NHS
The Leeds Teaching Hospitals
NHS Trust

ANNUAL ACCOUNTS

2021-2022

Financial Review 2021/22

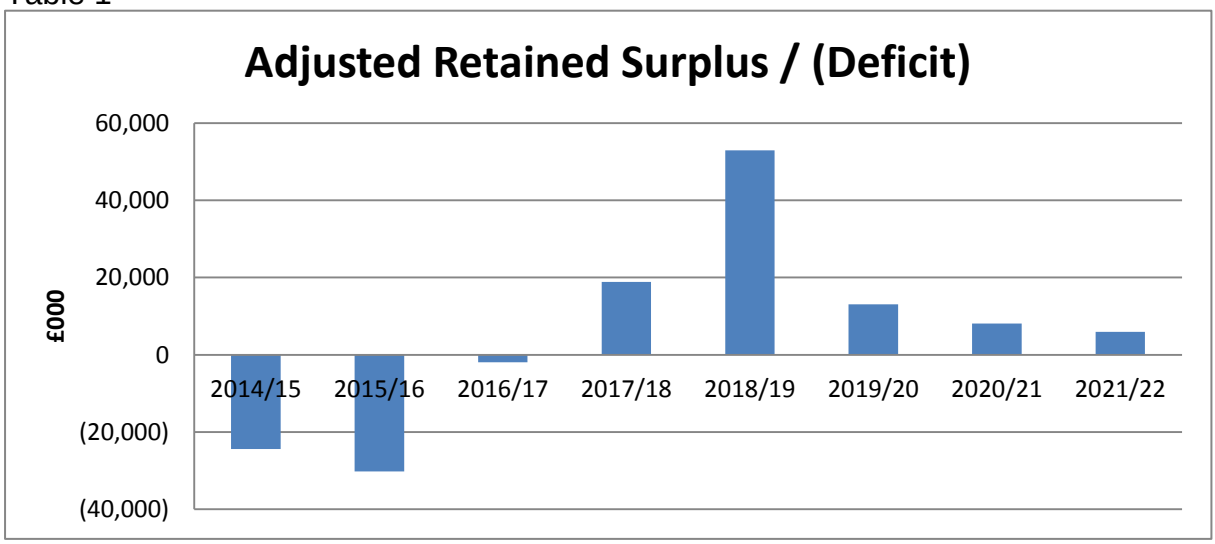
The financial year ending on 31st March 2022 has been another challenging year for the Trust due to the on-going impact of Covid-19. The year has seen changes in the NHS Financial Regime in response to the pandemic as well as the start of moves to reset and recover services. Despite this, the year has seen record results from a finance perspective. The Trust's Finance Directorate; encompassing Finance, Procurement and Planning have been integral to the Trust's response to the Covid-19 pandemic. This included ensuring that at all times the Trust had the personal protective equipment in the areas that needed it, reconfiguring wards and other hospital areas and continuing its contribution to the effective delivery of the West Yorkshire Vaccination programme, which the Trust hosted. Also, the Finance Directorate has seen 9 of its innovations approved nationally by the One NHS Finance Innovation Programme (of a national total of 34). The Innovation Programme is a mechanism to transparently collect, validate, and share NHS finance innovations.

Overall 2021-22 was another year of financial success and achievement for the Trust.

Highlights of 2021/22 from a financial point of view are:

- A revenue surplus, after technical adjustments, of £5.9m. The fifth consecutive year of surplus (see table 1 below);
- A record level of capital investment of £104.8m (see table 7);
- Delivery of a Waste Reduction Programme of £43.4m, significantly overachieving against national expectations and in comparison to 2020-21;
- Building the Leeds Way, our new hospitals programme, continued at pace with significant demolition and enabling work
- Significant cash balance of £97.1m;
- Record achievement against the Better Payments Practice Code for paying suppliers promptly of 97%, the highest level achieved (see table 6);
- Procurement maintained level 2 accreditation during the year and are a pilot site for level 3; and
- Finance maintained accreditation at Level 3 of the Future Focused Finance staff development programme. The highest level that can be awarded.

Table 1



Income and Expenditure Summary

One of the Trust's strategic goals is financial sustainability, with the aim of becoming the most efficient teaching hospital in England. Achieving a sustainable revenue surplus is a clear measure of success against this goal in addition to meeting the statutory duty to achieve breakeven.

A sustainable surplus is important because the cash generated can be invested in subsequent years as capital expenditure to maintain and improve our estate, purchase medical equipment or develop our digital infrastructure to provide modern healthcare to our patients in safe surroundings.

The Trust has delivered an adjusted financial performance surplus of £5.9m, which includes a gain on the disposal of some equipment of £0.6m, and excludes technical adjustments of £1.8m.

During the year, the financial regime introduced in 2020-21 continued. Due to the pandemic the national tariff payments system and associated processes remained suspended with fixed funding arrangements at a System level (West Yorkshire ICS) including support for Covid expenditure. In addition to the fixed funding arrangement, systems had access to additional funding through the Elective Recovery Framework (ERF) and Targeted Investment Fund (TIF). The Trust received £27.2m ERF & TIF funding for 2021/22

Table 2 illustrates the income received over the year from different sectors.

Table 2

	2016/17 Actual £000	2017/18 Actual £000	2018/19 Actual £000	2019/20 Actual £000	2020/21 Actual £000	2021/22 Actual £000
NHS England	476,132	498,293	515,025	589,857	619,924	702,831
Clinical Commissioning Groups	486,784	522,806	543,232	588,855	652,340	778,854
Non-NHS: Private Patients	5,593	5,857	4,907	5,535	3,706	3,845
Other income from patient care activities	7,039	7,266	20,448	8,739	6,234	7,375
Other operating income	197,379	204,045	252,235	221,754	314,591	233,492
Total operating income	1,172,927	1,238,267	1,335,847	1,414,740	1,596,795	1,726,397

Included in the above is income from NHS England of £18.8m and the UK Health Security Agency of £4.2m relating to the reimbursement of costs incurred by the Trust in responding to the Covid-19 pandemic including for the vaccination programme, for virus testing and for the Nightingale Surge Hub, which the Trust hosted.

Included in "Other Operating" income above is £24.1m in respect of donations from a number of charities and organisations who generously support our services by funding equipment purchases, research activity, specialist staffing or environmental enhancements. The Trust is grateful to all the charities from which it receives support.

The Leeds Hospitals Charity (formerly Leeds Cares) is the official charity partner of the Trust. It has continued to raise funds on our behalf and worked closely with our staff to raise the profile of our services.

Table 3 below gives a summarised breakdown of expenditure during 2021/22.

Table 3

	2016/17 Actual £000	2017/18 Actual £000	2018/19 Actual £000	2019/20 Actual £000	2019/21 Actual £000	2021/22 Actual £000
Employment related costs	679,552	702,958	745,032	830,372	924,569	985,758
Drug costs	173,284	178,445	188,170	200,947	237,243	266,116
Clinical supplies and services	152,001	155,889	153,668	156,404	164,594*	180,745
Premises	38,975	42,348	54,594	68,597	78,021	74,831
Other operating expenses	156,450	172,962	117,297	113,883	199,182	189,850
Total operating expenses	1,200,262	1,252,602	1,258,761	1,370,203	1,603,609	1,697,300

* includes £11m for the notional cost of donated supplies for Covid from DHSC

- The expenditure position includes £56.6m of costs incurred during the year which are directly attributable to Covid-19. Of that amount £13m was spent on the vaccination programme, £4.9m for virus testing and £4.9m for the Nightingale surge hub, which were offset by income from NHS England and the UK Health Security Agency.

- Employment costs have increased during the year. There has been an increase of 865 WTE (£40m) in the number of permanent staff employed by the Trust, including 490 nurses and healthcare support workers and 103 additional doctors. The cost of national pay awards incurred in the year was £24m.

- To achieve its surplus the Trust delivered a waste reduction programme of £43.4m, of which £31.5m came from programmes across our Clinical Services Units. These programmes were and continue to be, built on the principles of our Leeds Improvement Method. The Leeds Improvement Method seeks to identify and remove wasteful practices, procedures or delays which impede great patient experience. Financial savings being a by-product of introducing improvements in the way we communicate with and treat patients in our care. Each year, more and more of our staff are receiving training in the Leeds Improvement Method.

The two charts below give some further information on where our income comes from and how we use it to deliver our full range of services to patients.

Table 3

Where Each £1 Comes From

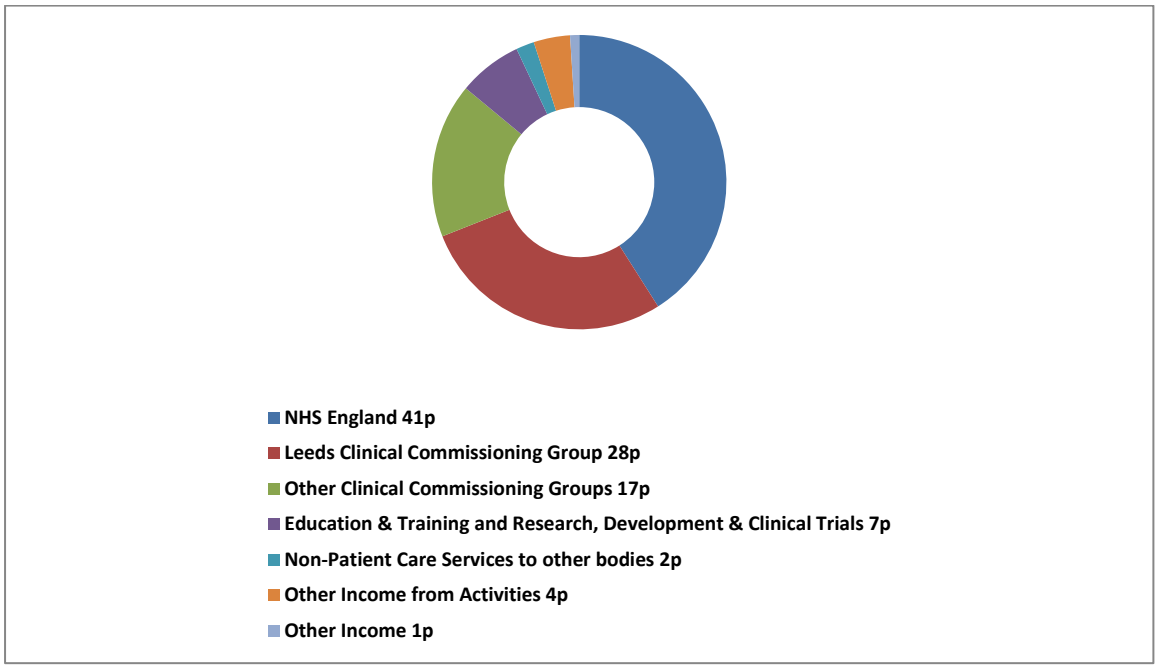
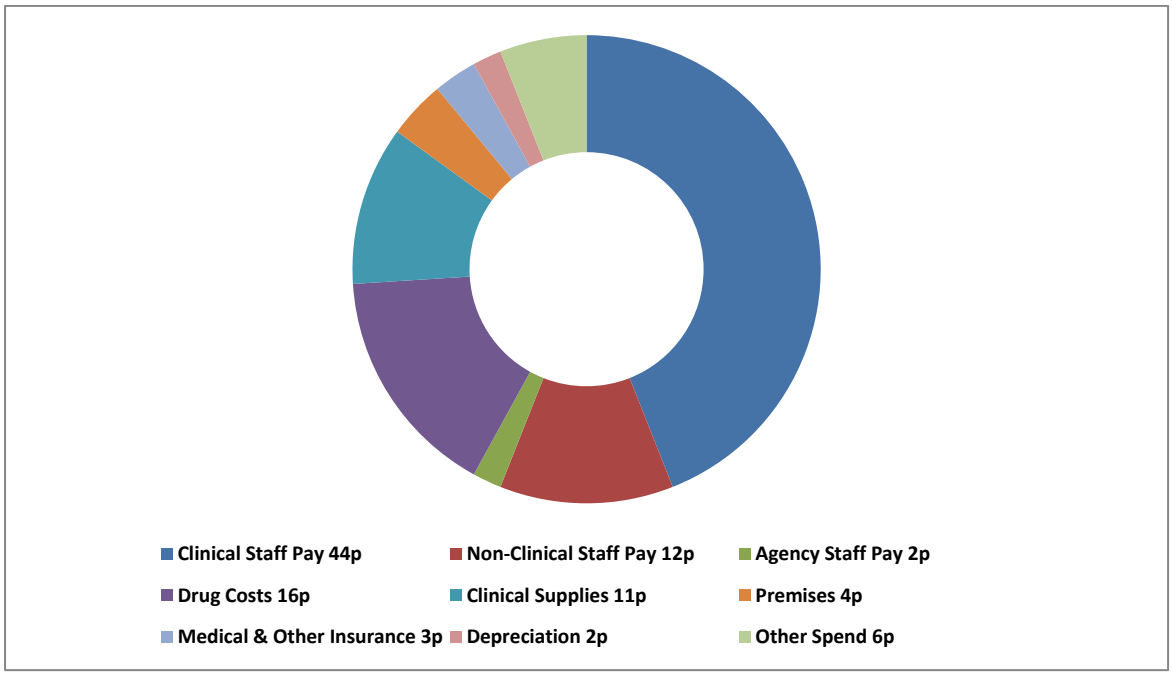


Table 4

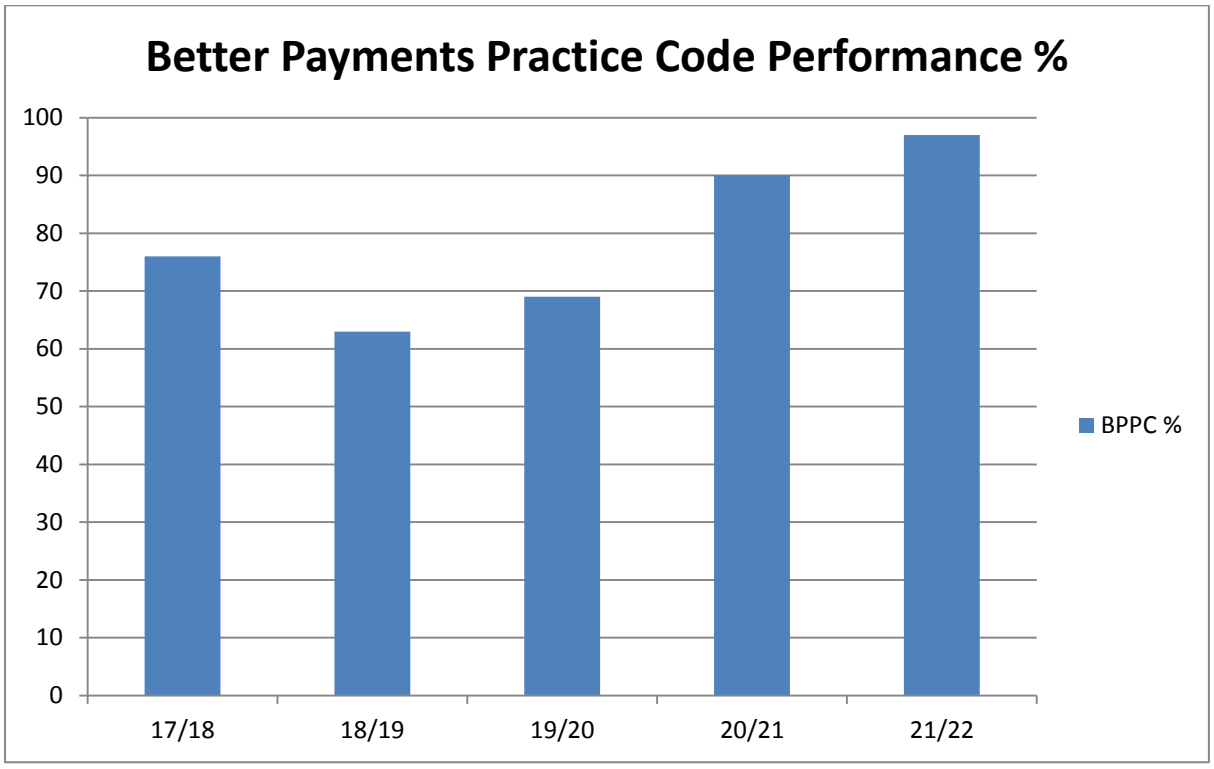
How Each £1 is Spent



Better Payments Practice Code

The change in the NHS finance regime and the move to block contract payments, alongside better invoicing and debt collection processes has helped to improve our liquidity position. One of the innovations mentioned earlier has been the move to twice weekly supplier payment runs. The result has been an improvement in our Better Payments Practice Code compliance percentage with 97% of valid supplier invoices now being paid within 30 days or their due date (if later). The table below shows the improvement over the past few years. In challenging economic times it is particularly important to support our suppliers and local businesses by ensuring prompt payments are made to them so it is particularly pleasing to see the improvement.

Table 6



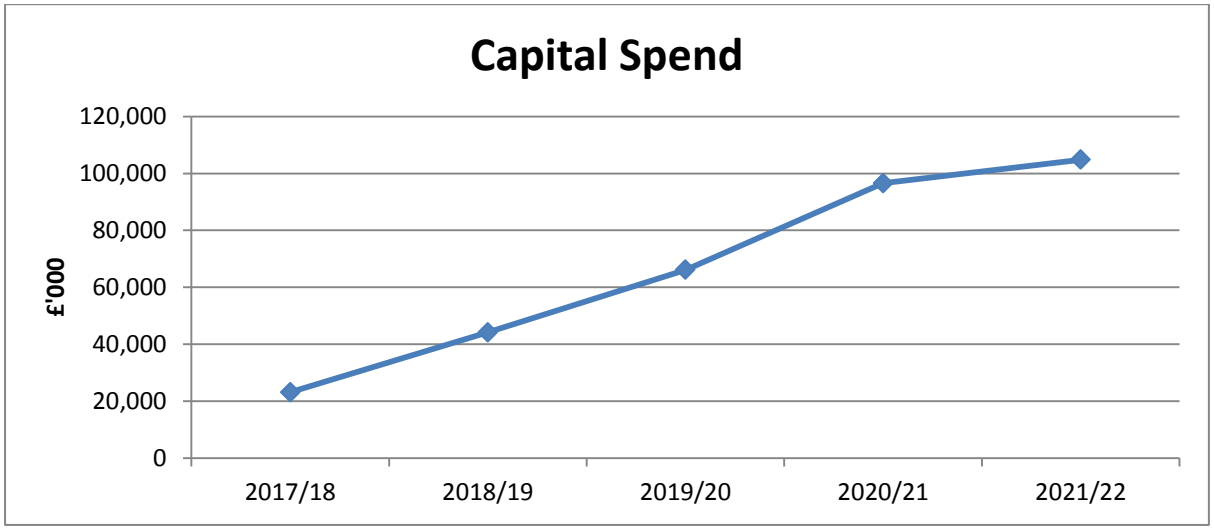
It is also pleasing to note that no late payment of commercial debt charges have been incurred during the year. If interest had been levied under the terms of the Public Contract Regulations on the small number of invoices that were not paid within terms, the maximum liability would have been £193k (20/21- £475k) - money which if incurred would no longer be available for patient care.

Capital Investment

In 2021/22, capital investment, underpinned by our surpluses in previous years, increased to £104.8m. This level of expenditure on our estate, medical equipment and IT is a record for the Trust. The table and graph below shows how, with an improving revenue position we have been able to build our level of capital expenditure in the last five years.

Table 5

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Building and Engineering	10,633	28,440	29,061	39,587	27,135
Medical and Surgical Equipment	7,286	8,963	22,978	16,434	23,607
Information Technology	5,210	6,746	14,110	20,048	40,059
Building the Leeds Way				14,092	14,002
Covid				6,396	
Total	**23,129**	**44,149**	**66,149**	**96,557**	**104,803**



Capital expenditure during the year included the following higher value schemes:

	£000
✓ Building the Leeds Way	£14,025
✓ National Pathology Imaging Co-operative	£13,755
✓ Public Sector Decarbonisation Scheme	£12,595
✓ Pathology Laboratory Information Management System	£8,061
✓ Da Vinci Robots	£3,548
✓ Frontline Digitisation - Informatics Infrastructure	£3,506
✓ End User Compute Refresh Programme	£3,039
✓ Electronic Healthcare Record	£2,557
✓ Critical Infrastructure B&E Design & Construction Programme	£1,879
✓ Theatre Camera Stacks	£1,841

Looking to the Future

It is clear that NHS finance continues to be shaped and influenced by the COVID-19 pandemic for a number of years. The national planning guidance issued in late December 2021 set the challenge for the NHS to tackle service recovery based on Covid-19 being at the lowest levels seen since the start of the pandemic. This is in

the context of a virtual “flat cash” funding position where the NHS has essentially the same funding as it did in 2021/22, with the significant investment that had been provided to manage Covid-19 being largely repurposed to elective recovery and other priorities. The financial position in 2022/23 will be impacted by the continued prevalence of Covid and higher inflation due to worldwide events such as the conflict in Ukraine. As a result of the above it is clear that there is going to be huge financial pressure in the system in 2022/23. The Trust is working to deliver its plan of a balanced financial position.

Capital investment for 2022/23 is planned at £107m. While some risk to delivery of the full programme arising from the Covid-19 uncertainty must be acknowledged, there is every reason to be confident of another high level of expenditure on our infrastructure.

A new pathology laboratory servicing the Trust and hospitals in West Yorkshire and Harrogate is progressing with building work on the project underway.

The Health and Care Act 2022 has now received royal assent. Under the Act Integrated Care Boards will replace Clinical Commissioning Groups with effect from 1st July 2022 bringing a much greater focus on health system working and collaboration across local health economies for the benefit of patients. Within West Yorkshire there has already been much work on collaboration through the WYAAT group of provider Trusts and within Leeds itself. This will continue to be a major area of focus in 2022/23 and beyond.

The outlook for finance as described above is uncertain. However, the Trust’s history of financial delivery, its history of identifying Waste Reduction, and strong partnership working put it in the best possible place to meet these challenges.

Approved Board 16 June 2022

Annual Governance Statement (2021/22)

Leeds Teaching Hospitals NHS Trust

1. Scope of responsibility

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

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Leeds Teaching Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2022 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Board of Directors provides leadership on the overall governance agenda. The Board of Directors is supported by a range of Committees that scrutinise and review assurances on internal control. Our assurance Committees; Audit, Quality Assurance, Finance & Performance, Digital & IT, Workforce, Building Development and Innovation District. The Risk Management Committee and Research & Innovation Committees are executive Committees reporting to the Board of Directors. These Committees have all provided an annual report detailing how they have discharged their duties, with attendance of the respective Committee Chair at the Audit Committee meeting on 5 May 2022, which was received at the 26 May 2022 public Board meeting.

The Board has a number of overarching principles and procedures related to governance that is defined within our risk appetite, underpinned by policies and procedures, with means of monitoring and assurance. Our approach to risk identification, assessment and control, and the management and investigation of incidents is aligned to the values and behaviours set out in the Leeds Way, and a culture of accountability and transparency.

3.1 The Risk Management Committee focuses on the most significant risk exposures and oversees risk treatment to ensure: (a) the correct strategy is adopted for identifying and managing risk; (b) appropriate controls are present and operating effectively: and (c) action plans are robust to mitigate risks to remain within tolerance. The Risk Management Committee is Chaired by myself as Chief Executive and comprises all Executive Directors. Senior

Managers, specialist advisors and the Audit Committee Chair routinely attend each meeting. The Trust has kept under review and updated risk management policies during the year. Whilst the Risk Management Committee reports directly to the Board through me, it also works closely with front line Clinical Service Units (CSUs) and all Committees of the Board in order to identify, triangulate and prioritise risk, working together to continuously enhance risk treatment. Chairs of Board Committees escalate, as appropriate, issues to the Risk Management Committee.

3.2 The Board established a Risk Appetite Task & Finish Group in September 2020, which concluded with a publication of our risk appetite framework in April 2021. This defines the key risks categories for our organisation, each underpinned by statements supported by our five point risk appetite scale. This will continue to be embedded across the Board and its Committee structures in 2022/23.
http://flipbooks.leedsth.nhs.uk/20210225001/

3.3 In line with NHS England and NHS Improvement (NHSE/I) guidance, (Reducing the burden and releasing management capacity) issued in December 2021 in preparation for operational pressures relating to the Omicron variant of the Covid pandemic, the Trust chose to maintain its governance structures with Board and Committee meetings taking place. Noting a streamlined Finance & Performance meeting at the end of January 2022.

3.4 Training and support is provided to relevant staff on risk assessment, incident reporting and incident investigation. In addition, the Board has set out the minimum requirements for staff training required to control key risks. A training need analysis informs the Trust's mandatory training requirements and has been kept under review; this sets out the training requirements for all members of staff and includes the frequency of training in each case.

3.5 Incidents, complaints and patient feedback are routinely analysed to identify for learning opportunities and improve control. Lessons for learning are disseminated to staff using a variety of methods, including Quality and Safety briefings, Learning Points Bulletin and personal feedback where required. The Trust is leading a network with WYAAT partners to share learning from serious incidents, including Never Events and it is an early adopter of the Patient Safety Incident Response Framework, which was published in 2020. The Quality Assurance Committee provides oversight on this process, with a complaints annual report to the Board of Directors each July and a six-month update in January.

3.6 I have ensured that all significant risks of which I have become aware are reported to Board of Directors and Risk Management Committee. All new significant risks are escalated to me as Chief Executive and validated by the Executive Team and Risk Management Committee. The residual risk score determines the escalation of risk.

3.7 The Board of Directors regularly scans the horizon for emergent opportunities or threats and considers the nature and timing of the response required in order to ensure risk is appropriately managed at all times. Collectively the Board reviews the Board Assurance Framework (BAF) and our risk management appetite statement each year.

4 The risk and control framework

(i) Determine priorities

The Board of Directors determines corporate objectives annually and these establish the priorities for Executive Directors and clinical services.

(ii) Risk Identification

Risk is identified in many ways. We identify risk proactively by assessing corporate objectives, work related activities, analysing adverse event trends and outcomes, and anticipating external possibilities or scenarios that may require mitigation by the Trust.

(iii) Risk Assessment

Risk Assessment involves the analysis of individual risks, including analysis of potential risk aggregation where relevant. The assessment evaluates the severity and likelihood of each risk and determines the priority based on the overall level of risk exposure.

(iv) Risk Response (Risk Treatment)

For each risk, controls are ascertained (or where necessary developed), understood and documented. Controls are implemented to *avoid risk; seek risk* (take opportunity); *modify risk; transfer risk* or *accept risk*. Gaps in control are subject to mitigating actions that are implemented to reduce residual risk. The Board of Directors has considered its appetite for taking risk and reviewed its risk appetite to guide the management of risk throughout the Trust.

(v) Risk Reporting

Significant risks are reported at each formal meeting of the Board of Directors and Risk Management Committee. In addition, in the event of a significant risk arising, arrangements are in place to escalate a risk to the Chief Executive and Executive Team. The level at which risk must be escalated is clearly set out in the Risk Management Policy, which is reviewed every two years and was last updated and approved in March 2022. The risk reporting to the Board of Directors also details what actions are being taken, and by whom, to mitigate the risk and monitor delivery. The Audit Committee and Board of Directors have reviewed assurance on the effective operation of controls to manage potential significant risk as set out in the Corporate Risk Register and supporting report to each Board meeting and regular reviews of the Board Assurance Framework.

(vi) Risk Review

a. Those responsible for managing risk regularly review the output from the risk register to ensure it remains valid, reflects changes and supports decision making. In addition, risk profiles for all CSUs remain subject to detailed scrutiny as part of a rolling programme by the Risk Management Committee. The purpose of the Trust's risk review is to track how the risk profile is changing over time; evaluate the progress of actions to treat material risk; ensure controls are aligned to the risk; risk is managed in accordance with the Board's appetite; resources are reprioritised where necessary; and risk is escalated appropriately.

b. Incident reporting and investigation is openly encouraged as a key component of risk and safety management to help us learn and take action in response to patient safety incidents. An electronic incident reporting system is operational throughout the organisation and is accessible to all staff. Incident reporting is promoted through induction and training, regular communications, leadership walk rounds or other visits and inspections that take place (face to face leadership visits were suspended due to Government rules related to social distancing to reduce the risk of transmission). A programme to support staff who have been involved in an incident is in place, Leeds Incident Support Team (LIST) and a process for sharing lessons across the organisation is established, overseen by the lessons learned group. In addition, arrangements are in place for staff to raise any concerns at work confidentially and anonymously if necessary.

4.2 As at 31 March 2022, Leeds Teaching Hospitals NHS has identified a range of significant risks, which are currently being mitigated, whose impact could have a direct bearing on requirements within the NHS Single Oversight Framework, CQC registration or the achievement of Trust policies, aims and objectives should the mitigation plans be ineffective. Currently, the significant risks documented on the Corporate Risk Register at 31 March 2022 and described broadly relate to the following areas:

Workforce Risk

- **Workforce Supply:** nurse staffing levels and medical staffing including doctors in training
- **Workforce Deployment:** Leeds vaccination programme

Operational Risk

- **Business Continuity:** viral pandemic and power failure/lack of IPS/UPS resilience due to the electrical infrastructure and
- **Health & Safety:** harm due to clinically related behaviours that challenge linked to organic, mental health or other reasons and staff health, safety and wellbeing during the COVID-19 pandemic.
- **Change:** delivery of the refurbishment of the Generating Station Complex at LGI, risks associated with Building the Leeds Way – hospital of the future project, pathology project and the LGI Site Development Project.

Clinical Risk

- **Infection Prevention & Control:** healthcare acquired infection.
- **Patient Safety & Outcomes:** re-commencing normal activity levels due to reduced capacity (COVID-19), patient harm related to falls and hospital acquired pressure ulcers (COVID-19), Information, achieving the Emergency Care Standard, 18-week RTT target, 62-day cancer target, 28-day cancelled operation target, patients waiting 52-week+ in spinal and colorectal services and patients waiting longer than 6 weeks following referral for diagnostics tests.
- **Capacity Planning:** patient flow and capacity for emergency admissions, levels of medical outliers and Airedale Hospital Infrastructure: potential risk re transferring patients to LTHT.

Financial Risk

- **Financial Management & Waste Reduction:** delivery of financial targets in 2022/23 and impact on capital resources.

4.3 Detailed risk registers are proactively used throughout the organisation. These set out arrangements for risk treatment, risk appetite thresholds and further mitigating actions planned. We have established arrangements to allow a review of significant risk exposures by the full Board at each formal meeting; the process for this is examined by the Audit Committee to underpin this Statement.

4.4 Equality impact assessments are integrated into core Trust business. All reports to Trust Board follow a standard reporting template, which includes an ‘Equality Analysis’ section where authors of the report are required to set out any negative equality-related impacts along with mitigation, and all Trust policies require an equality impact assessment to be completed before Executive Team approval. In organisational change projects, Senior HR Officers support Line

Managers in undertaking their duty to prepare equality impact assessments on the proposed change and to then take this into consideration in implementing that change.

4.5 The Trust has a Resource Management Group (RMG) with membership made up of the Trust's Professional Workforce Leads. This group leads and reports on activities with a focus on strategic workforce planning, alignment of workforce planning with finance and performance; initiating and overseeing projects that support workforce planning for the short, medium and longer term such as initiatives to address recruitment and retentions hotspots.

RMG reports into the Board Assurance Committee for Workforce, meeting bi-monthly reporting to Board. This Committee seeks assurance on the seven people priorities set out in our strategy; support and report on activities related to resource management with a focus to develop workforce resource plans; align the developed workforce resource plans with finance and performance and seek assurance on projects that are in place to address specific workforce hotspots and issues.

The Trust has embedded a corporate workforce planning framework ensuring recruitment processes eliminate waste; reduce high-cost agency, promote new roles to support skill mix reviews; effectively deploying staff and focusing on retention, learning and sharing best practice. We are now maturing our workforce planning process and have put in place bespoke sessions with our CSUs to better understand their challenges. Our HR business partners will then work with them to coproduce effective workforce solutions supporting their short, medium and longer term workforce planning.

In addition, our Resourcing Transformation Lead is reviewing the LTHT recruitment process to ensure a stronger focus on equality and diversity from advertisement to appointment. Stakeholders from across the organization are involved in this work.

5 Care Quality Commission (CQC) Registration

The Trust is fully compliant with the registration requirements of the Care Quality Commission.

5.1 Compliance with the provisions of the Health & Social Care Act 2008 (Registration Regulations) 2010 is co-ordinated by the Director of Quality. The Director of Quality oversees compliance by:

- Reporting and keeping under review, matters highlighted within the Care Quality Commission's Acute Insights Report and inspections;
- Self-assessment against the Key Lines of Enquiry defined within the criteria of the Well-led review, and preparing the Trust for an external review;
- Liaising with the Care Quality Commission and Clinical Service Units to address specific concerns;
- Engaging with the Care Quality Commission on the inspection process, co-ordinating the Trust's response to inspections and recommendations/actions arising from this;
- Analysing trends from incident reporting, complaints, and patient and staff surveys to detect potential non-compliance or concerns in Clinical Service Units;
- Reviewing assurances on the effective operation of controls;
- Receiving details of assurances provided by Internal Audit, and being notified of any Clinical Audit conclusions which provide only limited assurance on the operation of controls; and
- Challenging assurances or gaps in assurance by attending meetings of Risk Management Committee, Quality Assurance Committee, and Audit Committee.

5.2 The Trust is registered with the Care Quality Commission, has no compliance actions in force and is fully compliant with the *Fundamental Standards*. Their last inspection was undertaken by the Care Quality Commission in August and September 2018, focusing on 4 core services (critical care, medicine, urgent care and surgery), use of resources and well-led. Leeds Dental Institute was also inspected. The Trust received an overall Good rating when the final report was published in February 2019, and was rated outstanding for critical care, use of resources and Leeds Dental Institute. The Trust developed an action plan to address the recommendations in the report; this was followed up through the engagement process with the local Care Quality Commission inspectors and Quality Assurance Committee to provide assurance that the Trust was fully compliant with the regulations set out in the report. Work continues to progress to move from a Good to an Outstanding rating.

5.3 The Care Quality Commission carried out the Use of Resources Inspection assessment during August 2018 and rated the Trust as Outstanding.

5.5 During September 2018 the Care Quality Commission carried out a Well-led review with a rating of Good.

5.6 The Trust Chair holds and maintains the 'Fit and Proper Persons Test Register' for the Board. Annually checks are carried out to ensure all those listed are fit and proper against the requirements defined by the Care Quality Commission.

5.7 The Trust is fully compliant with the registration requirements of the Care Quality Commission. In light of COVID-19 we have worked with the new national guidelines regarding staffing levels and have received assurance at Board against our own nursing establishments, which were fully reviewed at the start of April for LTHT.

5.8 The Trust registered the NHS Nightingale Yorkshire & the Humber (NNYH) with the Care Quality Commission, the Statement of Purpose was amended when this facility was decommissioned. The Trust advised the Care Quality Commission on the developments related to the Nightingale surge hub that was established to support the surge related to the Omicron variant; the Care Quality Commission were advised when this service was decommissioned.

5.9 The vaccination centres were registered as a satellite with the Care Quality Commission and the Statement of Purpose updated.

6. Register of Interests, Including Gifts and Hospitality

The Trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance) within the past twelve months, as required by the '*Managing Conflicts of Interest in the NHS*' guidance.

6.1 The Trust publishes on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the Trust with reference to the guidance) within the past twelve months, as required by the '*Managing Conflicts of Interest in the NHS*' guidance. The register for the Board can be found at https://leedsth.mydeclarations.co.uk/reports/GroupReport and the full staff report at https://www.leedsth.nhs.uk/about-us/freedom-of-information/publication-scheme/lists-and-registers/declarations/

All gifts donated to the Trust in relation to COVID-19 were recorded, received and distributed through Leeds Hospitals Charity.

7. Pensions

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

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

8. Sustainability

The trust has undertaken risk assessments and has plans in place which take account of the 'Delivering a Net Zero Health Service' report under the Greener NHS programme. The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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

9.1 As Accounting Officer, I am responsible for ensuring that the Trust has arrangements in place for securing value for money in the use of its resources. To do this I have maintained systems to:

- Set, review and implement strategic and operational objectives;
- Engage actively with patients, staff, members and other stakeholders to ensure key messages about services are received and acted upon;
- Monitor and improve organisational performance; and
- Establish plans to deliver waste reduction programmes.

9.2 The five year integrated plan is refreshed each year and used to develop the annual operational plan for the Trust. The Trust actively engages Commissioners, regulators (NHS Improvement), system functions (West Yorkshire Integrated Care System (WYICS) and West Yorkshire Acute Association of Trusts (WYAAT)), staff and others as necessary to develop and agree detailed financial and operational plans. Planning takes account of system initiatives and their impact to ensure that planning within the broader ICS is aligned. These detailed operational plans and budgets are approved by the Board.

9.3 The Trust approved its annual plan in December 2021 and submitted its Operational Plan for 2021/22 in April 2022 to NHS England and Improvement.

9.4 Updates to the plans include revisions to our operational, financial, workforce and strategic plans. These submissions contain a variety of technical documents prepared by members within the Trust and an overall narrative which describes these submissions and their associated risks. This informs the detailed operational plans and budgets which are also approved by the Board.

9.5 In line with normal practice the Trust agreed its Annual Plan for 2022/23 in December 2021. NHS England and Improvement published draft planning guidance for systems in January 2022 and the Trust has reviewed these in relation to our agreed annual plan.

9.6 The Trust is a key member of WYAAT which in the year has continued to make good progress with the Committee in Common (CiC) meeting four times per year for the governance and accountability of work streams to support transformation across West Yorkshire, reporting and accountable to each sovereign Board. The CiC has membership from each provider organisation with both Executive and Non-Executive membership from each, usually by the Chief Executive and Chair.

9.7 The Board agrees annually a set of corporate objectives which are communicated to colleagues and the public via my Chief Executives report each March. This provides the basis for performance reviews at CSU level. Operational performance is kept under constant review by the Executive Team, Finance & Performance Committee and the Board of Directors. In order to keep under review the delivery of the corporate objectives, the Board reviews at each formal meeting an Integrated Quality & Performance Report covering patient safety, quality, access and experience metrics, and a Finance Performance Report.

9.8 The Trust continues to operate its Financial Management Framework to ensure that the Trust is meeting its strategic target of financial sustainability. Each quarter a fundamental review takes place of the financial position, and this is reviewed by the Board and relevant action plans developed. Each month reports are prepared for the Finance & Performance Committee on the financial position, alongside monthly finance reports issued to CSUs that show performance against budget. These reports contain both financial and non-financial information.

9.9 The Trust has a PMO team in place to support CSUs in achieving their Waste Reduction Programme targets, and through the Leeds Improvement Method increase performance and overarching quality. This is supported by other initiatives within the Trust such as GIRFT and benchmarking against the model hospital.

9.10 Assurances on the operation of controls are commissioned and reviewed by the Audit Committee and, where appropriate, other Committees of the Board of Directors as part of their annual cycle of business.

9.11 The Trust has a co-sourced internal audit function using internal and PwC resources. The External Auditors, Mazars, were re-appointed in January 2021 for a period of three years. The implementation of recommendations made by Internal and External Audit is overseen by the Audit Committee.

10. Information governance

Information Governance incidents within the Trust are managed through rigorous and standardised processes with an appointed Caldicott Guardian and Deputy, a qualified Senior Information Risk Owner and the Data Protection Officer for the Trust. During 2021, there were ten SIRI's or near-miss incidents that required reporting, of which four were reported to the ICO. The Trust Information Governance Team has investigated all of the cases and has worked with all concerned parties to ensure that the appropriate governance and information security procedures have been implemented. The IG Team has also provided advice and guidance on the way in which staff should handle information, in particular the personal, sensitive and corporate data processed by the Trust. This ensures that information is dealt with legally, securely, efficiently and effectively, in order to deliver the best possible care.

11. Data quality and governance

The Data Security Protection Toolkit (DSPT) is an annual self-assessment produced by NHS Digital, the DSPT provides Acute Trusts with 42 assertions to self-assess. These assertions will determine whether an organisation is compliant with national guidance and legislation.

The DSPT contains 42 assertions segregated into 10 specialist areas based on the National Data Guardian Standards. Of these 42 assertions, 37 assertions are mandatory. A total of 149 pieces of evidence are required for the Toolkit. The Trust's Senior Information Risk Owner (SIRO) has requested that all non-mandatory assertions are completed as good practice. The Trust's Internal Audit (PwC) conducted a high-level review of a sample of Data Security Standards and the evidence uploaded was deemed as meeting the requirements of the DSPT.

The Trust was able to successfully submit its DSPTv3 Submission for 2020/21 on 24th June 2021 with all mandatory evidence items being successfully completed.

Of the 39 non-mandatory evidence items the Trusts was able to complete 33 items, achieving a 84% compliance, this is up 1% on last year's compliance.

The IG Team are currently on target to meet the 2021/22 DSPTv4 submission.

12. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the Executive Directors, my direct reports, Clinical Directors of the CSUs, and Committee Chairs within the NHS Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, our assurance and management Committees reporting to Board and a plan to address weaknesses and ensure continuous improvement of the system is in place.

12.1. The Board of Directors

The Board has set out the governance arrangements including the Committee structure within the Standing Orders. These assurance Committees, Chaired by Non-Executive directors and reporting to Board are: Audit, Finance & Performance Quality Assurance, Digital & IT, Workforce, Building Development, Innovation District and Remuneration. In addition, the Board receives reports from two management Committees; Risk Management and Research & Innovation both Chaired by Executive Directors.

Chairs of the Board's Committees report to the Board at the first available Board meeting after each Committee meeting and urgent matters are escalated by the Committee Chair to the Board as deemed appropriate.

The Board commissioned an independent review into Board governance and Committee effectiveness during 2018/19 in preparation for our Well-led Review by the CQC. The review found no material concerns. Over the Summer months we commissioned an external review of Well-led by AQUA reporting to the public Board in January 2022 with a very positive outcome however we are working to implement recommendations to continue to strengthen our governance.

In October 2019 the Trust Chair was awarded by the Institute of Directors of the Year Award for Best Practice, Governance and Board Leadership, the first time this had been awarded to the public sector, an external validation to the practices of the Board at Leeds Teaching Hospitals

NHS Trust. In November 2021, I was awarded Public Sector Director of the Year for 2021 by the Institute of Directors.

12.2 Internal Audit

There were 25 reviews agreed in the Internal Annual Plan for 2021/22, with 23 completed and two have been deferred to 2022/23 (Waiting Lists Management and Staff Wellbeing). Of the 23 completed audits, one was rated high risk, Patient Property and with the Cyber Security audit findings currently in draft format but has highlighted some weaknesses known to management that are likely to result in high/critical risk findings. Therefore, these should be highlighted as an area of significant internal control weakness. Seven were completed in 2021/22 for Building the Leeds Way, with none of these were rated high risk.

Head of Internal Audit opinion states; 'We are satisfied that sufficient internal audit work has been undertaken to allow and opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control'.

12.3 External Audit

External audit provides independent scrutiny on the accounts, annual report, and usually the Annual Governance Statement reporting by exception if the Trust fails to comply with the guidance and as defined by NHSE/I. There was no requirement for assurance on the Annual Quality Report.

12.4 Clinical Audit

Quality Assurance Committee, at the meeting on 8 April 2021, received and were assured by the Clinical Audit Annual Report for 2021/22. This summarised clinical audit activity across the Trust, adhering to the national requirement reflected in the Trust Clinical Audit Procedure, which reflects national best practice. The report also set out the Trust's priorities for 2021/22.

12.5 Health & Safety

The Health & Safety (H&S) team have maintained all of their core activities throughout the coronavirus pandemic over the last twelve months, including the annual Health & Safety Audit and continued to work collaboratively with Infection Prevention and Control, Human Resources (HR), Estates & Facilities and Occupational Health to respond to evolving guidance to keep essential services in place without compromising staff safety or health.

The Health and Safety Team have worked collaboratively as part of the Trust 'Social Distancing Group'. One of the key outputs of this group was the document which supports the Infection Prevention and Control Board Assurance Framework document (IPC BAF) and is known as the 'Working Safely with COVID-19 Assessment'. This document was developed for use in those non-clinical areas of the Trust where IPC controls were also essential.

We continue to be one of a few Healthcare Trusts to receive a Royal Society for the Prevention of Accident (ROSPA) Safety Gold Medal Award for its H&S Management System and this has been upheld for the past six years.

Processes continue to be in place to address all national safety alerts distributed for our attention via the Central Alerting System (CAS).

Health & Safety continue to report modifiable incidents to the HSE and in relation to COVID-19 and RIDDOR reporting there have been no cases to date of occupational disease or death being

submitted by Leeds Teaching Hospitals NHS Trust to the HSE, which is consistent with partner organisations following communication through regional network health and safety leads. For an incident to be reportable there must be clear and reasonable evidence to confirm the link between the exposure and the work- related activity.

As Chief Executive I have received reports from the Trust Fire Safety Manager, at the Risk Management Committee, that set out our compliance against the Trust's statutory responsibilities under the Regulatory Reform (Fire Safety) Order. Assurance reports are reported quarterly to the Risk Management Committee. During the year the Committee received a number of assurance reports that have included a strategic fire safety management plan, three-year fire safety plan and various assurance documents. The Trust continues to receive updates and learning reflecting national fire safety issues that are relevant to healthcare and there is a programme of implementation of any changes.

As the COVID-19 situation has evolved, fire safety has played a key part in planning for the Trust response, especially with regard to the changes to oxygen systems that have been installed or updated, changes to clinical environments to create surge plans and adapting training to meet social distancing requirements. The LTHT Fire Team has also provided the expert reference for fire safety at NHS Nightingale Yorkshire and the Humber (during decommissioning in 2021), the Elland Road Vaccination HUB and the NHS Surge Centre). This involved putting a fire safety strategy into a conference centre / entertainment pavilion, with the former being turned into a 500 bed ICU. As part of this process there was a significant work stream that involved the Team demonstrating statutory compliance was met as far as reasonably practicable and providing assurance to demonstrate this to NHSE/I.

12.6 Promoting Safety

Throughout 2021/22 we have reviewed and evaluated our nurse staffing establishments in response to the COVID-19 Pandemic and the opening of additional surge capacity to support the increased demand on our services. We continued to be compliant with NHS England guidance and national safer staffing policy requirements. The Board have been fully assured in relation to safer staffing requirements, workforce response to the different peaks in the pandemic and assessment of quality indicators against any wards that have reported below their planned staffing levels through the Nursing and Midwifery Quality and Safety Staffing Board report.

The implementation of a Trust wide acuity and dependency tool 'SafeCare' continued throughout the year with full implementation achieved on the 28 February 2022. This allowed the Nurse Staffing Status Report (NSSR) to be discontinued. The NSSR was a temporary solution to provide a risk assessment of available workforce on a shift-by -basis. The SafeCare system provides an overview of the available workforce against the acuity and dependency needs of patients.

Wards rate the safety of each shift based on the acuity and dependency needs of the patients against the available workforce. This provides an evidence based approach to risk assessing safer staffing requirements across the Trust. If any ward has unmitigated safety concerns this is escalated to the Director of Nursing Operations and through the daily staffing meeting. An exception report is also provided to the weekly quality meeting chaired by the Chief Nurse and Chief Medical Officer.

A key focus for 2021/22 was the closing of the registered nurse workforce gap through the recruitment of ethically sourced international nurses. The Trust has worked with Health Education England (HEE) Global Learning Practitioner scheme and two international recruitment

agencies to successfully recruit nurses from the World Health Organisation approved list of countries. To date the Trust has over 500 ethically sourced international nurses in post which has significantly reduced the registered nurse vacancy gap to 6.49% in February 2022. Nationally the recruitment of Clinical Support Workers (CSW) has been a challenge; the Trust has also worked NHS England/Improvement to support large scale recruitment events and national campaigns to attract people into CSW roles that are new to care.

In addition to the focus on recruitment and safer staffing the Trust has also introduced a Nursing Quality Review programme to provide additional assurance in relation to patient safety.

The Nursing and Quality Annual Review Programme has been developed to provide assurance about;

- The quality and safety of care provided to our patients
- The quality of the patient experience
- Clinical Service Unit (CSU) processes for managing quality and safety
- Nurse establishment setting based on safer staffing principles and national policy requirements
- Ensuring each CSU has the required workforce, with the right skills, at the right time to meet acuity and dependency needs of our patients
- Patient outcomes in relation to the available nursing workforce
- CSU governance processes
- CSU recovery plans to address areas of improvement/focus

12.7 Freedom to Speak Up

As Chief Executive I am working with the 'Freedom to Speak-Up Guardians' to embed and promote a culture of openness for staff to express concerns about patient care and safety. The Board received the annual report received at each at the May Board meeting with a six month update in year in November. Assurance on our processes, were reviewed by the March 2022 Audit Committee meeting. Throughout our Trust wide communications to support staff during COVID-19 we have actively encouraged staff to raise concerns via the Freedom to Speak-up Guardians

12.8 Guardians of Safe Working

The Chief Medical Officer works with the Guardian of Safe Working (GoSW) to monitor junior doctors' working hours in line with national terms and conditions. The Board of Directors is sighted on this work through reports through the Learning, Education & Training (LET) Committee, a mandatory annual report is received at the Board each May and information included as a statutory requirement within the Quality Account. Where there are increased reports in specific departments, the GoSW escalates this to the Associate Medical Director for Medical Education (AMD ME) who works with the Chief Registrar and one of our Clinical Leadership Fellows to get a detailed trainee narrative around events, then work with the department to explore how we make improvements. Reporting is in most cases related to high workloads as regional units have diverted acute work into LTHT or around care of specific groups of patients where senior cover of trainees continues to be a challenge. The AMD ME has been in discussion with the Deanery and there are plans to provide additional trainees to help generate an additional rota which will improve cover.

12.9 Staff Safety

The Trust has put in numerous measures to ensure staff safety during the COVID-19 Pandemic. These include but are not limited to:

- facilitating staff working from home/hybrid working as appropriate and in line with policies and procedures
- where staff have to attend work ensuring social distancing and workplace assessments are in place and regularly reviewed
- ensuring appropriate PPE/training is in place
- ensuring appropriate arrangements are in place for vulnerable staff for example pregnant workers, those with underlying health conditions and that appropriate Risk Assessments have been completed and reviewed
- undertaking positive action for BAME staff to ensure managers have a supporting conversation with BAME colleagues recognising anxiety due to disproportionate impact
- supporting staff testing to reduce the risk of workplace transmission
- offering a range of health & wellbeing support including access to Clinical Psychologists, Shielders coffee mornings, support for those with long covid and access to treatment options.
- development of Health and Wellbeing strategy as the organisation moves towards the reset phase of the pandemic
- reminder forwarded to all staff regarding their ability to raise concerns through the freedom to speak up and other avenues.

Throughout the pandemic we have been working closely with recognised professional bodies and Trade Unions and have ensured mechanisms are in place for health & safety representatives to raise any concerns.

A process is in place to encourage all frontline staff to conduct twice weekly Lateral flow testing for COVID-19. A comprehensive process has been developed for the prevention and management of staff and patient COVID-19 contact events in clinical and non-clinical settings. Investigations in workplace exposure determine if healthcare acquisition is suspected and Occupational Health will contact the staff member to explore this further. If workplace exposure is found and RIDDOR reporting necessary, these details are to be forwarded to Head of Health & Safety to work with CSU's to report to the HSE. All Health & Safety decisions are guided by National Guidance.

13 Significant In-Year Matters

13.1 The Board and its Committee structures receive reports on the performance of the organisation against its duties set out in the provider licence. Reporting information is supplied to provide insight to the actual performance position against constitutional standards, full year to date position displayed by Statistical Process Charts (SPC) charts, and where appropriate agreed trajectories, to enable actual comparisons to be made year on year.

13.2 The delivery of constitutional targets has been significantly impacted during the year, as the response to the COVID-19 pandemic has restricted capacity within our services. These restrictions have been due to the reallocation of staff or space for delivery of care to COVID-19 patients, social distancing reducing patient capacity in some areas and staff absences due to illness or the need to isolate.

13.3 The Board of Leeds Teaching Hospitals were asked to develop one of a number of Nightingale Surge Hubs as part of the response to the Omicron wave during the winter of 2021-22. A temporary structure was built on one of the car park sites at St James's Hospital with potential emergency bed capacity of c80 patients. The hub was constructed during January 2022 but decommissioned in March once it was apparent that the capacity would not be required.

13.4 The Chief Medical Officer reporting to the Board has been the Senior Responsible Officer for the West Yorkshire Vaccination Programme. LTHT delivered the programme from the Thackray Medical Museum and vaccination hub at the Elland Road Pavilion and then a temporary structure at Elland Road from July 2022. This site closed for vaccination on 25th March 2022 and was decommissioned by mid-April 2022 as the vaccination programme moved from large mass vaccination sites to a pop-up model.

13.5 Governance, assurance and risk management of both NNYH and vaccination centres have been reported through the Board and our Committee structures at LTHT during the year.

13.6 At Leeds Teaching Hospitals NHS Trust I believe with my Executive colleagues and the Board we have robust governance structures and systems in place. Under my tenure we have worked hard at establishing an open, honest, fair, accountable way of working with mutual respect that are the heart of the core values that underpin how our organisation works, as defined by our staff and set out in the Leeds Way Values. As a result we drive transparency in an open and honest way of reporting incidents, risk management and mitigation.

13.7 A Level 4 National Incident was again declared by NHS England / Improvement on 19 December 2021 in response to the Omicron wave of the COVID-19 pandemic. National guidance outlined the required interventions that the NHS must enact as follows:

- Ensure the successful ramp-up of the COVID-19 vaccination programme
- Maximise availability of COVID-19 treatments for patients at highest risk of severed disease and hospitalisation.
- Maximise capacity across acute and community settings, enabling the maximum number of people to be discharged safely and quickly and supporting people in their own homes
- Support patient safety in urgent care pathways across all services, and manage elective care
- Support staff, and maximise their availability
- Ensure surge plans and processes are ready to be implemented if needed

13.8 In response to this national guidance, the Trust:

- Continued to support the vaccination programme and promoted the booster campaign among staff and via social media
- The Trust developed the COVID Medicines Delivery Unit, delivering the most advanced treatments against COVID19 initially for all of the West Yorkshire population
- Worked with community partners to explore opportunities to discharge patients who no-longer required secondary care
- Continued to delivery urgent care in-line with guidance on managing COVID-19 risks while at the same time seeking to maximise the delivery of elective outpatient and inpatient treatments.
- Developed the Nightingale Surge Hub at St James's Hospital to ensure that we were able to deliver emergency surge capacity if it were required.

13.9 The Omicron wave significantly impacted on the Trust's ability to deliver against constitutional standards as planned increases in activity were impacted by patient cancellations due to illness and isolation, staff absences and the redesignation of inpatient capacity to care for growing numbers of patients admitted with COVID-19.

13.10 The Trust did not meet the national requirements to treat a minimum of 92% of patients within 18-weeks of referral for those patients on the incomplete standard pathway. By the end of

the year 2021/2022 delivery was at 66.8%. Referral rates into our specialties had recovered after the significant reduction at the start of the pandemic in 2019. The numbers of patients referred to our services has continued to increase from August 2019 to present. We were unable to reinstate outpatient and surgical capacity at the same rate because of our COVID-19 response and the impact of sickness on our patients and staff.

13.11 The most urgent elective procedures were determined in line with guidance developed by the Federation of Specialty Surgical Associations which categorised procedures as requiring treatment within specified time bands. Across the country those deemed to be less clinically urgent experienced growing waits for care. This has resulted in some patients waiting more than two years for treatment. The number of patients experiencing such long waits peaked in January 2022 but increasing activity from January has resulted in the numbers of patients waiting over 104 weeks, 78 weeks and 52 weeks for care falling.

13.12 The Emergency Care Standard national target of 95% of patients to be seen treated, admitted or discharged within four hours of presenting in our Emergency Departments (EDs) was not achieved. The Trust delivered an aggregate position of 71.7% in 2021/22

13.13 Attendance levels to the EDs was 33.3% higher compared to 2020/21 and 5.8% higher compared to 2019/20 (pre-COVID-19), the majority of this growth has occurred at the LGI from patients self-presenting to the ED. This is coupled with high bed occupancy due to the impact of COVID-19 and the wider impact on people living through the pandemic. This has resulted in an increase in the time it takes to place patients from the EDs to a ward for their care needs. To support mitigation of this we have increased the number of patients accessing Same Day Emergency Care (SDEC) with a "care at home" approach whenever clinically safe to do so.

13.14 Despite increase in attendances throughout 2021/2022 the Trust ambulance handover has remained one of the best in the country with the LGI placed 1st out of all hospital sites for the average time to handover patients arriving by ambulance and SJUH placing 14th out of all hospital sites nationally.

13.15 The Trust did not meet the national requirement for all last-minute cancelled operations to be rebooked within 28 days. There has been an improvement across all four quarters of 2021/2022 in comparison to 2020/2021 for this standard. This improvement is as a result of reduced levels of activity being undertaken across the year in response to COVID-19, which has resulted in fewer last minute cancelled operations and fewer breaches of the 28-day standard.

13.16 The Trust did not achieve the national requirements to undertake 99% of diagnostic tests within six weeks throughout the year, with an aggregate level overall performance of 74% for the year although the position had recovered from the deteriorating position in 2020/21. While increased activity had been seen across a number of the modalities within the month of March 2022, delivering the highest number of diagnostic testing of any month in 2021/22.

13.17 The Trust did not achieve the national requirements to see a minimum of 93% of patients within 14 days for urgent GP referrals for suspected cancer delivering an aggregate position of 67.8%. Activity levels for two-week wait were impacted by social distancing measures, robust IPC cleaning regimes which has impacted outpatient activity and radiology capacity and ongoing increased downtime required following Aerosol Generating Procedures (which has significantly affected performance in Endoscopy). As a result of these measures capacity remained significantly reduced, whilst the trend in referrals continued to show a month-on-month increase. Referral rates reduced slightly during the national lockdown but, this was rapidly reversed with demand remaining high and March 2022 seeing continued high levels of two-week wait referrals.

13.18 The Trust did not meet at aggregate level the 31-day first treatment, achieving 89.8% against a target of 96%. For subsequent surgery the Trust delivered 73.9% against a target of 94%. This is as a result of the reduction in surgical activity to manage in the ongoing COVID-19 response and the subsequent delays to the pathways, along with a significant impact on radiotherapy capacity.

13.19 The Trust delivered against both 31-day subsequent drugs, achieving 99.4% against the 98% standard and 31-day radiotherapy treatments achieving 82.4%, a drop from 2020/21 of 98.3% against a standard of 94%.

13.20 There were 148 reported events during the year that met the criteria for a Serious Incident (SI). Each case has been thoroughly investigated and reported to local commissioners and our Quality Assurance Committee. Detailed action plans have been developed and implemented in response to specific case.

13.23 Safety

There were six incidents which qualified for reporting as a Never Event; wrong site interventional procedure (four), administration of medication via the incorrect route and overdose of insulin due to use of incorrect device, misplaced nasogastric tube and administration of medication by wrong route. These incidents have been subject to a Serious Incident investigation; the findings and actions have been discussed with commissioners and shared with staff across the organisation. These were reported to the Quality Assurance Committee.

There was one formal Prevention of Future Death Report (known as Regulation 28 Report) issued by the Coroner. The Trust has addressed the concerns raised by the Coroner in this case.

There were 66 (39 of those relating to staff) events that met the criteria for reporting to the Health & Safety Executive under the provisions of the Reporting *of Injuries, Diseases or Dangerous Occurrences* (RIDDOR) Regulations for the period 2021/22. The RIDDOR reports submitted result from Moving & Handling activities, Slip Trip & Falls and Physical Abuse. In relation to staff groups the causes of Slip, Trip and Fall type incidents are varied with no specific trends being identified. Some of the common causes of these types of incidents are spillages of liquids/liquid residues after cleaning, defective equipment e.g., chairs, stepping up to a higher level to reach objects and falling as a result, stumbling on loose objects on the floor. The Health & Safety team also support the Patient Falls Root Cause Analysis (RCA) review meetings to examine the cause of patient falls.

Moving & Handling and Physical Abuse type injuries arise when staff members are involved in activities which have the potential for significant risk e.g., assisting patients to mobilise or interactions which involve unpredictable patient behaviours e.g. post anaesthetic recovery, medical conditions.

13.24 Infection Prevention & Control (IPC)

IPC Team have remained central to the Trust's pandemic response to COVID-19 through 2021/22 and have continued to work with clinical teams to identify the actions required to reduce avoidable healthcare associated infections (HCAI's). Subsequent waves of the SARS-CoV-2 viral pandemic through 2021/22 have required clinical resources to be redirected to the pandemic response. The Trust HCAI objectives for Clostridioides Difficile Infection (CDI), Meticillin Resistant Staphylococcus Aureus (MRSA) and Gram Negative Bloodstream Infections (GNBSI) are determined nationally and usually received from NHSEI prior to the start of the financial year to plan and inform a Trust wide response. Due to the national pandemic, national objectives for 2020/21 were suspended and objectives for 2021/22 were not issued until July

2021. As part of our quality improvement commitment to patients, staff and stakeholders, we reviewed our performance for the period 2019/20 and set internal quality improvement objectives for 2021/22 based on our outturn for 2019/20. Once the national objectives were received from NHSEI we then applied these to run alongside our own internal quality improvement objectives.

In 2021/2022 we saw a reduction in the number of patients who developed an MRSA blood stream infection recording five cases. Of the five cases recorded, four were Hospital Onset Healthcare Associated (HOHA) and one was Community Onset Healthcare Associated (COHA). There is no nationally set objective for Meticillin Sensitive Staphylococcus aureus (MSSA) and as part of our commitment to continuous improvement LTHT sets an internal quality improvement objective. In 2021/22 LTHT saw 108 cases of MSSA bloodstream infection which is an increase from 2020/21 where we saw 78 cases. MRSA/MSSA cases were investigated and the learning shared; a proportion of cases were identified as having no lapse in care whilst in our Trust.

Individual national objectives for Escherichia coli (E. coli), Pseudomonas aeruginosa and Klebsiella spp, formally reported as Gram-negative bloodstream infections (GNBSI's), were introduced for the first time in 2021/22. LTHT recorded a total of 279 E. coli cases under the nationally set objective of 314 and 47 Pseudomonas aeruginosa cases against a national objective of no more than 48 cases. For 2021/22 LTHT recorded a total of 97 Klebsiella species against an objective of 94. It is recognised that the outbreak of multi resistant klebsiella species within our neonatal units will have contributed to the escalation in cases. Following multi-agency involvement, the learning and improvements identified have been shared Trust wide.

The total number of C. difficile cases recorded at LTHT during 2021/2022 was 175 against an objective of no more than 158 cases. It has been acknowledged nationally that there has been an increase in the number of CDI cases and, as a result, NHSEI will be holding national workshops to share lessons learnt and ideas for improvement and LTHT will play a key role in this. The Infection Prevention and Control (IPC) service has continued to prioritise resource to be able to ensure a focus on quality and safety was maintained and will continue to rise to the challenge and respond to national advice from United Kingdom Health Security Agency (UKSA) regarding new and emerging infectious diseases as they arise, as well as continuing to be mindful of travel and admissions with possible MERS and viral haemorrhagic fevers. As we move into the next phases of the pandemic, we will be working hard to bring our C. difficile rates under trajectory and continue to work with our clinical teams to reduce our blood stream infection rates.

13.24 Aging Estate

The Trust is mitigating on-going challenges associated with the historic legacy of lack of basic capital and infrastructure investment. Hence the high-level risks within the Corporate Risk Register described as; insufficient capital resources, unserviceable critical IT infrastructure and resilience issues, power failure, limited and/ or dated ventilation systems (which have become more pertinent during COVID-19), lack of IPS/UPS resilience and inability to provide a cardiac catheter laboratory service. In 2019/20 the Trust Board approved the five year financial plan including capital expenditure. In 2020/21 the Trust delivered a record breaking capital programme of c. £96m and in 2021/22 this increased further to c. £105m including investment in new catheter laboratory facilities and IPS/UPS. Following confirmed funding for Building the Leeds Way the 2020/21 capital programme also includes the enabling works for Hospitals of the Future and the centralised pathology laboratory at St James's University Hospital.

The COVID-19 outbreak presented significant clinical and operational challenges and the Trust had to rapidly innovate to address these, including adaptations to our estate and infrastructure.

As the NHS moves into recovery and reset, alongside planning for on-going care of patients with COVID-19 our estate, infrastructure and capital programme will need to continue to adapt and respond to meet patient needs.

13.25 Compliance to other regulatory bodies

The Medicines and Healthcare Products Regulatory Agency (MHRA) carried out a Good Clinical Practice (GCP) system inspection of the Trust and University of Leeds in December 2018. There was only one major finding relating to the compliance of PPM+ with MHRA guidance, which remains in place. An interim solution has been put in place and work is on-going to provide a full solution before the next MHRA inspection; this is anticipated in late 2022.

It is a legal requirement of all organisations sponsoring and hosting Clinical Trials of an Investigational Medicinal Products (CTIMPs) to comply with UK medicines for human use (clinical trials) regulations (2004). The move in the NHS from paper to electronic health records systems has led to significant compliance issues in relation to GCP in NHS organisations. The Joint Research Governance Committee (JRGC) recognised that this is a complex issue, but it is essential for the Trust to address and resolve non-compliance. A solution to one of the key issues identified by the MHRA, that of gated analysis to only those health records that need to be seen by inspectors for specific trials, has been developed and implemented. The work required to address other issues has been identified and an implementation plan is being developed for issues that we can address in the next 9 months, with further discussions planned with the MHRA on some of the other issues which may not be so readily or easily addressable.

The quality of medical education continues to be assessed in quarterly Monitoring the Learning Environment (MLE) meetings, led by senior colleagues from the quality team at Health Education England (HEE). A key purpose is to identify and discuss issues before they become more urgent. At the most recent MLE, the final outstanding E&T ‘conditions’ were removed, although subsequently recent GMC (General Medical Council) National Training Survey (NTS) and HEE National Education & Training Survey (NETS) surveys have resulted in three requirements being placed on LTHT, relating to working relationships within departments impacting on trainee experience, and trainee workload volumes particularly related to pandemic-related backlogs.

The main challenge in medical workforce capacity continues to be due to the high community prevalence of COVID and the associated enforced sick leave when staff are infected. Medical sickness rates amongst medical trainees are aligned with other staff groups, and at the time of writing are starting to fall.

We continue to develop alternative supply routes for our medical workforce, and our international relationships with Jordan, Malta and Pakistan are thriving with more fellows from their institutions being placed in Leeds. We are now supporting a Sri Lankan fellowship in Hospital Administration, have continued to expand the Gateway programme, and have appointed three refugee doctors from Myanmar through our ongoing relationship with NHS Professionals. Our Physician Associate workforce continues to grow, and we have strengthened the governance framework for the PA programmes, working with the lead PA, and the AMDs for Workforce and Medical Education.

Regarding our educational estate we are actively engaged in the planning of education provision for the new hospital build at the General Infirmary site and are looking to support building of an additional teaching facility as part of the development of the innovation arc in the city. A major challenge is the lack of space for clinical trainees to attend virtual teaching and to do their administrative work. The medical education department is looking to try and provide additional

workspace for IT access using current estate whilst also helping to develop the new opportunities in the new site.

13. Conclusion

I confirm that there are no significant breaches of internal control that have been brought to my attention in respect of the financial year ended 31 March 2022. This statement aims to capture the priorities of risks and controls relating to our management, reset and recovery, to the date of approval of the annual report and accounts for COVID-19, reset and recovery which has been a truly exceptional challenge for the NHS.

Signed 

Sir Julian Hartley, Chief Executive **Date: 20 June 2022**

Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum.* These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance
- value for money is achieved from the resources available to the Trust
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them
- effective and sound financial management systems are in place and
- annual statutory accounts are prepared in a format directed by the Secretary of State to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, other items of comprehensive income and cash flows for the year.

As far as I am aware, there is no relevant audit information of which the Trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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

Signed **Sir Julian Hartley, Chief Executive**

Date 20th June 2022

Statement of Directors' responsibilities in respect of the accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

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

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

The Directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Trust's performance, business model and strategy

By order of the Board

Date 22 June 2022 **Sir Julian Hartley, Chief Executive**

Date 22 June 2022 **Simon Worthington, Finance Director**

Independent auditor's report to the Directors of Leeds Teaching Hospitals NHS Trust

Report on the audit of the financial statements

Qualified opinion on the financial statements

We have audited the financial statements of Leeds Teaching Hospitals NHS Trust ('the Trust') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual 2021/22 as contained in the Department of Health and Social Care Group Accounting Manual 2021/22, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to NHS Trusts in England.

In our opinion, except for the possible effects of the matter described in the 'Basis for qualified opinion' section of our report, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2021/22; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for qualified opinion

We were unable to obtain sufficient appropriate audit evidence about the existence and condition of the inventory balance held by the Trust at 31 March 2021 of £22.545m because we were unable to attend the year-end physical inventory counts due to COVID-19-related travel restrictions. Consequently, we were unable to determine whether any adjustment to this amount at 31 March 2021 was necessary, or whether there was any consequential effect on operating expenses in relation to inventory expenditure for the year ended 31 March 2022.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors and the Accountable Officer for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are required to comply with the Department of Health and Social Care Group Accounting Manual 2021/22 and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Directors are responsible for assessing each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

As explained in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust, the Accountable Officer is responsible for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is responsible for ensuring that the financial statements are prepared in a format directed by the Secretary of State.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Trust, we identified that the principal risks of non-compliance with laws and regulations related to the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012) and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Accountable Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Trust which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the Comptroller and Auditor General in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Trust's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Trust's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Accountable Officer
As explained in the Statement of Accountable Officer's responsibilities, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 21 of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Code of Audit Practice
In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice
We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance issued by NHS Improvement; or
- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act; or
- we issue a report in the public interest under section 24 and schedule 7(1) of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 and schedule 7(2) of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Use of the audit report

This report is made solely to the Board of Directors of Leeds Teaching Hospitals NHS Trust, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Directors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

Mark Dalton, Key Audit Partner
for and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

21 June 2022

Audit Completion Certificate issued to the Directors of Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2022

In our auditor's report dated 21 June 2022 we explained that the audit could not be formally concluded until we had completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

This work has now been completed.

No matters have come to our attention since 21 June 2022 that would have a material impact on the financial statements on which we gave our qualified opinion.

The Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have nothing to report in this respect.

Certificate

We certify that we have completed the audit of Leeds Teaching Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Dalton Key Audit Partner
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

7 September 2022

The Leeds Teaching Hospitals NHS Trust

Annual accounts for the year ended 31 March 2022

Statement of Comprehensive Income for the year ended 31 March 2022

	Note	2021/22 £000	2020/21 £000
Operating income from patient care activities	3	1,492,905	1,282,204
Other operating income	4	235,040	314,591
Operating expenses	5, 7	(1,698,848)	(1,603,609)
Operating surplus/(deficit) from continuing operations		**29,097**	**(6,814)**
Finance income	10	66	15
Finance expenses	11	(15,033)	(14,770)
PDC dividends payable		(7,016)	(5,818)
Net finance costs		**(21,983)**	**(20,573)**
Other gains	12	595	735
Surplus / (deficit) for the year*		**7,709**	**(26,652)**

*The adjusted financial performance for 2021/22 is a surplus of £5.9m (2020/21 £8.1m) and is disclosed in note 37

Statement of Financial Position as at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Intangible assets	13	14,450	9,281
Property, plant and equipment	14	616,355	571,668
Receivables	18	4,717	3,522
Total non-current assets		**635,522**	**584,471**
Current assets			
Inventories	17	22,973	22,545
Receivables	18	66,573	43,314
Non-current assets for sale	19	-	-
Cash and cash equivalents	20	97,109	105,304
Total current assets		**186,655**	**171,163**
Current liabilities			
Trade and other payables	21	(192,748)	(176,288)
Borrowings	23	(11,215)	(12,136)
Provisions	25	(4,697)	(3,637)
Other liabilities	22	(29,838)	(13,215)
Total current liabilities		**(238,498)**	**(205,276)**
Total assets less current liabilities		**583,679**	**550,358**
Non-current liabilities			
Borrowings	23	(162,594)	(173,784)
Provisions	25	(10,213)	(6,252)
Other liabilities	22	-	(30)
Total non-current liabilities		**(172,807)**	**(180,066)**
Total assets employed		**410,872**	**370,292**
Financed by			
Public dividend capital		491,286	458,415
Revaluation reserve		143	4,182
Income and expenditure reserve		(80,557)	(92,305)
Total taxpayers' equity		**410,872**	**370,292**

The notes on pages 5 to 46 form part of these accounts.

The accounts were approved by the Board of Directors at its meeting on 16 June 2022 and signed on its behalf by:

Name	Sir Julian Hartley	Simon Worthington
Position	Chief Executive	Director of Finance
Date	20 June 2022	

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2021 - brought forward	**458,415**	**4,182**	**(92,305)**	**370,292**
Surplus for the year	-	-	7,709	**7,709**
Other transfers between reserves	-	(4,039)	4,039	**-**
Public dividend capital received	32,871	-	-	**32,871**
Taxpayers' equity at 31 March 2022	**491,286**	**143**	**(80,557)**	**410,872**

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2020 - brought forward	**342,261**	**4,182**	**(65,653)**	**280,790**
(Deficit) for the year	-	-	(26,652)	**(26,652)**
Public dividend capital received	116,154	-	-	**116,154**
Taxpayers' equity at 31 March 2021	**458,415**	**4,182**	**(92,305)**	**370,292**

Information on reserves

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

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

Income and expenditure reserve
The balance of this reserve is the accumulated surpluses and deficits of the Trust.

Statement of Cash Flows for the year ended 31 March 2022

	Note	2021/22 £000	2020/21 £000
Cash flows from operating activities			
Operating surplus / (deficit)		29,097	(6,814)
Non-cash income and expense:			
Depreciation and amortisation	5	34,275	32,736
Net impairments	6	20,657	37,478
Income recognised in respect of capital donations	4	(24,762)	(3,239)
(Increase) / decrease in receivables and other assets		(12,554)	57,777
(Increase) in inventories		(428)	(3,452)
Increase in payables and other liabilities		27,267	17,700
Increase in provisions		5,047	2,997
Net cash flows from operating activities		**78,599**	**135,183**
Cash flows from investing activities			
Interest received		66	15
Purchase of intangible assets		(8,416)	(1,570)
Purchase of property, plant and equipment		(89,669)	(80,770)
Sales of property, plant and equipment		609	1,660
Receipt of cash donations to purchase assets		11,489	921
Net cash flows (used in) investing activities		**(85,921)**	**(79,744)**
Cash flows from financing activities			
Public dividend capital received		32,871	116,154
Movement on loans from DHSC		(2,556)	(65,072)
Capital element of finance lease rental payments		(382)	(169)
Capital element of PFI payments		(9,170)	(8,856)
Interest on loans		(601)	(777)
Interest paid on finance lease liabilities		(474)	(384)
Interest paid on PFI obligations		(13,986)	(13,721)
PDC dividend paid		(6,575)	(4,904)
Net cash flows (used in) / from financing activities		**(873)**	**22,271**
(Decrease) / increase in cash and cash equivalents		**(8,195)**	**77,710**
Cash and cash equivalents at 1 April - brought forward		**105,304**	**27,594**
Cash and cash equivalents at 31 March	20	**97,109**	**105,304**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2021/22 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

Note 1.2 Going concern

These accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The Directors have a reasonable expectation that this will continue to be the case.

Note 1.3 Interests in other entities

The Trust has no interests in other entities.

Note 1.4 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. In 2021/22 and 2020/21, the majority of the Trust's income from NHS commissioners was in the form of block contract arrangements. The Trust receives block funding from its commissioners, where funding envelopes are set at a Integrated Care System level. For the first half of the 2020/21 comparative year these blocks were set for individual NHS providers directly, but the revenue recognition principles are the same. The related performance obligation is the delivery of healthcare and related services during the period, with the Trust's entitlement to consideration not varying based on the levels of activity performed.

The Trust also receives additional income outside of the block payments to reimburse specific costs incurred and, in 2020/21, other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

In 2021/22, the Elective Recovery Fund enabled systems to earn income linked to the achievement of elective activity targets including funding any increased use of independent sector capacity. Income earned by the system is distributed between individual entities by local agreement. Income earned from the fund is accounted for as variable consideration.

Note 1.4 Revenue from contracts with customers (continued)

Revenue from research contracts
Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

NHS injury cost recovery scheme
The Trust receives income under the NHS Injury Cost Recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Note 1.5 Other forms of income

Grants and donations
Government grants are grants from government bodies other than income from commissioners or 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. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income
The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.6 Expenditure on employee benefits

Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy 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 two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the Trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as and when they become due.

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

Note 1.6 Expenditure on employee benefits (continued)

National Employment Savings Trust ("NEST") Pension Scheme

The Trust provides certain employees, who are not enrolled into the NHS Pensions Scheme, with cover from the defined contributions scheme which is managed by the National Employment Savings Trust (NEST). The cost to the Trust is taken as equal to the contributions payable to the scheme for the accounting period.

Note 1.7 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.

Note 1.8 Discontinued operations

Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are ‘machinery of government changes’ and treated as continuing operations.

Note 1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

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.

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.

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

Note 1.9 Property, plant and equipment (continued)

Measurement (continued)

Valuation (continued)

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the Trust's Private Finance Initiative (PFI) schemes where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the Trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Depreciation and impairments

Items of property, plant and equipment are depreciated over their remaining useful 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' cease to be depreciated upon the reclassification. Otherwise depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible assets, less any residual value, on a straight-line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life, unless the Trust expects to acquire the asset at the end of the lease term, in which case the asset is depreciated in the same manner as for owned assets.

At each financial year end, the Trust checks whether there is any indication that its property, plant and equipment or intangible assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.

Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure.

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.

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 expenditure.

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'.

Note 1.9 Property, plant and equipment (continued)

Measurement (continued)

Impairments

In accordance with the GAM, 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 expenditure 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 the criteria in IFRS 5 are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

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 and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. 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 useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated and 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.

This includes assets donated to the Trust by the Department of Health and Social Care or NHS England as part of the response to the coronavirus pandemic. As defined in the GAM, the Trust applies the principle of donated asset accounting to assets that the Trust controls and is obtaining economic benefits from at the year end.

Private Finance Initiative (PFI) transactions

PFI transactions which meet the 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. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

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

Note 1.9 Property, plant and equipment (continued)

PFI assets, liabilities and finance costs

The PFI assets are recognised as property, plant and equipment when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS17. Subsequently, the assets are measured at current value in existing use.

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the initial value of the assets and is subsequently measured as a finance lease liability in accordance with IAS17.

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

PFI lifecycle replacement

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

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

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

Assets contributed by the Trust to the operator for use in the scheme

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

Other assets contributed by the Trust to the operator

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

Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	2	80
Dwellings	2	80
Plant & machinery	5	18
Transport equipment	5	10
Information technology	3	11
Furniture & fittings	5	10

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

Note 1.10 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.

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: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

Software

Software which is integral to the operation of hardware, eg 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, eg 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 where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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 lives in a manner consistent with the consumption of economic or service delivery benefits.

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

	Min life Years	Max life Years
Information technology	5	7
Software licences	2	7

Note 1.11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method.

In 2020/21 and 2021/22, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Note 1.12 Investment properties

The Trust does not hold any investment properties.

Note 1.13 Cash and cash equivalents

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

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

Note 1.14 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes 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 and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

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 below.

Financial assets and financial liabilities are classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Note 1.14 Financial assets and financial liabilities (continued)
Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).
HM Treasury has ruled that central government bodies may not recognise stage 1 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. The Trust therefore does not recognise loss allowances for stage 1 and stage 2 impairments against these bodies. Additionally, the Department of Health and Social Care provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and the Trust does not recognise loss allowances for stage 1 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.
Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership.
Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.15 Leases

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

The Trust as a 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 implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

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

The annual rental charge 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.
Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the Statement of Financial Position and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

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.

The Trust as a 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 leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Trust's net investment outstanding in respect of the leases.

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 as an expense on a straight-line basis over the lease term.

Note 1.16 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 HM Treasury's discount rates effective from 31 March 2022:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	0.47%	Minus 0.02%
Medium-term	After 5 years up to 10 years	0.70%	0.18%
Long-term	After 10 years up to 40 years	0.95%	1.99%
Very long-term	Exceeding 40 years	0.66%	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective from 31 March 2022:

	Inflation rate	Prior year rate
Year 1	4.00%	1.20%
Year 2	2.60%	1.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 1.30% in real terms (prior year: minus 0.95%).

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 25.2 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 NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses when the liability arises.

Note 1.17 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 26 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 26, 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.

Note 1.18 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 organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

The Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

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, with certain additions and deductions as defined by the Department of Health and Social Care.

This policy is available at https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts

In accordance with the requirements laid down by the Department of Health and Social Care (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 calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.19 Value added tax

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

Note 1.20 Corporation tax

The Trust does not have any Coporation Tax liability.

Note 1.21 Climate change levy

Expenditure on the climate change levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

Note 1.22 Foreign exchange

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

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.

Note 1.23 Third party assets

Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury’s *FReM* .

Note 1.24 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.

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.

Note 1.25 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

Note 1.26 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2021/22.

Note 1.27 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2022. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the Statement of Financial Position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the Statement of Financial Position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2022, the Trust will apply the standard retrospectively without restatement and with the cumulative effect of initially applying the standard recognised in the Income and Expenditure Reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's incremental borrowing rate will be defined by HM Treasury. For 2022, this rate is 0.95%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the Income and Expenditure Reserve on transition. No adjustments will be made on 1 April 2022 for existing finance leases.

For leases commencing in 2022/23, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

The Trust has estimated the impact of applying IFRS 16 in 2022/23 on the opening Statement of Financial Position and the in-year impact on the Statement of Comprehensive Income and capital additions as follows:

	£000
Estimated impact on 1 April 2022 Statement of Financial Position	
Additional right of use assets recognised for existing operating leases	28,871
Additional lease obligations recognised for existing operating leases	(28,261)
Net impact on net assets on 1 April 2022	**610**
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(7,832)
Additional finance costs on lease liabilities	(282)
Lease rentals no longer charged to operating expenditure	7,967
Estimated impact on surplus / deficit in 2022/23	**(147)**
Estimated increase in capital additions for new leases commencing in 2022/23	**1,501**

From 1 April 2022, the principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to a price index representing the rate of inflation. The PFI liability will be remeasured when a change in the index causes a change in future repayments and that change has taken effect in the cash flow. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred. This is expected to increase the PFI liability on the Statement of Financial Position upon transition to IFRS 16. The effect of this has not yet been quantified as final guidance has not yet been issued.

Other standards, amendments and interpretations

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts - Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted. It is not anticipated that adoption of this standard will have a material impact on the financial statements of the Trust.

Note 1.28 Critical judgements in applying accounting policies

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

- Bexley Wing and Wharfedale Hospital, constructed under the Private Finance Initiative (PFI), meet the criteria for inclusion in the financial statements as Finance Leases as the Trust bears the risks and rewards of ownership. See Note 1.9 and Note 28 PFI transactions.
- The Energy Centre development at St James's University Hospital site has been judged to be a finance lease. The site was developed under a 15 year contractual arrangement with Vital Energy and following an assessment under IFRIC 4, the arrangement assessed as containing a lease.
- The Trust has decided to adopt a single site valuation for the Modern Equivalent Asset valuation of the estate following the RICS principles. See Note 1.9 and Note 16.

Note 1.29 Sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Valuation of Plant, Property and Equipment - Note 1.9 and Note 16

The Trust has used valuations carried out at 31 March 2022 and 31 March 2021 by its expert independent professional valuer (Cushman & Wakefield) to determine the value of property. These property valuations and useful lives are based on the Royal Institute of Chartered Surveyors valuation standards insofar as these are consistent with the requirements of HM Treasury and the Department of Health and Social Care

- Provision for Impairment of Receivables - Note 1.14 and Note 18.2

The Trust is required to judge when there is sufficient evidence to impair individual receivables which is undertaken taking into account the age profile and class of receivable. The Trust adopts a prudent approach when setting the expected credit loss based on a forward look of credit risk. Every effort is made to collect the debt, even when it has been impaired, and it is only written off as a final course of action after all possible recovery efforts have been made. The actual level of debt eventually written off may be different to that which has been judged as impaired

- Provisions - Note 1.16 and Note 25.

Provisions, by their nature, are a matter of judgement, with the best estimate made based on the information available at that the time. Once realised provisions can differ from the original estimate, but not materially so.

Note 2 Operating Segments

The Trust has determined that the Chief Operating Decision Maker (as defined by IFRS 8) is the Board of Directors on the basis that all strategic decisions are made by the Board.

The Trust engages in its activity as a single operating segment i.e. the provision of healthcare. Financial results are reported to the Board under the single segment of healthcare. Whilst the Trust operates a number of different clinical services via its clinical service units, they each provide essentially the same service (patient care), have the same customers (commissioners), use similar processes and services and face fundamentally the same risks.

During 2020-21 the Trust was responsible for the operation of the NHS Nightingale Yorkshire & Humber Hospital, the operation of the hospital was considered to be in the same segment as its other operations (provision of healthcare). Therefore the Trust believes that there is only one segment and has reported under IFRS 8 on this basis.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

Note 3.1 Income from patient care activities (by nature)	**2021/22**	**2020/21**
	£000	**£000**
Block contract / system envelope income	1,114,458	994,897
High cost drugs income from commissioners (excluding pass-through costs)	299,977	230,017
Other NHS clinical income	16,131	1,426
Private patient income	3,845	3,706
Elective recovery fund	15,609	-
Additional pension contribution central funding*	38,173	35,270
Other clinical income	4,712	16,888
Total income from activities	**1,492,905**	**1,282,204**

*The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. Since 2019/20, NHS providers have continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

Note 3.2 Income from patient care activities (by source)

	2021/22	**2020/21**
Income from patient care activities received from:	**£000**	**£000**
NHS England	702,831	619,924
Clinical commissioning groups	778,854	652,430
Department of Health and Social Care	22	-
Other NHS providers	1,242	83
NHS other	1,420	1,633
Local authorities	-	3
Non-NHS: private patients	3,845	3,706
Non-NHS: overseas patients (chargeable to patient)	418	264
Injury cost recovery scheme	3,310	3,477
Non NHS: other	963	684
Total income from activities	**1,492,905**	**1,282,204**
Of which:		
Related to continuing operations	1,492,905	1,282,204

Income from NHS England includes £38.2m (2020/21 £35.3m) to cover the increase in the cost of employers contributions to the NHS Pension Scheme (see Notes 7 and 8).

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

	2021/22	2020/21
	£000	£000
Income recognised this year	418	264
Cash payments received in-year	197	125
Amounts added to provision for impairment of receivables	352	-
Amounts written off in-year	121	299

Note 4 Other operating income

	2021/22			2020/21		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	31,020	-	**31,020**	24,782	-	**24,782**
Education and training	81,243	3,460	**84,703**	77,785	2,535	**80,320**
Non-patient care services to other bodies*	40,878	-	**40,878**	44,562	-	**44,562**
Reimbursement and top up funding	18,820	-	**18,820**	126,494	-	**126,494**
Income in respect of employee benefits accounted on a gross basis	13,688	-	**13,688**	11,602	-	**11,602**
Receipt of capital grants and donations	-	24,762	**24,762**	-	3,239	**3,239**
Charitable and other contributions to expenditure	-	4,427	**4,427**	-	13,437	**13,437**
Rental revenue from operating leases	-	1,384	**1,384**	-	1,394	**1,394**
Other income**	15,358	-	**15,358**	8,761	-	**8,761**
Total other operating income	**201,007**	**34,033**	**235,040**	**293,986**	**20,605**	**314,591**
Of which:						
Related to continuing operations			235,040			314,591

*Non - patient care services to other bodies includes £1.4m of income in 2020/21 from other NHS providers in respect of clinical waste contract charges which the Trust has hosted on behalf of a number of organisations since October 2018. This arrangement ceased in April 2020.

**Other income incorporates income received for goods and services which are incidental to the Trust's core activity of healthcare, for example, creche fees and catering.

Note 5 Operating expenses

Note 5.1 Operating expenses

	2021/22	2020/21
	£000	£000
Purchase of healthcare from non-NHS and non-DHSC bodies	19,656	12,421
Staff and executive directors costs	962,026	903,440
Remuneration of non-executive directors	215	166
Supplies and services - clinical (excluding drugs costs)*	182,293	164,954
Supplies and services - general	12,794	19,983
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	266,116	237,243
Inventories written down*	-	482
Consultancy costs	957	1,007
Establishment	8,532	7,099
Premises**	74,831	78,021
Transport (including patient travel)	5,733	5,336
Depreciation on property, plant and equipment	30,995	30,128
Amortisation on intangible assets	3,280	2,608
Net impairments	20,657	37,478
Movement in credit loss allowance: contract receivables / contract assets	570	675
Change in provisions discount rate(s)	92	123
Fees payable to the external auditor		
audit services- statutory audit***	102	98
Internal audit costs	384	335
Clinical negligence	41,920	36,800
Legal fees	399	1,560
Insurance	976	896
Research and development	25,355	21,215
Education and training	8,553	7,421
Rentals under operating leases	3,114	2,282
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (PFI)	10,151	10,065
Car parking & security	433	415
Hospitality	76	41
Losses, ex gratia & special payments	50	57
Other services, eg external payroll	1,474	4,873
Other****	17,114	16,387
Total	**1,698,848**	**1,603,609**
Of which:		
Related to continuing operations	1,698,848	1,603,609

*Supplies and services expenditure in 2021/22 includes the use of donated PPE that was purchased by the DHSC and issued to the Trust of £13.7m (2020/21 £12.3m). Inventory written down in 2020/21 of £482k reflects the PPE stock that was deemed unfit for use as well the adjustment to the carrying value to reflect the current market price.

**Premises expenditure includes the costs in 2020/21 relating to hosted waste management contract which the Trust has hosted on behalf of a number of other provider organisations since October 2018, which ceased in April 2020, and costs incurred in relation to the Covid-19 pandemic.
***Audit fees include irrecoverable VAT (see Note 1.19)

****Other expenses incorporates the costs for goods and services which are incidental to the Trust's core activity, for example, hosted services or childcare vouchers and lease cars (both recovered through income).

Note 5.2 Nightingale Facilities

During 2020/21 the Trust was a host Trust for a Nightingale facility as part of the regional coronavirus pandemic response. The Nightingale facility was closed at the end of March 2021. During 2021/22 the Trust was a host for a Nightingale Surge Hub.

The costs incurred by the Trust in operating these facilities have been included within the operating expenses note in these accounts. The total costs associated with the Nightingale facility in 2020/21 are disclosed below for information; this includes where existing resources were redeployed so the note below does not represent the additional cost to the Trust of operating the facility. Incremental costs associated with operating the facility have been reimbursed by NHS England. The licence agreement for the Yorkshire and the Humber Nightingale was agreed between NHS England and Harrogate Borough Council, the Trust made no payment for rent of the facility. There were, however, payments made to Harrogate Borough Council for staffing and utility costs.

The total costs associated with the Nightingale Surge Hub in 2021/22 are disclosed below for information; this does not include where existing resources were redeployed so the note below represents the additional cost to the Trust of operating the facility. Incremental costs associated with operating the facility have been reimbursed by NHS England. The Surge Hub was hosted on Trust estate and procured through a P22 framework provider.

	Gross costs 2021/22 £000	Gross costs 2020/21 £000
Set up costs:		
Staff costs	-	259
Other operating costs	4,652	11,792
Running costs:		
Staff costs	-	893
Other operating costs	31	6,018
Decommissioning costs:		
Other operating costs	266	5,828
Total gross costs	**4,949**	**24,790**

Note 5.3 Other auditor remuneration

There is no other remuneration paid to the external auditor in either of the financial years 2021/22 or 2020/21.

Note 5.4 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2021/22 or 2020/21.

Note 6 Impairment of assets

	2021/22 £000	2020/21 £000
Net impairments charged to operating surplus / (deficit) resulting from:		
Changes in market price	20,657	37,478
Total net impairments charged to operating surplus / (deficit)	**20,657**	**37,478**
Impairments charged to the revaluation reserve	-	-
Total net impairments	**20,657**	**37,478**

The impairment arises following the full valuation of the Trust's estate undertaken by an independent valuer. Full details can be found in note 16.

Note 7 Employee benefits

	2021/22 Total £000	2020/21 Total £000
Salaries and wages	740,049	687,232
Social security costs	69,271	63,312
Apprenticeship levy	3,633	3,275
Employer's contributions to NHS pensions	125,192	116,025
Temporary staff (including agency)	51,165	57,743
Total staff costs	**989,310**	**927,587**
Of which		
Costs capitalised as part of assets	3,552	3,018

Note 7.1 Retirements due to ill-health

During 2021/22 there were 12 early retirements from the Trust agreed on the grounds of ill-health (15 in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £464k (£649k in 2020/21).

These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

Note 8 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care 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 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 is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 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 report of the scheme actuary, which forms part of the annual NHS Pension Scheme 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 recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports.

c) National Employment Savings Trust Pension

Under the terms of the Pensions Act 2008 the Trust is required to provide a pension scheme for employees who are not eligible for membership of the NHS Pension Scheme. Qualifying employees are enrolled in the National Employment Savings Trust (NEST) managed scheme.

NEST is a defined contribution scheme managed by a third party organisation. It carries no possibility of actuarial gain or loss to the Trust and there are no financial liabilities other than payment of the 3% employers contribution of qualifying earnings. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly. At 31st March 2022 there were 1,732 employees enrolled in the scheme (341 at 31 March 2021). Further details of the scheme can be found at www.nestpensions.org.uk.

Note 9 Operating leases

Note 9.1 Leeds Teaching Hospitals NHS Trust as a lessor

This note discloses income generated in operating lease agreements where Leeds Teaching Hospitals NHS Trust is the lessor.

The Generating Station Complex at Leeds General Infirmary is licenced to Engie Ltd who supply the Trust and University of Leeds with electricity. Other leases relate to various retail facilities provided across the Trust's sites.

	2021/22	2020/21
	£000	£000
Operating lease revenue		
Minimum lease receipts	1,384	1,394
Total	**1,384**	**1,394**

	31 March 2022	31 March 2021
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	1,459	1,440
- later than one year and not later than five years;	4,449	4,268
- later than five years.	1,867	1,549
Total	**7,775**	**7,257**

Note 9.2 Leeds Teaching Hospitals NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Leeds Teaching Hospitals NHS Trust is the lessee.

The Trust has operating leases for items of medical and non-medical equipment, vehicles and short-term property lets. None of these are individually significant. The amounts recognised in these accounts are:

	2021/22	2020/21
	£000	£000
Operating lease expense		
Minimum lease payments	3,114	2,282
Total	**3,114**	**2,282**

	31 March 2022	31 March 2021
	£000	£000
Future minimum lease payments due:		
- not later than one year;	2,350	2,384
- later than one year and not later than five years;	7,007	5,992
- later than five years.	2,147	2,431
Total	**11,504**	**10,807**

Note 10 Finance income

Finance income represents interest received on assets and investments in the period.

	2021/22	2020/21
	£000	£000
Interest on bank accounts	66	15
Total finance income	**66**	**15**

Note 11 Finance expenditure

Note 11.1 Finance expenditure

Finance expenditure represents interest and other charges involved in the borrowing of money or asset financing.

	2021/22	2020/21
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	599	678
Finance leases	474	384
Main finance costs on PFI schemes obligations	6,961	6,035
Contingent finance costs on PFI scheme obligations	7,025	7,686
Total interest expense	**15,059**	**14,783**
Unwinding of discount on provisions	(26)	(13)
Total finance costs	**15,033**	**14,770**

Note 11.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

The Trust has not made any payments under the terms of this legislation in either the current or preceding financial year.

Note 12 Other gains

	2021/22	2020/21
	£000	£000
Gains on disposal of assets	611	746
Losses on disposal of assets	(16)	(11)
Total other gains	**595**	**735**

During 2020/21, the Trust disposed of a property asset. Obsolete and surplus items of equipment were also sold during the current and preceding financial year. This resulted in an overal surplus of £595k (2020/21 £735k).

Note 13 Intangible assets

Note 13.1 Intangible assets - 2021/22

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2021 - brought forward	**2,321**	**16,048**	**18,369**
Additions	415	8,001	**8,416**
Reclassifications	-	33	**33**
Valuation / gross cost at 31 March 2022	**2,736**	**24,082**	**26,818**
Amortisation at 1 April 2021 - brought forward	**1,227**	**7,861**	**9,088**
Provided during the year	569	2,711	**3,280**
Amortisation at 31 March 2022	**1,796**	**10,572**	**12,368**
Net book value at 31 March 2022	**940**	**13,510**	**14,450**
Net book value at 1 April 2021	**1,094**	**8,187**	**9,281**

Note 13.2 Intangible assets - 2020/21

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2020 - brought forward	**1,502**	**14,496**	**15,998**
Additions	819	751	**1,570**
Reclassifications	-	801	**801**
Valuation / gross cost at 31 March 2021	**2,321**	**16,048**	**18,369**
Amortisation at 1 April 2020 - brought forward	**994**	**5,486**	**6,480**
Provided during the year	233	2,375	**2,608**
Amortisation at 31 March 2021	**1,227**	**7,861**	**9,088**
Net book value at 31 March 2021	**1,094**	**8,187**	**9,281**
Net book value at 1 April 2020	**508**	**9,010**	**9,518**

Note 14 Property, plant and equipment

Note 14.1 Property, plant and equipment - 2021/22

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2021 - brought forward	**11,607**	**391,166**	**892**	**59,159**	**224,529**	**532**	**69,382**	**1,387**	**758,654**
Additions	-	14,656	-	44,013	23,606	-	14,112	-	**96,387**
Impairments	-	(37,940)	(3)	-	-	-	-	-	**(37,943)**
Reversals of impairments	928	2,405	-	-	-	-	-	-	**3,333**
Reclassifications	-	30,923	-	(34,643)	-	-	3,687	-	**(33)**
Disposals / derecognition	-	-	-	-	(944)	-	-	-	**(944)**
Valuation/gross cost at 31 March 2022	**12,535**	**401,210**	**889**	**68,529**	**247,191**	**532**	**87,181**	**1,387**	**819,454**
Accumulated depreciation at 1 April 2021 - brought forward	**-**	**-**	**-**	**-**	**141,510**	**532**	**43,557**	**1,387**	**186,986**
Provided during the year	-	13,927	26	-	8,808	-	8,234	-	**30,995**
Impairments	-	(13,927)	(26)	-	-	-	-	-	**(13,953)**
Disposals / derecognition	-	-	-	-	(929)	-	-	-	**(929)**
Accumulated depreciation at 31 March 2022	**-**	**-**	**-**	**-**	**149,389**	**532**	**51,791**	**1,387**	**203,099**
Net book value at 31 March 2022	**12,535**	**401,210**	**889**	**68,529**	**97,802**	**-**	**35,390**	**-**	**616,355**
Net book value at 1 April 2021	**11,607**	**391,166**	**892**	**59,159**	**83,019**	**-**	**25,825**	**-**	**571,668**

Note 14.2 Property, plant and equipment - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2020 - brought forward	**10,705**	**407,530**	**941**	**30,232**	**209,898**	**532**	**59,428**	**1,387**	**720,653**
Additions	-	25,812	-	44,060	19,429	-	5,687	-	**94,988**
Impairments	-	(52,241)	(49)	-	-	-	-	-	**(52,290)**
Reversals of impairments	902	-	-	-	-	-	-	-	**902**
Reclassifications	-	10,065	-	(15,133)	-	-	4,267	-	**(801)**
Disposals / derecognition	-	-	-	-	(4,798)	-	-	-	**(4,798)**
Valuation/gross cost at 31 March 2021	**11,607**	**391,166**	**892**	**59,159**	**224,529**	**532**	**69,382**	**1,387**	**758,654**
Accumulated depreciation at 1 April 2020 - brought forward	**-**	**-**	**-**	**-**	**139,809**	**532**	**33,826**	**1,387**	**175,554**
Provided during the year	-	13,883	27	-	6,487	-	9,731	-	**30,128**
Impairments	-	(13,883)	(27)	-	-	-	-	-	**(13,910)**
Disposals / derecognition	-	-	-	-	(4,786)	-	-	-	**(4,786)**
Accumulated depreciation at 31 March 2021	**-**	**-**	**-**	**-**	**141,510**	**532**	**43,557**	**1,387**	**186,986**
Net book value at 31 March 2021	**11,607**	**391,166**	**892**	**59,159**	**83,019**	**-**	**25,825**	**-**	**571,668**
Net book value at 1 April 2020	**10,705**	**407,530**	**941**	**30,232**	**70,089**	**-**	**25,602**	**-**	**545,099**

Note 14.3 Property, plant and equipment financing - 2021/22

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2022									
Owned - purchased	12,535	275,002	889	51,371	75,162	-	34,101	-	**449,060**
Finance leased	-	532	-	-	-	-	-	-	**532**
On-SoFP PFI contracts	-	118,115	-	-	11,685	-	-	-	**129,800**
Owned - donated/granted	-	7,561	-	17,158	10,955	-	1,289	-	**36,963**
NBV total at 31 March 2022	**12,535**	**401,210**	**889**	**68,529**	**97,802**	**-**	**35,390**	**-**	**616,355**

Note 14.4 Property, plant and equipment financing - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021									
Owned - purchased	11,607	267,939	892	58,985	59,191	-	25,747	-	**424,361**
Finance leased	-	523	-	-	-	-	-	-	**523**
On-SoFP PFI contracts	-	115,198	-	-	13,696	-	-	-	**128,894**
Owned - donated/granted	-	7,506	-	174	10,132	-	78	-	**17,890**
NBV total at 31 March 2021	**11,607**	**391,166**	**892**	**59,159**	**83,019**	**-**	**25,825**	**-**	**571,668**

Note 15 Donations of property, plant and equipment

During the year the Trust received grants and donations to fund capital assets from the following:

	2021/22	2020/21
	£000	£000
Leeds Hospitals Charity (previously Leeds Cares)	581	406
Northern Pathology Imaging Co-operative	9,874	1,035
Cancer Research UK	-	166
Health Education England	76	78
Department of Health & Social Care	1,401	1,220
Salix	12,607	21
Others	223	313
Total donations for property, plant and equipment	**24,762**	**3,239**

The grants received from Northern Pathology Imaging Co-operative are funding digital pathology investment. 2020/21 represented wave 1 funding whilst 2021/22 is Wave 2.The Salix grant has been awarded to fund de-carbonisation investments across the Trust.

Note 16 Revaluations of property, plant and equipment

A full 5 yearly cyclical valuation of the Trust's entire estate was carried out during 2019/20. For 2020/21 and 2021/22, a desktop exercise was conducted by Cushman and Wakefield, who issued their reports dated 31 March 2021 and 31 March 2022 respectively. The valuations were based on existing use. The report for 2020/21, completed in accordance with guidance issued by Royal Institution of Chartered Surveyors ("RICS"), gave a value of the estate of £403.7m. For 2021/22, the report completed in accordance with guidance issued by RICS, gave a value of the estate of £414.6m.

Note 17 Inventories

	31 March 2022	31 March 2021
	£000	£000
Drugs	8,223	7,798
Consumables	13,861	14,217
Energy	889	530
Total inventories	**22,973**	**22,545**

Inventories recognised in expenses for the year were £411,155k (2020/21: £361,451k). Write-down of inventories recognised as expenses for the year were £0k (2020/21: £482k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2021/22 the Trust received £3,713k of items purchased by DHSC (2020/21: £12,339k).

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

Note 18 Receivables

Note 18.1 Receivables

	31 March 2022 £000	31 March 2021 £000
Current		
Contract receivables	42,178	31,671
Capital receivables	13,066	1,194
Allowance for impaired contract receivables / assets	(3,186)	(2,897)
Prepayments (non-PFI)	7,700	7,506
PFI lifecycle prepayments	1,188	911
PDC dividend receivable	141	582
VAT receivable	5,173	4,004
Other receivables	313	343
Total current receivables	**66,573**	**43,314**
Non-current		
Contract receivables	3,096	3,072
Allowance for impaired contract receivables / assets	(736)	(689)
PFI lifecycle prepayments	192	-
Other receivables	2,165	1,139
Total non-current receivables	**4,717**	**3,522**
Of which receivable from NHS and DHSC group bodies:		
Current	21,481	12,388
Non-current	2,165	1,139

The majority of trade is with NHS England and Clinical Commissioning Groups. As NHS bodies are funded by Government to buy NHS patient care services, credit scoring of them is not considered necessary.

Non-current other receivables represent costs to be reimbursed by NHS England in relation to the Clinicians' Pension Tax provision (Note 25.1).

Note 18.2 Allowances for credit losses

	2021/22 Contract receivables and contract assets £000	2020/21 Contract receivables and contract assets £000
Allowances as at 1 April - brought forward	**3,586**	**3,529**
New allowances arising	570	675
Utilisation of allowances (write offs)	(234)	(618)
Allowances as at 31 Mar 2022	**3,922**	**3,586**

Note 18.3 Exposure to credit risk

Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2022 are in receivables from customers, as disclosed in the contracts receivables note (Note 18.1).

Note 19 Non-current assets held for sale

	2021/22	2020/21
	£000	£000
NBV of non-current assets for sale at 1 April	**-**	**914**
Assets sold in year	-	(914)
NBV of non-current assets for sale at 31 March	**-**	**-**

During 2020/21 the Trust completed the disposal of one property asset. Further details are disclosed at Note 12.

Note 20 Cash and cash equivalents

Note 20.1 Cash and cash equivalents movements

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

	2021/22	2020/21
	£000	£000
At 1 April	**105,304**	**27,594**
Net change in year	(8,195)	77,710
At 31 March	**97,109**	**105,304**
Broken down into:		
Cash at commercial banks and in hand	19	20
Cash with the Government Banking Service	97,090	105,284
Total cash and cash equivalents as in SoCF	**97,109**	**105,304**

Note 20.2 Third party assets held by the Trust

Leeds Teaching Hospitals NHS Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the trust has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2022	31 March 2021
	£000	£000
Bank balances	10	15
Total third party assets	**10**	**15**

Note 21 Trade and other payables

	31 March 2022 £000	31 March 2021 £000
Current		
Trade payables	55,869	56,323
Capital payables	22,790	17,004
Accruals	78,943	71,496
Social security costs	11,540	10,243
Other taxes payable	10,426	9,324
Other payables	13,180	11,898
Total current trade and other payables	**192,748**	**176,288**
Of which payables from NHS and DHSC group bodies:		
Current	3,112	2,805

Note 22 Other liabilities

	31 March 2022 £000	31 March 2021 £000
Current		
Deferred income: contract liabilities	29,838	13,215
Total other current liabilities	**29,838**	**13,215**
Non-current		
Deferred income: contract liabilities	-	30
Total other non-current liabilities	**-**	**30**

Deferred income: Contract Liabilities includes, amongst other elements, research projects. In line with IFRS 15 where income is received that relates to a performance obligation that is to be satisfied in a future period the income is deferred and recognised as a contract liability until the performance obligation is delivered.

Note 23 Borrowings

Note 23.1 Borrowings

	31 March 2022 £000	31 March 2021 £000
Current		
Loans from DHSC	2,080	2,582
Obligations under finance leases	423	383
Obligations under PFI contracts	8,712	9,171
Total current borrowings	**11,215**	**12,136**
Non-current		
Loans from DHSC	15,394	17,450
Obligations under finance leases	9,379	9,801
Obligations under PFI contracts	137,821	146,533
Total non-current borrowings	**162,594**	**173,784**

On 2 April 2020 Department of Health and Social Care's announced that interim loans will be converted into Public Dividend Capital ("PDC") during 2020/21. This was transacted in September 2020 with new PDC of £62m being issued to the Trust and used to repay interim revenue support loan of £37.3m and interim capital loans of £24.7m.

Note 23.2 Reconciliation of liabilities arising from financing activities - 2021/22

	Loans from DHSC	Finance leases	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2021	**20,032**	**10,184**	**155,704**	**185,920**
Cash movements:				
Financing cash flows - payments and receipts of principal	(2,556)	(382)	(9,170)	**(12,108)**
Financing cash flows - payments of interest	(601)	(474)	(6,962)	**(8,037)**
Non-cash movements:				
Application of effective interest rate	599	474	6,961	**8,034**
Carrying value at 31 March 2022	**17,474**	**9,802**	**146,533**	**173,809**

Note 23.3 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC	Finance leases	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2020	**85,204**	**294**	**164,559**	**250,057**
Cash movements:				
Financing cash flows - payments and receipts of principal	(65,072)	(169)	(8,856)	**(74,097)**
Financing cash flows - payments of interest	(777)	(384)	(6,034)	**(7,195)**
Non-cash movements:				
Additions	-	10,059	-	**10,059**
Application of effective interest rate	677	384	6,035	**7,096**
Carrying value at 31 March 2021	**20,032**	**10,184**	**155,704**	**185,920**

Note 24 Finance leases

Note 24.1 Leeds Teaching Hospitals NHS Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	31 March 2022 £000	31 March 2021 £000
Gross lease liabilities	**13,096**	**13,904**
of which liabilities are due:		
- not later than one year;	832	808
- later than one year and not later than five years;	3,587	3,480
- later than five years.	8,677	9,616
Finance charges allocated to future periods	(3,294)	(3,720)
Net lease liabilities	**9,802**	**10,184**
of which payable:		
- not later than one year;	423	383
- later than one year and not later than five years;	2,155	1,964
- later than five years.	7,224	7,837
	9,802	**10,184**

Finance lease obligations include the Catering Receipt and Distribution Unit (RADU) at Seacroft Hospital. The unit was constructed in 2002 by a private partner and will revert to Trust ownership upon expiry of the lease in 2027. The arrangement has been determined as a finance lease on the grounds that the Trust has the substantive risks and rewards associated with control of the facility. Accounting treatment is in line with the policy described in Note 1.15.

During 2020/21 the Trust entered into an arrangement with Vital Energi Energy Solutions for the energy centre at St James's University Hospital. The Combined Heating and Power plant at the St James University Hospital Site is a privately funded development with Vital Energi Energy Solutions to supply sustainable, efficient heating and power supply for the hospital. The plant was formally commissioned for operational use on the 18 June 2020 with a contract service concession period of 15 years.Following an assessment under IFRIC 4, the arrangement has been assessed as containing a lease.

Note 25 Provisions for liabilities and charges

Note 25.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2021	**2,821**	**2,677**	**2,956**	**1,435**	**9,889**
Change in the discount rate	-	92	-	-	**92**
Arising during the year	117	23	984	4,533	**5,657**
Utilised during the year	(243)	(135)	(92)	(96)	**(566)**
Reversed unused	(61)	-	-	(75)	**(136)**
Unwinding of discount	-	(26)	-	-	**(26)**
At 31 March 2022	**2,634**	**2,631**	**3,848**	**5,797**	**14,910**
Expected timing of cash flows:					
- not later than one year;	245	140	3,731	581	**4,697**
- later than one year and not later than five years;	980	560	117	566	**2,223**
- later than five years.	1,409	1,931	-	4,650	**7,990**
Total	**2,634**	**2,631**	**3,848**	**5,797**	**14,910**

Pensions related provisions represent amounts payable to the NHS Business Services Authority - Pensions Division to meet the costs of early retirements and industrial injury benefits. Amounts are determined by the NHS Business Services Authority - Pensions Division based on actuarial estimates of life expectancy and there is therefore, a degree of uncertainty regarding the value of future payments.

Legal claims relate to personal injury and other claims where the Trust has received advice that settlement is probable. The final amounts and timings of payments remain subject to negotiation or legal judgement. Included are claims with a value of £228k (£206k in 2020/21) which are being handled on behalf of the Trust by NHS Resolution who have advised on their status. The value represents amounts which the Trust may bear as its share of any settlement. The balance of claims are being dealt with directly by the Trust as they represent settlement values likely to fall below NHS Resolution's excess level. Legal claims also includes provision for contractual disputes which are subject to on-going legal discussions.

Other provisions include those for employment related claims where the Trust disputes liability but recognises some probability of payment

Other provisions also include clinician's pension tax reimbursement. During 2019/20 a national decision was made to resolve a taxation issue linked to pensions relating to senior clinical staff. Under this interim arrangement, the NHS Trust incurs the additional tax charge which is then reimbursed by NHS England. This remains the case for 2021/22. A provision is recognised in the Trust's accounts with a corresponding receivable from NHS England (Note 18.1)

Other provisions includes a dilpaidations provision. During 2021/22, as part of the preparation for the introduction of IFRS16, a decision was made to assess the potential liability for dilapidation costs that that could arise in relation to properties leased by the Trust. The value of the provision for 2021/22 is £3.5m.

Note 25.2 Clinical negligence liabilities

At 31 March 2022, £934,551k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Leeds Teaching Hospitals NHS Trust (31 March 2021: £601,592k).

Note 26 Contingent assets and liabilities

	31 March 2022 £000	31 March 2021 £000
Value of contingent liabilities		
NHS Resolution legal claims	(144)	(124)
Other	(336)	(282)
Gross value of contingent liabilities	**(480)**	**(406)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(480)**	**(406)**

NHS Resolution contingent liabilities consist entirely of claims for personal injury where the probability of settlement is very low. The NHS Resolution have advised on their status. In all cases, quantum has been assessed on a "worst case scenario" and represents the maximum of any payment which may be made. "Other" contingencies relate to personal injury claims which are being managed internally by the Trust. In all cases, the potential payment values have been assessed on a "worst case scenario" basis by reference to independent advice. Settlement of these claims is considered highly improbable but the values quoted represent the Trust's maximum exposure to loss.

Note 27 Contractual capital commitments

	31 March 2022 £000	31 March 2021 £000
Property, plant and equipment*	62,246	16,250
Intangible assets	5,974	5,308
Total	**68,220**	**21,558**

*Capital commitments have increased to £66m as at 31 March 2022 due to the progress on the Trust’s Building the Leeds Way programme. Construction works have commenced following full business case approval for the new Pathology Lab at St James's and enabling and design works are underway for the new hospital on the LGI site.

Note 28 On-SoFP PFI arrangements

Institute of Oncology at St James's Hospitals - Bexley Wing

This is a 30 year contract which expires in 2037. It provides for the construction, maintenance and partial equipping of Bexley Wing by the PFI partner in return for an annual charge to the Trust. The Trust has full use of the facilities to provide healthcare services and will take ownership of the building and equipment at the end of the contract period. The PFI partner is responsible for providing a managed maintenance service for the length of the contract after which the responsibilities revert to the Trust. The contract contains payment mechanisms providing for deductions from the annual charge for any poor performance or unavailability. Future charges to the Trust will be determined by reference to the Retail Price Index.

Wharfedale Hospital

This is a 30 year contract which expires in 2034. It provides for the construction and maintenance of Wharfedale Hospital by the PFI partner in return for an annual unitary charge to the Trust. The Trust has full use of the Wharfedale Hospital to provide healthcare services and will take ownership of the building at the end of the contract period. The PFI partner is responsible for providing a managed maintenance service for the length of the contract after which the responsibilities revert to the Trust. The contract contains payment mechanisms providing for deductions from the annual charge for any poor performance or unavailability. The unitary charge is subject for an annual uplift for future price increases determined by reference to the Retail Price Index.

Note 28.1 On-SoFP PFI arrangement obligations

The following obligations in respect of the PFI arrangements are recognised in the Statement of Financial Position:

	31 March 2022 £000	31 March 2021 £000
Gross PFI liabilities	**206,114**	**222,208**
Of which liabilities are due		
- not later than one year;	15,301	16,094
- later than one year and not later than five years;	53,499	55,425
- later than five years.	137,314	150,689
Finance charges allocated to future periods	(59,581)	(66,504)
Net PFI obligation	**146,533**	**155,704**
- not later than one year;	8,712	9,171
- later than one year and not later than five years;	30,442	31,028
- later than five years.	107,379	115,505
	146,533	**155,704**

Note 28.2 Total on-SoFP PFI commitments

Total future commitments under these on-SoFP schemes are as follows:

	31 March 2022 £000	31 March 2021 £000
Total future payments committed in respect of the PFI arrangements	**474,455**	**521,646**
Of which payments are due:		
- not later than one year;	33,847	35,212
- later than one year and not later than five years;	118,703	125,211
- later than five years.	321,905	361,223
	474,455	**521,646**

Note 28.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	2021/22	2020/21
	£000	£000
Unitary payment payable to service concession operator	**34,420**	**33,758**
Consisting of:		
- Interest charge	6,961	6,035
- Repayment of balance sheet obligation	9,170	8,856
- Service element and other charges to operating expenditure	10,151	10,065
- Capital lifecycle maintenance	645	1,116
- Contingent rent	7,025	7,686
- Addition to lifecycle prepayment	468	-
Total amount paid to service concession operator	**34,420**	**33,758**

Note 29 Financial instruments

Note 29.1 Financial risk management

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

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

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

Interest Rate Risk
The Trust borrows from government for capital expenditure, subject to approval by NHS England/Improvement. The borrowings are for 1 – 25 years, in line with the life of the associated assets. Interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit Risk
Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2022 are in receivables from customers, as disclosed in the contracts receivables note (Note 18.3).

Liquidity risk
The Trust's operating costs are incurred under contracts with NHS commissioning organisations, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its Capital Resource Limit. The Trust is not, therefore, exposed to significant liquidity risks.

Note 29.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2022	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables	56,895	**56,895**
Cash and cash equivalents	97,109	**97,109**
Total at 31 March 2022	**154,004**	**154,004**

Carrying values of financial assets as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables	33,833	**33,833**
Cash and cash equivalents	105,304	**105,304**
Total at 31 March 2021	**139,137**	**139,137**

Note 29.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2022	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	17,474	**17,474**
Obligations under finance leases	9,802	**9,802**
Obligations under PFI contracts	146,533	**146,533**
Trade and other payables	170,782	**170,782**
Provisions under contract	3,466	**3,466**
Total at 31 March 2022	**348,057**	**348,057**

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	20,032	**20,032**
Obligations under finance leases	10,184	**10,184**
Obligations under PFI contracts	155,704	**155,704**
Trade and other payables	156,721	**156,721**
Provisions under contract	2,622	**2,622**
Total at 31 March 2021	**345,263**	**345,263**

Note 29.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

	31 March 2022 £000	31 March 2021 £000
In one year or less	192,966	178,827
In more than one year but not more than five years	66,764	67,629
In more than five years	153,589	169,031
Total	**413,319**	**415,487**

Note 29.5 Fair values of financial assets and liabilities

Due to the nature of the Trust's financial assets and finacial liabilities, book value (carrying value) is considered a reasonable approximation of fair value.

Note 30 Losses and special payments

	2021/22		2020/21 restated*		2020/21	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses						
Cash losses	3	-	7	1	7	1
Bad debts and claims abandoned	118	253	142	637	142	637
Stores losses and damage to property	1	-	3	-	3	-
Total losses	**122**	**253**	**152**	**638**	**152**	**638**
Special payments						
Ex-gratia payments*	108	161	167	4,171	166	150
Total special payments	**108**	**161**	**167**	**4,171**	**166**	**150**
Total losses and special payments	**230**	**414**	**319**	**4,809**	**318**	**788**

* Guidance issued for 2020/21 year end required employers to accrue the costs of overtime corrective payments based on nationally generated estimates. These payments are out of court settlements and therefore considered special payments. NHS England sought national special payment approval from HM Treasury on local employers' behalf based on national calculations and notified variations. As the losses and special payments note is prepared on an accruals basis (excluding provisions), the amount accrued for has been disclosed in the restated balance for 2020/21.

Note 31 Related parties

During the year none of the Department of Health and Social Care Ministers, Trust board members or members of the key management staff, or parties related to any of them, have undertaken any material transactions with the Leeds Teaching Hospitals NHS Trust.

The Department of Health and Social Care is regarded as a related party. During the year Julian Hartley, the Trust's Chief Executive, became a Non-Executive Director of the Department of Health and Social Care. The Leeds Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These include NHS England and Leeds CCG. In addition, the Trust has had a number of material transactions with other government departments, central and local government bodies (including Leeds City Council) and the University of Leeds.

The Trust has also received revenue and capital payments from a number of charitable funds, including Leeds Hospitals Charity. Leeds Hospitals Charity have given £2.3m in revenue (2020/21 - £1.0m) and £0.6m in capital donations (2020/21 - £0.4m). At 31 March 2022 £0.5m of these donations were still to be received (at 31 March 21 - £0.7m). The Trust's Chair, Dr Linda Pollard and Chris Schofield, a Non Executive Director are both Trustees of Leeds Hospitals Charity. Leeds Hospitals Charity is independently managed but raises funds for, manages donations received on behalf of, and makes grants to the Trust.

Professor Laura Stroud, Non Executive Director, is the Deputy Dean and Director of the Institute of Medical Education at the University of Leeds. During the year the Trust's income from the University was £8.3m (2020/21 - £5.9m) of which £1.6m remained to be paid at 31 March 2022 (31 March 2021 - £1.1m). Expenditure with the University was £15.5m (2020/21 - £17.6m) of which £1.4m remained to be paid at 31 March 2022 (31 March 2021 - £22k). Philomena Corrigan, Non Executive Director, is a Strategic Advisor to Liaison Group, a financial and healthcare consultancy firm. During the year the Trust spent £11k on services supplied by Liaison Group.

In addition Gillian Taylor, Non Executive Director, is a board member of Beyond Housing, a housing association, Chris Schofield, Non Executive Director is a partner in the law firm Schofield Sweeney LLp, Georgina Mitchell, Non Executive Director, is a Trustee of Harrogate Neighbours Housing Association and Lisa Grant, Chief Nurse, has a registered interest in Marave Ltd. The Trust has not made any payments to these organisations during either 2021/22 or 2020/21.

Note 32 Prior period adjustments

There are no prior period adjustments with the exception of the disclosure in note 30 of the treatment overtime corrective payments.

Note 33 Events after the reporting date

There are no events that have occurred after the reporting period which have a material impact on these financial statements.

Note 34 Better Payment Practice code

Non-NHS Payables	2021/22 Number	2021/22 £000	2020/21 Number	2020/21 £000
Total non-NHS trade invoices paid in the year	246,472	810,350	230,823	781,468
Total non-NHS trade invoices paid within target	240,227	785,218	209,323	707,607
Percentage of non-NHS trade invoices paid within target	97.5%	96.9%	90.7%	90.5%
NHS Payables				
Total NHS trade invoices paid in the year	21,259	131,949	20,318	101,955
Total NHS trade invoices paid within target	20,229	129,044	16,490	89,005
Percentage of NHS trade invoices paid within target	95.2%	97.8%	81.2%	87.3%

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

Note 35 External financing limit

The Trust is given an External Financing Limit against which it is permitted to underspend

	2021/22 £000	2020/21 £000
Cash flow financing	28,958	(35,653)
Other capital receipts	-	-
External financing requirement	**28,958**	**(35,653)**
External financing limit (EFL)	28,958	62,202
Underspend against EFL	**-**	**97,855**

Note 36 Capital Resource Limit

The Trust is given a Capital Resource Limit against which it is not permitted to overshoot.

	2021/22 £000	2020/21 £000
Gross capital expenditure	104,803	96,558
Less: Disposals	(15)	(926)
Less: Donated and granted capital additions	(24,762)	(3,239)
Charge against Capital Resource Limit	**80,026**	**92,393**
Capital Resource Limit	80,026	92,436
Underspend against CRL	**-**	**43**

Note 37 Breakeven duty financial performance

	2021/22 £000	2020/21 £000
Adjusted financial performance surplus (control total basis)	5,917	8,107
Breakeven duty financial performance surplus	**5,917**	**8,107**

***Adjusted financial performance (control total basis):**	2021/22 £000	2020/21 £000
Surplus / (deficit) for the year	7,709	(26,652)
Remove net impairments not scoring to the Departmental expenditure limit	20,657	37,478
Remove I&E impact of capital grants and donations	(22,893)	(1,861)
Remove net impact of inventories received from DHSC group bodies for COVID response	444	(858)
Adjusted financial performance surplus	**5,917**	**8,107**

Note 38 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		963	2,051	4,207	3,089	1,615	(24,386)
Breakeven duty cumulative position	3,868	4,831	6,882	11,089	14,178	15,793	(8,593)
Operating income		910,556	934,527	970,709	1,002,444	1,044,916	1,086,638
Cumulative breakeven position as a percentage of operating income		0.5%	0.7%	1.1%	1.4%	1.5%	(0.8%)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(30,194)	(1,901)	18,880	52,925	13,956	8,107	5,917
Breakeven duty cumulative position	(38,787)	(40,688)	(21,808)	31,117	45,073	53,180	59,097
Operating income	1,115,720	1,172,927	1,238,267	1,335,847	1,414,740	1,596,795	1,727,945
Cumulative breakeven position as a percentage of operating income	(3.5%)	(3.5%)	(1.8%)	2.3%	3.2%	3.3%	3.4%

Glossary

Accruals basis of accounting
Under the accruals concept, expenses are recognised when incurred, not when the cash is actually paid out, and revenue is recognised when it is earned, not when the cash is actually received.

Amortisation
The term used for depreciation of intangible assets such as the annual charge in respect of some computer licences the NHS trust has purchased.

Asset
An asset is something the NHS trust owns such as buildings, equipment, consumables, cash or monies owed to it.

Assets held for sale
Assets are held for sale if their value will be recovered through a sale transaction rather than through continuing use.

Auto enrolment
Following the Pensions Act 2008 UK employers have to automatically enroll their staff into a workplace pension if they meet certain criteria as part of the government's aim to help people save more for their retirement.

Break even
A statutory duty of NHS trusts to achieve, taking one year with the next. Break even is deemed to be achieved if revenue is greater than or equal to expenditure.

Capital resource limit
A limit on capital expenditure set for the NHS trust by the Department of Health.and Social Care

Cash and cash equivalents
Cash includes cash held in bank accounts and cash in hand. Cash equivalents are assets that can be readily converted into cash such as deposits and short-term investments.

Clinical commissioning group
Organisations set up under the Health and Social Care Act 2012 covering GP practices within their local area. They are responsible for agreeing commissioning and monitoring the care that patients registered with their component GP practices require. CCGs formally came into existence on 1 April 2013.

Commissioners
Organisations that contract with the NHS trust to purchase healthcare. In the main these are NHS Clinical Commissioning Groups and NHS England.

Contingent asset or liability
An asset or liability that is not recognised in the accounts due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.

Current asset or liability
An asset or liability that the NHS trust expects to hold or discharge for a period of less that one year from the balance sheet date.

Depreciation
The accounting charge representing the use of property, plant and equipment assets which spreads the cost or value of the asset over its useful life.

Employee benefits
All forms of consideration given to employees for services rendered. These are salaries and wages, social security costs (national insurance), superannuation contributions, paid sick leave, paid annual and long service leave and termination payments.

External financing limit
A limit on cash movements and borrowings set for the NHS trust by the Department of Health and Social Care

Going concern basis
The underlying assumption used in producing the accounts that the NHS trust will continue to operate for at least 12 months from the balance sheet date.

Group Accounting Manual
The annual Department of Health and Social Care publication which sets out the detailed requirements for NHS trust accounts.

Health Education England
Organisation set up under the Health and Social Care Act 2012 which provides national leadership, oversight and funding in support of the planning and development of the NHS workforce.

Impairment
A fall in the value of an asset.

Integrated care system
Partnerships between the organisations that meet health and care needs across an area, to coordinate services and to plan in a way that improves population health and reduces inequalities between different groups.

Inventories
Stocks held by the NHS trust such as drugs, consumables etc.

Lease
An agreement where one party conveys the use of an asset for a specified period of time in return for a payment or series of payments.

Liability
An amount owing to a third party such as a loan or unpaid invoice from a supplier.

Net assets
Total assets less total liabilities.

NHS England
Organisation set up under the Health and Social Care Act 2012 which oversees the planning, delivery and day to day operation of the NHS in England. It also commissions specialised clinical services on behalf of the clinical commissioning groups and their patients.

NHS Improvement
The body responsible for overseeing foundation trusts and NHS trusts along with any independent sector providers that provide NHS-funded care. NHS England and NHS Improvement have been operating as a single body in 2020-21

Non Current asset/liability
An asset or liability that the NHS trust expects to hold or discharge for a period of more that one year from the balance sheet date.

Payables
An amount that the NHS trust owes to another party such as suppliers

Payment by results
This refers to the flow of money in the NHS. Under payment by results the money received by the NHS trust directly relates to the number of operations and other activity undertaken by it.

Private finance initiative
A partnership with private sector organisations to fund major investments without immediate recourse to public funds. Under PFI, the private sector will design, build and often manage major projects and lease them to the NHS trust over a long period, typically 30 years.

Provider Sustainability Fund
A central allocation of funding which is available to NHS providers linked to achievement of performance and financial targets as set out by NHS Improvement

Provision
A liability which is probable but uncertain in terms of the timing and amount of its final settlement.

Public dividend capital
The taxpayers' stake in the NHS trust representing the government's initial investment in the Trust when it was established along with subsequent investments made by the Department of Health and Social Care such as central funding for capital expenditure.

Receivables
An amount that is owed to the NHS trust by another party such as primary care trusts

Reserves
Reserves represent the overall increase in the value of the net assets of the NHS trust since it was established.

Statement of cash flows
A primary financial statement which shows the flows of cash in and out of the NHS trust during the financial year

Statement of change in taxpayers' equity
A primary financial statement showing the movements in public dividend capital and reserves during the financial year.

Statement of comprehensive income
A primary financial statement showing the revenue earned and expenditure in the financial year

Statement of financial position
A primary statement showing the assets and liabilities of the NHS trust at a particular date, along with how these have been funded

Tariff
The national price published annually by the Department of Health and Social Care which the NHS trust receives as income from its commissioners under the Payment by Results system for healthcare provided to its patients.

Unrealised gains and losses
Unrealised gains and losses are those which have been recognised by the NHS trust in its accounts but are only potential gains as they have yet to be realised such as rises and falls in the value of land and buildings due to changes in the property market. The gain or loss only becomes realised when the property is sold.

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