

Foreword to the Accounts

Northumberland, Tyne & Wear NHS Foundation Trust

These accounts for the period ended 31st March 2016 have been prepared by the Northumberland, Tyne & Wear NHS Foundation Trust under Schedule 7 of the National Health Service Act 2006, paragraphs 24 and 25 and in accordance with directions given by Monitor, the Independent Regulator of Foundation Trusts, and have been prepared on a going concern basis.

John Lawlor
Chief Executive
25th May 2016

Statement of Comprehensive Income

	Note	2015/16 £000	2014/15 £000
Operating income from patient care activities		286,647	280,620
Other operating income		30,503	34,358
Operating income from continuing operations	3	317,150	314,978
Operating expenses from continuing operations	4	(299,425)	(340,052)
Operating surplus/(deficit)		17,725	(25,074)
Finance costs			
Finance income	11	116	69
Finance expense - financial liabilities	12	(5,694)	(5,484)
Finance expense - unwinding of discount on provisions		(84)	(84)
PDC dividends payable		(339)	(1,031)
Net finance costs		(6,001)	(6,530)
Share of (deficit)/surplus from joint ventures		(8)	49
Surplus/(deficit) for the year		11,716	(31,555)
Other comprehensive income			
Impairments		(88)	(163)
Revaluations		859	758
Other reserve movements		2	0
Total comprehensive income/(expense) for the year		12,489	(30,960)

Statement of Financial Position

	Note	2015/16 £000	2014/15 £000
Non-current assets			
Intangible assets	14	561	453
Property, plant and equipment	15	140,186	122,952
Investments in associates and joint ventures	16	38	50
Trade and other receivables	21	366	102
Total non-current assets		141,151	123,557
Current assets			
Inventories	20	303	312
Trade and other receivables	21	13,441	20,701
Non-current assets for sale and assets in disposal groups	17	0	1,645
Cash and cash equivalents	22	27,433	20,566
Total current assets		41,177	43,224
Current liabilities			
Trade and other payables	23	(24,511)	(25,026)
Borrowings	24	(5,858)	(6,156)
Provisions	28	(978)	(1,039)
Other liabilities	26	(1,192)	(999)
Total current liabilities		(32,539)	(33,220)
Total assets less current liabilities		149,789	133,561
Non-current liabilities			
Borrowings	24	(96,973)	(92,431)
Provisions	28	(6,046)	(6,149)
Other liabilities	26	(301)	(301)
Total non-current liabilities		(103,320)	(98,881)
Total assets employed		46,469	34,680
Financed by			
Taxpayers' equity:			
Public Dividend Capital		202,611	203,311
Revaluation reserve	30	2,982	2,298
Income and expenditure reserve		(159,124)	(170,929)
Total taxpayers' equity		46,469	34,680

The financial statements were approved by the Board on 25th May 2016 and signed on its behalf by:

John Lawlor
Chief Executive
25th May 2016

Statement of Changes in Taxpayers' Equity: 1st April 2015 to 31st March 2016

	Taxpayers' Equity			
	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Income & Expenditure Reserve £000
Others' and Taxpayers' equity at 1st April 2015	34,680	203,311	2,298	(170,929)
Surplus for the year	11,716	0	0	11,716
Transfer between reserves	0	0	0	0
Impairments	(88)	0	(88)	0
Revaluations - property, plant and equipment	859	0	859	0
Transfer to retained earnings on disposal of assets	0	0	(88)	88
Other reserves movements	2	0	1	1
Public Dividend Capital repaid	(700)	(700)	0	0
Others' and Taxpayers' equity at 31st March 2016	46,469	202,611	2,982	(159,124)

Statement of Changes in Taxpayers' Equity: 1st April 2014 to 31st March 2015

	Taxpayers' Equity			
	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Income & Expenditure Reserve £000
Others' and Taxpayers' equity at 1st April 2014	64,006	201,677	12,344	(150,015)
Deficit for the year	(31,555)	0	0	(31,555)
Transfer between reserves	0	0	0	0
Impairments	(163)	0	(163)	0
Revaluations - property, plant and equipment	758	0	758	0
Transfer to retained earnings on disposal of assets	0	0	(10,622)	10,622
Other reserves movements	0	0	(19)	19
Public dividend capital received	1,634	1,634	0	0
Others' and Taxpayers' equity at 31st March 2015	34,680	203,311	2,298	(170,929)

Statement of Cash Flows

	Note	2015/16 £000	2014/15 £000
Cash flows from operating activities:			
Operating surplus/(deficit) from continuing operations		17,725	(25,074)
Operating surplus/(deficit)		17,725	(25,074)
Non-cash income and expense:			
Depreciation and amortisation		6,007	5,851
Impairments		3,364	51,850
Reversals of impairments		(10,950)	(13,478)
Loss/(gain) on disposal of property, plant and equipment		107	(1,426)
Decrease/(increase) in trade and other receivables		6,925	(9,149)
Decrease in inventories		9	84
(Decrease)/increase in trade and other payables		(564)	2,799
Increase in other liabilities		193	549
(Decrease) in provisions		(248)	(1,197)
Other movements in operating cash flows		(6,976)	6,987
Net cash generated from/(used in) operations		15,592	17,796
Cash flows from investing activities:			
Interest received		118	68
Purchase of intangible assets		(154)	(377)
Purchase of Property, Plant and Equipment and Investment Property		(15,615)	(14,131)
Sales of Property, Plant and Equipment and Investment Property		9,290	6,889
Net cash (used in) investing activities		(6,361)	(7,551)
Cash flows from financing activities:			
Public dividend capital received		0	1,634
Public dividend capital repaid		(700)	0
Loans received from the Department of Health		10,400	4,600
Loans repaid to the Department of Health		(4,590)	(4,470)
Capital element of finance lease rental payments		(60)	(60)
Capital element of PFI, LIFT and other service concession payments		(1,505)	(977)
Interest paid		(1,291)	(1,225)
Interest element of finance lease		(42)	(44)
Interest element of PFI, LIFT and other service concession obligations		(4,345)	(4,224)
PDC Dividend paid		(231)	(208)
Net cash (used in) financing activities		(2,364)	(4,974)
Increase in cash and cash equivalents		6,867	5,271
Cash and cash equivalents at 1st April		20,566	15,295
Cash and cash equivalents at 31st March	22	27,433	20,566

Notes to the Accounts

1. Accounting Policies and other Information

Monitor is responsible for issuing an accounts direction to NHS Foundation Trusts under the NHS Act 2006. Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual which shall be agreed with the Secretary of State. Consequently, the following financial statements have been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2015/16 issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards and HM Treasury's Financial Reporting Manual (FRM) 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.

1.1 Accounting Convention

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

1.1.1 Going Concern

These accounts have been prepared on a going concern basis following an assessment by the Trust of the historical, current and future performance of the Trust and an assessment of the risk to the continuity of services.

1.2 Critical accounting judgements and key sources of estimation uncertainty

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

1.2.1 Critical judgements in applying accounting policies

The following are critical judgements, apart from those involving estimations (see 1.2.2) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The Trust has made critical judgements, based on accounting standards, in the classification of leases and arrangements containing a lease.

The Trust has made critical judgements in relation to the Modern Equivalent Asset (MEA) revaluation as at the 31st March 2016. The District Valuer carries out a professional valuation of the modern equivalent asset required to have the same productive capacity and service potential as existing Trust assets. Judgements have been made by the Trust in relation to floor space, bed space, garden space, car parking areas and all areas associated with the capacity required to deliver the Trust's services as at 31st March 2016.

1.2.2 Key sources of estimation uncertainty

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

Under International Accounting Standard (IAS) 37, significant provisions totalling £626,000 were made for probable transfers of economic benefits in respect of employee claims, legal costs and redundancy provisions. Legal claims are based on professional assessments, which are uncertain to the extent that they are an estimate of the probable outcome of individual cases. Also, under IAS 19, accruals have been made for the value of carried forward annual leave owed totalling £1,211,000 and £18,000 receivable for leave taken in advance

The Trust's revaluations of land and buildings are based on professional valuations provided by the District Valuer on a Modern Equivalent Asset basis as per note 1.6. Impairments are recognised on the basis of these valuations.

1.3 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 Commissioners in respect of health care services.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

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.

Notes to the Accounts (continued)

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

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 NHS Foundation 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.

1.5 Expenditure on other Goods and Services

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

1.6 Property, Plant and Equipment

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

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

1.6.2 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 assets are measured subsequently at fair value. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5. An item of property, plant and equipment which is surplus with a clear plan to bring it back into use, is valued at current value in existing use.

(a) Property Assets

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their re-valued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

Notes to the Accounts (continued)

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

For non-operational properties including surplus land, the valuations are carried out at open market value.

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. The Trust has applied the modern equivalent asset approach to valuations since 1 April 2009. The Trust's appointed professionally qualified valuer is the District Valuer (North) based at the Durham Valuation Office. IAS 16 requires that the carrying value of property is not materially different to fair value at the balance sheet date. To reflect changes in the property market and building cost indexation since the last valuation as at 31 March 2015, a review of the values of land and buildings was undertaken as at 31st March 2016.

Additional alternative valuations of open market value or value in existing use have been obtained for non-operational assets held for sale or operational properties where disposal is planned and imminent.

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

(b) Non-property Assets

NHS bodies may elect to adopt a depreciated historical cost basis as a proxy for fair value for assets that have short useful lives or low values (or both). For depreciated historical cost to be considered as a proxy for fair value, the useful life must be a realistic reflection of the life of the asset and the depreciation method used must provide a realistic reflection of the consumption of that asset class.

Assets that are not covered by the above paragraph should be carried at fair value and should be valued using the most appropriate valuation methodology available.

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

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 to replace a component of such item will flow to the enterprise 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.

Property, plant and equipment, which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the Trust's professional valuers. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life. The Trust adheres to standard lives for equipment assets except where it is clear that the standard lives are materially inappropriate. Standard equipment lives are:

- | | |
|-----------------------------------------------|----------|
| • Short life engineering plant and equipment | 5 years |
| • Medium life engineering plant and equipment | 10 years |
| • Long life engineering plant and equipment | 15 years |

Notes to the Accounts (continued)

• Vehicles	7 years
• Furniture	10 years
• Office and IT equipment	5 years
• Soft furnishings	7 years

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.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

In accordance with the NHS Foundation Trust Annual Reporting Manual 2015-16, 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. Reversals of 'other impairments' are treated as revaluation gains.

De-recognition

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 de-recognised when all material sale contract conditions have been met.

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.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred in full to retained earnings at the point in time when an asset is derecognised. This applies when an asset is sold or when an asset is retired or disposed of.

Donated, government grant 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.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Notes to the Accounts (continued)

Private Finance Initiative (PFI) Transactions

PFI transactions which meet the International Financial Reporting Interpretations Committee (IFRIC) 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. The underlying assets are recognised as Property, Plant and Equipment at their fair value. An equivalent financial liability is recognised in accordance with IAS 17.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for the services. The finance cost is calculated using the implicit interest rate for the scheme, which is in accordance with guidance issued by the Department of Health: 'Accounting for PFI under IFRS'.

The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Income.

For each year of the contract, an element of unitary payment is allocated to lifecycle replacement based on the capital costs that the operator expect, at financial close, to incur for that year. Life-cycle expenditure is capitalised in accordance with IAS 16 when the expenditure meets the Trust's recognition criteria as detailed above to the extent that the capital is funded by the unitary payment. Where all or part of the capital cost is unanticipated, or the cost of the asset is greater than planned, the Trust treats it as a free asset. Where the operator replaces lifecycle components earlier or later than planned but the cost of the replacement was anticipated in the operator's model, this is recognised as a temporary liability or temporary prepayment.

1.7 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 and where the cost of the asset can be measured reliably and where the cost 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;
- how the intangible 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 expenses attributable to the asset during development.

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 current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for Property, Plant and Equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

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.

Software is amortised on current cost evenly over the estimated life. The Trust adheres to standard lives for software assets except where it is clear that the standard lives are materially inappropriate. The asset lives for standard software is 5 years.

Notes to the Accounts (continued)

1.8 Government Grants

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.

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) basis. This is considered to be a reasonable approximation to fair value due to the high turnover of inventories.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash held in the Government Banking Service, cash with commercial banks and cash in hand. Cash and bank balances are recorded at the current values of these balances in the Trust's cash book. Interest earned on bank accounts is recorded as finance income in the period to which it relates. Bank charges are recorded as operating expenditure in the periods to which they relate.

As the Trust has no bank overdrafts, there is no difference between the amounts disclosed as cash and cash equivalents in the Statement of Financial Position and in the Statement of Cash Flows.

1.11 Financial Instruments and Financial Liabilities

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets or financial 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 in note 1.12.

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

De-recognition

All financial assets are de-recognised 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 de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure', Loans and receivables or 'Available-for-sale financial assets'.

Financial liabilities are classified as 'Fair Value through Income and expenditure' or as 'Other Financial Liabilities'.

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial 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 assets and current liabilities.

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

Notes to the Accounts (continued)

Loans and Receivables

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

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

Loans and receivables are recognised initially at fair value, net of transactions costs, and are 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, to the net carrying amount of the financial asset.

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

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 long-term 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.

Other Financial Liabilities

All other financial liabilities 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 12 months after the Statement of Financial Position date, which are classified as long-term 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 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 financial liabilities carried at fair value, the carrying amounts are determined from quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate methods.

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 are 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 which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of a provision for irrecoverable debt. Irrecoverable debt provisions are made when debts are over 3 months old, unless there is a reason not to make the provision, such as an agreement to pay. In the case of disputes, provisions are made for debts less than 3 months old.

Notes to the Accounts (continued)

1.12 Leases

1.12.1 Trust as Lessee

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 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 Finance Costs in the Statement of Comprehensive Income. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

Operating Leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

Contingent rentals are recognised in the period in which they are incurred.

Leases of Land and Buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

1.12.2 Trust as Lessor

Finance Leases

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

Operating Leases

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

1.12.3 Disclosures

In accordance with IAS 17 the Trust will disclose a description of significant leasing arrangements including;

- (i) the basis on which contingent rent is determined;
- (ii) the existence and terms of renewal, purchase options and escalation clauses; and
- (iii) any restrictions imposed by lease arrangements.

1.13 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 discount rates published and mandated by HM Treasury.

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 in note 28.2 but is not recognised in the Trust's accounts.

Non-clinical Risk Pooling

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

Notes to the Accounts (continued)

1.14 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 entity's control) are not recognised as assets, but are disclosed in note 29 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 29, 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 entity'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.

1.15 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.

A 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, (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, (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. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

1.16 Value Added Tax

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

1.17 Corporation Tax

Foundation Trusts are exempt from corporation tax on their principle health care income under section 519A Income and Corporation Taxes Act 1988. In determining whether other income may be taxable, a full review of the Trust's activities has been carried out in accordance with guidance published by HM Revenue and Customs to establish any activities that are subject to Corporation Tax. Based on this review there is no corporation tax liability in the period ended 31st March 2015.

1.18 Foreign Exchange

The functional and presentational currencies of the Trust are 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 period 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.

Notes to the Accounts (continued)

1.19 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.

1.20 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Foundation Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However, the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

1.21 Transfers of Functions

For functions that have been transferred to the Trust from another NHS or Local Government body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain/loss corresponding to the net assets/ liabilities transferred is recognised within income/expenses, but not within operating activities.

For property plant and equipment assets and intangible assets, the Cost and Accumulated Depreciation / Amortisation balances from the transferring entity's accounts are preserved on recognition in the Trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the Trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

For functions that the Trust has transferred to another NHS/Local Government body, the assets and liabilities transferred are de-recognised from the accounts as at the date of transfer. The net loss/gain corresponding to the net assets/liabilities transferred is recognised within expenses/income, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve.

Adjustments to align the acquired function to the Foundation Trust's accounting policies are applied after initial recognition and are adjusted directly in taxpayers' equity.

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

The standards or amendments which have been released but which are not mandatory in the 2015/16 accounts are set out below:

- IFRS 11 (amendment) - acquisition of an interest in a joint operation
- IAS 16 (amendment) and IAS 38 (amendment) - depreciation and amortisation
- IAS 16 (amendment) and IAS 41 (amendment) - bearer plants
- IAS 27 (amendment) - equity method in separate financial statements
- IFRS 10 (amendment) and IAS 28 (amendment) - sale or contribution of assets
- IFRS 10 (amendment) and IAS 28 (amendment) - investment in entities applying the consolidation exception
- IAS 1 (amendment) - disclosure initiative
- IFRS 15 Revenue from contracts with customers
- IFRS 9 Financial Instruments
- Annual improvements to IFRS: 2012:15 cycle

The Trust expects that there will be no material impact on the Financial Statements as a result of the adoption of these standards.

1.23 Accounting Standards issued that have been adopted early

No new accounting standards or revisions to existing standards have been early adopted in 2015/16.

Notes to the Accounts (continued)

1.24 Investments in Associates and Joint Arrangements

An entity is an associate of an NHS Foundation Trust where the Trust has significant influence over it and yet the entity is not a subsidiary or a joint arrangement. Where an associate exists, the Trust must recognise its activities through the equity accounting method in accordance with IAS 28.

Joint arrangements apply where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

Joint operations

Joint operations are arrangements in which the Trust has joint control with one or more other parties. Joint arrangements generally operate without the establishment of a separate formal entity and the Trust therefore has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Trust includes within its financial statements its share of the assets, liabilities, income and expenses for joint operations.

The Trust has a joint operation with South Tees Foundation Trust for the provision of North East Quality Observatory System.

Joint Ventures

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. Accounting as a joint venture generally applies where arrangements are structured through a separate vehicle which confers a separation between the parties and the vehicle and as a result, the assets, liabilities, revenues and expenses held are those of the separate vehicle and the Trust only has an investment in the net assets of the vehicle. Joint ventures and investments in associates are accounted for using the equity method and reported in its separate financial statements in accordance with IAS 27. The joint venture is initially recognised at cost. It is increased or decreased subsequently to reflect the Trust's share of the entity's profit or loss or other gains and losses. It is also reduced when any distribution, e.g. share dividends, are received by the Trust from the joint venture.

The Trust has a 50% share in a limited liability partnership with independent healthcare providers Insight Ltd (formerly MHCO) which is a Joint Venture. The Newcastle Talking Therapies LLP has been commissioned by NHS North of Tyne to deliver a service aimed at 'Improving Access to Psychological Therapies - IAPT' for the people of Newcastle.

1.25 Consolidation of NHS Charitable Funds

Prior to 2013/14, the FT Annual Reporting Manual permitted NHS Foundation Trusts not to produce consolidated accounts to include NHS charitable funds. From 2013/14, where the NHS Foundation Trust is the corporate trustee of the charitable funds and where the fund balances held are material, Foundation Trusts are required to assess their relationship to the charitable funds and account for the funds as a subsidiary where the Trust has the power to govern the financial and operating policies of the charitable fund.

For 2015/16 the Trust benefited from charitable funds held by the Newcastle Healthcare Charity as Special Trustee. For 2015/16, the Trust is not corporate trustee of the charitable funds and does not have the power to govern the financial and operating policies of the charitable funds held on behalf of the Trust. Consolidation is therefore not appropriate. From 1st April 2016, the Trust is the Corporate Trustee of the Northumberland, Tyne and Wear NHS Foundation Trust Charity (charity number 1165788) which holds these charitable funds.

2. Segmental Analysis

The Trust is solely involved in health care activities and does not consider that its clinical services represent distinct operating segments.

Of the total income reported during the financial year, £268,912,000, 85% of total income, was received from Clinical Commissioning Groups (CCGs) and NHS England (2014/15: £261,060,000 and 83%). As CCGs and NHS England are under common control they are classed as a single customer for this purpose.

3. Income

3.1 Operating Income (by nature)

	2015/16 £000	Restated 2014/15 £000
Income from activities		
Cost and volume contract income	36,190	39,120
Block contract income	249,614	241,357
Additional income for delivery of healthcare services	700	0
Private patient income	143	143
Total income from activities	286,647	280,620
Other operating income		
Research and development	2,352	2,212
Education and training	8,472	9,112
Cash donations received from other bodies	0	33
Non-patient care services to other bodies	1,676	1,521
Other*	4,021	4,162
Profit on disposal of land and buildings	3	1,543
Reversal of impairments of property, plant and equipment	10,950	13,478
Rental revenue from operating leases - minimum lease receipts	199	231
Income in respect of staff costs where accounted on gross basis	2,830	2,066
Total other operating income	30,503	34,358
Total operating income	317,150	314,978
of which:		
Related to Continuing Operations	317,150	314,978
Related to Discontinued Operations	0	0

* Other operating income - Other is analysed in note 3.4

The 2014/15 comparator has been restated for the recategorisation of income for non-commissioner requested services previously classified in other clinical income.

3. Income (continued)**3.2 Private Patient Income**

	2015/16 £000	2014/15 £000
Private patient income	143	143
Total patient related income	286,647	280,620
Proportion (as percentage)	0.05%	0.05%

The statutory limitation on private patient income in section 44 of the 2006 Act was repealed with effect from 1 October 2012 by the Health and Social Care Act 2012. The Health and Social Care Act 2012 requires Foundation Trusts to make sure that the income they receive from providing goods and services for the NHS (their principle purpose) is greater than their income from other sources.

3.3 Operating Lease Income

The Trust leases land and buildings to a number of external bodies, mainly other NHS bodies.

	2015/16 £000	2014/15 £000
Operating lease income		
Rental revenue from operating leases - minimum lease receipts	199	231
Total operating lease income	199	231
Future minimum lease payments due:		
on leases of land expiring		
- not later than one year;	1	1
- later than one year and not later than five years;	4	4
- later than five years.	86	87
sub total	91	92
on leases of buildings expiring		
- not later than one year;	156	229
- later than one year and not later than five years;	523	56
- later than five years.	347	158
sub total	1,026	443
Total future minimum lease payments due	1,117	535

3. Income (continued)**3.4 Operating Income (by source)**

	2015/16 £000	2014/15 £000
Income from activities		
NHS Foundation Trusts	602	532
CCGs and NHS England	268,912	261,060
Local Authorities	9,315	9,718
Non-NHS: private patients	144	143
NHS injury scheme (was RTA)	26	1
Non NHS: other	6,948	9,166
Additional income for delivery of healthcare services	700	0
Total income from activities	286,647	280,620
Other operating income		
Research and development	2,352	2,212
Education and training	8,472	9,112
Cash donations received from other bodies	0	33
Non-patient care services to other bodies	1,676	1,521
Other*	4,021	4,162
Profit on disposal of land and buildings	3	1,543
Reversal of impairments of property, plant and equipment	10,950	13,478
Rental revenue from operating leases - minimum lease receipts	199	231
Income in respect of staff costs where accounted on gross basis	2,830	2,066
Total Other Operating Income	30,503	34,358
Total Operating Income	317,150	314,978

***Analysis of "Other operating income - Other"**

Car Parking	60	50
Estates recharges	151	234
IT Recharges	68	79
Pharmacy Sales	1	5
Clinical Tests	79	85
Clinical excellence awards	366	404
Catering	995	979
Grossing up consortium arrangements	2,058	1,900
Other	243	426
Total	4,021	4,162

3.5 Analysis of Income from activities arising from Commissioner Requested Services and all other Services

	2015/16 £000	2014/15 £000
Commissioner Requested Services	285,102	278,817
Non-Commissioner Requested Services	1,545	1,803
Total income from activities	286,647	280,620

4. Operating Expenses

	2015/16 £000	Restated 2014/15 £000
Services from NHS Foundation Trusts	1,063	736
Services from NHS Trusts	1	0
Services from CCGs and NHS England	28	139
Purchase of healthcare from non NHS bodies	5,953	4,580
Employee Expenses - Executive directors	968	925
Employee Expenses - Non-executive directors	169	113
Employee Expenses - Staff	234,172	232,261
Supplies and services - clinical (excluding drug costs)	3,708	3,667
Supplies and services - general	3,942	4,110
Establishment	3,570	1,548
Research and development - (not included in employee expenses)	710	770
Research and development - (included in employee expenses)	1,402	1,327
Transport (business travel only)	2,631	2,431
Transport (other)	1,824	1,860
Premises - business rates payable to local authorities	822	1,046
Premises other	11,964	11,580
Increase/(decrease) in provision for impairment of receivables	44	(50)
Change in provisions discount rates	(54)	338
Inventories written down (net, including inventory drugs)	17	10
Drug costs (non-inventory drugs only)	1,274	1,426
Drug inventories consumed	3,562	3,140
Rentals under operating leases - minimum lease receipts	5,481	5,621
Rentals under operating leases - contingent rent	96	93
Rentals under operating leases - sublease payments	(13)	(13)
Depreciation on property, plant and equipment	5,961	5,825
Amortisation on intangible assets	46	26
Impairments of property, plant and equipment	3,364	51,763
Impairments of assets held for sale	0	87
Audit services - Statutory audit	48	48
Clinical negligence	298	308
Loss on disposal of property, plant and equipment	110	117
Legal fees	696	(138)
Consultancy costs	815	374
Internal audit costs (not included in employee expenses)	40	40
Internal audit costs (included in employee expenses)	190	190
Training, courses and conferences	1,401	972
Patient travel	421	363
Redundancy - (Not included in employee expenses)	1,229	226
Early Retirements - (Not included in employee expenses)	33	175
Hospitality	22	30
Insurance	512	665
Losses, ex gratia & special payments - (Not included in employee expenses)	35	9
Other	870	1,314
Total	299,425	340,052
of which:		
Related to Continuing Operations	299,425	340,052
Related to Discontinued Operations	0	0

The prior year comparator has been restated due to additional disclosures in relation to additional internal audit disclosures.

5. Senior Managers Remuneration

	2015/16 £000	2014/15 £000
Total of key management personnel compensation:		
Short-term employee benefits	921	838
Post-employment benefits	110	103
Total key management compensation	1,031	941

Key management personnel includes the executive and non-executive directors, which together comprised 17 directors in the financial year 2015/16. There are 10 non-executive and 7 executive directors in post for full or part-year periods. Full directors remuneration details for individual senior managers are provided within the Trust's Annual Report.

Post employment benefits include contributions made by the Trust to the NHS Pension Scheme only.

There were no other long-term benefits, termination benefits or share-based payments made to senior managers during the year.

No advances were made and no credits were granted by the Trust to directors during the year. The Trust has not provided any guarantees on behalf of directors during the year.

6. Exit Packages**6.1 Exit Packages 2015/16**

	Compulsory Redundancies Number	Compulsory Redundancies £000	Other Departures Agreed Number	Other Departures Agreed £000	Total Exit Packages Number	Total Exit Packages £000	Special Payments Number	Special Payments £000
Exit package cost band:								
< £10,000	0	0	6	30	6	30	0	0
£10,001 to £25,000	0	0	0	0	0	0	0	0
£25,001 to £50,000	0	0	3	105	3	105	0	0
£50,001 to £100,000	0	0	7	482	7	482	0	0
£100,001 to £150,000	0	0	2	269	2	269	0	0
£150,001 to £200,000	0	0	0	0	0	0	0	0
> £200,001	0	0	0	0	0	0	0	0
Total	0	0	18	886	18	886	0	0

Redundancy and other departure costs have been paid within the provisions of Agenda for Change terms and conditions.

The termination benefits included in exit packages relate to redundancy and early retirement contractual costs.

6.2 Exit Packages 2014/15

	Compulsory Redundancies Number	Compulsory Redundancies £000	Other Departures Agreed Number	Other Departures Agreed £000	Total Exit Packages Number	Total Exit Packages £000	Special Payments Number	Special Payments £000
Exit package cost band:								
< £10,000	0	0	1	8	1	8	0	0
£10,001 to £25,000	0	0	2	38	2	38	0	0
£25,001 to £50,000	0	0	0	0	0	0	0	0
£50,001 to £100,000	0	0	3	207	3	207	0	0
£100,001 to £150,000	0	0	1	114	1	114	0	0
£150,001 to £200,000	0	0	0	0	0	0	0	0
> £200,001	0	0	0	0	0	0	0	0
Total	0	0	7	367	7	367	0	0

Redundancy and other departure costs have been paid within the provisions of Agenda for Change terms and conditions.

The termination benefits included in exit packages relate to redundancy and early retirement contractual costs.

7. Employee Expenses**7.1 Employee Expenses**

				Restated		
	Total 2015/16 £000	Permanently Employed 2015/16 £000	Other 2015/16 £000	Total 2014/15 £000	Permanently Employed 2014/15 £000	Other 2014/15 £000
Salaries and wages	186,112	184,823	1,289	187,315	186,172	1,143
Social security costs	13,525	13,525	0	13,692	13,692	0
Pension cost - defined contribution plans:						
Employers contributions to NHS Pensions	24,048	24,048	0	23,157	23,157	0
Pension cost - other contributions	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
Agency/contract staff	13,616	0	13,616	11,149	0	11,149
Total staff costs	237,301	222,396	14,905	235,313	223,021	12,292
included within:						
Costs capitalised as part of assets Analysed into operating expenditure	569	569	0	610	610	0
Employee Expenses - Staff	234,172	219,304	14,868	232,261	219,984	12,277
Employee Expenses - Executive Directors	968	968	0	925	925	0
Research & Development	1,402	1,400	2	1,327	1,312	15
Internal audit costs	190	155	35	190	190	0
Total employee benefits excluding capitalised costs	236,732	221,827	14,905	234,703	222,411	12,292

The 2014/15 comparatives have been restated for an additional disclosure of internal audit costs.

7.2 Average Number of Employees (whole time equivalent basis)

				Restated		
	Total 2015/16 Number	Permanently Employed 2015/16 Number	Other 2015/16 Number	Total 2014/15 Number	Permanently Employed 2014/15 Number	Other 2014/15 Number
Medical and dental	331	303	28	326	300	26
Administration and estates	1,236	1,162	74	1,206	1,137	69
Healthcare assistants and other support staff	494	449	45	493	458	35
Nursing, midwifery and health visiting staff	3,524	3,357	167	3,453	3,312	141
Scientific, therapeutic and technical staff	391	375	16	366	353	13
Healthcare science staff	334	334	0	319	319	0
Other	0	0	0	0	0	0
Total average numbers	6,310	5,980	330	6,163	5,879	284
of which:						
Number of employees (WTE) engaged on capital projects	14	14	0	13	13	0

The 2014/15 comparatives have been restated for an additional disclosure for healthcare science staff.

7.3 Exit Packages: other (non-compulsory) departure payments

	2015/16		2014/15	
	Payments Agreed Number	Total Value of Agreements £000	Payments Agreed Number	Total Value of Agreements £000
Voluntary redundancies including early retirement contractual costs	8	886	7	367
Total Exit packages	8	886	7	367

7. Employee Expenses (continued)

7.4 Employee Benefits

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period. There were no other employee benefits during the year (2014/15 : £nil).

7.5 Early Retirements due to Ill Health

During the year there were 10 early retirements (2014/15 : 9) from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £588,000 (2014/15 : £363,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

8. Operating Miscellaneous

8.1 Operating Leases

The Trust has operating lease arrangements for the use of land, buildings, vehicles and equipment. Within some of these arrangements contingent rent is paid based on an annual uplift for future price indices (RPI).

	2015/16	2014/15
	£000	£000
Minimum lease payments	5,481	5,621
Contingent rents	96	93
Less sublease payments received	(13)	(13)
Total	<u>5,564</u>	<u>5,701</u>
Future minimum lease payments due:		
- not later than one year;	5,870	5,701
- later than one year and not later than five years;	5,740	5,038
- later than five years.	2,041	2,379
Total	<u>13,651</u>	<u>13,118</u>
Total of future minimum sublease lease payments to be received	<u>(13)</u>	<u>(13)</u>

8.2 Limitations on Auditors Liability

There is no specified limitation on the auditors liability for the year (2014/15 : no specified limitation).

8. Operating Miscellaneous (continued)

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

The Trust had no late payment of interest on commercial debts or compensation paid to cover debt recovery costs as at 31st March 2016 (31st March 2015 : £nil).

8.4 Audit Remuneration

The Trust had no other audit remuneration as at 31st March 2016 (31st March 2015 : £nil). Auditors remuneration for the statutory audit is shown in note 4.

9. Discontinued Operations

The Trust had no discontinued operations as at 31st March 2016 (31st March 2015: £nil).

10. Corporation Tax

Foundation Trusts are exempt from corporation tax on their principle health care income under section 519A Income and Corporation Taxes Act 1988.

A full review of the Trusts activities has been carried out in accordance with guidance published by HM Revenue & Customs to establish any activities that are subject to Corporation Tax. Based on this review there is no corporation tax liability in the year ended 31st March 2016 (31st March 2015: £nil).

11. Finance Income

	2015/16	2014/15
	£000	£000
Interest on bank accounts	116	69
Interest on loans and receivables	0	0
Total	116	69

12. Finance Costs

	2015/16	2014/15
	£000	£000
Interest expense:		
Capital loans from the Department of Health	1,307	1,216
Finance leases	42	44
Finance Costs on PFI and other service concession arrangements (excluding LIFT)		
Main finance costs	2,921	2,996
Contingent finance costs	1,424	1,228
Total	5,694	5,484

13. Impairment of Assets

During the year, the Trust recognised net reversals of impairments totalling (£7,498,000) made up of reversal of impairments credited to other operating income of (£10,950,000) and impairments charged to operating expenses of £3,364,000 and impairments totalling £88,000 being charged to the revaluation reserve utilising positive reserve balances.

The net reversal of impairments recognised during the year are predominantly as a result of a valuation carried out by the District Valuer to reflect current market conditions as at 31st March 2016. NHS specialised buildings have increased in value by approximately 11% in 2015/16.

14. Intangible Assets

14.1 Intangible Assets 2015/16

	Total 2015/16 £000	Software Licences purchased 2015/16 £000	Intangible Assets under Construction 2015/16 £000	2014/15 £000
Valuation/gross cost at 1st April 2015	479	228	251	102
Additions - purchased	154	49	105	377
Valuation/gross cost at 31st March 2016	633	277	356	479
Amortisation at 1st April 2015	26	26	0	0
Provided during the year	46	46	0	26
Amortisation at 31st March 2016	72	72	0	26
Net book value by ownership:				
NBV - purchased at 31st March	561	205	356	453

14.2 Economic Life of Intangible Assets

	Minimum Life Years	Maximum Life Years
Software licences purchased	3	5

15. Property, Plant and Equipment**15.1 Property, Plant and Equipment 2015/16**

	Total	Land	Buildings exc. Dwellings	Dwellings	Assets under Construction	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1st April 2015	130,509	16,671	92,695	90	4,101	4,142	81	8,657	4,072
Additions - purchased	15,594	150	2,040	0	11,140	123	0	1,896	245
Additions - leased	15	0	15	0	0	0	0	0	0
Impairments charged to the revaluation reserve	(88)	0	(88)	0	0	0	0	0	0
Reclassifications	0	0	1,449	0	(2,099)	599	0	51	0
Revaluations	5,154	(105)	5,259	0	0	0	0	0	0
Transfers to/from assets held for sale & assets in disposal groups	(672)	(268)	(404)	0	0	0	0	0	0
Disposals	(1,632)	0	0	0	0	(55)	(9)	(1,294)	(274)
Valuation/gross cost at 31st March 2016	148,880	16,448	100,966	90	13,142	4,809	72	9,310	4,043
Accumulated depreciation at 1st April 2015	7,557	0	0	0	0	2,097	77	3,597	1,786
Provided during the year	5,961	0	3,288	3	0	450	4	1,793	423
Impairments charged to operating expenses	3,364	118	3,246	0	0	0	0	0	0
Reversal of impairments credited to operating income	(10,950)	(11)	(10,936)	(3)	0	0	0	0	0
Revaluations	4,295	(107)	4,402	0	0	0	0	0	0
Disposals	(1,533)	0	0	0	0	(44)	(9)	(1,294)	(186)
Accumulated depreciation at 31st March 2016	8,694	0	0	0	0	2,503	72	4,096	2,023
Net book value by ownership:									
Owned	113,489	16,398	74,319	90	13,142	2,306	0	5,214	2,020
Finance leased	822	50	772	0	0	0	0	0	0
On-Statement of Financial Position PFI contracts	25,842	0	25,842	0	0	0	0	0	0
Government granted	33	0	33	0	0	0	0	0	0
Donated	0	0	0	0	0	0	0	0	0
Net book value by ownership total at 31st March 2016	140,186	16,448	100,966	90	13,142	2,306	0	5,214	2,020

To ensure that asset values at 31st March 2016 reflect current market conditions valuations were carried out by the District Valuer.

Of the totals at 31 March 2016, £12,495,000 related to land, £92,458,000 related to buildings valued on a Modern Equivalent Asset alternative site basis.

Of the totals at 31 March 2016, £50,000 related to land, £3,214,000 related to buildings valued on a Modern Equivalent Asset no alternative site basis in relation to tenants improvements.

Of the totals at 31 March 2016, £2,556,000 related to land, £4,060,000 related to buildings and £90,000 related to dwellings valued on a Market Value in Existing Use basis.

Of the totals at 31 March 2016, £1,347,000 related to land, £1,234,000 related to buildings valued on a fair value basis. These relate to surplus non-operational assets

Of the totals at 31st March 2016, plant and machinery, transport equipment, information technology and furniture and fittings are all valued on the basis of depreciated replacement cost.

15.2 Property, Plant and Equipment 2014/15

	Total	Land	Buildings exc. Dwellings	Dwellings	Assets under Construction	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1st April 2014	159,575	24,965	69,726	90	47,496	3,757	96	10,190	3,255
Additions - purchased	15,477	0	8,779	0	3,651	716	0	1,394	937
Impairments charged to the revaluation reserve	(163)	(29)	(134)	0	0	0	0	0	0
Reclassifications	0	0	46,928	0	(47,046)	91	0	0	27
Revaluations	(40,435)	(8,265)	(32,170)	0	0	0	0	0	0
Transfers to/from assets held for sale & assets in disposal groups	0	0	0	0	0	0	0	0	0
Disposals	(3,945)	0	(434)	0	0	(422)	(15)	(2,927)	(147)
Valuation/gross cost at 31st March 2015	130,509	16,671	92,695	90	4,101	4,142	81	8,657	4,072
Accumulated depreciation at 1st April 2014	8,510	0	0	0	0	2,062	89	4,845	1,514
Provided during the year	5,825	0	3,328	3	0	440	3	1,679	372
Impairments charged to operating expenses	51,763	8,510	43,253	0	0	0	0	0	0
Reversal of impairments credited to operating income	(13,478)	(147)	(13,328)	(3)	0	0	0	0	0
Revaluations	(41,193)	(8,363)	(32,830)	0	0	0	0	0	0
Disposals	(3,870)	0	(423)	0	0	(405)	(15)	(2,927)	(100)
Accumulated depreciation at 31st March 2015	7,557	0	0	0	0	2,097	77	3,597	1,786
Net book value by ownership:									
Owned	98,881	16,621	68,677	90	4,098	2,045	4	5,060	2,286
Finance leased	776	50	726	0	0	0	0	0	0
On-Statement of Financial Position PFI contracts	22,927	0	22,924	0	3	0	0	0	0
Government granted	29	0	29	0	0	0	0	0	0
Donated	339	0	339	0	0	0	0	0	0
Net book value by ownership total at 31st March 2015	122,952	16,671	92,695	90	4,101	2,045	4	5,060	2,286

To ensure that asset values at 31st March 2015 reflect current market conditions valuations were carried out by the District Valuer.

Of the totals at 31 March 2015, £12,495,000 related to land, £83,350,000 related to buildings valued on a Modern Equivalent Asset alternative site basis.

Of the totals at 31 March 2015, £50,000 related to land, £3,827,000 related to buildings valued on a Modern Equivalent Asset no alternative site basis in relation to tenants improvements.

Of the totals at 31 March 2015, £2,713,000 related to land, £4,284,000 related to buildings and £90,000 related to dwellings valued on a Market Value in Existing Use basis.

Of the totals at 31 March 2015, £1,413,000 related to land, £1,234,000 related to buildings valued on a fair value basis. These relate to surplus non-operational assets

Of the totals at 31st March 2015, plant and machinery, transport equipment, information technology and furniture and fittings are all valued on the basis of depreciated replacement cost.

15. Property, Plant and Equipment (continued)

15.3 Economic Life of Property, Plant and Equipment

	Minimum Life Years	Maximum Life Years
Land	19	100
Buildings excluding dwellings	1	90
Dwellings	9	44
Plant & machinery	0	15
Transport equipment	0	0
Information technology	0	5
Furniture & fittings	0	10

16. Investments**16.1 Investments**

	2015/16	2014/15
	Investments in associates and joint ventures £000	Investments in associates and joint ventures £000
Carrying value at 1st April	50	10
Share of profit	37	49
Other equity movements	(49)	(9)
Carrying value at 31st March	<u>38</u>	<u>50</u>

The Trust has a 50% share in a Limited Liability Partnership (LLP) established on 1st March 2011 with independent healthcare providers Insight Ltd (formerly MHCO). The Newcastle Talking Therapies LLP has been commissioned by NHS North of Tyne to deliver a new service aimed at 'Improving Access to Psychological Therapies - IAPT' for the people of Newcastle.

16.2 Fair value of investments in associates and joint ventures

	Value £000	Interest Held %
As at 31st March 2016		
Insight Ltd (formerly MHCO) / NTW LLP	38	50%
As at 31st March 2015		
MHCO / NTW LLP	50	50%

17. Non-current Assets for Sale and Assets in Disposal Groups**17.1 Non-current Assets for Sale and Assets in Disposal Groups 2015/16**

	Total £000	Property, Plant & Equipment: Land £000	Property, Plant & Equipment: Buildings £000
Net book value at 1st April 2015	1,645	651	994
Plus assets classified as available for sale in the year	672	268	404
Less assets sold in year	(2,317)	(919)	(1,398)
Less Impairment of assets held for sale	0	0	0
Net book value at 31st March 2016	<u>0</u>	<u>0</u>	<u>0</u>

At 1st April 2015 the Trust held 11 buildings with associated land (£1,645,000). These buildings and associated land were sold during 2015/16. During the year, 1 property was reclassified as held for sale and was sold in 2015/16.

17. Non-current Assets for Sale and Assets in Disposal Groups (continued)

17.2 Non-current Assets for Sale and Assets in Disposal Groups 2014/15

	Total £000	Property, Plant & Equipment: Land £000	Property, Plant & Equipment: Buildings £000
Net book value at 1st April 2014	14,098	12,826	1,272
Plus assets classified as available for sale in the year	0	0	0
Less assets sold in year	(12,366)	(12,140)	(226)
Less Impairment of assets held for sale	(87)	(35)	(52)
Net book value at 31st March 2015	1,645	651	994

At 1st April 2014 the Trust held 1 area of land including associated professional fees and marketing costs (£11,864,000) and 11 buildings with associated land (£2,234,000).

During the year, there was no land or buildings reclassified as held for sale.

The area of land and 2 buildings and their associated land were sold in year, leaving 9 buildings and the associated land. These buildings are in the process of being sold as part of 1 sale transaction.

17.3 Liabilities in Disposal Groups

The Trust has no liabilities in disposal groups as at 31st March 2016; (31st March 2015 : £nil).

18. Other Assets

The Trust has no other assets as at 31st March 2016; (31st March 2015 : £nil).

19. Other Financial Assets

The Trust has no other financial assets as at 31st March 2016; (31st March 2015 : £nil).

20. Inventory**20.1 Inventory 2015/16**

	Total	Drugs	Consumables	Energy	Other
	£000	£000	£000	£000	£000
Carrying Value at 1st April 2015	312	245	12	12	43
Additions	3,892	3,581	79	2	230
Inventories consumed (recognised in expenses)	(3,884)	(3,562)	(84)	(5)	(233)
Write down of inventories recognised as an expense	(17)	(13)	0	0	(4)
Carrying Value at 31st March 2016	303	251	7	9	36

20.2 Inventory 2014/15

	Total	Drugs	Consumables	Energy	Other
	£000	£000	£000	£000	£000
Carrying Value at 1st April 2014	396	300	12	14	70
Additions	3,348	3,093	111	2	142
Inventories consumed (recognised in expenses)	(3,422)	(3,140)	(111)	(4)	(167)
Write down of inventories recognised as an expense	(10)	(8)	0	0	(2)
Carrying Value at 31st March 2015	312	245	12	12	43

21. Trade Receivables and Other Receivables**21.1 Trade Receivables and Other Receivables**

	31st March 2016 £000	31st March 2015 £000
Current		
NHS receivables - revenue	6,666	7,212
Receivables due from NHS charities - Revenue	24	17
Other receivables with related parties - revenue	761	1,740
Provision for impaired receivables	(687)	(674)
Deposits and advances	0	0
Prepayments (non-PFI)	3,356	2,966
Accrued income	368	576
Interest receivable	1	3
Operating lease receivables	1	1
PDC dividend receivable	0	69
VAT receivable	1,068	767
Other receivables - Revenue	1,883	8,024
Total current trade and other receivables	13,441	20,701
Non-current		
Prepayments (non-PFI)	366	102
Total non-current trade and other receivables	366	102

21.2 Provision for Impairment of Receivables

	2015/16 £000	2014/15 £000
At 1st April	674	758
Increase in provision	819	882
Amounts utilised	(31)	(34)
Unused amounts reversed	(775)	(932)
At 31st March	687	674

21.3 Analysis of Impaired Receivables

	Trade Receivables 31st March 2016 £000	Other Receivables 31st March 2016 £000	Trade Receivables 31st March 2015 £000	Other Receivables 31st March 2015 £000
Ageing of impaired receivables:				
0 to 30 days	155	11	72	47
30 to 60 days	26	12	35	3
60 to 90 days	0	12	54	3
90 to 180 days	213	22	117	13
over 180 days	169	67	241	89
Total	563	124	519	155
Ageing of non-impaired receivables past their due date:				
0 to 30 days	23	4	498	140
30 to 60 days	181	20	1,002	4
60 to 90 days	655	7	72	4
90 to 180 days	(95)	6	82	5
over 180 days	1	182	(14)	54
Total	765	219	1,640	207

21. Trade Receivables and Other Receivables (continued)**21.4 Finance Lease Receivables**

The Trust had no finance lease receivables at 31st March 2016 (31st March 2015 : £nil).

22. Cash and Cash Equivalents

	2015/16 Cash and cash equivalents £000	2014/15 Cash and cash equivalents £000
At 1st April	20,566	15,295
Net change in year	6,867	5,271
At 31st March	27,433	20,566
Broken down into:		
Cash at commercial banks and in hand	217	302
Cash with the Government Banking Service (GBS)	216	764
Deposits with the National Loans Fund	27,000	19,500
Other current investments	0	0
Cash and cash equivalents as per the Statement of Financial Position	27,433	20,566
Bank Overdrafts - (GBS and commercial banks)	0	0
Drawdown in committed facility	0	0
Cash and cash equivalents as per the Statement of Cash Flows	27,433	20,566

The Trust held £1,650,000 cash and cash equivalents at 31st March 2016 (31st March 2015 : £1,727,000) which relates to monies held on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

23. Trade and Other Payables**23.1 Trade and Other Payables**

	31st March 2016 £000	31st March 2015 £000
Current		
NHS payables - revenue	412	3,150
Amounts due to other related parties - revenue	9	71
Other trade payables - capital	3,298	3,304
Other trade payables - revenue	1,951	2,275
Social Security costs	2,160	2,027
Other taxes payable	2,432	2,236
Other payables	5,574	5,241
Accruals	8,636	6,722
PDC dividend payable	39	0
Total current trade and other payables	24,511	25,026

The Trust had £nil non-current trade and other payables at 31st March 2016 (31st March 2015 : £nil).

23.2 Early Retirements included in NHS Payables above

The Trust has £nil liabilities for early retirements payable over 5 years (31st March 2015 : £nil).

24. Borrowings

	31st March 2016 £000	31st March 2015 £000
Current		
Capital loans from Department of Health	5,091	4,590
Obligations under finance leases	60	60
Obligations under PFI contracts (excl. lifecycle)	707	1,506
Total current borrowings	<u>5,858</u>	<u>6,156</u>
Non-current		
Capital loans from Department of Health	56,068	50,759
Obligations under finance leases	1,073	1,133
Obligations under Private Finance Initiative contracts	39,832	40,539
Total non-current borrowings	<u>96,973</u>	<u>92,431</u>

25. Prudential Borrowing Limit

The prudential borrowing code requirements in section 41 of the NHS Act 2006 have been repealed with effect from 1 April 2013 by the Health and Social Care Act 2012. The financial statements disclosures that were provided previously are no longer required.

26. Other Liabilities

	31st March 2016 £000	31st March 2015 £000
Current		
Other Deferred income	1,192	999
Total current other liabilities	1,192	999
Non-current		
Other Deferred income	301	301
Total non-current other liabilities	301	301

27. Other Financial Liabilities

The Trust had £nil other financial liabilities at 31st March 2016 (31st March 2015 : £nil).

28. Provisions for Liabilities and Charges**28.1 Provisions for Liabilities and Charges**

	Current		Non-current	
	31st March 2016 £000	31st March 2015 £000	31st March 2016 £000	31st March 2015 £000
Pensions relating to former directors	24	24	423	442
Pensions relating to other staff	92	93	885	933
Other legal claims	228	245	0	0
Equal pay	0	246	0	0
Redundancy	396	143	0	0
Other	238	288	4,738	4,774
Total	978	1,039	6,046	6,149

28. Provisions for Liabilities and Charges (continued)**28.2 Provisions for Liabilities and Charges Analysis**

	Total	Pensions: former directors	Pensions: other staff	Other Legal Claims	Equal Pay	Redundancy	Other
	£000	£000	£000	£000	£000	£000	£000
At 1st April 2015	7,188	466	1,026	245	246	143	5,062
Change in the discount rate	(54)	(3)	(5)	0	0	0	(46)
Arising during the year	1,483	3	53	166	60	951	250
Utilised during the year - accruals	(91)	(6)	(24)	0	(2)	0	(59)
Utilised during the year - cash	(1,301)	(19)	(70)	(87)	(304)	(555)	(266)
Reversed unused	(285)	0	(16)	(96)	0	(143)	(30)
Unwinding of discount	84	6	13	0	0	0	65
At 31st March 2016	7,024	447	977	228	0	396	4,976
Expected timing of cashflows:							
- not later than one year;	978	24	92	228	0	396	238
- later than one year and not later than five years;	1,361	94	355	0	0	0	912
- later than five years.	4,685	329	530	0	0	0	3,826
Total	7,024	447	977	228	0	396	4,976

The total value of clinical negligence provisions carried by the NHS Litigation Authority on behalf of the Trust is £3,648,000 at 31st March 2016 (31st March 2015 : £1,709,000) and these liabilities are not recognised in the Trust's accounts.

Pensions

The pension provisions are based on pension payments and average life expectancies of former employees. The value and timing of the provision would therefore not be expected to vary significantly.

Legal Claims

There are 47 provisions for employers and public liability claims against the Trust. Information regarding the probability of success, values and timings of these claims has been provided by the NHS Litigation Authority. All of the cases are subject to future change, in particular they may take longer to settle, due to the nature of legal cases.

Other

This represents provisions by the Trust for the following:

- future payments in respect of injury benefit claims. This provision is based on actual injury benefit payments and average life expectancies. The value and timing of the provision would therefore not be expected to vary significantly. This provision relates to 22 people and the value is based on current life expectancy data.
- provisions for employee litigation cases.

The Treasury Pension rate applied to the Pensions and Injury Benefits provision has changed to 1.37 % (previously 1.30%).

29. Contingencies

	31st March 2016 £000	31st March 2015 £000
Value of contingent liabilities:		
NHS Litigation Authority Legal Cases	(197)	(172)
Employment tribunal and employee related litigation cases	0	(2)
Other	0	0
Gross value of contingent liabilities	(197)	(174)
Amounts recoverable against liabilities	0	0
Net value of contingent liabilities	(197)	(174)
Net value of contingent assets	0	0

Contingent liabilities include:

- estimates provided by the NHSLA for public liability and employer liability cases.
- estimates provided by the Trusts legal advisor for employee litigation cases.

The Trust has a possibility of future liabilities or future assets in relation to the Northgate Land sale which completed in 2014/15. The asset sale relates to a sale of land to Taylor Wimpey for the purpose of the construction of a housing development and was based on a sale value of £17m less an estimate for costs of £3.1m. Within the contract, it is agreed to review the costs on an ongoing basis throughout the construction and sewerage works and also to undertake overage reviews at each stage of the construction to assess if more monies are owed to the Trust due to an increase in property values.

30. Revaluation Reserve**30.1 Revaluation Reserve 2015/16**

	Total £000	Property, Plant & Equipment £000	Assets Held for Sale £000
Revaluation reserve at 1st April 2015	2,298	2,213	85
Impairments	(88)	(88)	0
Revaluations	859	859	0
Asset disposals	(88)	(3)	(85)
Other reserve movements	1	1	0
Revaluation reserve at 31st March 2016	2,982	2,982	0

30.2 Revaluation Reserve 2014/15

	Total £000	Property, Plant & Equipment £000	Assets Held for Sale £000
Revaluation reserve at 1st April 2014	12,344	1,666	10,678
Impairments	(163)	(163)	0
Revaluations	758	758	0
Asset disposals	(10,622)	(48)	(10,574)
Other reserve movements	(19)	0	(19)
Revaluation reserve at 31st March 2015	2,298	2,213	85

31. Related Parties**31.1 Related Party Transactions 2015/16**

	Income £000	Expenditure £000
Transactions with board members:		
Hugh Morgan Williams, Chairman - <i>Council Member : University of Durham. The Trust has raised and paid invoices in relation to training</i>	45	1
Ruth Thompson, Non-Executive Director - <i>Governor : University of Sunderland. The Trust has raised and paid invoices in relation to training.</i>	5	3
Paul McEldon - Non-Executive Director - <i>Director of North East of England Business and Innovation Centre Ltd. The Trust has paid purchase invoices.</i>		1
- <i>Governor : City of Sunderland College. The Trust has paid purchase invoices.</i>		2
James Duncan, Executive Director of Finance and Deputy Chief Executive - <i>brother in law is a partner at Bond Dickinson LLP. The Trust has paid/accrued for purchase invoices in respect of legal fees.</i>		21
- <i>Vice Chair of the HFMA Mental Health Faculty. The Trust has paid/accrued for purchase invoices in respect of fees.</i>		8
Chris Watson, Non-Executive Director - <i>Head of Asset Planning, Northumbrian Water Ltd. The Trust has paid invoices in respect of water rates.</i>		399
Gary O'Hare, Executive Director of Nursing and Operations - <i>wife is employed by the North of England Mental Health Development Unit which has been commissioned to support work to repatriate out of area placements and invoices have been paid in respect of professional services.</i>		62
Value of transactions with board members	50	497
Value of transactions with key staff members	0	0
Value of transactions with other related parties:		
Department of Health	1,721	0
Other NHS bodies	284,007	8,392
Charitable Funds	0	0
Subsidiaries / Associates / Joint Ventures	226	0
Other	11,881	38,881
NHS Shared Business Services	0	0
Total value of transactions with related parties in 2015/16	297,885	47,770

31. Related Parties (continued)**31.2 Related Party Transactions 2014/15**

	Income £000	Expenditure £000
Transactions with board members:		
Hugh Morgan Williams, Chairman - <i>Council Member : University of Durham. The Trust has raised and paid invoices in relation to training</i>	46	3
Ruth Thompson, Non-Executive Director - <i>Governor : University of Sunderland. The Trust has raised and paid invoices in relation to training.</i>	4	7
James Duncan, Executive Director of Finance and Deputy Chief Executive - <i>brother in law is a partner at Bond Dickinson (formerly Dickinson Dees). The Trust paid purchase invoices and accrued for invoices payable in respect of legal fees.</i>		51
- <i>Vice Chair of the HFMA Mental Health Faculty. The Trust has paid invoices in respect of fees.</i>		3
Chris Watson, Non-Executive Director - <i>Head of Asset Planning, Northumbrian Water Ltd. The Trust has paid invoices in respect of water rates.</i>		417
Gary O'Hare, Executive Director of Nursing and Operations - <i>wife is employed by the North of England Mental Health Development Unit which has been commissioned to support work to repatriate out of area placements and invoices have been paid in respect of professional services.</i>		138
Value of transactions with board members	50	619
Value of transactions with key staff members	0	0
Value of transactions with other related parties:		
Department of Health	853	39
Other NHS bodies	275,861	8,708
Charitable Funds	0	0
Subsidiaries / Associates / Joint Ventures	233	0
Other	19,884	39,164
NHS Shared Business Services	0	0

31. Related Parties (continued)**31.3 Related Party Balances at 31st March 2016**

	Receivables £000	Payables £000
Balances (other than salary) with board members:		
Chris Watson, Non-Executive Director - <i>Head of Asset Planning at Northumbrian Water. The Trust held purchase invoices and accrued for invoices payable for water rates</i>		47
James Duncan, Executive Director of Finance & Deputy Chief Executive - <i>Brother in Law is a partner with Bond Dickinson LLP. The Trust held a purchase invoice in respect of fees.</i>		1
Hugh Morgan Williams, Chairman - <i>Council Member : University of Durham. The Trust has an outstanding receivable due</i>	43	
Gary O'Hare, Executive Director of Nursing and Operations - <i>Wife is employed by the North of England Mental Health Development Unit, which has been commissioned by the Trust to support work to repatriate out of area placements. The Trust has an accrual in relation to a charge due.</i>		8
Value of balances (other than salary) with board members	43	56
Value of balances (other than salary) with key staff members	0	0
Value of balances (other than salary) with related parties in relation to doubtful debts	0	0
Value of balances (other than salary) with related parties in respect of doubtful debts written off in year	0	0
Value of balances with other related parties:		
Department of Health	0	39
Other NHS bodies	6,190	4,304
Charitable Funds	0	0
Subsidiaries / Associates / Joint Ventures	20	0
Other	29,149	8,117
NHS Shared Business Services	0	0
Total balances with related parties at 31st March 2016	35,402	12,516

31. Related Parties (continued)**31.4 Related Party Balances at 31st March 2015**

	Receivables £000	Payables £000
Balances (other than salary) with board members:		
Chris Watson, Non-Executive Director - <i>Head of Asset Planning at Northumbrian Water. The Trust held purchase invoices and accrued for invoices payable for water rates and has some prepaid invoices</i>	3	37
James Duncan, Executive Director of Finance & Deputy Chief Executive - <i>Vice Chair of the HFMA Mental Health Faculty. The Trust held a purchase invoice in respect of fees.</i>		2
Hugh Morgan Williams, Chairman - <i>Council Member : University of Durham. The Trust has an outstanding receivable and held a purchase invoice</i>	44	3
Ruth Thompson, Non-Executive Director - <i>Governor : University of Sunderland. The Trust held a purchase invoice in relating to training.</i>		3
Value of balances (other than salary) with board members	47	45
Value of balances (other than salary) with key staff members	0	0
Value of balances (other than salary) with related parties in relation to doubtful debts	0	0
Value of balances (other than salary) with related parties in respect of doubtful debts written off in year	0	0
Value of balances with other related parties:		
Department of Health	208	62
Other NHS bodies	6,736	5,609
Charitable Funds	0	0
Subsidiaries / Associates / Joint Ventures	19	0
Other	22,423	7,991
NHS Shared Business Services	0	0

31. Related Parties (continued)**31.5 Related Party Balances at 31st March 2016**

The Department of Health is regarded as a related party. During the period the Trust has had a significant number of material transactions with the department, and with other entities for which the department is regarded as the parent organisation. Details of collectively significant transactions and balances:

	Income	Expenditure	Receivables	Payables
	2015/16	2015/16	31st March	31st March
	£000	£000	2016	2016
			£000	£000
NHS Foundation Trusts:				
Gateshead Health NHS Foundation Trust	-	-	-	1,192
Newcastle upon Tyne Hospitals NHS Foundation Trust	2,123	2,220	-	1,329
Northumbria Healthcare NHS Foundation Trust	-	1,363	-	-
South Tyneside NHS Foundation Trust	-	-	1,040	-
NHS CCGs, NHS England, Department of Health and Other Special Health Bodies:				
NHS Cumbria CCG	1,107	-	-	-
NHS Durham Dales, Easington and Sedgfield CCG	1,331	-	-	-
NHS Newcastle Gateshead CCG	62,647	-	-	-
NHS North Durham CCG	1,363	-	-	-
NHS North Tyneside CCG	21,897	-	-	-
NHS Northumberland CCG	45,787	-	-	-
NHS South Tyneside CCG	22,194	-	-	-
NHS Sunderland CCG	53,681	-	-	-
NHS England	57,272	-	1,058	-
Health Education England	8,481	-	-	-
Department of Health	1,721	-	-	-
Local Government bodies:				
Newcastle upon Tyne City Council	2,797	-	-	-
North Tyneside Metropolitan Borough Council	2,026	-	-	-
Northumberland Unitary Authority	3,977	-	-	-
Central Government bodies:				
HM Revenue & Customs - Other taxes and duties	-	13,525	1,068	4,592
NHS Pension Scheme (Own staff E'ers and E'ees contributions)	-	24,048	-	3,236
Scottish Government	-	-	-	-
National Loans Fund	-	-	27,000	-
Belfast Health and Social Care Trust - Northern Ireland	1,068	-	-	-

In addition, the Trust has had other material transactions (under £1,000,000) with other related parties including: City Hospitals Sunderland NHS Foundation Trust, Gateshead Health NHS Foundation Trust, North East Ambulance Service NHS Foundation Trust, South Tyneside NHS Foundation Trust, Tees Esk and Wear Valleys NHS Foundation Trust, NHS Mansfield and Ashfield CCG, NHS Litigation Authority, NHS Property Services and Leeds City Council.

The Trust has had transactions with Insight Ltd as part of the Trust's joint venture.

The Trust has also received payments from a number of charitable funds administered by the Newcastle Healthcare Charity.

32. Commitments**32.1 Contractual Capital Commitments**

	31st March 2016 £000	31st March 2015 £000
Commitments in respect of capital expenditure at 31st March:		
Property, plant and equipment	6,653	1,017
Total	6,653	1,017

32.2 Other Financial Commitments

	31st March 2016 £000	Restated 31st March 2015 £000
The Trust is committed to making the following annual payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) at 31 March 2016 as follows, analysed by the period during which the payment is made:		
not later than 1 year	6,386	6,238
after 1 year and not later than 5 years	2,843	5,438
paid thereafter	77	77
Total	9,306	11,753

The 2014/15 comparators have been restated. Other financial commitments relate to non-cancellable supplies contracts which are not leases.

33. Finance Lease Obligations

	31st March 2016 £000	31st March 2015 £000
Gross lease liabilities	1,527	1,629
of which liabilities are due		
- not later than one year;	100	102
- later than one year and not later than five years;	377	386
- later than five years.	1,050	1,141
Finance charges allocated to future periods	(394)	(436)
Net lease liabilities	1,133	1,193
- not later than one year;	60	60
- later than one year and not later than five years;	240	240
- later than five years.	833	893

34. Private Finance Initiative (PFI) Obligations deemed to be on the Statement of Financial Position

The Trust has two PFI schemes deemed to be on-Statement of Financial Position.

St Georges Park (hospital accommodation for the provision of mental health services):

Estimated Capital Value: £27.5m
 Total Length of Project: 30 years
 Contract Start Date: 10 May 2004
 Number of Years to End of Project: 18 years

Walkergate Park (hospital accommodation providing specialised services for people with neurological and neuropsychiatric conditions):

Estimated Capital Value: £23.7m
 Total Length of Project: 32 years
 Contract Start Date: 21 July 2005
 Number of Years to End of Project: 21 years

Both contracts contain payment mechanisms providing for deductions in the unitary payment made by the Trust for poor performance and unavailability.

The unitary charge for both schemes is subject to an annual uplift for future price indices (RPI).

The operators are responsible for providing a full service for the length of each contract, after such time these responsibilities revert to the Trust.

During the reporting period there were no changes to the contractual arrangements of either scheme. However, the Trust signed a contract variation in respect of buildings works at St Georges Park which came into effect during 2012/13 and results in a increase to the Unitary Charge going forward.

Both schemes are treated as an asset of the Trust and the substance of each contract is that the Trust has a finance lease. Payments comprise two elements; imputed finance lease charges and service charges.

34.1 Total Obligations for On-SoFP PFI obligations on the Statement of Financial Position

	31st March 2016 £000	31st March 2015 £000
Gross PFI liabilities	76,039	80,465
of which liabilities are due		
- not later than one year;	3,534	4,426
- later than one year and not later than five years;	14,540	14,203
- later than five years.	57,965	61,836
Finance charges allocated to future periods	(35,500)	(38,420)
Net PFI liabilities	40,539	42,045
- not later than one year;	707	1,506
- later than one year and not later than five years;	3,735	3,189
- later than five years.	36,097	37,350

34. Private Finance Initiative (PFI) Obligations deemed to be on the Statement of Financial Position (continued)

34.2 Total On-SoFP PFI Commitments

	31st March 2016 £000	31st March 2015 £000
Total future payments committed in respect of PFI arrangements	188,865	196,480
of which liabilities are due		
- not later than one year;	7,713	7,615
- later than one year and not later than five years;	32,829	32,028
- later than five years.	148,323	156,837
Total	188,865	196,480

34.3 On-Statement of Financial Position PFI Commitments (service element)

	Total 31st March 2016 £000	Total 31st March 2015 £000
Commitments in respect of the service element of the PFI:		
not later than one year	2,982	1,788
later than one year and not later than five years	12,103	12,605
later than five years	43,943	47,930
Total	59,028	62,323

The commitments disclosed include future estimated indexation applied to service charges.

34.4 Analysis of amounts payable to service concession operator

	Total 31st March 2016 £000	Total 31st March 2015 £000
Unitary payment payable to service concession operator	7,615	7,541
Consisting of:		
- interest charge	2,921	2,996
- repayment of finance lease liability	1,505	977
- service element	1,765	2,340
- contingent rent	1,424	1,228
Total	7,615	7,541

35. Events after the Reporting Period

There are no events after the reporting period to disclose which have not already been included in the accounts as adjusting events (31st March 2015 : £nil).

36. Financial Instruments

IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Due to the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and NHS England and the way those NHS organisations are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply.

The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

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

Currency Risk

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

Credit Risk

The Trust can borrow within affordable limits and Monitor will assess the affordability of material borrowing. The Trust can invest surplus funds in accordance with Monitor's guidance on Managing Operating Cash. This includes strict criteria on permitted institutions, including credit ratings from recognised agencies. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to manage the risks facing the Trust in undertaking its activities.

Liquidity Risk

The Trust's net operating income is received under legally binding contracts with local Clinical Commissioning Groups (CCGs) and NHS England, which are financed from resources voted annually by Parliament. The Trust has financed capital expenditure from internally generated resources, and net borrowing of £55,349,000 which is within its affordable limits. The Trust is not, therefore, exposed to significant liquidity risks.

Market Risk

The main potential market risk to the Trust is interest rate risk. The Trust's financial liabilities carry nil or fixed rates of interest. Cash balances are held in interest bearing accounts for which the interest rate is linked to bank base rates and changes are notified to the Trust in advance. The Trust is not, therefore, exposed to significant interest-rate risk.

36.1 Financial Assets by Category

	Total	Loans & Receivables
	£000	£000
Assets as per the Statement of Financial Position at 31st March 2016:		
Trade and other receivables excluding non financial assets	9,017	9,017
Other investments	38	38
Cash and cash equivalents at bank and in hand	27,433	27,433
Total at 31st March 2015	<u>36,488</u>	<u>36,488</u>
Assets as per the Statement of Financial Position at 31st March 2015:		
NHS trade and other receivables excluding non-financial assets	16,901	16,901
Other investments	50	50
Cash and cash equivalents at bank and in hand	20,566	20,566
Total at 31st March 2015	<u>37,517</u>	<u>37,517</u>

36. Financial Instruments (continued)**36.2 Financial Liabilities by Category**

	Total	Other
	£000	Financial Liabilities £000
Liabilities as per the Statement of Financial Position at 31st March 2016:		
Borrowings excluding finance lease and PFI liabilities	61,159	61,159
Obligations under finance leases	1,133	1,133
Obligations under Private Finance Initiative contracts	40,539	40,539
NHS trade and other payables excluding non-financial assets	19,879	19,879
Total at 31st March 2016	122,710	122,710
Liabilities as per the Statement of Financial Position at 31st March 2015:		
Borrowings excluding finance lease and PFI liabilities	55,349	55,349
Obligations under finance leases	1,193	1,193
Obligations under Private Finance Initiative contracts	42,045	42,045
NHS trade and other payables excluding non-financial assets	20,763	20,763
Total at 31st March 2015	119,350	119,350

36.3 Maturity of Financial Liabilities

	31st March	31st March
	2016	2015
	£000	£000
In one year or less	25,738	26,919
In more than one year but not more than two years	5,953	5,429
In more than two years but not more than five years	14,219	15,250
In more than five years	76,800	71,752
Total at 31st March	122,710	119,350

36.4 Fair Values of Financial Assets at 31st March 2016

	Book Value	Fair Value
	£000	£000
Non-current trade and other receivables excluding non-financial assets	0	0
Total	0	0

36.5 Fair Values of Financial Liabilities at 31st March 2016

	Book Value	Fair Value
	£000	£000
Loans	56,067	56,067
Total	56,067	56,067

37. Pensions

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

(b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend the contribution rates payable for employees and employers.

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

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

(c) Scheme provisions

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

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

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

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

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

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

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

38. Losses and Special Payments (continued)**38.1 Losses**

	Total 2015/16 Number	Total value 2015/16 £000	Total number 2014/15 Number	Total value of 2014/15 £000
Losses of cash due to:				
- theft, fraud etc	5	0	4	0
- overpayment of salaries	32	20	23	8
Fruitless payments and constructive losses	41	17	16	5
Bad debts and claims abandoned	31	15	13	27
Stores losses	2	17	2	10
Total losses	111	69	58	50

Special Payments

	Total number of cases 2015/16 Number	Total value of cases 2015/16 £000	Total number of cases 2014/15 Number	Total value of cases 2014/15 £000
Ex gratia payments in respect of:				
- loss of personal effects	52	12	57	17
- personal injury with advice	22	100	24	102
Total Special Payments	74	112	81	119
Total Losses and Special Payments	185	181	139	169

These amounts are reported on an accruals basis but exclude provisions for future losses.