NHS
The Leeds Teaching Hospitals
NHS Trust

Annual Accounts

2017/18

Financial Review 2017/18

The Trust's plan for 2017/18 was to report a surplus, after technical adjustments and receipt of Sustainability and Transformation Funds, of £9 million compared to a deficit of £1.9 million in the previous year. The table below shows not only that a surplus of almost £19 million was achieved in 2017/18 but that the Trust is in surplus for the first time in four years. The surplus delivered represents a record in the Trust's 20 year history and means that the statutory breakeven duty has been achieved.

	2014/15 Actual £000	2015/16 Actual £000	2016/17 Actual £000	2017/18 Actual £000	2018/19 Plan £000
Operating income	1,086,638	1,115,720	1,172,927	1,238,267	1,245,465
Gross employee benefits	(632,102)	(651,993)	(679,552)	(702,958)	(707,976)
Operating expenses excluding employee expenses	(452,179)	(468,472)	(520,710)	(549,644)	(536,052)
Net finance costs	(22,568)	(22,530)	(9,557)	(20,311)	(20,172)
Gains / (losses)	223	44	96	(149)	-
Retained surplus / (deficit) for the year	(19,988)	(27,231)	(36,796)	(34,795)	(18,735)
Technical adjustments	(4,398)	(2,963)	34,895	53,675	47,609
Adjusted retained surplus / (deficit)	(24,386)	(30,194)	(1,901)	18,880	28,874

In a period of challenging financial pressure for the NHS the significance of this surplus is difficult to overstate. It represents a major step towards achieving the Trust's goal of financial sustainability. Looking ahead to 2018/19, it gives the best possible baseline for delivering the £28 million surplus which the Board has agreed as part of the financial plan it approved in March 2018. Crucially, it generates confidence across the organisation that while the challenges and risks to delivering an even greater surplus are no less daunting than they were in 2017/18 the Trust has the means to succeed. Finally, the cash generated by the improved surplus last year will help fund the record level of £69 million in capital investment planned for 2018/19.

Income Summary

The table below shows the principal sources of our income.

	2014/15 Actual £000	2015/16 Actual £000	2016/17 Actual £000	2017/18 Actual £000	2018/19 Plan £000
NHS England - Specialist Services	439,566	460,543	476,132	498,293	512,098
Clinical Commissoning Groups	456,501	462,945	486,784	522,806	525,889
Non-NHS: Private Patients	4,832	4,715	5,593	5,857	6,843
Other income from patient care activities	24,615	15,180	7,039	7,266	6,851
Other operating income	161,124	172,337	197,379	204,045	193,784
Total operating income	1,086,638	1,115,720	1,172,927	1,238,267	1,245,465

- The principal sources of income to the Trust are from commissioners (NHS England and CCGs) and other income in support of trust activities such as Research and Innovation, Education and Training, and services provided by

the Trust to other bodies. Since 2016/17 the Trust has also received Sustainability and Transformation funding.

- Each year the Trust has been able to successfully respond to increasing demands for healthcare, working in partnership with commissioners to ensure that additional work is paid for. This can be seen in the table above with year-on-year increases in income from NHS England and CCGs.
- For 2018/19 onwards the Trust has again worked closely with commissioners to help develop an Aligned Incentive Contract with both Leeds CCGs and NHS England. This will promote a more collaborative approach to addressing the cost of patients' needs in the future, as well as being more responsive to changing treatments which current payment mechanisms can sometimes struggle to cope with.

Every year the Trust benefits from a number of grants and charitable donations. These help us to invest in capital schemes, provide items of equipment, enhance the patient environment, provide training and undertake research. During the year the Trust received the following sums towards its capital and revenue expenditure.

Capital Grants and Donations	**£000**
Leeds Teaching Hospitals Charitable Foundation	2,120
Take Heart	310
Yorkshire Air Ambulance	108
University of Leeds	57
Total	**2,595**

Charitable Donations Revenue	**£000**
Leeds Teaching Hospitals Charitable Foundation	11,341
Candlelighters Trust	256
Wheatfield's Hospice	136
Children's Heart Surgery Fund	69
The Burdett Trust for Nursing	68
Cancer Research UK	58
Macmillan Cancer Support	49
Wellchild	43
Kidney Research Yorkshire	34
Other	12
Total	**12,066**

We are immensely grateful to all of the charities who support us in delivering patient care.

2017/18 was an exciting time in terms of our relationship with our key charity partner, the Leeds Teaching Hospital Charitable Foundation. The Charity is legally and managerially independent of the Trust but exists to receive donations and raise funds on our behalf. The Boards of both the Charity and the Trust are building an entirely new strategic partnership which will see a much closer alignment between their respective objectives, mutual support towards achieving those objectives and a growing number of areas of joint funding aimed at delivering the best patient care. We expect this to bring about significant benefits for our patients. This stronger partnership working began to bear fruit in 2017/18 with the Charity supporting a

range of important services and developments across the Trust including Interpreting, specialist play, youth and frailty support.

Expenditure Summary

The table below shows our main heads of expenditure

	2014/15 Actual £000	2015/16 Actual £000	2016/17 Actual £000	2017/18 Actual £000	2018/19 Plan £000
Employment related costs	632,102	651,993	679,552	702,958	707,976
Drug costs	148,710	152,410	173,284	178,445	186,934
Clinical supplies and services	153,477	156,673	152,001	155,889	144,882
Premises	37,807	34,310	38,975	42,348	38,865
Other operating expenses	112,185	125,079	156,450	172,962	165,371
Total operating expenses	1,084,281	1,120,465	1,200,262	1,252,602	1,244,028

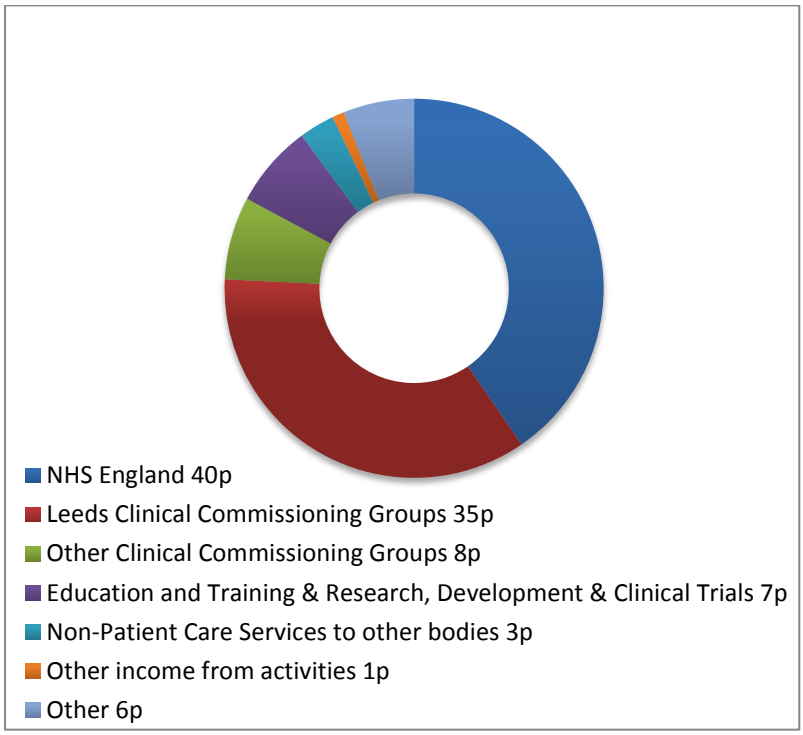
- Despite the Trust needing to deliver on-going savings from year to year, it has still been able to increase staffing numbers every year to ensure it continues to deliver the best, patient-centred care it possibly can. It plans on further increases in the coming years.
- Every year drugs costs continue to rise, partly due to increased prices but principally due to the increased effectiveness in the treatment of patients. This trend is expected to continue into the future, and the Trust will continue to work closely with commissioners help deliver these on-going improvements for patients.
- The Trust has had a very successful savings programme over the last few years which has resulted in either a reduction or just a small increase in clinical supply costs each year, with no adverse impact on the availability of supplies to patients, and aims to deliver on-going savings in this area next year.
- Other increases in non-pay expenditure are based on a combination of different factors - ranging from expenditure to support more complex patient needs, through to the costs that all Trusts incur each year on things like insurance.
- During 2017/18 the Trust implemented a new financial performance framework which has underpinned our identification, monitoring and delivery of waste reduction. Taken alongside our Leeds Improvement Method which is becoming deeply embedded in our culture the Trust has mechanisms in place to help deliver its 2018/19 financial target.

To meet its 2017/18 financial target the trust had to make waste reduction savings of £64 million. Of this, £29 million was made through various central and technical schemes such as our estate valuation but £35 million had to be delivered by Clinical Service Units and corporate departments. A wide range of schemes were identified which achieved the required elimination of waste without reducing or risking patient care. This approach to waste reduction will carry over into 2018/19 and help deliver the £75 million needed to meet our financial target. By March 2018 almost 100% of the schemes necessary to achieve the £75 million waste reduction had been identified, a fact considered by our external auditors when forming their unmodified

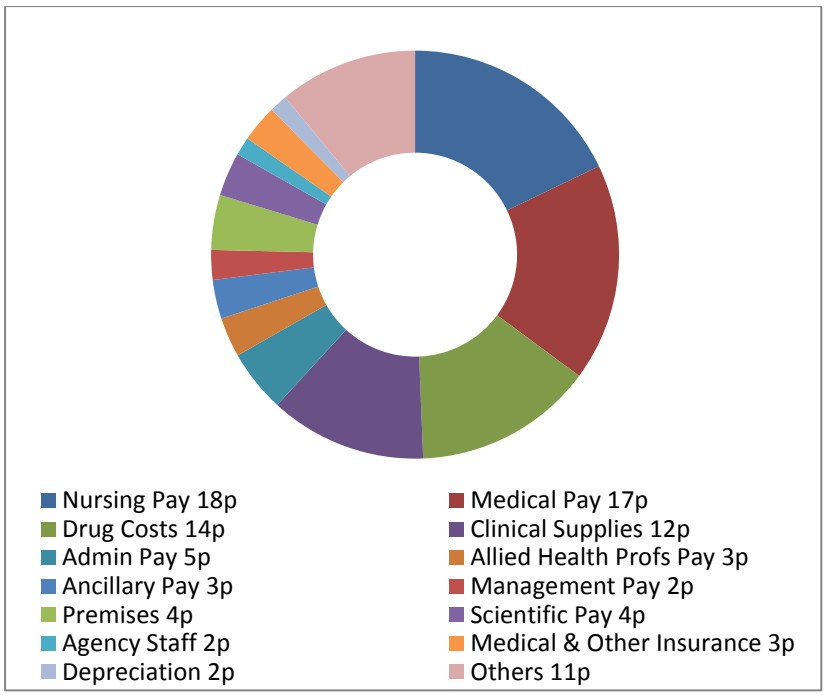
opinion on the Trust's Use of Resources arrangements. It is the first time since 2013 that the auditors have issued an unmodified report on Use of Resources.

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 our patients

Where Each £1 Comes From



How Each £1 is Spent



Capital Investment

Capital investment in our estate, medical equipment and informatics was £23 million in 2017/18. The table below shows this to be at a lower level than recent years.

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Building and Engineering	15,522	14,506	17,776	10,633	47,327
Medical and Surgical Equipment	17,152	7,308	8,698	7,286	10,399
Information Technology	9,667	6,261	6,212	5,210	11,502
Total	**42,341**	**28,075**	**32,686**	**23,129**	**69,228**

In part the reduction in capital expenditure arose from delays on our project to re-plant the Generating Station Complex at LGI and install our new Children's 3t/MRI Intraoperative Hybrid Theatre in Clarendon Wing. It is pleasing to note that in early 2018/19 both of these important installations are well underway with the Children's 3T/MRI Hybrid Theatre due to open in February 2019.

Inevitably, three consecutive years of financial deficit have constrained our ability to invest capital in 2017/18. With financial recovery on course, the fact that a surplus has been delivered in the year and an even larger surplus planned for 2018/19 we are able to look to the future with much greater confidence. The cash generated by a revenue surplus is available to fund capital projects. Receipt of our 2017/18 bonus in 2018/19 will help to fund our planned record level of capital investment in that year. Funding will come from:

2018/19 Sources of Capital Funding	£m
Internal Resources inc. surplus cash	40
PFI Funding	15
Loans	9
Grants and Donations	5
Total	**69**

The plan to fund and spend £69 million on capital projects does carry a number of challenges and risks. It will be noted that a proportion of funding will come from loans. Approval to borrow will be required from the Department of Health if the schemes associated with that funding are to proceed. The Trust will have to fulfil its plan to deliver a revenue surplus in 2018/19 to meet its full capital programme but as described elsewhere it has the mechanisms in place and the confidence to make that happen.

Cash

The year-end cash balance of £15 million represents an improvement of £7 million on our planned position at that point. During the course of the year the Trust did

draw down £7.5 million of short term borrowing to help meet its payment obligations but all of that plus a further £7.5 million of short term debt carried over from 2016/17 was repaid in-year. Other borrowing fell by £10 million. In overall terms therefore the Trust began to see an underlying improvement in its cash position to reflect the improvement in revenue.

The cash position, combined with the fact that the Trust delivered a surplus (£18.9 million), has a plan to achieve a larger surplus in 2018/19 (£28.9 million) which in turn is underpinned by the certainty of agreed Aligned Incentive Contracts with our principal commissioners has given the directors full confidence that we are a going concern. In the NHS, going concern status derives from the certainty that services will continue to be provided in the foreseeable future. There are national mechanisms in place to ensure that this will always be the case but it is reassuring nevertheless that the Trust is able to prepare its annual accounts as a going concern in its own right and with a strong financial position to support that decision.

The Leeds Teaching Hospitals NHS Trust

ANNUAL GOVERNANCE STATEMENT (2017/18)

1. Scope of responsibility

1.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the 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 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

2.1 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 (LTHT), 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 LTHT for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

3.1 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; such Committees include; the Audit, Quality Assurance and Finance & Performance. The Risk Management Committee and Research, Education and Training Committees are executive Committees reporting to the Board of Directors. The Committees have all provided an annual report with attendance of the respective Committee Chair at the Audit Committee meeting on 7 March 2018. The Risk Management Committee focusses on all high or significant risk exposures and oversees risk treatment to ensure: (a) the correct strategy is adopted for managing risk; (b) controls are present and effective; and (c) action plans are robust for those risks that remain intolerant. The Risk Management Committee is chaired by myself as Chief Executive and comprises of all Executive Directors. Senior managers and specialist advisors routinely attend each meeting. The Trust has kept under review and updated risk management policies during the course of the year. Whilst the Risk Management Committee reports directly to the Board through me, it also works closely with front line Clinical Service Units (CSU's) and all Committees of the Board in order to anticipate, triangulate and prioritise risk, working together to continuously enhance risk treatment.

3.2 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 needs 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. During the year we have added PREVENT training to the suite of mandatory training for all our staff.

3.3 Incidents, complaints, claims and patient feedback are routinely analysed to identify lessons for learning and improve internal 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 Quality Assurance Committee provides oversight on this process, with an annual report to the Board of Directors each July and six month update in January.

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

3.5 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 kept under prudent control at all times. Collectively the Board reviews the Board Assurance Framework (BAF) and our risk management appetite statement in year.

3.6 During the year I created and appointed to a new role of Chief Digital and Information Officer. This will strengthen the Trusts position with strategic leadership, resilience and management of IT systems and infrastructure moving forward. Noting there remains a significant capital funding required to address years of historic poor investment, funding loans will be required in year from NHS Improvement. The role of the Chief Digital and Information Officer provides the trust with a clearly defined Board level owner for Cyber Security and the risks associated to this. The Trust is working towards and is well prepared for the implementation of the new requirements under GDPR from 25 May 2018 and has been able to return a positive outlook through the Information Governance Tool Kit returns.

4. The Risk and Control Framework

4.1 The risk management process is set out in six key steps as follows:

(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), documented and understood. Controls are implemented to *avoid risk*; *seek risk* (take opportunity); *modify risk*; *transfer risk* or *accept risk*. Gaps in control are subject to action plans which 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 was revised in March 2016. The risk report to the Board of Directors also details what action is 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. This is supported by a recent Internal Audit Report No. 2017/27 'Framework of Assurance', where Full Assurance was reported.

(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 CSU's 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. A programme to support staff who have been involved in an incident has been established, 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.

5. Significant Risks Facing the Trust

5.1 As at 31st March 2018, 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 Improvement Accountability Framework, CQC registration or the achievement of Trust policies, aims and objectives should the mitigation plans be ineffective. Currently, the significant risks relate to the following areas:

- **National Standards** 18-week RTT standard, 62-day Cancer, 6-week diagnostic wait, 28 day cancelled operations and Emergency Care target
- **Finance** Aggregate effect of income volatility, non-delivery of the Waste Reduction Programme in 2018/19, insufficient liquidity and cost pressures and capital equipment replacement, IT infrastructure and the risk of cyber-attack and inadequate storage space on Oncology servers.

- **Fundamental Standards of Safety & Quality** Nurse staffing levels, reducing supply of doctors in training, C. difficile and MRSA targets, violence due to organic, mental health or behavioural reasons, patient flow, bed capacity and emergency admissions, unsustainable levels of medical outliers, inability to deliver a cardiac surgery service and length of time patients with mental health conditions wait in the ED
- **Performance & Regulation** Corroded pipes in Clarendon Wing, LGI, power failure at LGI and a combination of demand and capacity factors giving rise to unsustainable levels of medical outlying and delayed discharges.

5.2 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.

5.3 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 sign off of an equality impact assessment by the Trust's Equality and Diversity Team 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.

6. Care Quality Commission (CQC) Registration

6.1 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 Intelligent Monitoring Report and inspections;
- Self-assessment against the Key Lines of Enquiry defined within the criteria of the Well-led review, and prepare for external review
- Liaising with the Care Quality Commission and local Clinical Support 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.

6.2 The Trust is registered with the Care Quality Commission, has no compliance actions in force and is fully compliant with the *Fundamental Standards.* There was a follow-up inspection undertaken by the Care Quality Commission in May 2016; relating to the inspection that took place in March 2014. The Trust received

an overall **Good** rating when the final report from the follow-up inspection was published in September 2016. The Board of Directors welcomed the report and the significant improvement in the ratings. Progress continues to be made in accordance with the plan, which is monitored through the Quality Assurance Committee. The Trust is fully complaint with the registration requirements of the Care Quality Commission.

6.3 The CQC undertook an unannounced inspection visit at St James's Hospital on 20 December 2017 focusing specifically on the care of patients in non-designated areas on medical and older people's wards, which is a consequence of the sustained operational and patient flow pressures across our health care system. We continue to work with our partners to address this; the care of patients in non-designated areas continues to be monitored daily through our operational processes to ensure our patients continue to receive safe care. The Trust received the draft report from this unannounced inspection on 8 May 2018 and has been invited to comment on factual accuracy by 22 May 2018. A summary of the recommendations will be reviewed by our Quality Management Group at their meeting on 17 May 2018 and the Board at the end of the month. There is reference within the report to a patient breach regarding Single Sex accommodation that has still to be resolved with the CQC.

6.4 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 CQC.

6.5 The CQC has published its new regulatory framework, including the Well-led review, focusing on eight Key Lines of Enquiry. This has been reviewed with the Board of Directors and an initial self-assessment undertaken. The Board has also considered the use of resources assessment that will be undertaken by NHS Improvement.

7. Pensions

7.1 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.

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

8. Carbon Reduction

8.1 The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that the Trust's obligations under the Climate Change Act 2008 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 cost improvements.

9.2 The Trust submitted its Operational Plan for 2017/19 in December 2016 with a further submission in March 2017 to NHS Improvement, incorporating a financial plan approved by the Board of Directors. The update to the original submission was required by NHS Improvement and was submitted 30 April 2018 which included updates 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. The Trust actively engages Commissioners, regulators (NHS Improvement), staff and others as necessary to develop and agree detailed financial and operational plans. Prior to approval the Board takes the views obtained from stakeholders into account. Work is currently underway working with local and regional stakeholders towards the delivery of five year Integrated Care System for both the West Yorkshire and Harrogate 'footprint' and the City of Leeds.

The Trust is a key member of the West Yorkshire Association of Acute Trusts (WYAAT) which during 2016/17 established a Committee in Common for the governance and accountability of work streams to support transformation across West Yorkshire and Harrogate. Throughout 2017/18 this group has established a number of projects looking at how some clinical and support services can be provided more effectively across the region. It is expected that this work will continue in 2018/19.

The Trust established the inaugural Leeds Health and Social Care Board to Board meeting, during 2016/17 which has continued to meet in 2017/18.

9.3 The Board agrees annually a set of corporate objectives which are communicated to colleagues. 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 a Quality & Performance Report covering patient safety, quality, access and experience metrics, and a Finance Performance Report. Since my appointment as Chief Executive, the Board has approved a Quality Improvement Strategy (with a refresh at the March 2018 meeting setting out the strategy for 2017-2020) with progress reports to the Quality Assurance Committee and Board, and published within the Quality Account.

9.4 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. The implementation of recommendations made by Internal and External Audit is overseen by the Audit Committee. Due to the changes in the rules around appointment of external auditors for NHS Trust, the Board of Directors appointed the External Auditors for the first time, with an extension to the contract by one year.

9.5 The Trust has a good record on the management of Information Governance and has acted as advisor to the Local Authority and CCG on the subject of data sharing

as well as assisting Leeds Academic institutions on the creation of their own Information Governance Frameworks.

Information Governance incidents at the Trust are managed through rigorous and standardised processes with an appointed Caldicott Guardian and Deputy, qualified Senior Information Risk Owner and Data Protection Officer.

In 2017/18 no risks at level 2 occurred, one was reported but after further investigation was deemed to not be a level 2 incident and the Information Commissioners Office closed this incident report with no further action required.

10. Annual Quality Account

10.1 The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year.

10.2 The Trust has continued to embed strong clinical leadership for the development of the Quality Account during 2017/18 and this has been provided by the Chief Medical Officer in close collaboration with the Chief Nurse / Deputy Chief Executive and the wider Executive Team. Assurances relating to the outcomes highlighted within the Annual Quality Account were provided to the Quality Assurance Committee (QAC), a formal committee of the Trust Board, which is chaired by a Non-Executive Director. The Quality Assurance Committee is responsible for overseeing the production of the Quality Account and for overseeing monitoring indicators and data quality. The Trust has engaged with partner organisations, including Leeds Healthwatch and Commissioners at NHS Leeds CCG to agree priority quality goals for the year ahead, relating to the key quality domains: safety, effectiveness, experience. A limited scope assurance report is provided by External Audit on the content of the quality account and selected key performance indicators.

11. Review of effectiveness

11.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of Internal External Audit and Clinical Audit, in addition to formal letters of representation from Clinical Directors of all CSUs, Executive Directors and Chairs of the Board's Committees (including the Annual Report for each of their respective Committees). My review is also informed by comments made by the External Auditor in their Annual Audit letter and other reports. I have been advised on the implications of the result of my review of internal control by the Board and its assurance Committees, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

12. The Board of Directors

12.1 The Board has set out the governance arrangements including the Committee structure within the Standing Orders. In summary, the Board's Committee structure comprised of the following: (i) Finance & Performance Committee; (ii) Audit Committee, (iii) Quality Assurance Committee; (iv) Remuneration Committee; supported by the executive Committees (v) Research, Education and Training Committee; (vi) and Risk Management Committee. 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.

12.2 The Board commissioned an independent review into Board governance and Committee effectiveness during 2014/15. The review found no material concerns, but outlined a range of opportunities to advance governance arrangements. With external support, the Board devised a set of proposals to further develop the Committee structure alongside a new and innovative approach to Board governance and assurance using the 'three lines of defence' model. These new arrangements came into effect in May 2015 and all actions from the independent review have been delivered.

The Board is currently preparing its Self-assessment against the CQC Key Lines of Enquiry defined within the criteria of the Well-led Review, and has agreed to commission and external review in Autumn 2018.

The Board commissioned an independent 360° review which included feedback from external stakeholders and was reported and considered in detail at a Board timeout session during June 2016. The Trust Chair is currently meeting external facilitators to commission a new independent 360° review, to support future Board development, and integration of new members of the Board. We anticipate this to take place during the summer or early autumn.

12.3 The Board assign high importance to risk management and internal control. The effectiveness of the Board's risk management and internal control framework is subject to independent review by Internal Audit on an annual basis. Progress continued to be made during the year culminating in a 'significant assurance' opinion by the Head of Internal Audit, in line with the previous year. As a result of their work in 2017/18, the internal auditors have provided significant assurance that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and / or inconsistent application of controls, put the achievement of particular objectives at risk.

13. Internal Audit

13.1 With respect to the internal audits concluded during 2017/18, there was one (out of 28) assignments for which Internal Audit reported the level of assurance as limited for the year ended 31st March 2018. This audit provided limited assurance as a result of weaknesses in the design and/or operation of controls. Management action plans are developed and implemented, or in the process of being implemented, to address identified weaknesses. Progress is reviewed by the Audit Committee.

13.2 Moving forward for 2018/19 the Trust will implement a new model of service provision to the Internal Audit Service which will be co-sourced with an external supplier.

14. External Audit

14.1 External audit provides independent scrutiny on the accounts, annual report, Annual Governance Statement, reporting by exception if the Trust fails to comply with the guidance and as defined by NHS Improvement, limited assurance on the Annual Quality Report.

15. Clinical Audit

15.1 The Quality Assurance Committee, at the October 2017 meeting, received and were assured by the Clinical Audit Annual Report for 2016/17. 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 2017/18.

16. Health & Safety

16.1 In 2016 the Trust was one of only a few Trusts to receive a Royal Society for the Prevention of Accident (ROSPA) Safety *Gold Award* for its H&S management arrangement; this is a significant achievement for an organisation. During 2017 the Trust once again participated in the RoSPA Scheme and was again awarded Gold. During 2016 and 2017 the Trust received no visits / inspections, formal enforcement action or advisory letters from the HSE.

16.2 As Chief Executive I have signed the Annual Fire Safety Certificate of Compliance, in accordance with the Trust statutory responsibilities under the Regulatory Reform (Fire Safety) Order, as assurance was reported to the February 2018 Risk Management Committee. During the year the Committee received a number of assurance reports in light of the tragic events of the Grenfell Tower fire tragedy and the subsequent assessments that were carried out across the Trusts estate.

17. Promoting Safety

17.1 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 an update at the July 2017 meeting and the Audit Committee reviewed assurance at its March 2018 meeting.

17.2 The Chief Medical Officer is working with the 'Guardians of Safe Working' for the support and development of Junior Doctors. The Board of Directors are sighted on these roles, with quarterly reports to the Research, Education and Training (RET) Committee and the annual report received at the Board in May 2017, and information, included as a statutory requirement, within the Quality Account.

I can report that all trainees have now transitioned to the 2016 Junior Doctor Contract Terms and Conditions of Service and 12% have used the exception reporting process. However, through the Guardians of Safe Working, experience on the wards means this system is being under-used. There are four areas of major concern that have been reported and reviewed by the RET Committee.

18. Significant In-Year Matters

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, and where appropriate agreed trajectories, to enable actual comparisons to be made year on year.

i. There were 88 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. Detailed action plans have been developed and implemented in response to specific cases.

ii. There were six incidents which qualified for reporting as a Never Event, relating to incorrect implant, wrong site surgery (2), retained object following procedure (2) and administration of medical air (a new Never Event added to the list in February 2018). 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.

iii. There were 1 formal *Prevention of Future Death Reports* (formerly known as *Rule 43 and now known as Regulation 28 Reports*) issued by the Coroner. The Trust had addressed the concerns raised by the Coroner in these cases.

iv. There were 70 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. The Trust has continued to raise the profile of safety management during the year, and has received reports on progress at the Risk Management Committee.

v. The Trust has supported and co-operated with an independent review commissioned by NHS England regarding an incident on a medical ward at St James's hospital in February 2015 (STEIS Ref 2015 8112). The Trust commissioned an independent investigation; this was completed in March 2016 and received by local commissioners and NHS England.

vi. At an aggregate level the Trust did not meet the national requirement to treat a minimum of 92% of patients within 18-weeks of referral for those patients on the incomplete standard pathway. We are likely to close the year with an aggregate performance at 87.66% with seven reporting specialties not meeting the incomplete standard (Trauma & Orthopedics, Plastic Surgery, Urology, General Surgery, ENT, Neurosurgery and 'Others').

vii. The main underperformance relates to the impact of the non- elective pressure on elective IP activity, which although offset with significantly increased over 18 week Outpatient activity, has grown due to the severe restrictions on elective operating during winter 2017/18.

During 2017/18 LTHT reported 52 week breaching patients for the first time in over two years. This accelerated during winter 2017/18 leading to a total of 153 patients reported as breaches, with the main underpinning issue being the lack of elective operating capacity for patients not classified as clinically urgent.

Pressures at LTHT remain due to longer term insufficient capacity and flow into Leeds from closed or struggling surrounding facilities:

- Spines (long standing regional capacity insufficiency
- Neurology (Mid York's)
- Paediatric surgery across West Yorkshire (particularly Paediatric ENT and Paediatric Urology)
- Manchester Paediatric Cardiology patients volume being higher than first anticipated.

Further requests have been made to support with Dermatology, Ophthalmology and Respiratory Medicine from Mid Yorkshire and Calderdale, alongside support from Mid Yorkshire for their Bariatric service.

viii The Emergency Care Standard (ECS) national target of 95% of patients being seen within 4 hours of presenting in A&E was not achieved in 2017/18 with pressures at both sides of the city continuing throughout this year. Whilst A&E attendances and admissions via A&E did not grow, pressures due to the congestion in the A&E departments as hospital wide bed pressures/ challenges to discharge patients into out of hospital care continued at unprecedented levels.

LTHT actions were continued - GPs in A&E, the Bilberry and Heather units (at the Wharfedale site, supplemented by three wards at SJUH during 2017/18),

co-location of medical assessment in A&E, as well as the instigation of a new Frailty Unit and Winter Room, and two supporting system wide events - Perfect Week and Multi-Agency Discharge Event (MADE) - however performance has continued to be challenging.

ix The continued bed pressures resulted in the Trust not meeting the national requirement for all last minute cancelled operations to be rebooked within 28 days. Previous progress made in 2015/16 (84 breaches) has not been able to be sustained during 2016/17 (276 breaches) and 2017/18 (309 breaches YTD).

x The Trust met the national requirement to undertake 99% diagnostic tests within six weeks of referral throughout 2017/18 apart from January 2018 when issues with Cardiac Echo staffing arose, but were rapidly addressed. The major issue in 2018/19 will remain MRI capacity, due to equipment replacement outages and overall capacity constraints until the new equipment and replacement programme is in place.

xi The Trust has not achieved the national requirement to treat a minimum of 85% of patients referred for suspected cancer within 62 days of referral from a GP or Dentist since March 2016, however the standard has been met for 6 out of 12 months during 2017/18 for internal patients (those first referred and treated at LTHT).

Late referrals to LTHT from other providers continues to be the major factor in the achievement of the overall 62 day standard. The Trust continues to work closely with neighboring providers, GPs, Commissioners and other stakeholders although to date this has yet to result in an improvement to the timeliness of referrals to the Trust, which includes local breach reallocation processes. Work to improve internal systems and processes and build capacity continues to improve performance in key challenged pathways. The process for the monitoring of long waiting patients, i.e. those waiting more than 104 days without treatment has continued with the position stabilized at the level of 40 patients per month despite the bed pressure position during the majority of 2017/18.

xii The Trust has met the national requirements to see a minimum of 93% of patients within 14 days for i) urgent GP referral for suspected cancer and ii) the breast symptomatic target, for all months in 2017/18 bar January and March for the urgent GP referral for suspected cancer standard. The main issue in January was the annually repeated issue related to patient choice to defer their appointments over the Christmas period. In March, performance was not achieved due to the impact of 2 episodes of snow on our biggest cancer 2ww clinic days.

xiii The Trust has continued to meet the 31 day first treatment and all 31 day subsequent treatment standards throughout 2017/18.

xiv The reduction of HCAI remains a high priority for the Trust Board and the organisation as a whole. In 2017/18, 124 patients developed *Clostridium difficile* Infection (CDI) in our care against our trajectory of 119. This total is a small rise on the number that we had last year. All cases have been subjected to root cause analysis and we have continued to identify a greater proportion of the cases, in conjunction with our commissioners, as having no "lapse in care" whilst in our Trust.

The number of patients with MRSA bloodstream infections (BSI) is low with no significant variation year on year, with eight cases attributed to LTHT which is a reduction on last year's position, when 11 cases were assigned to LTHT. 2017/18 has seen the development of an HCAI collaborative which utilises the Model for Improvement as a framework for testing new interventions to reduce HCAI Blood Stream Infections. The days between such positive samples varies, nonetheless currently there is an early indication that we are extending the intervals between cases.

There is now a "national ambition" to reduce healthcare associated bloodstream infections with certain Gram-negative bacteria, namely *Escherichia coli* (*E. coli*), *Klebsiella* species and *Pseudomonas aeruginosa*, by 50% by March 2021. In 2017/18, 185 patients developed an *E.coli* BSI in our hospitals, this is a reduction compared to last year when 195 patients were diagnosed with *E.coli* BSI whilst in our care.

xv 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; unserviceable critical IT infrastructure and resilience issues along with issues with corroded heating pipes and power failures due to electricity infrastructure/ resilience with risks to clinical services. Estate issues relating to Seacroft impact both dental services and breast screening. The Finance & Performance Committee recommended to the Board, who in turn approved the Capital Programme for 2018/19 with the largest investment in recent years of £69 million, however there still mains a large backlog to capital investment across the whole Trust.

Work continues to develop the Strategic Outline Business Case for Building the Leeds Way, the re-development of the LGI site, gaining support in year support from NHS Improvement. This is cited within the STP for West Yorkshire. Many issues associated with delivering healthcare from a Victorian estate, poor capital investment and service re-design and relocation will be addressed within this development.

xvi 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 laboratories which undertake primary and secondary end point analysis of clinical trials on 17 & 18 October 2017. The formal report is awaited.

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.

xvii Education and Training - Unless the General Medical Council (GMC) National Trainee Survey (NTS) results of the Trust improve over the coming months (in the areas of Medical Micro Biology, Trauma and Orthopaedics and General Surgery) there is a risk of a triggered GMC and or Health Education England (HEE) quality review, and/or the removal of trainees either from the speciality or the Trust. *Relocation of the Undergraduate Hub to a smaller space resulted in the loss of a number of facilities valued by students and which contributed to the 'student experience' score.*

There is a risk that reductions to pre-and post-registration professional education funding will impact on the Trusts ability to increase the academic capacity and capability of the non-medical professional workforce with a resultant impact on service provision.

xviii I have been made aware of current discussions relating to risks that are not currently described on the Corporate Risk Register. These will be explored in more detail by the Chief Medical Officer and reported to the Risk Management Committee should further action be required; i) paediatric cardiac services; clinical risks related to PICU capacity and ii) risk of failure of IT back up of the E-Medicines system.

19. Concluding Remarks

As Accounting Officer with responsibility for maintaining a sound system of internal control at Leeds Teaching Hospitals NHS Trust, I have reviewed the system of internal control. I am delighted to report that for 2017/18 the Trust has delivered a significant financial surplus thus working towards achieving the Board's aim to return the organisation to financial sustainability, as originally defined within the recovery plan. This is a huge indication of the effective systems and management, along with the governance of the Board and its Committee structures, underpinned by the accountability framework.

There are significant financial pressures on the wider NHS and Leeds Teaching Hospitals NHS Trust, as with other trusts, have a challenging Waste Reduction Programme to address for 2018/19. We will move to an Aligned Incentive Contract with local Commissioners and NHS England for 2018/19 which will reduce our historic risk of income volatility. We continue to actively drive transformation for better patient outcomes and financial savings through the work of WYAAT, and we are currently exploring the establishment of a Wholly Owned Subsidiary for many benefits including a commercial and structured approach to income generation to support the delivery of financial plan for 2018/19.

20. Conclusion

My review confirms that Leeds Teaching Hospitals NHS Trust has a system of internal control in operation, and progress has been made, but further improvement is underway across a range of priorities to better support the achievement of the Trust's policies, aims and objectives going forward. Those control issues highlighted in this statement have been or are currently being addressed. I confirm that there are no other significant breaches of internal control that have been brought to my attention in respect of the financial year ended 31st March 2018 and up to the date of approval of the annual report and accounts.

Julian Hartley
Chief Executive
24 May 2018

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, recognised gains and losses and cash flows for the year.

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.

Julian Hartley

Chief Executive

24 May 2018

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, recognised gains and losses 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.

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.

By order of the Board

Julian Hartley **Simon Worthington**

Chief Executive **Director of Finance**

24 May 2018

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

Opinion

We have audited the financial statements of The Leeds Teaching Hospitals NHS Trust ('the Trust') for the year ended 31 March 2018. The financial statements 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 Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Government Financial Reporting Manual 2017/18 as contained in the Department of Health and Social Care Group Accounting Manual 2017/18, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to the NHS Trusts in England ("the Accounts Direction").

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2018 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 2017/18; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006 and the Accounts Direction issued thereunder.

Basis for opinion

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.

Use of the audit report

This report is made solely to the Board of Directors of The 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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

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 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under schedule 7(1) of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under schedule 7(2) of the Local Audit and Accountability Act 2014; or
- 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 2018.

We have nothing to report in these respects.

Respective responsibilities of the Directors and the Accountable Officer

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 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 Chief Executive is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources.

As explained in the Annual Governance Statement, the Accountable Officer is also 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.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required by schedule 13(10)(a) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

Certificate

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

Gareth Davies
For and on behalf of Mazars LLP

Tower Bridge House
St Katharine's Way
London
E1W 1DD

25th May 2018

Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2017/18 £000	2016/17 £000
Operating income from patient care activities	3	1,034,222	975,548
Other operating income	4	204,045	197,379
Operating expenses	5, 7	(1,252,602)	(1,200,262)
Operating (deficit)		**(14,335)**	**(27,335)**
Finance income	10	90	68
Finance expenses	11	(14,569)	(1,699)
PDC dividends payable		(5,832)	(7,926)
Net finance costs		**(20,311)**	**(9,557)**
Other (losses) / gains	12	(149)	96
(Deficit) for the year		**(34,795)**	**(36,796)**
Other comprehensive income			
Impairments	6	(9,749)	(21,378)
Total comprehensive (expense) for the year		**(44,544)**	**(58,174)**

Financial Performance for the year

Retained (deficit) for the year	(34,795)	(36,796)
IFRIC 12 adjustment (including IFRIC 12 impairments)	26,852	16,038
Impairments (excluding IFRIC 12 impairments)	28,565	18,229
Adjustments in respect of donated asset reserve elimination	(1,742)	628
Adjusted retained surplus / (deficit)	**18,880**	**(1,901)**

Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Intangible assets	13	6,085	6,518
Property, plant and equipment	14	506,256	565,856
Trade and other receivables	18	12,939	10,495
Total non-current assets		**525,280**	**582,869**
Current assets			
Inventories	17	16,727	16,022
Trade and other receivables	18	75,066	65,846
Cash and cash equivalents	20	15,029	19,967
Total current assets		**106,822**	**101,835**
Current liabilities			
Trade and other payables	21	(106,401)	(98,202)
Borrowings	23	(51,279)	(11,987)
Provisions	25	(967)	(864)
Other liabilities	22	(7,804)	(7,084)
Total current liabilities		**(166,451)**	**(118,137)**
Total assets less current liabilities		**465,651**	**566,567**
Non-current liabilities			
Borrowings	23	(226,765)	(283,817)
Provisions	25	(5,399)	(5,728)
Other liabilities	22	(170)	(259)
Total non-current liabilities		**(232,334)**	**(289,804)**
Total assets employed		**233,317**	**276,763**
Financed by			
Public dividend capital		335,986	334,888
Revaluation reserve		43,026	55,880
Income and expenditure reserve		(145,695)	(114,005)
Total taxpayers' equity		**233,317**	**276,763**

The notes on pages 5 to 43 form part of these accounts.

The accounts on pages 1 to 43 were approved by the Board of Directors on 24th May 2018 and signed on its behalf by:

Name	**JULIAN HARTLEY**	**SIMON WORTHINGTON**
Position	**Chief Executive**	**Director of Finance**
Date	**24 May 2018**	

Statement of Changes in Equity for the year ended 31 March 2018

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2017 - brought forward	**334,888**	**55,880**	**(114,005)**	**276,763**
(Deficit) for the year	-	-	(34,795)	**(34,795)**
Impairments	-	(9,749)	-	**(9,749)**
Transfer to retained earnings on disposal of assets	-	(3,105)	3,105	**-**
Public dividend capital received	1,098	-	-	**1,098**
Taxpayers' equity at 31 March 2018	**335,986**	**43,026**	**(145,695)**	**233,317**

Statement of Changes in Equity for the year ended 31 March 2017

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2016 - brought forward	**332,848**	**77,258**	**(77,209)**	**332,897**
(Deficit) for the year	-	-	(36,796)	**(36,796)**
Impairments	-	(21,378)	-	**(21,378)**
Public dividend capital received	2,040	-	-	**2,040**
Taxpayers' equity at 31 March 2017	**334,888**	**55,880**	**(114,005)**	**276,763**

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 2018

	Note	2017/18 £000	2016/17 £000
Cash flows from operating activities			
Operating (deficit)		(14,335)	(27,335)
Non-cash income and expense:			
Depreciation and amortisation	5	17,694	25,979
Net impairments	6	55,417	34,267
Income recognised in respect of capital donations	4	(2,595)	(1,031)
(Increase) in receivables and other assets		(13,189)	(13,076)
(Increase) / decrease in inventories		(705)	517
Increase in payables and other liabilties		8,288	21,657
(Decrease) / increase in provisions		(232)	586
Net cash generated from operating activities		**50,343**	**41,564**
Cash flows from investing activities			
Interest received		90	68
Purchase of intangible assets		(527)	(1,064)
Purchase of property, plant and equipment		(21,341)	(28,803)
Sales of property, plant and equipment		154	110
Receipt of cash donations to purchase capital assets		2,138	1,031
Net cash (used in) investing activities		**(19,486)**	**(28,658)**
Cash flows from financing activities			
Public dividend capital received		1,098	2,040
Movement on loans from the Department of Health and Social Care		(11,249)	20,278
Capital element of finance lease rental payments		(38)	(36)
Capital element of PFI and other service concession payments		(6,473)	(9,761)
Interest paid on finance lease liabilities		(8)	(8)
Interest paid on PFI and other service concession obligations		(12,401)	373
Other interest paid		(2,154)	(2,017)
PDC dividend paid		(4,570)	(7,170)
Net cash (used in) / generated from financing activities		**(35,795)**	**3,699**
(Decrease) / increase in cash and cash equivalents		**(4,938)**	**16,605**
Cash and cash equivalents at 1 April 2017		**19,967**	**3,362**
Cash and cash equivalents at 31 March 2018	20.1	**15,029**	**19,967**

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 2017/18 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 accounts.

Note 1.1.1 Accounting convention
These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

Note 1.1.2 Going concern
These accounts have been prepared on a going concern basis. (see note 36)

The cash position, combined with the fact that the Trust delivered a surplus (£18.9 million) and has a plan to achieve a larger surplus in 2018/19 (£28.9 million) which in turn is underpinned by the certainty of agreed Aligned Incentive Contracts with principal commissioners has given the directors full confidence that the Trust is a going concern. In the NHS, going concern status derives from the certainty that services will continue to be provided in the foreseeable future. There are national mechanisms in place to ensure that this will always be the case and directors are reassured by the fact that the Trust is able to prepare its annual accounts as a going concern in its own right and with a strong financial position to support that decision.

Note 1.2 Critical judgements in applying accounting policies
The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's 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 paragraphs 1.13 Leases and 1.7.5 PFI transactions.

Note 1.2.1 Sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Valuation of Plant, Property and Equipment - Para.1.7.2 and Note 14.1
- Provision for Impairment of Receivables - Note 18.2
- Provisions - Para 1.14 and Note 25.1

Note 1.3 Interests in other entities
The Trust has no interests in other entities

Note 1.4 Income
Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of health care services. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

The NHS Trust receives income under the NHS Injury Cost Recovery Scheme which is designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The NHS Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.
Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Revenue grants and other contributions to expenditure
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.

The value of the benefit received when accessing funds from the 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, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.5 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 NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. 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.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

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

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 1.6 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 1.7 Property, plant and equipment

Note 1.7.1 Recognition
Property, plant and equipment is capitalised where:

• it is held for use in delivering services or for administrative purposes
• it is probable that future economic benefits will flow to, or service potential be provided to, the Trust
• it is expected to be used for more than one financial year
• 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 economic lives.

Note 1.7.2 Measurement
Valuation
All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Assets held at depreciated replacement cost have been valued on the basis that reprovision would be on a single site basis located at St James's Hospital.
An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

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

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

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

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

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

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

Impairments
In accordance with the *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.

Note 1.7.3 Derecognition
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:

- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

Note 1.7.4 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.

Note 1.7.5 Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions
PFI and LIFT 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 IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease 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 and the charges for services.

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

Note 1.7.6 Useful economic lives of property, plant and equipment
Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	2	88
Dwellings	2	88
Plant & machinery	5	18
Transport equipment	5	10
Information technology	5	12
Furniture & fittings	5	10

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

Note 1.8 Intangible assets

Note 1.8.1 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.

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

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

Software
Software which is integral to the operation of hardware, 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.

Note 1.8.2 Measurement
Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

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

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

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

Note 1.8.3 Useful economic lives of intangible assets
Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

	Min life Years	**Max life Years**
Information technology	5	10
Software licences	5	10

Note 1.9 Inventories

Inventories are valued at the lower of cost and net realisable value using the weighted average cost formula.

Note 1.10 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 1.11 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.12 Financial assets and financial liabilities

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

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

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

De-recognition
All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement
Financial assets are categorised as loans and receivables.
Financial liabilities are classified as other financial liabilities.

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

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

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

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

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

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

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

Determination of fair value
Fair value is determined by reference to quoted market prices where possible, or failing that by reference to similar arms-length transactions between knowledgeable and willing parties.

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of a bad debt provision. Amounts charged to the bad debt provision are written off against the carrying value of the financial asset when the financial asset is no longer judged to be realisable or independent advice is received to that effect

Note 1.13 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.

Note 1.13.1 The trust as lessee

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

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

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

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

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

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.

Note 1.13.2 The trust as lessor

Finance leases
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust 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 1.14 Provisions

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

Clinical negligence costs
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 1.15 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 1.16 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.

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

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated assets (including lottery funded assets),
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

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

Note 1.17 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 1.18 Corporation tax
The Trust has no interests in any associate or subsidiary which has a corporation tax liability and as an NHS Trust is not liable for corporation tak

Note 1.19 Foreign exchange
The functional and presentational currency of the Trust is sterling.

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

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

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

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

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

Note 1.20 Third party assets
Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts (note 20.2) in accordance with the requirements of HM Treasury's *FReM*.

Note 1.21 Losses and special payments
Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the Trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

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

Note 1.22 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 1.23 Early adoption of standards, amendments and interpretations
No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted
These standards are still subject to HM Treasury FReM adoption with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 and IFRS 17 still subject to HM Treasury consideration.
• IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted.
• IFRS 15 Revenue from Contracts with Customers – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
• IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.
• 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.
• IFRIC 22 Foreign Currency Transactions and Advance Consideration – Application required for accounting periods beginning on or after 1 January 2018.
• IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019.

All of these would require further consideration although it is not anticipated that the impact of these standards would have a material impact on the 2017/18 accounts of the Trust.

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 internally the Trust operates via 18 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. 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

Note 3.1 Income from patient care activities (by nature)	**2017/18 £000**	**2016/17 £000**
Acute services		
Elective income	156,614	164,205
Non elective income	219,671	191,970
First outpatient income	49,082	48,412
Follow up outpatient income	75,643	80,717
A & E income	27,329	26,184
High cost drugs income from commissioners (excluding pass-through costs)	162,240	160,157
Other NHS clinical income	331,698	292,608
Private patient income	5,857	5,593
Other clinical income	6,088	5,702
Total income from activities	**1,034,222**	**975,548**

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	**2017/18 £000**	**2016/17 £000**
NHS England	498,293	476,132
Clinical commissioning groups	522,806	486,784
Other NHS providers	101	119
NHS other	1,077	1,218
Non-NHS: private patients	5,857	5,593
Non-NHS: overseas patients (chargeable to patient)	276	559
NHS injury scheme	4,712	4,420
Non NHS: other	1,100	723
Total income from activities	**1,034,222**	**975,548**
Of which:		
Related to continuing operations	1,034,222	975,548

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

	2017/18 £000	2016/17 £000
Income recognised this year	276	559
Cash payments received in-year	180	350
Amounts added to provision for impairment of receivables	123	330
Amounts written off in-year	385	415

Note 4 Other operating income

	2017/18 £000	2016/17 £000
Research and development	20,471	20,795
Education and training	69,079	72,123
Receipt of capital grants and donations	2,595	1,031
Charitable and other contributions to expenditure	12,066	2,142
Non-patient care services to other bodies	39,031	44,417
Sustainability and transformation fund income	29,922	24,665
Rental revenue from operating leases	1,540	1,686
Income in respect of staff costs where accounted on gross basis	11,153	11,498
Other income	18,188	19,022
Total other operating income	**204,045**	**197,379**
Of which:		
Related to continuing operations	204,045	197,379

Sustainability and Transformation income was paid to the Trust by NHS England as part of a national programme to support improvements in service accessibility and help trusts to deliver agreed financial control totals. Payment under the scheme is quarterly and dependent on NHS trusts meeting milestone targets.

Other revenue incorporates income received for goods and services which are incidental to the Trust's core activity of healthcare, for example, car parking, creche fees, access to health records income and catering.

Note 5 Operating expenses

	2017/18 £000	2016/17 £000
Purchase of healthcare from NHS and DHSC bodies	-	472
Purchase of healthcare from non-NHS and non-DHSC bodies	8,444	11,005
Staff and executive directors costs	687,814	663,895
Remuneration of non-executive directors	88	93
Supplies and services - clinical (excluding drugs costs)	155,889	152,001
Supplies and services - general	8,366	8,318
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	178,445	173,284
Consultancy costs	596	1,001
Establishment	5,820	6,405
Premises	42,348	38,975
Transport (including patient travel)	4,815	4,963
Depreciation on property, plant and equipment	16,734	24,529
Amortisation on intangible assets	960	1,450
Net impairments	55,417	34,267
Increase in provision for impairment of receivables	769	313
Increase in other provisions	239	736
Change in provisions discount rate(s)	40	306
Audit fees payable to the external auditor:		
audit services- statutory audit	96	120
other auditor remuneration (external auditor only)	10	10
Internal audit costs	317	393
Clinical negligence scheme for trusts - contribution	36,190	32,900
Legal fees	571	468
Insurance	701	796
Research and development	14,766	15,233
Education and training	4,936	4,207
Rentals under operating leases	6,987	5,623
Early retirements	-	135
Redundancy	100	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI) on IFRS basis	9,451	8,251
Car parking & security	279	304
Hospitality	167	155
Losses, ex gratia & special payments	87	60
Other services	1,590	1,129
Other expenses	9,570	8,465
Total	**1,252,602**	**1,200,262**
Of which:		
Related to continuing operations	1,252,602	1,200,262

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 5.1 Other auditor remuneration

	2017/18	2016/17
	£000	£000
Other auditor remuneration paid to the external auditor:		
All assurance services (Quality Accounts)	10	10
Total	**10**	**10**

Note 5.2 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2017/18 or 2016/17.

Note 6 Impairment of assets

	2017/18	2016/17
	£000	£000
Net impairments charged to operating deficit resulting from:		
Changes in market price	55,417	34,267
Total net impairments charged to operating deficit	**55,417**	**34,267**
Impairments charged to the revaluation reserve	9,749	21,378
Total net impairments	**65,166**	**55,645**

The Trust's land and buildings have been revalued by an independent qualified valuer in both 2017/18 and 2016/17 which has resulted in impairment charges in both years. Further details can be found in note 16.

Note 7 Employee benefits

	2017/18 Total £000	2016/17 Total £000
Salaries and wages	552,118	529,729
Social security costs	50,702	48,390
Apprenticeship levy	2,689	-
Employer's contributions to NHS pensions	65,960	63,072
Pension cost - other	-	135
Termination benefits	100	-
Temporary staff (including agency)	32,684	39,135
Total staff costs	**704,253**	**680,461**
Of which		
Costs capitalised as part of assets	1,295	909
Total staff costs excluding capitalised costs	**702,958**	**679,552**

Note 7.1 Retirements due to ill-health

During 2017/18 there were 12 early retirements from the Trust agreed on the grounds of ill-health (25 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £616k (£1,227k in 2016/17).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

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 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 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 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 last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

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 1% employers contribution of qualifying earnings. This contribution will increase from 1% to 2% in April 2018 and will increase to 3% in April 2019. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly. At 31st March there were 228 employees enrolled in the scheme (376 at 31 March 2017). 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.

	2017/18	2016/17
	£000	£000
Operating lease revenue		
Minimum lease receipts	1,540	1,686
Total	**1,540**	**1,686**

	31 March 2018	31 March 2017
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	1,571	1,701
- later than one year and not later than five years;	1,978	1,869
- later than five years.	2,410	2,046
Total	**5,959**	**5,616**

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:

	Buildings	Other	2017/18 Total	2016/17 Total
	£000	£000	£000	£000
Operating lease expense				
Minimum lease payments	1,474	5,513	6,987	5,623
Total	**1,474**	**5,513**	**6,987**	**5,623**

			31 March 2018	31 March 2017
			£000	£000
Future minimum lease payments due:				
- not later than one year;	1,413	4,836	6,249	5,460
- later than one year and not later than five years;	2,333	3,325	5,658	8,005
- later than five years.	2,851	-	2,851	3,294
Total	**6,597**	**8,161**	**14,758**	**16,759**

Note 10 Finance income

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

	2017/18	2016/17
	£000	£000
Interest on bank accounts	90	68
Total	**90**	**68**

Note 11.1 Finance expenses

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

	2017/18	2016/17
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	2,154	2,036
Finance leases	8	8
Main finance costs on PFI schemes obligations	6,053	(6,027)
Contingent finance costs on PFI scheme obligations	6,348	5,654
Total interest expense	**14,563**	**1,671**
Unwinding of discount on provisions	6	28
Total finance costs	**14,569**	**1,699**

During the course of 2016-17 the Trust completed a re-financing arrangement for its Bexley Wing private financing initiative (PFI) agreement which secured a reduced rate of interest. The revised arrangement delivers an overall benefit of £50 million over the life of the contract. Of this sum, £10 million was brought into account in 2016/17 as a cash lump sum and the balance will be spread across the remaining 20 years of the contract via a reduction in the unitary charge. The £10 million brought into account in 2016/17 was taken as a reduction to existing PFI main finance costs from £3,973k (Bexley Wing PFI £3,309k, Wharfedale PFI £664k) to a closing credit balance of £6,027k.

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 (losses) / gains

	2017/18	2016/17
	£000	£000
Gains on disposal of assets	154	96
Losses on disposal of assets	(303)	-
Total (losses) / gains on disposal of assets	(149)	96

Note 13.1 Intangible assets - 2017/18

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2017 - brought forward	**1,907**	**8,556**	**10,463**
Additions	-	527	**527**
Transfers to assets held for sale	-	(36)	**(36)**
Gross cost at 31 March 2018	**1,907**	**9,047**	**10,954**
Amortisation at 1 April 2017 - brought forward	**714**	**3,231**	**3,945**
Provided during the year	125	835	**960**
Transfers to assets held for sale	**-**	**(36)**	**(36)**
Amortisation at 31 March 2018	**839**	**4,030**	**4,869**
Net book value at 31 March 2018	**1,068**	**5,017**	**6,085**
Net book value at 1 April 2017	**1,193**	**5,325**	**6,518**

Note 13.2 Intangible assets - 2016/17

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2016 - brought forward	**1,136**	**5,014**	**6,150**
Additions	771	293	**1,064**
Reclassifications	-	4,069	**4,069**
Transfers to assets held for sale	-	(820)	**(820)**
Valuation / gross cost at 31 March 2017	**1,907**	**8,556**	**10,463**
Amortisation at 1 April 2016 - brought forward	**482**	**2,833**	**3,315**
Provided during the year	**232**	**1,218**	**1,450**
Transfers to assets held for sale	-	(820)	**(820)**
Amortisation at 31 March 2017	**714**	**3,231**	**3,945**
Net book value at 31 March 2017	**1,193**	**5,325**	**6,518**
Net book value at 1 April 2016	**654**	**2,181**	**2,835**

Note 14.1 Property, plant and equipment - 2017/18

	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 2017 - brought forward	**21,114**	**523,012**	**1,657**	**10,088**	**186,178**	**532**	**45,368**	**1,387**	**789,336**
Additions	-	6,246	-	6,438	7,287	-	2,632	-	**22,603**
Impairments	(11,735)	(62,351)	682	-	-	-	-	-	**(73,404)**
Revaluations	-	(48,514)	(437)	-	-	-	-	-	**(48,951)**
Reclassifications	-	5,304	-	(5,304)	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(8,036)	-	(1,914)	-	**(9,950)**
Valuation/gross cost at 31 March 2018	**9,379**	**423,697**	**1,902**	**11,222**	**185,429**	**532**	**46,086**	**1,387**	**679,634**
Accumulated depreciation at 1 April 2017 - brought forward	**-**	**48,568**	**463**	**-**	**144,532**	**516**	**28,016**	**1,385**	**223,480**
Provided during the year	**-**	8,117	41	-	5,583	7	2,984	2	**16,734**
Impairments	-	(8,171)	(67)	-	-	-	-	-	**(8,238)**
Revaluations	-	(48,514)	(437)	-	-	-	-	-	**(48,951)**
Disposals / derecognition	-	-	-	-	(7,733)	-	(1,914)	-	**(9,647)**
Accumulated depreciation at 31 March 2018	**-**	**-**	**-**	**-**	**142,382**	**523**	**29,086**	**1,387**	**173,378**
Net book value at 31 March 2018	**9,379**	**423,697**	**1,902**	**11,222**	**43,047**	**9**	**17,000**	**-**	**506,256**
Net book value at 1 April 2017	**21,114**	**474,444**	**1,194**	**10,088**	**41,646**	**16**	**17,352**	**2**	**565,856**

Note 14.2 Property, plant and equipment - 2016/17

	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 2016 - brought forward	**20,475**	**590,522**	**2,352**	**10,135**	**200,338**	**884**	**62,388**	**1,387**	**888,481**
Additions	-	9,558	-	8,555	8,699	-	4,809	-	**31,621**
Impairments	639	(81,601)	(695)	-	-	-	-	-	**(81,657)**
Reclassifications	-	4,533	-	(8,602)	-	-	-	-	**(4,069)**
Transfers to assets held for sale	-	-	-	-	(22,859)	(352)	(21,829)	-	**(45,040)**
Valuation/gross cost at 31 March 2017	**21,114**	**523,012**	**1,657**	**10,088**	**186,178**	**532**	**45,368**	**1,387**	**789,336**
Accumulated depreciation at 1 April 2016 - brought forward	**(639)**	**66,357**	**509**	**-**	**158,175**	**855**	**43,350**	**1,382**	**269,989**
Provided during the year	**-**	8,764	52	-	9,203	13	6,494	3	**24,529**
Impairments	639	(26,553)	(98)	-	-	-	-	-	**(26,012)**
Transfers to assets held for sale	-	-	-	-	(22,846)	(352)	(21,828)	-	**(45,026)**
Accumulated depreciation at 31 March 2017	**-**	**48,568**	**463**	**-**	**144,532**	**516**	**28,016**	**1,385**	**223,480**
Net book value at 31 March 2017	**21,114**	**474,444**	**1,194**	**10,088**	**41,646**	**16**	**17,352**	**2**	**565,856**
Net book value at 1 April 2016	**21,114**	**524,165**	**1,843**	**10,135**	**42,163**	**29**	**19,038**	**5**	**618,492**

Note 14.3 Property, plant and equipment financing - 2017/18

	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 2018									
Owned - purchased	9,379	302,930	1,902	9,414	28,821	9	16,793	-	**369,248**
Finance leased	-	583	-	-	-	-	-	-	**583**
On-SoFP PFI contracts and other service concession arrangements	-	111,134	-	-	9,621	-	-	-	**120,755**
Owned - donated	-	9,050	-	1,808	4,605	-	207	-	**15,670**
NBV total at 31 March 2018	**9,379**	**423,697**	**1,902**	**11,222**	**43,047**	**9**	**17,000**	**-**	**506,256**

Note 14.4 Property, plant and equipment financing - 2016/17

	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 2017									
Owned - purchased	21,114	325,265	1,194	9,260	28,385	16	17,104	2	**402,340**
Finance leased	-	613	-	-	-	-	-	-	**613**
On-SoFP PFI contracts and other service concession arrangements	-	137,579	-	346	8,548	-	-	-	**146,473**
Owned - donated	-	10,987	-	482	4,713	-	248	-	**16,430**
NBV total at 31 March 2017	**21,114**	**474,444**	**1,194**	**10,088**	**41,646**	**16**	**17,352**	**2**	**565,856**

Note 15 Donations of property, plant and equipment

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

	2017/18 £000	2016/17 £000
Leeds Hospital Charitable Foundation	2,120	863
Take Heart	310	-
Yorkshire Air Ambulance	108	-
Medical Research Council	-	109
Others	57	59
	2,595	**1,031**

Note 16 Revaluations of property, plant and equipment

All land and building assets were revalued as at 1st April 2017 by an independent, qualified valuer at depreciated replacement cost using the Modern Equivalent Asset (MEA) approach (Note 1.7). In assessing values, regard was given to various factors, including physical and functional obsolence of buildings, site location and where active markets exist, e.g. land and residences, sales comparison. To assess fair value at the balance sheet date of 31 March 2018 a further exercise was undertaken by the valuer to assess movement in building cost indices since 1st April 2017 and the impact of capital expenditure during the year. The results of this exercise indicated valuation falls of £65 million which have been reflected in the carrying values of fixed assets at 31 March 2018 (see note 6).

During the year the Trust completed a major exercise to review its plant and equipment and information technology assets. This indicated that there are a significant volume of assets that remain in use beyond their allocated estimated useful economic lives. As a result the Trust has revised the estimated useful economic lives of plant and equipment and information technology assets and this has resulted in a reduction in depreciation of £6,857k in 2017/18.

Note 17.1 Inventories

	31 March 2018 £000	31 March 2017 £000
Drugs	6,504	5,889
Consumables	10,021	9,928
Energy	202	205
Total inventories	**16,727**	**16,022**

Inventories recognised in expenses for the year were £276,332k (2016/17: £271,787k). Write-down of inventories recognised as expenses for the year were £0k (2016/17: £0k).

Note 18.1 Trade receivables and other receivables

	31 March 2018 £000	31 March 2017 £000
Current		
Trade receivables	40,660	34,475
Capital receivables (including accrued capital related income)	897	441
Accrued income	17,938	12,732
Provision for impaired receivables	(2,513)	(2,221)
Prepayments (non-PFI)	6,118	5,166
PFI lifecycle prepayments	3,000	7,300
VAT receivable	1,522	1,722
Other receivables	7,444	6,231
Total current trade and other receivables	**75,066**	**65,846**
Non-current		
Provision for impaired receivables	(1,151)	(1,120)
PFI lifecycle prepayments	9,052	6,733
Other receivables	5,038	4,882
Total non-current trade and other receivables	**12,939**	**10,495**
Of which receivables from NHS and DHSC group bodies:		
Current	47,018	36,253
Non-current	-	-

The great 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.

Note 18.2 Provision for impairment of receivables

	2017/18	2016/17
	£000	£000
At 1 April	**3,341**	**3,700**
Increase in provision	769	313
Amounts utilised	(446)	(672)
At 31 March	**3,664**	**3,341**

Receivables are impaired when there is evidence to indicate that the Trust may not recover sums due. This can be on the basis of legal advice, insolvency of debtors or other economic factors. Impaired receivables are only written off when all possible means of recovery have been attempted. The nature of the Trust's business generally means that no collateral is held against outstanding receivables.

Note 18.3 Credit quality of financial assets

	31 March 2018		31 March 2017	
	Trade and other receivables	Investments & Other financial assets	Trade and other receivables	Investments & Other financial assets
Ageing of impaired financial assets	£000	£000	£000	£000
Over 180 days	633	-	849	-
Total	**633**	**-**	**849**	**-**
Ageing of non-impaired financial assets past their due date				
0 - 30 days	1,152	-	753	-
30-60 Days	369	-	620	-
60-90 days	163	-	276	-
90- 180 days	708	-	608	-
Over 180 days	-	-	71	-
Total	**2,392**	**-**	**2,328**	**-**

All receivables are reviewed regularly throughout the year to assess their credit risk. Those which are neither past due nor subject to impairment are deemed to represent a low risk of default.

Note 19 Non-current assets held for sale and assets in disposal groups

	2017/18 £000	2016/17 £000
NBV of non-current assets for sale and assets in disposal groups at 1 April	**-**	**-**
Assets classified as available for sale in the year	-	14
Assets sold in year	-	(14)
NBV of non-current assets for sale and assets in disposal groups at 31 March	**-**	**-**

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.

	2017/18 £000	2016/17 £000
At 1 April	**19,967**	**3,362**
Net change in year	(4,938)	16,605
At 31 March	**15,029**	**19,967**
Broken down into:		
Cash at commercial banks and in hand	32	60
Cash with the Government Banking Service	14,997	19,907
Total cash and cash equivalents as in SoFP and SoCF	**15,029**	**19,967**

Note 20.2 Third party assets held by the trust

The Trust held cash and cash equivalents which relate to monies held on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2018 £000	31 March 2017 £000
Bank balances	41	1
Total third party assets	**41**	**1**

Note 21.1 Trade and other payables

	31 March 2018 £000	31 March 2017 £000
Current		
Trade payables	49,182	48,270
Capital payables	5,294	6,013
Accruals	26,084	20,612
Social security costs	7,660	7,588
Other taxes payable	6,697	6,073
PDC dividend payable	1,428	166
Accrued interest on loans	126	127
Other payables	9,930	9,353
Total current trade and other payables	**106,401**	**98,202**
Of which payables from NHS and DHSC group bodies:		
Current	7,203	4,022

Note 21.2 Early retirements in payables above

The payables note above includes amounts in relation to early retirements as set out below:

	31 March 2018 £000	31 March 2017 £000
- Outstanding pension contributions (March 18)	**9,359**	**8,941**

Note 22 Other liabilities

	31 March 2018 £000	31 March 2017 £000
Current		
Deferred income	7,804	7,084
Total other current liabilities	**7,804**	**7,084**
Non-current		
Deferred income	170	259
Total other non-current liabilities	**170**	**259**

Note 23 Borrowings

	31 March 2018 £000	31 March 2017 £000
Current		
Loans from the Department of Health and Social Care	42,975	5,646
Obligations under finance leases	39	38
Obligations under PFI or other service concession contracts (excl. lifecycle)	8,265	6,303
Total current borrowings	**51,279**	**11,987**
Non-current		
Loans from the Department of Health and Social Care	53,308	101,886
Obligations under finance leases	334	373
Obligations under PFI or other service concession contracts	173,123	181,558
Total non-current borrowings	**226,765**	**283,817**

Note 24 Finance leases

Note 24.1 Leeds Teaching Hospitals NHS Trust as a lessee

Obligations under finance leases where Leeds Teaching Hospitals NHS Trust is the lessee.

Finance lease obligations relate to 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 1.13.

	31 March 2018 £000	31 March 2017 £000
Gross lease liabilities	**403**	**448**
of which liabilities are due:		
- not later than one year;	45	45
- later than one year and not later than five years;	179	179
- later than five years.	179	224
Finance charges allocated to future periods	(30)	(37)
Net lease liabilities	**373**	**411**
of which payable:		
- not later than one year;	39	38
- later than one year and not later than five years;	161	159
- later than five years.	173	214
	373	**411**

Note 25.1 Provisions for liabilities and charges analysis

	Pensions - early departure costs	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2017	**6,108**	**370**	**114**	**6,592**
Change in the discount rate	40	-	-	**40**
Arising during the year	60	212	43	**315**
Utilised during the year	(375)	(136)	-	**(511)**
Reversed unused	(60)	-	(16)	**(76)**
Unwinding of discount	6	-	-	**6**
At 31 March 2018	**5,779**	**446**	**141**	**6,366**
Expected timing of cash flows:				
- not later than one year;	380	446	141	**967**
- later than one year and not later than five years;	1,520	-	-	**1,520**
- later than five years.	3,879	-	-	**3,879**
Total	**5,779**	**446**	**141**	**6,366**

Early departure costs 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 £323k (£178k in 2016/17) which are being handled on behalf of the Trust by NHS Resolution (formerly the NHS Litigation Authority) 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.

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

Note 25.2 Clinical negligence liabilities

At 31 March 2018, £453,408k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Leeds Teaching Hospitals NHS Trust (31 March 2017: £361,147k).

Note 26 Contingent assets and liabilities

	31 March 2018 £000	31 March 2017 £000
Value of contingent liabilities		
NHS Resolution legal claims	(143)	(91)
Other	(366)	(513)
Gross value of contingent liabilities	**(509)**	**(604)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(509)**	**(604)**

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 2018 £000	31 March 2017 £000
Property, plant and equipment	19,340	13,429
Intangible assets	191	81
Total	**19,531**	**13,510**

Note 28 On-SoFP PFI, LIFT or other service concession arrangements

The Trust has two PFI schemes which have been assessed as on-SoFP

Institute of Oncology at St James's Hospital - 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. In 2022 the annual charge will reduce significantly to reflect the fact that the contractual commitment to meet equipment costs will be complete although the contractor is obliged to continue to provide equipment that is fit for purpose. The contract was subject of a refinancing agreement during 2016/17 as detailed further in note 11.1.

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 theTrust. 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 Imputed finance lease obligations

Leeds Teaching Hospitals NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI schemes:

	31 March 2018 £000	31 March 2017 £000
Gross PFI liabilities	**270,489**	**285,529**
Of which liabilities are due		
- not later than one year;	16,094	14,438
- later than one year and not later than five years;	63,583	64,540
- later than five years.	190,812	206,551
Finance charges allocated to future periods	(89,101)	(97,668)
Net PFI obligation	**181,388**	**187,861**
of which payable:		
- not later than one year;	8,265	6,303
- later than one year and not later than five years;	35,291	34,835
- later than five years.	137,832	146,723
	181,388	**187,861**

Note 28.2 Total on-SoFP PFI arrangement commitments

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

	31 March 2018 £000	31 March 2017 £000
Total future payments committed in respect of the PFI arrangements	600,734	627,214
Of which liabilities are due:		
- not later than one year;	33,208	32,135
- later than one year and not later than five years;	134,498	134,295
- later than five years.	433,028	460,784
	600,734	**627,214**

Note 28.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the Trust's payments in 2017/18:

	2017/18 £000	2016/17 £000
Unitary payment payable to service concession operator	31,188	21,059
Consisting of:		
- Interest charge	6,053	(6,027)
- Repayment of finance lease liability	6,473	9,785
- Service element and other charges to operating expenditure	9,451	8,251
- Capital lifecycle maintenance	2,863	3,396
- Contingent rent	6,348	5,654
Total amount paid to service concession operator	**31,188**	**21,059**

During the course of 2016-17 the Trust completed a re-financing arrangement for its Bexley Wing private financing initiative (PFI) agreement which secured a reduced rate of interest. The revised arrangement delivers an overall benefit of £50 million over the life of the contract. Of this sum, £10 million was brought into account in 2016/17 as a cash lump sum and the balance will be spread across the remaining 20 years of the contract via a reduction in the unitary charge. The £10 million brought into account in 2016/17 was taken as a reduction to existing PFI main finance costs from £3,973k (Bexley Wing PFI £3,309k, Wharfedale PFI £664k) to a closing credit balance of £6,027k.

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 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 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 31st March 2018 are in receivables from customers, as disclosed in the trade and other receivables note (Note 18).

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 prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Note 29.2 Carrying values of financial assets	Loans and receivables	Total book value
	£000	£000
Assets as per SoFP as at 31 March 2018		
Trade and other receivables excluding non financial assets	59,438	**59,438**
Cash and cash equivalents at bank and in hand	15,029	**15,029**
Total at 31 March 2018	**74,467**	**74,467**

	£000	£000
Assets as per SoFP as at 31 March 2017		
Trade and other receivables excluding non financial assets	47,052	**47,052**
Cash and cash equivalents at bank and in hand	19,967	**19,967**
Total at 31 March 2017	**67,019**	**67,019**

Note 29.3 Carrying value of financial liabilities	Other financial liabilities	Total book value
	£000	£000
Liabilities as per SoFP as at 31 March 2018		
Borrowings excluding finance lease and PFI liabilities	96,283	**96,283**
Obligations under finance leases	373	**373**
Obligations under PFI and other service concession contracts	181,388	**181,388**
Trade and other payables excluding non financial liabilities	90,492	**90,492**
Total at 31 March 2018	**368,536**	**368,536**

	£000	£000
Liabilities as per SoFP as at 31 March 2017		
Borrowings excluding finance lease and PFI liabilities	107,532	**107,532**
Obligations under finance leases	411	**411**
Obligations under PFI and other service concession contracts	187,861	**187,861**
Trade and other payables excluding non financial liabilities	83,989	**83,989**
Total at 31 March 2017	**379,793**	**379,793**

Note 29.4 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 29.5 Maturity of financial liabilities

	31 March 2018	31 March 2017
	£000	£000
In one year or less	141,771	95,976
In more than one year but not more than two years	14,417	51,273
In more than two years but not more than five years	48,544	58,397
In more than five years	163,804	174,147
Total	**368,536**	**379,793**

Note 30 Losses and special payments

	2017/18		2016/17	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	2	-	3	-
Bad debts and claims abandoned	259	481	844	636
Stores losses and damage to property	5	34	5	9
Total losses	**266**	**515**	**852**	**646**
Special payments				
Ex-gratia payments	167	175	192	195
Total special payments	**167**	**175**	**192**	**195**
Total losses and special payments	**433**	**690**	**1,044**	**840**
Compensation payments received		-		-

Losses and Special payments relate to cases not specifically funded and which, ideally should not arise. They cover bad debts written off, losses from theft or accidental damage and claims for personal loss or injury which are not reimbursed from insurance arrangements.

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, has 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 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. In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies.

The Trust has also received revenue and capital payments from a number of charitable funds, including the Leeds Hospital Charitable Foundation. The Trust's Chair, Dr Linda Pollard, is a Trustee of the Leeds Hospital Charitable Foundation. The Chairman of Trustees, Edward Ziff, is also Chairman and Chief Executive of Town Centre Securities Plc Group. During the year the Trust paid £93k to Town Centre Securities Plc Group for provision of car parking. The financial statements of the Charitable Foundation are published separately and can be obtained from:
www.leedshospitalsfundraising.org.uk/index.php

Professor Paul Stewart, Non Executive Director, is Dean of the School of Medicine, University of Leeds. Caroline Johnstone (Non Executive Director and Chair of the Trust's Audit Committee to 31 January 2018) is a Member of the Council of the University of Leeds and its audit committee. Alison Page, (Non Executive Director to 31 January) is Managing Partner of DLA Piper. During the year the Trust paid DLA Piper £151k for legal services. Mark Chamberlain, Non Executive Director and Chair of the Quality Committee is an Associate of Capsticks LLP. The Trust paid Capsticks LLP £83k in 2017/18 for legal services. Carl Chambers, Non Executive Director and current Chair of the Trust's Audit Committee is a council member of the University of Bradford. Mark Ellerby, Non Executive Director and Chair of the Trust's Finance and Performance Committee is also a Non Executive Director of NHS Business Services Authority.

Related Party	Expenditure with related party £000s	Income from related party £000s	Amounts owed to related party £000s	Amounts due from related party £000s
NHS Airedale, Wharfedale and Craven CCG	0	6,554	44	14
NHS Bradford Districts CCG	0	10,477	187	22
NHS Calderdale CCG	0	5,718	141	13
NHS Greater Huddersfield CCG	0	7,015	12	27
NHS Harrogate And Rural District CCG	0	6,282	18	159
NHS Leeds North CCG	0	98,347	566	636
NHS Leeds South And East CCG	0	155,344	1,841	838
NHS Leeds West CCG	0	177,166	923	3,213
NHS North Kirklees CCG	0	9,183	44	74
NHS Vale Of York CCG	0	8,384	29	25
NHS Wakefield CCG	0	20,341	54	44
NHS England	4	537,620	0	31,014
Department of Health and Social Care	0	9,006	0	924
Leeds Community Healthcare NHS Trust	786	5,757	237	456
Mid Yorkshire Hospitals NHS Trust	1,841	3,782	814	807
Bradford Teaching Hospitals NHS Foundation Trust	693	3,543	152	1,018
Leeds And York Partnership NHS Foundation Trust	323	3,493	22	496
Sheffield Teaching Hospitals NHS Foundation Trust	168	6,972	207	156
Leeds Hospital Charitable Foundation	25	13,460	0	5,226
University of Leeds	16,739	5,703	908	693
NHS Health Education England	1	67,132	1	1,355
NHS Resolution	36,754	2	0	0
NHS Blood and Transplant	8,195	1,381	133	123

Note 32 Better Payment Practice code

	2017/18 Number	2017/18 £000	2016/17 Number	2016/17 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	237,001	500,478	205,555	487,533
Total non-NHS trade invoices paid within target	182,510	360,014	192,370	453,124
Percentage of non-NHS trade invoices paid within target	77%	72%	94%	93%
NHS Payables				
Total NHS trade invoices paid in the year	9,300	85,934	7,428	84,070
Total NHS trade invoices paid within target	5,828	75,680	5,897	76,848
Percentage of NHS trade invoices paid within target	63%	88%	79%	91%

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

Note 33 External Financing Limit

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

	2017/18 £000	2016/17 £000
Cash flow financing	(11,724)	(4,084)
Finance leases taken out in year	0	0
Other capital receipts	0	0
External financing requirement	(11,724)	(4,084)
External Financing Limit (EFL)	(7,164)	(3,814)
Underspend against EFL	**4,560**	**270**

Note 34 Capital Resource Limit

The Trust is given a Capital Resource Limit which it is not permitted to exceed:

	2017/18 £000	2016/17 £000
Gross capital expenditure	23,130	32,686
Less: Disposals	(303)	(14)
Less: Donated and granted capital additions	(2,595)	(1,031)
Charge against Capital Resource Limit	20,232	31,641
Capital Resource Limit (CRL)	20,877	31,705
Underspend against CRL	**645**	**64**

Note 35 Breakeven duty financial performance

	2017/18 £000
Adjusted financial performance surplus (control total basis)	18,880
Breakeven duty financial performance surplus	**18,880**

Note 36 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		963	2,051	4,207	3,089	1,615	(24,386)	(30,194)	(1,901)	18,880
Breakeven duty cumulative position	3,868	4,831	6,882	11,089	14,178	15,793	(8,593)	(38,787)	(40,688)	(21,808)
Operating income		910,556	934,527	970,709	1,002,444	1,044,916	1,086,638	1,115,720	1,172,927	1,238,267
Cumulative breakeven position as a percentage of operating income		0.53%	0.74%	1.14%	1.41%	1.51%	(0.79%)	(3.48%)	(3.47%)	(1.76%)

Going Concern

The Trust has delivered a significant surplus in 2017-18 inclusive of Sustainability and Transformation funding and has plans in place to continue to deliver surpluses in future years in line with agreed control totals and inclusive of Provider Sustainability Funding (formerly STF). There is no indication that the services provided by the Trust are unlikely to continue for the foreseeable future and that the Trust has a a reasonable expectation of access to adequate cash support mechanisms should they be required. In the light of this, the directors consider it appropriate that the Trust remains a going concern and the accounts have been prepared on that basis.

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.

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. From 1 April 2016, NHS Improvement is the operational name for an organisation bring together Monitor and NHS Trust Development Authority

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 (previously known as creditors under UK GAAP).

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.

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 (previously known as debtors under UK GAAP)

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 (previously known as Cash Flow Statement under UK GAAP).

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 (previously known as the income and expenditure account under UK GAAP).

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 (previously known as the balance sheet under UK GAAP).

Sustainability and transformation 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

Sustainability and transformation partnerships
Partnerships established between NHS bodies and local authorities in 44 areas across England to develop proposals and plans to improve health and care for the whole of the population of the area they serve

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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