689	2,390
Staff accommodation rentals	1,217	1,205
Catering	1,520	1,472
Childcare services	801	790
Car parking	190	184
Other	469	535
Total other operating income	**32,413**	**31,179**

All income related to continuing operations.

Note 4.2 Income from activities arising from commissioner requested services

Under the terms of its Provider Licence, the Trust is required to analyse the level of income from activities that has arisen from NHS commissioner requested and non-commissioner requested services. NHS commissioner requested services are defined in the Provider Licence and are services that NHS commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Income from services designated (or grandfathered) as NHS commissioner requested services	298,883	274,490
Income from services not designated as NHS commissioner requested services	71,509	65,442
Total	**370,392**	**339,932**

Note 5 Operating expenses

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Employee expenses - executive directors	1,048	896
Employee expenses - non-executive directors	207	174
Employee expenses - staff	200,604	187,411
Supplies and services - clinical	104,584	90,174
Supplies and services - general	10,092	9,879
Establishment	9,923	7,992
Transport	1,980	1,819
Premises	9,697	7,997
Increase in provision for impairment of receivables	1,720	562
(Decrease)/increase in other provisions	(557)	66
Depreciation on property, plant and equipment	16,011	16,926
Impairments	3,480	2,903
Audit fees payable to the external auditor - statutory audit	123	106
Clinical negligence contributions to NHSLA	2,409	1,960
Professional services	2,623	2,119
Training, courses and conferences	1,077	1,095
Other	1,280	1,011
Total	**366,301**	**333,090**

All expenses related to continuing operations.

Staff costs include £408k (2013/14: £665k) incurred under the Mutually Agreed Resignation Scheme (MARS) to enable restructuring of the Trust.

The external audit engagement is under a procurement framework, which states that the liability of Deloitte, its members, partners and staff (whether in contract, negligence or otherwise) towards the Trust shall in no circumstances exceed £2m.

Note 6 Impairment of assets

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Impairments charged to operating expenses: redevelopment fees	3,480	2,903
Impairments charged to the revaluation reserve: operational properties	-	6,878
Total net impairments	**3,480**	**9,781**

Note 7 Employee benefits

Note 7.1 Employee benefits

	Year Ended 2014/15			Year Ended 2013/14
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	143,794	2,783	**146,577**	138,168
Social security costs	14,245	-	**14,245**	13,556
Employer's contributions to NHS pensions	16,743	-	**16,743**	16,053
Termination benefits	763	-	**763**	809
Agency/contract staff	-	23,324	**23,324**	19,721
Total staff costs	**175,545**	**26,107**	**201,652**	**188,307**

Note 7.2 Average numbers of employees (WTE basis)

	Year Ended 2014/15			Year Ended 2013/14
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical	464	23	**487**	459
Administration and estates	722	57	**779**	735
Healthcare assistants and other support staff	96	34	**130**	137
Nursing, midwifery and health visiting staff	1,294	155	**1,449**	1,382
Scientific, therapeutic and technical staff	543	28	**571**	561
Total average numbers	**3,119**	**297**	**3,416**	**3,274**

Note 7.3 Retirements due to ill-health

In the year ended 31 March 2015) there were 3 early retirements from the Trust agreed on the grounds of ill-health (3 in the year ended 31 March 2014). The estimated additional pension liabilities of these ill-health retirements is £214k (£168k in 2013/14). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

Note 7.4 Reporting of compensation schemes - exit packages year ended 2014/15

	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages
Exit package cost band (including any special payment element)			
<£10,000	-	7	7
£10,001 - £25,000	-	6	6
£25,001 - 50,000	-	5	5
£50,001 - £100,000	-	4	4
>£200,000	-	1	1
Total number of exit packages by type	-	23	23
Total resource cost (£000)	-	763	763

Note 7.5 Reporting of compensation schemes - exit packages year ended 2013/14

	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages
Exit package cost band (including any special payment element)			
<£10,000	-	9	9
£10,001 - £25,000	-	8	8
£25,001 - 50,000	1	10	11
£50,001 - £100,000	-	4	4
Total number of exit packages by type	1	31	32
Total resource cost (£000)	40	769	809

Note 7.6 Exit packages: other (non-compulsory) departure payments

	Year ended 2014/15		Year ended 2013/14	
	Payments agreed Number	Total value of agreements £000	Payments agreed Number	Total value of agreements £000
Mutually agreed resignations (MARS) contractual costs	17	408	23	665
Contractual payments in lieu of notice	5	134	8	104
Non-contractual payments requiring HMT approval	1	221	-	-
Total	23	763	31	769

Note 7.7 Directors' remuneration

The aggregate amounts payable to directors were:

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Salary	1,139	925
Performance related bonuses	44	76
Employer's pension contributions	72	69
Total	1,255	1,070

Further details of directors' remuneration can be found in the remuneration report.

Note 8 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme (the '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 individual NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for by the Trust 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 year.

The expected contributions to the plan for the next annual reported period will increase from the 2014/15 levels (as per Note 7) in line with the increase to the employer contribution percentages 14.3% in 2015/16 (2014/15: 14.0%).

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and 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 FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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.

c) Scheme provisions

The Scheme provides 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) is used in replace of 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 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 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.

Note 9 Operating leases

Note 9.1 Royal Brompton and Harefield NHS Foundation Trust as a lessor

The Trust owns six investment properties that are leased out under operating leases. From 1 April 2011, new operating leases were agreed, involving a minimum occupancy period of two years, thereafter either party being able to provide six months' notice to terminate.

Each lease is subject to the Landlord and Tenant Act 1954 and the 1995 Landlord and Tenant (Covenants) Act and will be renegotiated at market rate at the end of the lease term. None of the lease agreements provides for an option to purchase.

The related income is shown within Note 4 - Other operating income.

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Rental revenues	1,565	1,454
Total	**1,565**	**1,454**

	31 March 2015 £000	31 March 2014 £000
Future minimum lease receipts due within one year:	783	727
Total	**783**	**727**

Note 9.2 Royal Brompton and Harefield NHS Foundation Trust as a lessee

The Trust was a party to two operating leases with a total expenditure of £44,000 during the year to 31 March 2015 (£55,000 to 31 March 2014).

Terms of renewal or extension to leases are agreed towards the end of the contract terms at market rents.

Purchase options are not included in operating lease contracts. Any decision to purchase the asset at the end of the lease period would be based on market prices at the time.

In the case of any dispute between the Trust and the lessor regarding the condition of the assets when returned to the lessor, a jointly appointed expert will be used to arbitrate and to deliver a binding decision. Early termination sums are generally payable in respect of the period up to the end of the full contract, for the full contract price discounted at 4% per annum, and in the event of total loss of the asset, the discounted residual value of the asset.

There were no contingent rents or sub leases payable.

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Minimum lease payments	44	55
Total	**44**	**55**

	31 March 2015 £000	31 March 2014 £000
Future minimum lease payments due:		
- not later than one year	7	24
- between one and five years	-	5
Total	**7**	**29**

Note 10 Finance income

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Interest received on bank accounts	36	50
Total	**36**	**50**

Note 11 Finance expense - financial liabilities and late payments

Note 11.1 Finance expense - financial liabilities

	Year Ended 2014/15 £000	Year Ended 2013/14 £000
Interest expense:		
Loan from the Independent Trust Financing Facility	160	-
Commercial loans	-	27
Finance leases	-	3
Total interest expense	**160**	**30**

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

There was no interest paid for late payments of debts in the year to 31 March 2015 (year to 31 March 2014: nil).

Note 12 Property, plant and equipment

Note 12.1 Property, plant and equipment - 2014/15

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2014	**49,104**	**98,919**	**5,483**	**3,229**	**69,320**	**22,493**	**-**	**248,548**
Additions	-	-	-	27,578	-	-	-	**27,578**
Impairments to operating expenses	-	-	-	(3,480)	-	-	-	**(3,480)**
Impairments to revaluation reserve	-	-	-	-	-	-	-	-
Reclassifications	-	3,360	110	(19,161)	5,391	10,300	-	-
Revaluations	216	(6,146)	109	-	-	-	-	**(5,821)**
Disposals/Derecognition	-	-	-	-	(7,613)	(1,177)	-	**(8,790)**
Valuation/gross cost at 31 March 2015	**49,320**	**96,133**	**5,702**	**8,166**	**67,098**	**31,616**	**-**	**258,035**
Accumulated depreciation at 1 April 2014	**-**	**-**	**-**	**-**	**50,258**	**18,525**	**-**	**68,783**
Provided during the year	-	6,868	273	-	6,110	2,760	-	**16,011**
Revaluations	-	(6,868)	(273)	-	-	-	-	**(7,141)**
Disposals/derecognition	-	-	-	-	(7,665)	(1,177)	-	**(8,842)**
Accumulated depreciation at 31 March 2015	**-**	**-**	**-**	**-**	**48,703**	**20,108**	**-**	**68,811**
Net book value at 31 March 2015	**49,320**	**96,133**	**5,702**	**8,166**	**18,395**	**11,508**	**-**	**189,224**
Financed by:								
Owned	49,320	92,150	5,632	6,322	13,596	11,508	-	**178,528**
Finance leased	-	-	-	-	-	-	-	-
Donated	-	3,983	70	1,844	4,799	-	-	**10,696**
Net book value at 31 March 2015	**49,320**	**96,133**	**5,702**	**8,166**	**18,395**	**11,508**	**-**	**189,224**

Land and buildings were valued by Montagu Evans as at 31 March 2015 in accordance with International Financial Reporting requirements. The assets were valued by reference to the market conditions prevailing at the valuation date.

The revaluation resulted in a gain of £1,320k (which is a shown above as the net of the revaluations adjustment to cost/ valuation of £5,821k and to accumulated depreciation of £7,141k). This gain is reported within Other comprehensive income on the Statement of Comprehensive Income.

Costs of assets under construction are shown net of impairments to operating expenses against the value of professional fees in relation to the intended redevelopment of the Trust's Chelsea campus totalling £7,464k at 31 March 2015 (31 March 2014: £3,984k). The redevelopment will be influenced by the decisions of certain third parties where some uncertainty must remain at this stage. In the event that the redevelopment proceeds, in whole or in part, consideration will be given to reversing the impairment in the future.

Donated assets have been mainly funded by Royal Brompton and Harefield Hospitals Charity.

Note 12.2 Property, plant and equipment - 2013/14

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2013	**48,602**	**128,549**	**5,981**	**2,483**	**73,729**	**21,505**	**-**	**280,849**
Additions	-	-	-	21,244	-	-	-	**21,244**
Impairments to operating expenses	-	-	-	(2,903)	-	-	-	**(2,903)**
Impairments to revaluation reserve	-	(6,810)	(68)	-	-	-	-	**(6,878)**
Reclassifications	-	13,310	83	(17,595)	3,213	988	-	**(0)**
Revaluations	502	(36,130)	(513)	-	-	-	-	**(36,141)**
Disposals/derecognition	-	-	-	-	(7,622)	-	-	**(7,622)**
Valuation/gross cost at 31 March 2014	**49,104**	**98,919**	**5,483**	**3,229**	**69,320**	**22,493**	**-**	**248,549**
Accumulated depreciation at 1 April 2013	**-**	**28,191**	**2,113**	**-**	**51,760**	**15,320**	**-**	**97,384**
Provided during the year	-	7,039	562	-	6,120	3,205	-	**16,926**
Revaluations	-	(35,230)	(2,675)	-	-	-	-	**(37,905)**
Disposals/derecognition	-	-	-	-	(7,622)	-	-	**(7,622)**
Accumulated depreciation at 31 March 2014	**-**	**-**	**-**	**-**	**50,258**	**18,525**	**-**	**68,783**
Net book value at 31 March 2014	**49,104**	**98,919**	**5,483**	**3,229**	**19,062**	**3,968**	**-**	**179,765**
Financed by:								
Owned	49,104	94,727	5,483	3,155	11,541	3,441	-	**167,451**
Finance leased	-	-	-	-	54	-	-	**54**
Donated	-	4,192	-	74	7,467	527	-	**12,260**
Net book value at 31 March 2014	**49,104**	**98,919**	**5,483**	**3,229**	**19,062**	**3,968**	**-**	**179,765**

As per note 12.1, costs of assets under construction are shown net of impairments to operating expenses against the value of professional fees in relation to the intended redevelopment of the Trust's Chelsea campus. The 2013/14 accounts presented this cost within Depreciation (as a provision for impairment) which has been amended above to remain in line with 2014/15 treatment. There is no net impact on the comparative figures for 2013/14.

Note 13 Investment properties

	2014/15	2013/14
	£000	£000
Carrying value at 1 April	**31,205**	**27,155**
Movement in fair value	(593)	4,050
Carrying value at 31 March	**30,612**	**31,205**

Investment properties were valued as at 31 March 2015 by Montagu Evans (an independent valuer) in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and in accordance with International Financial Reporting requirements. The assets were valued by reference to the market conditions prevailing at the valuation date.

The rental terms are typically for 5 to 10 years.

Most properties are leased out on tenant repairing leases (meaning that the lessee retains responsibility for repairs and maintenance). The Trust incurs only minor costs in this respect, which are not considered material.

The elements of properties rented out for the purpose of relatives' accommodation are classified as investment property.

Note 14 Intangible assets

The Trust has no intangible assets to report.

Note 15 Disclosure of interests in other entities

The Trust owns 100 per cent of the ordinary share capital of The Chelsea Private Hospital Ltd. The cost of this investment is £100. The Chelsea Private Hospital Ltd is a dormant company.

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

With effect from November 2011 the Trust has had a 50:50 joint venture in The Institute of Cardiovascular Medicine and Science Limited ('ICMS'), a company limited by guarantee, with Liverpool Heart and Chest Hospital NHS Foundation Trust. The founding partners have each contributed £100,000 in total to the funding of ICMS.

Using the equity accounting method, the investment would be recognised initially at cost in the Trust's Statement of Financial Position and increased or decreased each year to reflect the Trust's share of the surplus or deficit, with the gain or loss being recognised in the Statement of Comprehensive Income.

However, the Trust has decided not to reflect any surplus or deficit from ICMS's activities in the accounts as it deems the impact to be immaterial. The Trust has made a £50,000 contribution to ICMS's operating costs in 2014/15 (2013/14: nil and the original £50,000 contribution in 2012/13).

The Trust has established, in collaboration with Imperial College and other nearby Trusts, Imperial College Healthcare Partners Limited ('ICHP'), a Company limited by guarantee. This company provides central services to the Imperial Academic Health Science Partnership, in which the Trust participates.

Using the equity accounting method, the investment would be recognised initially at cost in the Trust's Statement of Financial Position and increased or decreased each year to reflect the Trust's share of the surplus or deficit, with the gain or loss being recognised in the Statement of Comprehensive Income.

However, the Trust has decided not to reflect any surplus or deficit from ICHP's activities in the accounts as it deems the impact to be immaterial. The Trust has contributed £41,250 to this company during the year, which has been fully expensed (2013/14 £110,000).

Note 16 Inventories

	31 March 2015 £000	31 March 2014 £000
Drugs	1,322	1,158
Consumables	9,864	8,518
Total inventories	**11,186**	**9,676**

Inventories expensed for the year amounted to £101,686k (2013/14: £87,757k).

Note 17 Trade and other receivables

Note 17.1 Trade and other receivables

	31 March 2015 £000	31 March 2014 £000
Receivables due from related parties	19,536	7,222
Other receivables	17,125	12,274
Prepayments	2,430	2,182
Accrued income	12,844	9,142
VAT receivable	460	827
Provision for impaired receivables	(5,567)	(4,263)
Total	**46,828**	**27,384**

Trade and other receivables include £5,534k at 31 March 2015 (£5,687k at 31 March 2014) for partially completed patient episodes

Note 17.2 Provision for impairment of receivables

	31 March 2015 £000	31 March 2014 £000
At 1 April	**4,263**	**3,873**
Increase in provision	1,809	1,062
Amounts utilised	(416)	(172)
Unused amounts reversed	(89)	(500)
At 31 March	**5,567**	**4,263**

Receivables written off during the year represent debts where management has determined that all appropriate means and methods of recovery have been exhausted.

Note 17.3 Aged analysis of receivables

	31 March 2015 £000	31 March 2014 £000
Ageing of impaired receivables		
0 - 30 days	1,361	1,351
30 - 60 Days	322	189
60 - 90 days	70	31
90 - 180 days	248	478
Over 180 days	3,566	2,214
Total	**5,567**	**4,263**
Ageing of non-impaired receivables but past their due date		
0 - 30 days	-	-
30 - 60 Days	9,394	2,859
60 - 90 days	5,981	1,887
90 - 180 days	1,997	2,523
Over 180 days	7,100	1,547
Total	**24,472**	**8,816**

Note 18 Cash and cash equivalents

Note 18.1 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2014/15	2013/14
	£000	£000
At 1 April	**19,146**	**22,416**
Net change in year	(9,670)	(3,270)
At 31 March	**9,476**	**19,146**
Analysed as follows:		
Cash at commercial banks and in hand	1,190	27
Cash with the Government Banking Service	8,286	19,119
Total cash and cash equivalents as in SoFP	**9,476**	**19,146**
Bank overdrafts (GBS and commercial banks)	-	(4,640)
Drawdown in committed facility	(10,000)	-
Total cash and cash equivalents as in SoCF	**(524)**	**14,506**

Note 18.2 Third party assets held by the Trust

Under the Tenancy Deposits Scheme, at 31 March 2015 the Trust held £114k (31 March 2014: £125k) in a deposit account for tenants renting accommodation owned by the Trust. These arrangements are not recognised in the cash and cash equivalents figure reported in the accounts as the Trust has no beneficial interest in them.

Note 19 Trade and other payables

	31 March 2015	31 March 2014
	£000	£000
Receipts in advance	5,607	4,312
Payables to related parties	5,543	5,502
Non NHS trade payables	11,692	7,275
Social security costs	2,115	1,994
Other taxes payable	2,388	2,210
Other payables	3,129	5,412
Accruals	16,220	14,899
PDC dividend payable	30	54
Total	**46,724**	**41,657**

Note 20 Borrowings

	31 March 2015 £000	31 March 2014 £000
Current		
Drawdown in committed facility	10,000	-
Other loans	39	-
Other bank borrowing	-	4,640
Total	**10,039**	**4,640**
Non-current		
Loan from the Independent Trust Financing Facility	10,000	-
Total	**10,000**	**-**
Total borrowings	**20,039**	**4,640**

A £30m loan facility from the Independent Trust Financing Facility to support the capital expenditure programme from 2014/15 to 2016/17 is set at a fixed rate of 2.54%. Interest is calculated on any outstanding balance being £10m at 31 March 2015 (2013/14: nil).

A £10m loan facility has been from Barclays Bank PLC to fund the costs associated with the fitting out and equipping of a leased suite of private patient consulting and diagnostic scanning rooms. During the expected 12 month period of the Progress Payment (PP) agreement interest only is payable, at 1.95%pa above base rate. At the conclusion of the PP period the capital balance will be rolled into a 5 year amortising 'mortgage-style' loan facility, at an interest margin of 1.95% above the then prevailing 5 year fixed rate swap.

Other bank borrowing of £nil (31 March 2014: £4,640k) represented a temporary negative cash balance in the Trust's books of account (but not in its bank account) for payables processed on 31 March 2014 that cleared in April 2014.

The Trust has a £10m Revolving Credit Facility, from Barclays Bank PLC which was drawn down in full at 31 March 2015 (31 March 2014: nil).

Note 21 Provisions & liabilities

Note 21.1 Provisions for liabilities and charges analysis

	Staff pensions	Other legal claims	NHS Contractual Disputes	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2014	**857**	**46**	**1,548**	**1,805**	**4,256**
Arising during the year	19	-	486	100	**605**
Utilised during the year	(71)	-	(404)	(145)	**(620)**
Reversed unused	-	(18)	(1,144)	-	**(1,162)**
Unwinding of discount	11	-	-	-	**11**
At 31 March 2015	**816**	**28**	**486**	**1,760**	**3,090**
Expected timing of cash flows:					
- not later than one year;	71	28	486	271	**856**
- later than one year and not later than five years;	284	-	-	1,489	**1,773**
- later than five years.	461	-	-	-	**461**
Total	**816**	**28**	**486**	**1,760**	**3,090**

The provision for pensions is calculates using expected life tables and is discounted over the estimated period of the pension.

Note 21.2 Clinical negligence liabilities

At 31 March 2015, £35,300k was included in provisions of the NHSLA for clinical negligence liabilities of the Trust (31 March 2014: £33,336k).

Note 22 Contractual capital commitments

	31 March 2015	31 March 2014
	£000	£000
Property, plant and equipment	6,318	4,097
Total	**6,318**	**4,097**

Note 23 Financial instruments

Note 23.1 Financial risk management

International Financial Reporting Standard (IFRS) 7 requires disclosure of the role that financial instruments have had during the year 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 NHS commissioners and the way those commissioners 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 this Standard mainly applies. The NHS Foundation 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 it faces 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. Treasury activity is subject to review by the Trust's internal auditor.

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 minimal exposure to currency rate fluctuations.

Interest-rate risk

Where appropriate, the Trust may borrow from Government and commercial sources, as disclosed in Note 20. The Trust therefore has minimal exposure to interest rate fluctuations, although the year interest rate fixed to the facility with Barclays Bank PLC disclosed in Note 20 will not be confirmed until the current Progress Payment agreement is converted to a five year loan (expected by 31 March 16).

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, it has low exposure to credit risk. The maximum exposure as at 31 March 2015 is in receivables from other customers, as disclosed in Note 17.

Liquidity risk

Most of the Trust's operating costs are incurred under contracts with NHS commissioners, which are financed from resources voted annually by Parliament. The Trust funds its capital programme from donations and its own resources and where necessary by accessing loans from government and commercial bodies.

Note 23.2 Financial assets

	31 March 2015 £000	31 March 2014 £000
Assets as per SoFP as at 31 March 2015		
Trade and other receivables	44,398	25,202
Cash and cash equivalents at bank and in hand	9,476	19,146
Total at 31 March 2015	**53,874**	**44,348**

Note 23.3 Financial liabilities

	31 March 2015 £000	31 March 2014 £000
Liabilities as per SoFP as at 31 March 2015		
Borrowings excluding finance leases	20,039	4,640
Trade and other payables	30,504	26,758
Total at 31 March 2015	**50,543**	**31,398**

Note 23.4 Maturity of financial liabilities

	31 March 2015 £000	31 March 2014 £000
In one year or less	40,543	31,398
In more than one year but not more than two years	-	-
In more than two years but not more than five years	2,400	-
In more than five years	7,600	-
Total	**50,543**	**31,398**

Management considers that the carrying values of financial assets and liabilities reported above are equal to their fair values.

Note 24 Losses and special payments

The table below outlines 138 cases of losses and special payments totalling £748k during the year to 31 March 2015 (year to 31 March 2014 - 124 cases, £180k). These amounts are reported on an accruals bsis when identified but exclude provisions for future losses.

			Year ended 2013/14	
	Number of cases Number	Total value £000	Number of cases Number	Total value £000
Losses				
Cash losses	6	-	32	2
Bad debts and claims abandoned	110	483	72	120
Stores losses and damage to property	12	40	12	49
Total losses	**128**	**523**	**116**	**171**
Special payments				
Special severance payments	1	221	-	-
Ex-gratia payments	9	4	8	9
Total special payments	**10**	**225**	**8**	**9**
Total losses and special payments	**138**	**748**	**124**	**180**

Note 25 Contingencies

The Trust, in common with other Trusts, is subject to periodic service reviews by NHS England. Currently in progress is a Congenital Heart Disease review commissioned by NHS England. Although the outcome of this review will not be known for some months, the Trust is confident that it meets the necessary criteria to continue to deliver these services.

Note 26 Events after the reporting date

There were no disclosable events after the reporting date.

Note 27 Related parties

The Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions, other than in respect of remuneration, with the Trust.

The Department of Health is regarded as a related party. During the year Royal Brompton and Harefield NHS Foundation Trust has had numerous material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities include NHS England, Clinical Commissioning Groups, NHS Foundation Trusts, NHS Trusts, the NHS Litigation Authority and NHS Supply Chain.

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 latter transactions have been with Imperial College of Science, Technology and Medicine (relating to research projects) and the London Borough of Hillingdon and the Royal Borough of Kensington and Chelsea (relating to National Non-Domestic Rates). The Trust operates in close collaboration with the National Heart and Lung Institute of Imperial College of Science, Technology and Medicine to deliver education, research and medical care.

Transactions with the principal Related Parties are summarised:

Note 27.1 Related party balances

	Receivables		Payables	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Department of Health Group				
Department of Health	2,200	-	30	54
NHS England and CCGs	24,785	9,180	931	1,213
of which:				
NHS England	*19,217*	*3,821*	-	*30*
NHS West London CCG	*716*	*340*	-	-
NHS Slough CCG	*478*	*63*	-	-
NHS Coastal West Sussex CCG	*444*	*154*	-	-
Sub-total	*20,855*	*4,378*	-	*30*
%	*84%*	*48%*	*0%*	*2%*
Foundation Trusts	956	991	1,510	1,401
NHS Trusts	857	1,032	376	385
Other NHS Bodies	377	34	4	4
Total NHS	**29,175**	**11,237**	**2,851**	**3,057**
Other Whole of Government (WGA)				
Central Government Departments	2,013	1,761	7,225	6,658
of which:				
HMRC	*460*	*827*	*2,388*	*2,210*
National Insurance Fund	-	-	*2,115*	*1,994*
NHS Pension Scheme	-		*2,482*	*2,370*
Sub-total	*460*	*827*	*6,985*	*6,574*
%	*23%*	*47%*	*97%*	*99%*
Local Government	-	-	-	45
TOTAL Other WGA	**2,013**	**1,761**	**7,225**	**6,703**
Other (non-WGA) Related Parties				
Royal Brompton & Harefield Hospitals Charity	628	528	-	-
Total Non-WGA	**628**	**528**	-	-
Total Related Parties Balances	**31,816**	**13,526**	**10,076**	**9,760**
Total Non-Related Party Balances	*15,012*	*13,858*	*36,648*	*31,897*
Total Balances	***46,828***	***27,384***	***46,724***	***41,657***

Note 27.2 Related party transactions

	Income		Expenditure	
	Year ended 2014/15 £000	Year ended 2013/14 £000	Year ended 2014/15 £000	Year ended 2013/14 £000
Department of Health Group				
Department of Health	9,100	7,879	15	-
NHS England and CCGs	287,595	267,728	-	6
of which:				
NHS England	*237,975*	*222,121*	-	*6*
NHS Hillingdon CCG	*6,184*	*6,113*	-	-
NHS Herts Valleys CCG	*3,987*	*4,155*	-	-
NHS West London CCG	*2,485*	*2,316*	-	-
Sub-total	*250,631*	*234,705*	-	*6*
%	*87%*	*88%*	*0%*	*100%*
Foundation Trusts	3,216	3,327	4,263	3,546
NHS Trusts	2,926	3,001	2,395	2,395
Other NHS Bodies	6,351	5,758	2,551	2,097
Total NHS	**309,188**	**287,693**	**9,224**	**8,044**
Other Whole of Government (WGA)				
Central Government Departments	7,640	5,286	34,152	32,721
of which:				
Welsh Assembly Government	*5,418*	*2,396*	-	-
NHS Blood & Transplant	*1,908*	*2,180*	*3,013*	*3,067*
National Insurance Fund	-	-	*14,245*	*13,556*
NHS Pension Scheme	-	-	*16,850*	*16,053*
Sub-total	*7,326*	*4,576*	*34,108*	*32,676*
%	*96%*	*87%*	*100%*	*100%*
Local Government	-	-	1,019	1,236
TOTAL Other WGA	**7,640**	**5,286**	**35,171**	**33,957**
Other (non-WGA) Related Parties				
Royal Brompton & Harefield Hospitals Charity	5,054	3,070	-	-
Total Non-WGA	**5,054**	**3,070**	**-**	**-**
Total Related Parties Transactions	**321,882**	**296,049**	**44,395**	**42,001**
Total Non-Related Party Transactions	*48,510*	*43,883*	*321,906*	*291,089*
Total Transactions	***370,392***	***339,932***	***366,301***	***333,090***

Note 27.3 Department of Health related parties

The Annual Reporting Manual specifies that the key management of the Department of Health and their related parties should be treated as related parties of the Trust. The transactions in year and year end balances are as follows:

	Receivables 31 March 2015 £000	Payables 31 March 2015 £000	Income Year ended 2014/15 £000	Expenditure Year ended 2014/15 £000
British Telecom	-	1	-	171
Cumberland Lodge	-	-	-	1
London School of Economics	-	-	-	18
Medical Research Council	-	-	-	57
National Society for Epilepsy	-	-	-	0
Medicines and Healthcare Products Regulatory Agency	-	-	-	16
Total	**-**	***1***	**-**	***263***