The Leeds Teaching Hospitals NHS Trust

Annual Accounts

2022-2023

Financial Review 2022/23

The financial year ending on 31st March 2023 has been another challenging year for the Trust with the on-going impact of Covid-19, the impact of high levels of bed occupancy and the impact of the nurses' and junior doctors' strikes.

The year has seen changes in the NHS Financial Regime with Integrated Care Boards formally established in July 2022, replacing Clinical Commissioning Groups and taking on responsibility for the financial oversight of Integrated Care Systems. Also, there was the introduction of the Elective Recovery Framework, looking to reduce long waits and improve performance against cancer waiting times standards.

Despite these pressures and changes, the year has seen record results from a finance perspective. The Trust's Finance Directorate; encompassing Finance and Procurement have been integral to the Trust's response to the Covid-19 pandemic and the return to pre-Covid working. Also, the Finance Directorate has seen 18 of its innovations approved nationally by the One NHS Finance Innovation Programme (of a national total of 90). The Innovation Programme is a mechanism to transparently collect, validate, and share NHS finance innovations.

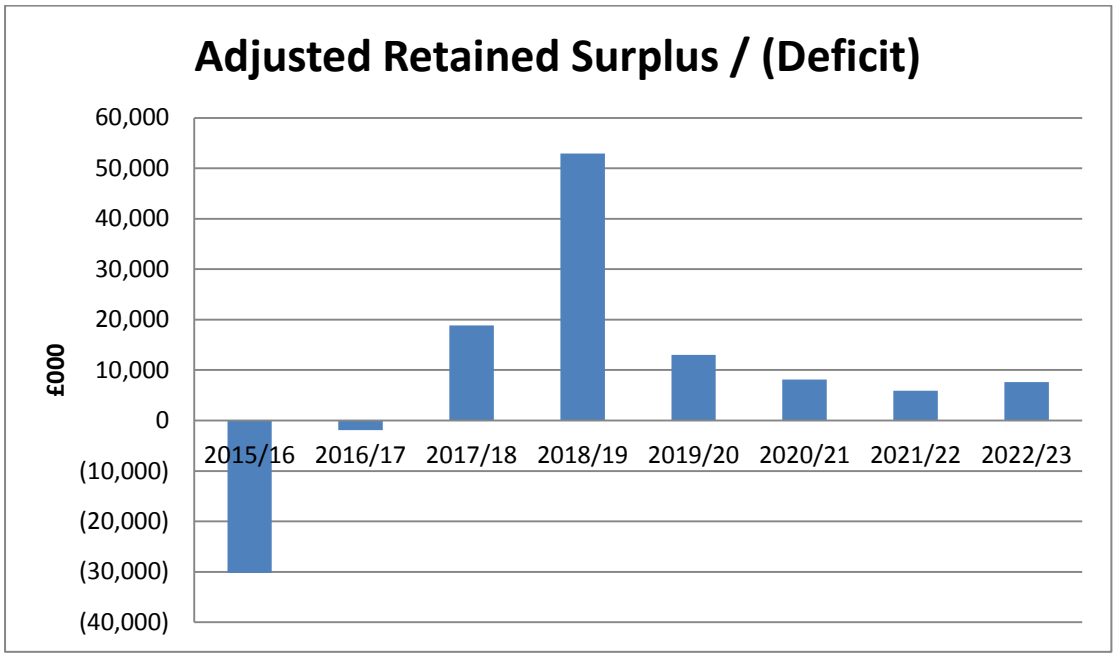
Overall 2022-23 was another year of financial success and achievement for the Trust.

Highlights of 2022/23 from a financial point of view are:

- A revenue surplus, after technical adjustments, of £7.6m. The sixth consecutive year of surplus (see table 1 below);
- A record level of capital investment of £133.5m (see table 7);
- Delivery of a mitigation and Waste Reduction Programme of £119.3m, significantly overachieving against national expectations and in comparison to 2021-22;
- Building the Leeds Way, our new hospitals programme, continued at pace with significant demolition and enabling work at the LGI site and major construction work on the new regional pathology centre at St James's
- Significant cash balance of £91m;
- Record achievement against the Better Payments Practice Code for paying suppliers promptly of 98%, the highest level achieved (see table 6);
- Procurement achieving accreditation against the Commercial Continuous Improvement Assessment Framework in the "Best" category;
- Finance achieved an average score of 4.8 out of 5 in the national Financial Sustainability self-assessment exercise; and
- Finance maintained accreditation at Level 3 of the Future Focused Finance staff development programme. The highest level that can be awarded.

None of this would have been possible without the tremendous contribution of all members of staff across the Trust, not least those in the Finance CSU.

Table 1



Income and Expenditure Summary

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

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

The Trust has delivered an adjusted financial performance surplus of £7.6m, which excludes technical non recurrent adjustments of £38.8m. The performance contributed to the West Yorkshire ICB achieving its control target for 2022/23.

For 2022/23, the Trust was contracted via the Aligned Payment Incentive Approach (APIA). The majority of the income received under this revised National contractual approach was fixed. The main variable elements to the income received into the Trust were related to NHS England commissioned drugs and devices. The Trust also secured additional funding via the Elective Recovery Framework from the Integrated Care Board's (ICB's) and NHS England Specialised Commissioning of £41.2m.

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

Table 2

	2016/17 Actual £000	2017/18 Actual £000	2018/19 Actual £000	2019/20 Actual £000	2020/21 Actual £000	2021/22 Actual £000	2022/23 Actual £000
NHS England	476,132	498,293	515,025	589,857	619,924	702,831	816,560
Clinical Commissioning Groups/ Integrated Care Board	486,784	522,806	543,232	588,855	652,340	778,854	772,150
Non-NHS: Private Patients	5,593	5,857	4,907	5,535	3,706	3,845	1,437
Other income from patient care activities	7,039	7,266	20,448	8,739	6,234	7,375	8,337
Other operating income	197,379	204,045	252,235	221,754	314,591	235,040	245,504
Total operating income	1,172,927	1,238,267	1,335,847	1,414,740	1,596,795	1,727,945	1,843,988

Included in the above is income from NHS England of £33.2m relating to the pay award offer and £41m for the Elective Recovery Fund.

Included in "Other Operating" income above is £14.4m in respect of donations from a number of charities and organisations who generously support our services by funding equipment purchases, research activity, specialist staffing or environmental enhancements. The Trust is grateful to all the charities from which it receives support.

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

Table 3 below gives a summarised breakdown of expenditure during 2022/23.

Table 3

	2016/17 Actual £000	2017/18 Actual £000	2018/19 Actual £000	2019/20 Actual £000	2020/21 Actual £000	2021/22 Actual £000	2022/23 Actual £000
Employment related costs	679,552	702,958	745,032	830,372	924,569	985,758	1,088,351
Drug costs	173,284	178,445	188,170	200,947	237,243	266,116	285,106
Clinical supplies and services	152,001	155,889	153,668	156,404	164,594	182,293	191,325
Premises	38,975	42,348	54,594	68,597	78,021	74,831	70,769
Other operating expenses	156,450	172,962	117,297	113,883	199,182	189,850	136,191
Total operating expenses	1,200,262	1,252,602	1,258,761	1,370,203	1,603,609	1,698,848	1,771,742

- The expenditure position has increased due to an increase in costs from inflation, drugs costs and staffing costs. This has been offset by a reduction in expenditure for Covid.

- Employment costs have increased during the year. There has been an increase of 250 WTE (£10.8m) in the number of permanent staff employed by the Trust, including 74 scientist/technical staff and 99 additional doctors. The cost of national pay awards incurred in the year was £30.8m, with a further £35m allocated for the recent pay award offer.

- To achieve its surplus the Trust delivered a mitigation and waste reduction programme of £119.3m, of which £32.4m came from programmes across our Clinical Services Units. A further £15m was delivered from strategic waste reduction schemes and £26.1m from the mitigation work streams. The balance was delivered from other Trust wide cost savings programmes. These programmes were and continue to be, built on the principles of our Leeds Improvement Method. The Leeds Improvement Method seeks to identify and remove wasteful practices, procedures or delays which impede great patient experience. Financial savings being a by-product of introducing improvements in the way we communicate with and treat patients in our care. Each year, more and more of our staff are receiving training in the Leeds Improvement Method.

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

Table 4

Where Each £1 Comes From

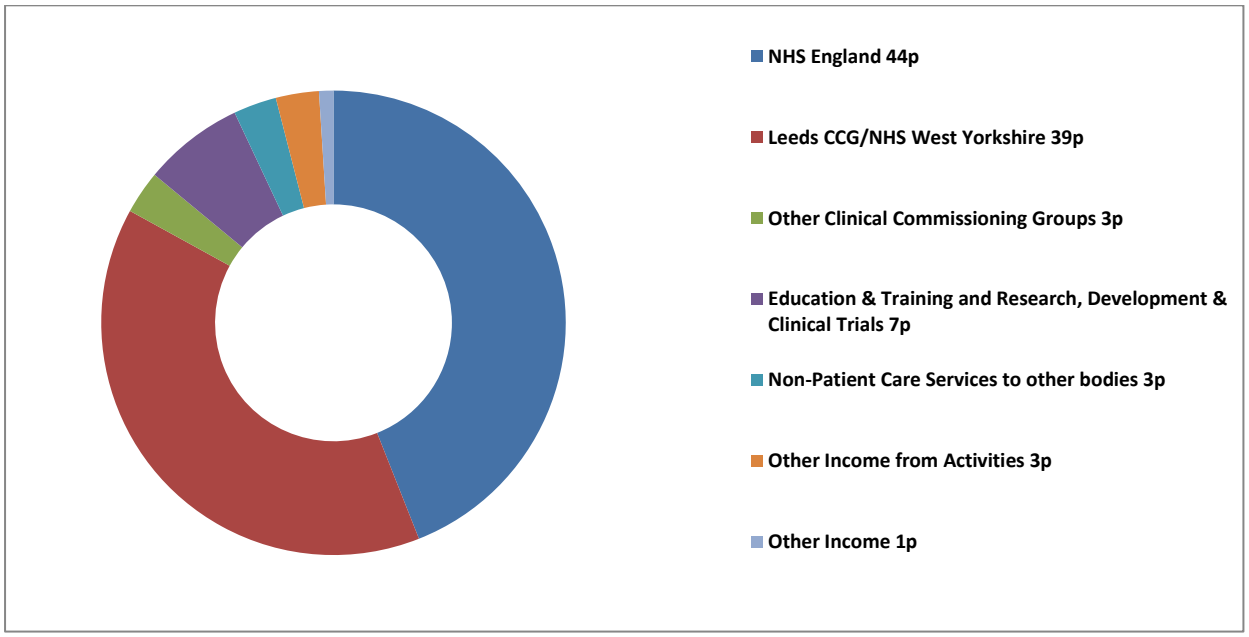
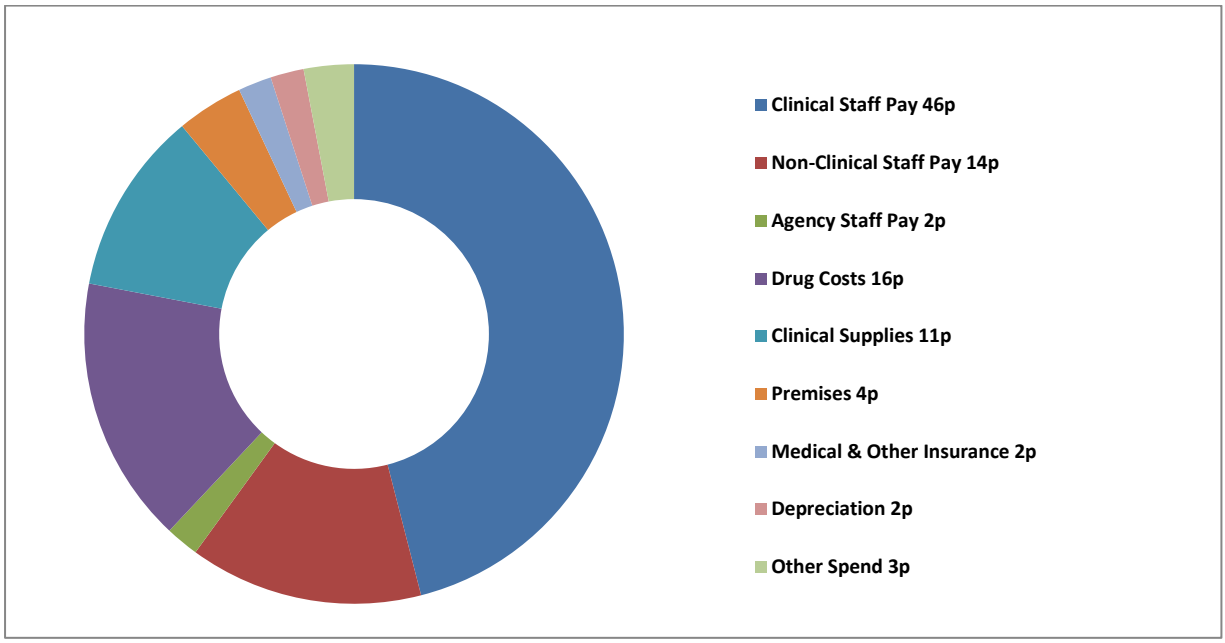


Table 5

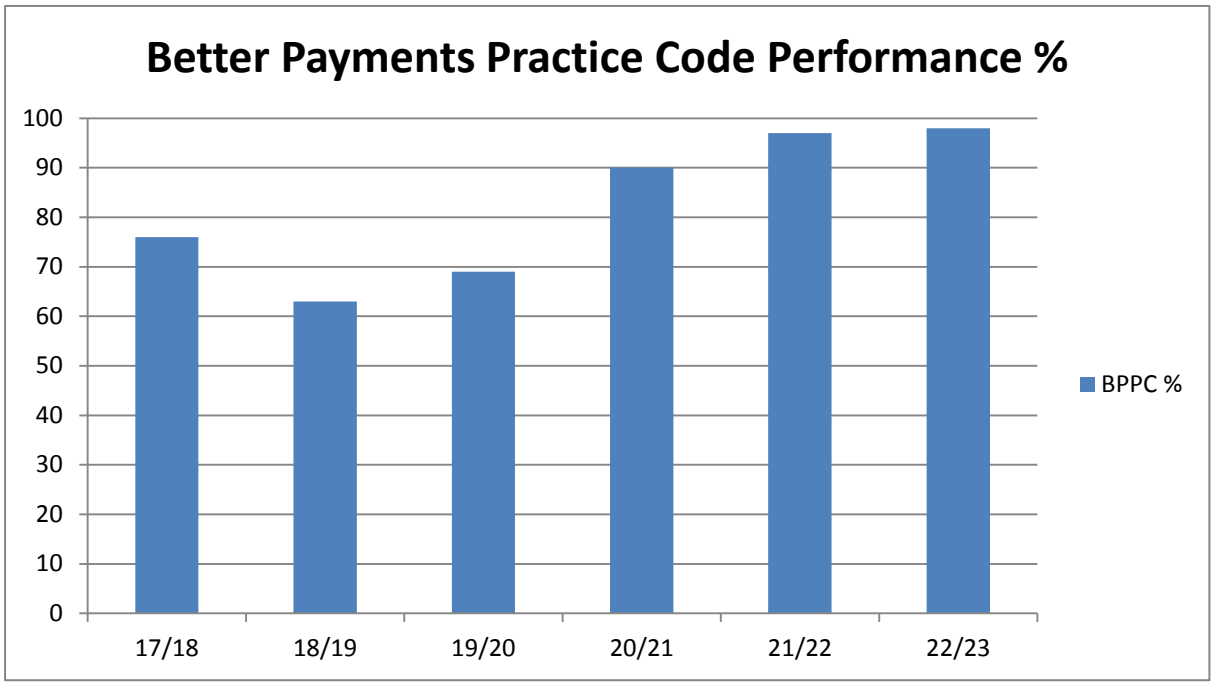
How Each £1 is Spent



Better Payments Practice Code

The change in the NHS finance regime and the move to block contract payments, alongside better invoicing and debt collection processes has helped to improve our liquidity position. One of the innovations mentioned earlier has been the move to twice weekly supplier payment runs. The result has been an improvement in our Better Payments Practice Code compliance percentage with 98% of valid supplier invoices now being paid within 30 days or their due date (if later). This achievement was recognised with a letter of commendation from Julian Kelly, NHS England's Director of Finance. The table below shows the improvement over the past few years. In challenging economic times it is particularly important to support our suppliers and local businesses by ensuring prompt payments are made to them so it is particularly pleasing to see the improvement.

Table 6



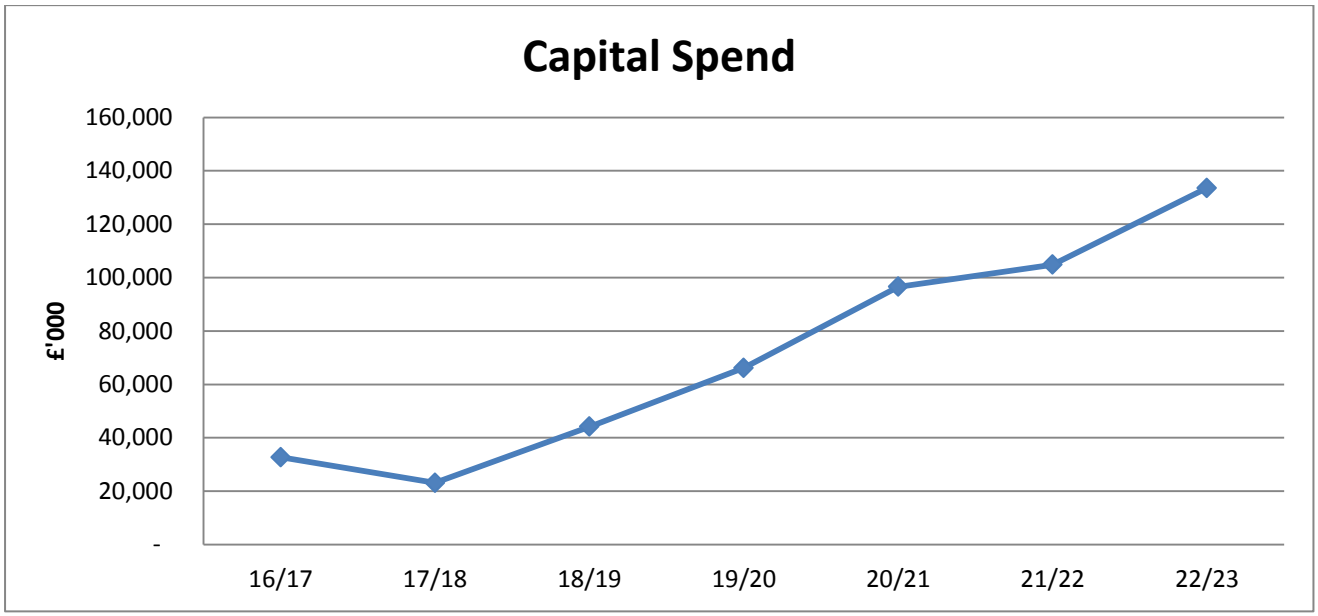
It is also pleasing to note that no late payment of commercial debt charges have been incurred during the year. If interest had been levied under the terms of the Public Contract Regulations on the small number of invoices that were not paid within terms, the maximum liability would have been £142k (21/22- £193k) - money which if incurred would no longer be available for patient care.

Capital Investment

In 2022/23, capital investment, underpinned by our surpluses in previous years, increased to £133.5m. This level of expenditure on our estate, medical equipment and IT is a record for the Trust. The table and graph below shows how, with an improving revenue position we have been able to build our level of capital expenditure in the last five years.

Table 7

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Building and Engineering	17,776	10,633	28,440	29,061	39,587	27,135	39,943
Medical and Surgical Equipment	8,698	7,286	8,963	22,978	16,434	23,607	10,415
Information Technology	6,212	5,210	6,746	14,110	20,048	40,059	44,770
Building the Leeds Way					14,092	14,002	35,786
Covid					6,396		
Leases							2,606
Total	**32,686**	**23,129**	**44,149**	**66,149**	**96,557**	**104,803**	**133,520**



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

	£000
✓ End User Compute Modernisation Programme	£12,160
✓ Public Sector Decarbonisation Scheme	£9,070
✓ Opthalmology Gledhow Wing SJUH	£7,447
✓ Digital Pathology Infrastructure	£7,139
✓ Digital Pathology Research PACS	£6,032
✓ National Pathology Imaging Collaborative - Wave 2	£3,363
✓ LIMS and Interoperability	£3,361
✓ Network Infrastructure Refresh	£2,798
✓ Electronic Health Record	£2,703
✓ Diagnostic Workstations	£2,362

Looking to the Future

The national planning guidance issued in late December 2022 outlined the continued challenge for the NHS to tackle service recovery, to deliver the key ambitions in the NHS Long Term Plan and to continue to transform the NHS for the future.

The financial position in 2023/24 will be impacted by the continued prevalence of Covid, higher inflation due to worldwide events such as the conflict in Ukraine and the impact of the ongoing strike action. As a result of the above it is clear that there is going to be huge financial pressure in the system in 2023/24. The Trust is working to deliver its plan of a balanced financial position.

Capital investment for 2023/24 is planned at £116.8m. While some risk to delivery of the full programme from inflation and supply chain concerns must be acknowledged, there is every reason to be confident of another high level year of expenditure on our infrastructure. We are awaiting confirmation from the Government on whether we can proceed with our new hospital development, but are in discussions on how we can progress certain elements of the programme.

A new pathology laboratory servicing the Trust and hospitals in West Yorkshire and Harrogate is progressing with building work on the project due to complete this year. When this major construction project is completed, it will provide a full range of “state of the art” pathology services to patients across the region.

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

Annual Governance Statement (2022/23)
Leeds Teaching Hospitals NHS Trust

1. Scope of responsibility

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

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Leeds Teaching Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2023 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Board of Directors provides leadership on the overall governance agenda. The Board of Directors is supported by a range of Committees that scrutinise and review assurances on internal control. Our assurance Committees; Audit, Quality Assurance, Finance & Performance, Digital & IT, Workforce, Building Development and Innovation District, and during the year the Board established a Research & Innovation Assurance Committee, noting previously this had functioned as a management Committee reporting to Board, which is retained as the operational oversight. The Risk Management Committee reports directly to the Board of Directors. These Committees have all provided an annual report detailing how they have discharged their duties, with attendance of the respective Committee Chair at the Audit Committee meeting on 4 May 2023 and were received at the 25 May 2023 Board meeting.

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

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

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

3.2 The Board commissioned a Task and Finish Group in October 2020 to further develop the Risk Management Framework, focusing specifically on the Trust's approach to setting and embedding its risk appetite and risk categories, supported by a Non-Executive Director and working in collaboration with commercial partners at YBS. The work of the Task and Finish Group was presented to Trust Board in March 2021, including the revised risk categories and risk appetite statements, which were approved by the Board. A document was published; Risk Appetite 2021/22, to be used as a resource for staff working in the Trust to support them in adopting the risk appetite categories and risk appetite statements, to implement this in practice.

The Risk Management Framework has continued to be developed, including agreeing the Trust's risk appetite statements and level 1 and level 2 risk categories, to help guide Executive Directors, senior managers and clinicians in the assessment and prioritisation of risk within the organisation. The risk categories have also been subject to a programme of reviews at Audit Committee, for assurance. The Accountable Executive for each risk category provides an overview of the assurance regarding each level 2 risk category to the Audit Committee on an annual basis.

The risk categories and the risk appetite statements have been cross referenced and incorporated into the Trust's Corporate Risk Register (CRR), to establish a fully integrated Risk Management Framework based on the work that has been undertaken to date. Executive Directors have supported CSU's and corporate leads to implement the Risk Management Framework, providing oversight through the monthly Risk Management Committee. The risk categories and risk appetite statements were reviewed again at a Board time-out in 2022/23, led by Board Committee chairs, to provide opportunity to consider these and agree whether any changes were needed, which was presented to January Board. A revised framework was published in April 2023, to support the further development during 2023/24.

The work related to the Trust's Risk Management Framework was acknowledged by NHS Providers, a membership organisation that represents NHS Providers and was presented at the NHS Providers conference on 11 May 2022. The Trust has provided advice and support to partner organisations on implementing the framework in Leeds. The risk appetite framework was subject to an internal audit review (PwC) in Q4 2022/23, which highlighted the good progress that had been made in its implementation, with a report classification and overall conclusion of low risk.
Risk-Appetite-2023-24-Second-Edition.pdf (leedsth.nhs.uk)

3.3 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.

3.4 Incidents, complaints and patient feedback are routinely analysed to identify for learning opportunities and improve control. Lessons for learning are disseminated to staff using a variety of methods, including Quality and Safety briefings, Learning Points Bulletin and personal feedback where required. The Trust is leading a network with West Yorkshire Association of Acute Trusts (WYAAT) partners to share learning from serious incidents, including Never Events and it was an early adopter of the Patient Safety Incident Response Framework, implementing the Patient Safety Incident Response Plan (PSIRP) in 2022/23. The Quality Assurance Committee provides oversight on this process, with a complaints annual report to the Board of Directors each July and a six-month update in January.

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

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

4 The risk and control framework

(i) Determine priorities

The Board of Directors determines corporate objectives annually (from 2023/24 these are commitments) and these establish the priorities for Executive Directors and clinical services.

(ii) Risk Identification

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

(iii) Risk Assessment

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

(iv) Risk Response (Risk Treatment)

For each risk, controls are ascertained (or where necessary developed), understood and documented. Controls are implemented to *avoid risk; seek risk* (take opportunity); *modify risk; transfer risk* or *accept risk*. Gaps in control are subject to mitigating actions that are implemented to reduce

residual risk. The Board of Directors has considered its appetite for taking risk and reviewed its risk appetite to guide the management of risk throughout the Trust.

(v) Risk Reporting

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

(vi) Risk Review

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

b. Incident reporting and investigation is openly encouraged as a key component of risk and safety management to help us learn and take action in response to patient safety incidents. An electronic incident reporting system is operational throughout the organisation and is accessible to all staff. Incident reporting is promoted through induction and training, regular communications, leadership walk rounds or other visits that take place. Face to face leadership visits were suspended and replaced with virtual leadership visits due in response to national guidance related to social distancing to reduce the risk of transmission, this continued in 2022/23. A programme to support staff who have been involved in an incident is in place, Leeds Incident Support Team (LIST) and a process for sharing lessons across the organisation is established, overseen by the lessons learned group. In addition, arrangements are in place for staff to raise any concerns at work confidentially and anonymously through the Freedom to Speak Up process.

4.2 As at 31 March 2023, Leeds Teaching Hospitals NHS has identified a range of significant risks, which are currently being mitigated, whose impact could have a direct bearing on requirements within the NHS Single Oversight Framework, CQC registration or the achievement of Trust policies, aims and objectives

should the mitigation plans be ineffective. Currently, the significant risks documented on the Corporate Risk Register at 31 March 2023 relate to the following areas:

Workforce risk
Workforce supply
CRRW1 Nurse staffing
CRRW2 Medical staffing
Operational risk
CRR01 Viral pandemic
CRR02 Power failure (IPS/UPS resilience – electrical infrastructure
Health and safety risk
CRR03 Harm due to clinically related challenging behaviours
CRR04 – Staff absence, health, safety and wellbeing
Change risk
CRR06 – Refurbishment of Generating Station Complex (GSC) at LGI
CRR07 – Delivering hospital of the future project
CRR08 – Delivering pathology project
CRR09 – Delivering LGI site development project
Information technology risk
CRR010 – Cyber-attack
CRR011 – DIT resources to meet demand for DIT led projects
Clinical risk
Infection prevention and control
CRRC1 Healthcare associated infection
Patient safety and outcomes risk
CRRC3 – Patient harm – falls and hospital acquired pressure ulcers
CRRC4 – Achieving 4 Emergency Care Standard
CRRC5 – Achieving 18-week RTT standard
CRRC6 – Achieving 62-day cancer standard
CRRC7 – Achieving 28 day cancelled operations standard
CRRC8 – Patients waiting over 52 and 78 weeks for treatment
CRRC9 – Patients waiting longer than 6 weeks for diagnostic tests
Capacity planning risk
CRRC10 Capacity and patient flow across the healthcare system
CRRC12 Airedale hospital infrastructure
Financial risk
CRRF1 – Delivering financial plan 2022/23

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

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

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

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

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

The Trust has embedded a corporate workforce planning framework with each CSU producing their own workforce plan. These plans identify and reduce high-cost agency, promote new roles to support skill mix reviews; effectively deploy staff and focus on learning and the sharing of best practice. We are now maturing our workforce planning process in order to support the delivery of the 2023/24 commitment to improve staff retention and support delivery of the financial plan. All workforce plans are signed off by the Deputy Director of HR and relevant CSU Associate Director of Operations. Bespoke sessions have been held with all CSUs to better understand their workforce challenges. Our HR business partners will then work with them to coproduce effective workforce solutions supporting their short, medium and longer term workforce planning.

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

5 Care Quality Commission (CQC) Registration

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

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

- Reporting and keeping under review, matters highlighted within the Care Quality Commission's Acute Insights Report and inspections;
- Self-assessment against the Key Lines of Enquiry defined within the criteria of the Well-led review, and preparing the Trust for an external review;
- Liaising with the Care Quality Commission and Clinical Service Units to address specific concerns;

- Engaging with the Care Quality Commission on the inspection process, co-ordinating the Trust's response to inspections and recommendations/actions arising from this;
- Analysing trends from incident reporting, complaints, and patient and staff surveys to detect potential non-compliance or concerns in Clinical Service Units;
- Reviewing assurances on the effective operation of controls;
- Receiving details of assurances provided by Internal Audit, and being notified of any Clinical Audit conclusions which provide only limited assurance on the operation of controls; and
- Challenging assurances or gaps in assurance by attending meetings of Risk Management Committee, Quality Assurance Committee, and Audit Committee.

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

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

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

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

5.6 Responsibility for the delivery and oversight of the vaccination programme transferred from Leeds Teaching Hospitals NHS Trust to Leeds Community Health NHS Trust in Q3 2022/23. The Trust has advised the CQC and updated its Statement of Purpose.

6. Register of Interests, Including Gifts and Hospitality

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

https://www.leedsth.nhs.uk/about-us/freedom-of-information/publication-scheme/lists-and-registers/declarations/

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

7. Pensions

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

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

8. Sustainability

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

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

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

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

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

9.3 The Trust approved its annual plan in December 2022 and submitted its Operational Plan for 2023/24 in March 2023 to NHS England.

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

risks. This informs the detailed operational plans and budgets which are also approved by the Board.

9.5 In line with normal practice the Trust agreed its Annual Plan for 2023/24 in December 2022. NHS England published draft planning guidance for systems in December 2023 and the Trust has reviewed these in relation to our agreed annual plan.

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

9.7 The Board agrees annually a set of objectives (from 2023/24 these are commitments) for the following year which are communicated to colleagues and the public via my Chief Executives report in March. This provides the basis for performance reviews at CSU level. Operational performance is kept under constant review by the Executive Team, Finance & Performance Committee and the Board of Directors. In order to keep under review the delivery of the annual Objectives (commitments moving forward), the Board reviews at each formal meeting an Integrated Quality & Performance Report covering patient safety, quality, access and experience metrics, and a Finance Performance Report. At the March 2023 Board meeting following work with the Executive Team and the Virginia Mason Institute we have set seven commitments for the coming financial year 2023/24 and through reports to the Board and our Committees will monitor progress.

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

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

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

9.11 The Trust has a co-sourced internal audit function using internal and PwC resources. The External Auditors, Mazars, were re-appointed in January

2021 for a period of three years. The implementation of recommendations made by Internal and External Audit is overseen by the Audit Committee.

10. Information governance

Information Governance incidents within the Trust are managed through rigorous and standardised processes with an appointed Caldicott Guardian and Deputy, a qualified Senior Information Risk Owner and the Data Protection Officer for the Trust. During 2022/23, there were 17 SIRI's or near-miss incidents that required reporting, of which two were reported to the Information Commissioners Office (ICO). The Trust Information Governance (IG) Team has investigated all of the cases and has worked with all concerned parties to ensure that the appropriate governance and information security procedures have been implemented. The IG Team has also provided advice and guidance on the way in which staff should handle information, in particular the personal, sensitive and corporate data processed by the Trust. This ensures that information is dealt with legally, securely, efficiently and effectively, in order to deliver the best possible care.

11. Data quality and governance

11.1 The Data Security Protection Toolkit (DSPT) is an annual self-assessment produced by NHS Digital, the DSPT provides Acute Trusts with 38 assertions to self-assess. These assertions will determine whether an organisation is compliant with national guidance and legislation.

The DSPT contains 38 assertions segregated into 10 specialist areas based on the National Data Guardian Standards. Of these 38 assertions, 33 assertions are mandatory. A total of 142 pieces of evidence are required for the Toolkit. The Trust's Senior Information Risk Owner (SIRO) has requested that all non-mandatory assertions are completed as good practice. The Trust's Internal Audit (PwC) conducted a high-level review of a sample of Data Security Standards and the evidence uploaded was deemed as meeting the requirements of the DSPT.

The Trust was able to successfully submit its DSPTv4 Submission for 2021/22 on 26 June 2022 with all mandatory evidence items being successfully completed.

The IG Team are currently on target to meet the 2022/23 DSPTv5 submission.

11.2 The Trust reports on elective waiting times throughout the year, in nationally mandated submissions and in regular updates to the Finance and Performance Committee and Trust Board. Data validation is required of CSU teams to confirm the waiting time data recorded for patients waiting for treatment. Training is provided to teams by the PAS team and additional support and training is provided by the performance and development team where concerns are identified or requests are made for additional support. A number of reports are available to identify potential data quality concerns and identify areas for improvement. The Trust also uses a well-established clinical harm process to assess the extent of any harm associated with long waits and the risks of extended waits are recorded on the Trust's risk register. The Trust also contributes data to the LUNA health system run by NECS which assesses performance for all Trusts in relation to confidence in

data and potential pathway issues to strengthen the accuracy of key data quality performance indicators.

12. Review of effectiveness

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

12.1. The Board of Directors

The Board has set out the governance arrangements including the Committee structure within the Standing Orders. These Assurance Committees, Chaired by Non-Executive directors and reporting to Board are: Audit, Finance & Performance Quality Assurance, Digital & IT, Workforce, Building Development, Innovation District and Remuneration. During the year the Board established a Research & Innovation Assurance Committee, noting previously this had functioned as a management Committee reporting to Board. The management Committee remains in place reporting to the Assurance Committee. The Risk Management Committee reports directly to the Board of Directors.

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

In line with the CQC requirement for an independent external review of their Well-led criteria to be carried out every three years, the Board commissioned a review by AQUA. The report was received at the public Board in January 2022 with a very positive outcome. A few advisory recommendations were made that have been implemented during the year.

12.2 Internal Audit

There were 28 reviews agreed in the Annual Plan for 2022/23. One was deferred to 2023/24 (Discharging/patient flows), one was cancelled (Compliance with regulatory standards) and there was one addition to the plan (financial sustainability).

There were 28 reviews agreed in the Annual Plan for 2022/23, two were deferred to 2023/24 (Discharging/patient flows and Cost Base Review), one was cancelled (Compliance with Regulatory Standards) and as at 27 June 2023 the Cyber Improvement Plan the draft report is waiting to be finalised.

Of the 25 Internal Audit reports reported to the Audit Committee to date, one of these was categorised as High Risk, (Healthcare Acquired Infection Data, noting the four actions were reported as been implemented to 22 June 2023 Quality Assurance Committee meeting).

Five audits of the 'Building the Leeds Way' were completed in 2022/23, none of which were rated as High Risk.

The Audit Committee has considered the outputs of this work when endorsing the 2022/23 AGS.

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

12.3 External Audit

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

12.4 Clinical Audit

Quality Assurance Committee, at the meeting on 20 April 2023, received and were assured by the Clinical Audit Annual Report for 2023/24. 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 2023/24.

12.5 Health & Safety

The Health and Safety team maintain our usual Health and Safety core activities, working collaboratively with Clinical Support Units (CSUs), Human Resources (HR), Infection Prevention and Control (IPC), Estates & Facilities (E&F), Occupational Health and staff side union representatives amongst the wider Trust.

Health and Safety within Leeds Teaching Hospitals is overseen by the Risk Management Committee, alongside supporting assurance groups. Staff involvement and consultation is welcomed and encouraged, and information from the regular planned meetings of the Health and Safety Consultation Committee is posted on the Trust Health and Safety intranet pages.

Minimum performance standards have been set for all Health and Safety risks (Active Monitoring) and all departments participate in the annual Health and Safety Controls Assurance process which measures levels of compliance. An annual Health and Safety report publishes the results of this auditing process.

We have conducted an audit of the previous year's performance and were extremely pleased that 636 wards/departments – 100% - of the Trust participated which is consistent with previous years. In order to complement this process, the Health & Safety team carry out H&S 'Genba' style visits in order to support compliance and continuous improvement.

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

The Health & Safety Team continue to report notifiable incidents to the Health and Safety Executive (HSE). For an incident to be reportable there must be clear and reasonable evidence to confirm the link between the harm sustained and the work- related activity.

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

As the COVID-19 situation has evolved and the Trust continues with reset and recovery, fire safety has played a key part in planning for the Trust response, especially with regard to the changes to oxygen systems that have been installed or updated, changes to clinical environments to create surge plans and adapting training to meet staff requirements. The LTHT Fire Team is also providing expert reference as part of the NHSE review of HTM Fire code.

12.6 Promoting Safety

The focus throughout 2022/23 was centred on recovery and reset post COVID-19 pandemic. This allowed us the time to reflect on lessons learned, ensure the resilience of the workforce was a priority, to be assured

of the quality of care we deliver and to support elective recovery programmes.

We continued to be compliant with NHS England guidance and national safer staffing policy requirements. The Board have been fully assured in relation to safer nurse staffing requirements, workforce response to the opening of additional surge capacity and assessment of quality indicators against any wards that have reported below their planned staffing levels through the Nursing and Midwifery Quality and Safety Staffing Board report.

The Trust has opened additional wards in response to increased demand for our services, and challenges within the social care sector, which is still recovering post pandemic. To deliver the additional bed capacity we needed to continue growing our registered and unregistered workforce as well as working with external agencies to provide additional nursing support at times of peak demand.

During the last 18 months we have experienced a sustained increase in the demand for enhanced care for patients in our wards. It was essential to grow our Clinical Support Worker (CSW) workforce and ensure we had flexible, part time opportunities to encourage more people into the profession. We launched a 'New to Care' trainee CSW programme which promoted flexible hours and provided increased support through a four-week classroom-based training programme. This has increased our CSW workforce by 260 new posts.

In addition to the focus on increasing the workforce through new routes and the continuation of International Nurse Recruitment, we also reviewed how we gain assurance in relation to the quality of care delivered. This was achieved through several work streams including:

- Continuation of the Nursing Quality Review meetings, chaired by the Chief Nurse twice a year to review a range of quality and patient safety indicators.
- Bi-annual establishment reviews to ensure we have the right workforce, with the right skills, at the right time.
- The Quality and Safety review team completed 22 ward level reviews; mapped against the following domains (Safe, Effective, Caring, Responsive and Well Led).
- Review of the ward Health Check metric audit (undertaken once a month) to separate our patient and environmental elements of the audit to provide oversight and accountability.
- The introduction of a monthly ward assurance review meeting where wards in escalation in the Ward Healthcheck programme are discussed amongst the corporate nursing teams and collaborative support to areas of concern are planned.
- The Clinical Support Team conducted 93 ward assurance visits in response to wards in escalation, wards with red metrics, wards with three consecutive months of amber metrics, or by exception at the request of the Chief Nurse.

The resilience and pastoral support of our workforce was essential to care delivery. Throughout 2022/23 we introduced the Professional Nurse Advocate (PNA). The role of the PNA is to provide training and restorative supervision for nursing colleagues. The role was officially launched in February 2023 following the successful training of over 47 PNA's across the Trust, with 30 PNAs in training and a further 11 waiting to join the next cohort of PNA training.

The Trust was also awarded the International Recruitment Pastoral Care Award from NHS England. This is in recognition of achieving a high level of excellence in the pastoral, induction support and developmental programmes in place for our internationally recruited nurses.

12.7 Freedom to Speak Up

As Chief Executive I work with the 'Freedom to Speak-Up Guardian' to embed and promote a culture of openness for staff to express concerns about patient care and safety. The Board received the annual report at the May Board meeting, with a six-month update, in year in November. Assurance on our processes, were reviewed by the March 2023 Audit Committee in addition to a session within the March Board timeout meeting.

12.8 Guardians of Safe Working

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

12.9 Staff Safety

The Trust has put in numerous measures to continue to support our staff. These include but are not limited to:

- Optimal Attendance Management project established with a project plan. Regular review of absence management data in place with Clinical Service Units (CSUs) Triumvirates team / Human Resource Business Partners / Operational Human Resources /CSUs with actions agreed to support staff back to work.
- Advice and support available for managers to support them to manage sickness absence available from Operational Human Resources and Occupational Health. Over 100 staff have attended Supporting Attendance workshops and more than 800 staff have accessed the online tool kit.

- A new online referral form has been launched which will enable review of Occupational Health referrals to prioritise those to be seen when demand exceeds capacity.
- Flexible working and remote working policies have been developed to ensure the needs of the individual, team and service are met, alongside maximising staff availability. A formal project group has been established to ensure the remote working policy is consistently applied through projects including ongoing training and support for managers to ensure the principles in the policy are applied.
- We have continued to roll out Mental Health First Aid (MHFA) training, with 638 MHFA trained and over 5,000 supportive conversations undertaken
- Money Buddies one to one financial advice service commenced May 2022, with good usage.
- Launch of the Leading the Leeds Way Managers Toolkit is complete.
- Health and Wellbeing booklet sent to all staff to raise awareness of services
- Range of support services available to support staff to return to work and stay well at work including Occupational Health, Staff Clinical Psychology, Staff Physiotherapy, Individual Risk Assessments and Vaccinations.
- Twice weekly steering group established to plan for potential Industrial Action with staff from Emergency Preparedness, Human Resources, Corporate Nursing, Corporate Medical Team, Corporate Operations and CSUs Triumvirates representation. Set of task and finish groups established to ensure effective delivery.
- Incident Command Centre in place in the event of any Industrial action, with positive partnership working with Staff Side embedded. Standard work, including understanding what areas are derogated, established for how to manage the impact.
- Standard work process are in place for deployment and staff mitigations and utilising agency workers to support essential services during industrial action.
- Robust data analysis to ensure understanding of staffing absence in place.
- FAQs, Ask the Expert, comms plan and guidance regularly updated to ensure understanding across the organisation as the situation develops.

We continue to work closely with recognised professional bodies and Trade Unions and have ensured mechanisms are in place for Health & Safety representatives to raise any concerns.

13. Significant In-Year Matters

Activity

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

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

13.2 Recovery actions to improve our delivery of targets established by the NHS constitutional standards has been a priority this year. Continuing COVID admissions and the restrictions on patient placement, social distancing and testing have slowed the delivery of pre-COVID levels of activity. During the year restrictions on patient placement and testing requirements have been removed, which has allowed activity levels to increase, although these have yet to be delivered consistently at pre-COVID levels.

13.3 In the early part of the year the Trust completed the decommissioning of the Nightingale Surge Hub which the Board of Leeds Teaching Hospitals had been asked to develop as part of the response to the Omicron variant wave which had significantly increased admissions with COVID during the winter of 2021/22. The temporary structure that had been built on one of the car park sites at St James's Hospital delivered potential emergency bed capacity for c80 patients.

13.4 The Chief Medical Officer reporting to the Board was the Senior Responsible Officer for the West Yorkshire Vaccination Programme from its inception in December 2020 until 1 July 2022, when this responsibility transferred to the West Yorkshire ICB. The delivery of the vaccination programme in Leeds was transferred from LTHT to Leeds Community Healthcare from August 2022.

13.5 There have been cycles of COVID waves during the year and these have significantly impacted on the Trust's ability to deliver services in line with business-as-usual plans. The impact of these waves has diminished during the year but on during each wave inpatient wards have had to be allocated as 'COVID wards' to accommodate the patient's needing isolation. This affects our management of acute flow. The Trust has also been impacted by increased levels of staff sickness and patient cancellations when they contract COVID prior to planned admissions. This has also affected our ability to deliver against all of our plans to improve how we perform when measured against the NHS constitutional standards.

Planned increases in activity have been impacted by patient cancellations due to illness and isolation, staff absences and the redesignation of inpatient capacity to care for growing numbers of patients admitted with COVID.

13.6 The Trust did not meet the national requirements to treat a minimum of 92% of patients within 18-weeks of referral for those patients on the incomplete standard pathway. By the end of the year 2022/2023 delivery was at 63.63%.

Referral rates into our specialties had recovered after the significant reduction at the start of the pandemic in 2019. As noted in 13.8 we have not delivered activity at the levels planned due to the ongoing impact of COVID infections, but activity has increased during the year.

13.7 The Trust has continued to prioritise the most urgent patients for elective treatments and this prioritisation has been done in line with guidance developed by the Federation of Specialty Surgical Associations which categorised procedures as requiring treatment within specified time bands.

13.8 A key ambition during the year was to reduce the longest waits for treatment we had seen. A national target was set to eliminate waits of over 78 weeks during the year, building on the ambition the previous year to have no patients waiting over 104 weeks for treatment.

At the start of April 2022, there were 748 patients who had waited over 78 weeks and a total of 158,078 patients who would require treatment before 31 March 2023 to ensure that this ambition could be achieved. The Trust also had a small number of patients who had waited over 104 weeks for treatment. These were all either because the complexity of their care meant that it had not been possible to bring their treatment forward or because the patient had declined an offer or earlier treatment.

By 31 March 2023 the Trust had treated all but 90 patients before they had waited 78 weeks, five of whom chose to delay surgery beyond 78 weeks after being offered treatment dates. There were also three patients who had chosen to delay treatment beyond 104 weeks. During 2023/24 it is the Trust's ambition to continue this work to reduce the longest waiting times for patients to below 65 weeks.

The total number of patients waiting to start treatment at the start of the year was 80,904. This number grew during the course of the year and by September had reached 91,819 before beginning to fall. However, in March the waiting list grew by 1,766 and at the end of the year there were 89,476 patients waiting to begin treatment. Reducing this number will be necessary to ensure that shorter waits can be delivered sustainably for our patients.

13.9 The Emergency Care Standard national target of 95% of patients to be seen treated, admitted or discharged within four hours of presenting in our Emergency Departments (EDs) was not achieved. The Trust delivered an aggregate position of 69.2% in 2022/23.

13.10 Attendance levels to the EDs remained high with 339,382 attendances across all of our departments representing an increase of 1.5% over the course of the year. The level of bed occupancy within the Trust has also been one of the highest in the country during the year averaging 99.3% for adult beds across the year. Occupancy has regularly exceeded 100% when patients waiting for beds in our emergency departments and assessment units are included. This results in delays within the EDs to place patients requiring admission into a ward. We have continued to expand the use of Same Day Emergency Care (SDEC) models with a "care at home" approach whenever clinically safe to do so. Support is provided to primary care colleagues via the Primary Care Access Line (PCAL) which has expanded its offering during the year.

13.11 Despite increase in attendances throughout 2022/2023 the Trust ambulance handover has remained one of the best in the country with the LGI often placed first out of all hospital sites for the average time to handover patients arriving by ambulance and SJUH placing in the top 10 of all hospital sites nationally.

13.12 The Trust did not achieve the national requirements to undertake 99% of diagnostic tests within six weeks for 2022-23, however significant improvement has been made in the timeliness of diagnostic activity throughout the year. In March 2022, the Trust delivered tests to 75.8% of patients within six weeks of the request being made but this had improved to 94.1% by March 2023. Increased activity has been seen across several modalities throughout the year, with 262,249 diagnostics tests delivered between April to March 2022/23, compared to 248,437 in the same period 2021/22.

13.13 Although improvement has been made throughout the year, the Trust did not achieve the national requirements to see a minimum of 93% of patients within 14 days for urgent GP referrals for suspected cancer and delivered an aggregate position of 73.4%. This was an improved position on last year when we reported a position of 67.8%.

Activity levels for two week wait remained high in the year for skin which were further impacted on through IT system issues for triaging, prostate and lower GI services also saw an increased level of referral for a prolonged periods due to increased media campaigns. The last month of the year was also affected due to the Junior doctors strikes.

13.14 Twenty-eight-day faster diagnosis achieved at 70.1% against the recommended standard of 75% although the target date for delivery of this standard is December 2023/24.

13.15 The Trust missed the achievement of the national standard for the 31-day first treatment, achieving an aggregated position of 91.5% against a target of 96% a slightly improved position on last year where the Trust reported 89.8%. For subsequent surgery the Trust delivered 81.0% against a target of 94%, also an improved position compared to 2021/22 where we reported 73.9%.

13.16 The Trust delivered against both 31-day subsequent drugs, achieving 99.0% against the 98% standard and 31-day radiotherapy treatments achieving 96.0%, an improvement on the 82.4% reported for 2021/22.

13.17 The Trust failed to deliver the 62-day standard of 85%, delivering just 42.9% of first treatments within 62 days of referral. This position was improving by the end of the year 2022/23 with 55.5% of first treatments delivered within 62 days for March compared to 37.7% in March 2022. Multi-disciplinary groups have been brought together to look at *Best Time Practice Pathways* to ensure full tumour pathways reviews to ensure patients are brought effectively and safely through their care in a timely way.

The total backlog of patients waiting over 62 days also reduced to 213 patients by the end of March from 680 patients at the beginning of 2022. This meant that by the end of March just 6.2% of patients were waiting longer than 62 days to begin cancer treatment. This improvement was made across all pathways but mainly for patients going through the skin pathway.

13.18 The Trust has delivered a number of initiatives to improve efficiency and support pathway changes including:

Bookwise – Implemented as a pilot in Children's CSU and now being rolled out Trust-wide. This will provide an oversight of clinic room utilisation across the organisation and enable improved utilisation of estate and more efficient use of available capacity.

Patient Hub – Patient Hub has been rolled out across the Trust with 90% of specialities now using the system and technical integration work underway to onboard the outstanding specialities during Q1 of 2023/24. The system provides patients with an app that gives access to book and manage hospital appointments, improving patient experience and reducing the number of non-attendances in clinics. Patient engagement has been over 60% and non-attendance rates have fallen as a result. Patient Hub won the Healthcare IT Award in the 2022 Health Business Awards and was highly commended in the category of excellence in project management in the Heath Tech Awards 2022; and is a finalist in the HSJ Digital Awards 2023 in the award category of improving back-office efficiencies through digital.

Robotic Process Automation (RPA) – RPA had been successfully utilised as an administrative waiting list validation solution, creating an interface with patients to identify suitability for discharge. The solution had focussed on patients waiting for new appointments, with an average engagement of >50% and discharge rate of 12%. The solution will be expanded to the follow up waiting list in Q1 2023/24.

Safety

13.19 In 2022/23 LTH moved to the NHS Patient Safety Incident Response Framework (PSIRF) as part of the Early Adopter scheme replacing the Serious Incident Framework. There were 48 patient safety events during the year that met the criteria for reporting under the LTHT Patient Safety Incident Response Plan. Each case has been thoroughly investigated and reported to local commissioners and our Quality Assurance Committee. Detailed action plans have been developed and implemented in response to each specific case.

13.20 There were four incidents which qualified for reporting as a Never Event; retained foreign object following an interventional procedure (two), administration of medication via the incorrect route and connection of a patient requiring oxygen to an air flowmeter. These incidents have been subject to a Patient Safety Incident investigation; the findings and actions

have been shared with staff across the organisation. These were reported to the Quality Assurance Committee.

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

13.22 There were 72 (46 of those relating to staff) events that met the criteria for reporting to the Health & Safety Executive under the provisions of the Reporting *of Injuries, Diseases or Dangerous Occurrences* (RIDDOR) Regulations for the period 2022/23. The RIDDOR reports submitted result from Moving & Handling activities, Slip Trip & Falls, Inoculation Injuries and Physical Abuse. In relation to staff groups the causes of Slip, Trip and Fall type incidents are varied with no specific trends being identified. Some of the common causes of these types of incidents are spillages of liquids/liquid residues after cleaning, defective equipment e.g., chairs, stepping up to a higher level to reach objects and falling as a result, stumbling on loose objects on the floor. The Health & Safety team also support the Patient Falls Root Cause Analysis (RCA) review meetings to examine the cause of patient falls.

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

13.24 Blood and bodily fluid contamination inoculation injuries can arise during and after patient interactions e.g., unpredictable patient movements during the procedure e.g., Phlebotomy, during disposal of a used sharp device if the safety mechanism hasn't been fully activated.

Infection Prevention & Control (IPC)

13.25 The Infection, Prevention and Control (IPC) team have continued to work dynamically with our operational, managerial and CSU clinical colleagues to deliver a service focused on providing safe care for patients. Respiratory viral infection has continued to be a strong focus especially during winter 2022/23 as it was the first time the NHS faced the dual challenge posed by peaks of influenza and COVID-19 simultaneously. Working within the framework already set during the pandemic, the IPC team facilitated rapid assessment, data review and implementation of IPC actions to prevent harm from both viruses. Close working with colleagues across the organisation allowed LTHT to tailor interventions in a proportionate way to meet the demands of preventing the spread of infection whilst supporting the urgent need to increase clinical activity following the pandemic.

13.26 The number of Clostridioides Difficile Infection (CDI) cases exceeded the LTHT trajectory, with 185 cases against a trajectory of 164 for 2022/23. Rates increased in the first six months, becoming more consistent in the second half of the year to March 2023. There were few linked cases and outbreaks, suggestive that patient-to-patient transmission has not been a strong theme and we have continued to focus on standard infection control practice and reducing environmental contamination. The Trust has

successfully implemented the National Standard for Healthcare Cleanliness 2021 to all areas which will help reduce environmental risk and we continue to work with operational and facilities teams to look at possible solutions to providing Trust-wide HPV.

13.27 There is no nationally set objective for Meticillin Sensitive Staphylococcus aureus (MSSA) and as part of our commitment to continuous improvement LTHT sets an internal quality improvement objective. In 2022/23 LTHT saw 94 cases of MSSA bloodstream infection which is a decrease from 2021/22 where we saw 108 cases. Unfortunately, we saw an increase in the number of Meticillin Resistant Staphylococcus Aureus (MRSA) Blood Stream Infections (BSI) recording 11 MRSA bacteraemia's against a trajectory of zero. All cases were reviewed in detail by a multi-disciplinary team and themes identified included best-practice around devices and the essentials following guidance on MRSA screening, decolonisation and source isolation. It was identified that there were many staff members who had not worked in an era where MRSA posed a significant clinical threat which triggered a Trust wide communication campaign to provide information on the risks and actions required to all staff.

13.28 This is the second year of reporting Individual national objectives for Escherichia coli (E. coli), Pseudomonas aeruginosa and Klebsiella spp, formally reported as Gram-negative bloodstream infections (BSI's), LTHT recorded a total of 316 Escherichia coli (E. coli) BSI's against a national objective of no more than 267 cases and for Klebsiella spp 144 cases against a trajectory of 91 for 2022/23. Investigation analysis included evidence that device related infections were implicated, and a Trust invasive devices group has been established to lead quality improvement initiatives through multi-disciplinary clinical teams. The IPC team launched a Trust-wide water safety Pseudomonas Aeruginosa risk assessment carried out on all augmented care units, with a multi-disciplinary team involving clinical representatives, IPC, estates and facilities colleagues and we are pleased to report that LTHT recorded a total of 48 cases for pseudomonas against a trajectory of 52.

13.29 This year has seen an increase in Carbapenemase-Producing Organism (CPO) infections resulting in outbreaks in adult critical care and elderly medicine; Working collaboratively and reaching out across traditional clinical boundaries successfully controlled the outbreaks .The introduction of an adult CPO screening tool and an update of the Trust antimicrobial stewardship strategy provided a focus on the key interventions required and we will continue to consolidate our approach to prevent harm from these organisms over the coming 12 months.

13.30 During the year we introduced a new Medical IPC Lead role to deliver the Trust's legal and mandatory commitments for IPC working alongside the DIPC and deputy DIPC, with a focus on working with senior clinicians to lead best practice. Unlike previous IPC leadership roles, the Medical Lead for IPC will also oversee the Trust's planning, investigation and response to the threat of Anti Microbial Resistance (AMR). The Medical Lead for IPC will be supported by a small team of deputy IPC doctors who will focus on specific areas such as preventing infection in surgical pathways, antibiotic stewardship and tackling C difficile rates as part of the Medical Directorate.

Aging Estate

13.31 The Trust is mitigating on-going challenges associated with the historic legacy of a lack of basic capital and infrastructure investment. Hence the high-level risks within the Corporate Risk Register described as; insufficient capital resources, unserviceable critical IT infrastructure and resilience issues, power failure, limited and/ or dated ventilation systems (which have become more pertinent during COVID-19), lack of IPS/UPS resilience and inability to provide a cardiac catheter laboratory service.

13.32 In 2019/20 the Trust Board approved the five-year financial plan including capital expenditure. Over the past three years, the Trust delivered a record-breaking capital programme in excess of £100m p/a, including investment in new catheter laboratory facilities and IPS/UPS and overall backlog. Following confirmed funding for Building the Leeds Way the 2020/21 capital programme also includes the enabling works for Hospitals of the Future and the centralised pathology laboratory at St James's University Hospital. Even with this level of investment, backlog maintenance has still grown significantly now in excess of £200m, largely due to inflation and aging infrastructure at the LGI.

13.33 The COVID-19 outbreak presented significant clinical and operational challenges and the Trust had to rapidly innovate to address these, including adaptations to our estate and infrastructure. As the NHS continues to recover and reset, alongside planning for on-going care of patients with COVID-19 our estate, infrastructure and capital programme will need to continue to adapt and respond to meet patient needs.

Compliance to other regulatory bodies

13.34 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 Medicines and Healthcare Products Regulatory Agency (MHRA) carried out a Good Clinical Practice (GCP) system inspection of the Trust and University of Leeds in November 2022 which had no critical findings.

13.35 The quality of medical education has been assessed in quarterly Monitoring the Learning Environment (MLE) meetings, led by senior colleagues from the quality team at Health Education England (HEE). Although a new process was introduced in Q4, replacing MLEs with a new annual Senior Leader Engagement (SLE) meeting, the first of which for LTHT is scheduled for March 2024. The Medical Education Management Team, through better quality intelligence, has been successful at identifying quality issues early, which has made for smoother engagement with HEE. There are currently three active training conditions in place, and these are being managed proactively with the support of HEE. An internal audit of undergraduate medical student experience has been undertaken, which identified considerable good practice especially in terms of pastoral and other additional support that students have been offered post pandemic.

13.36 Morale, health and wellbeing continue to be major issues concerning the trainee medical workforce. LTHT continues to provide a Professional

Support and Wellbeing service for trainees, aimed specifically at supporting trainees experiencing difficulties in terms of their training. In addition, LTHT continues to engage the trainee workforce via the Junior Doctor Body (led by the Chief Registrar) and Junior Doctor Forum, which is run in collaboration with the Guardians of Safe Working.

13.37 We continue to develop partnerships with institutions in other parts of the world, which open up alternative supply routes for our medical workforce. Our relationships with Jordan, Malta and Pakistan are still thriving with increasing numbers of Fellows being placed in Leeds. We have aligned our work on developing the Physician Associate role with parallel work on Advanced Clinical Practitioners and have agreed a new strategy in respect of the latter, aimed at putting LTHT in the forefront of developing these emerging careers.

13.38 The Medical Education Team have focused on supporting trainees and students, whose training has been affected by the pandemic. We have introduced a range of additional teaching initiatives for students including 'Book-a-Teacher', where one-to-one teaching is provided on request by one of our Clinical Teaching Fellows. We have augmented this with new innovative approaches to digitally enhanced learning.

14. Conclusion

I confirm that there are no significant breaches of internal control that have been brought to my attention in respect of the financial year ended 31 March 2023. This statement aims to capture the priorities of risks and controls for Leeds Teaching Hospitals NHS Trust. Reset and recovery post COVID-19 has been challenging alongside the ongoing impact of industrial action.

Professor Phil Wood, Chief Executive

Date 29 June 2023

Statement of the chief executive's responsibilities as the Accountable officer of the Trust

The Chief Executive of NHS England has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum*. These include ensuring that:

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

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

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

Signed  **Professor Phil Wood, Chief Executive**

Date 29 June 2023

Statement of Directors' responsibilities in respect of the accounts

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

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

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

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

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

By order of the Board

Date 29 June 2023 **Professor Phil Wood, Chief Executive**

Date 29 June 2023 **Simon Worthington, Finance Director**

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of The Leeds Teaching Hospitals NHS Trust ('the Trust') for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual 2022/23 as contained in the Department of Health and Social Care Group Accounting Manual 2022/23, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to NHS Trusts in England.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2023 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 2022/23; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

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.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are required to comply with the Department of Health and Social Care Group Accounting Manual 2022/23 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 public sector entity. The Directors are responsible for assessing each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Trust, we identified that the principal risks of non-compliance

with laws and regulations related to the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012) and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

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

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

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

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

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

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

Responsibilities of the Accountable Officer

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

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

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

We are required to report to you if:

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

- we make a written recommendation to the Trust under section 24 and schedule 7(2) of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Use of the audit report

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

Certificate

We certify that we have completed the audit 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.

Suresh Patel, Key Audit Partner 29 June 2023
For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Operating income from patient care activities	3	1,598,484	1,492,905
Other operating income	4	245,504	235,040
Operating expenses	6, 8	(1,771,742)	(1,698,848)
Operating surplus from continuing operations		**72,246**	**29,097**
Finance income	10	2,348	66
Finance expenses	11	(18,671)	(15,033)
PDC dividends payable		(9,276)	(7,016)
Net finance costs		**(25,599)**	**(21,983)**
Other gains / (losses)	12	(208)	595
Surplus for the year		**46,439**	**7,709**
Other comprehensive income			
Other reserve movements		1,593	-
Total comprehensive income for the year*		**48,032**	**7,709**

*The adjusted financial performance for 2022/23 is a surplus of £7.6m (2021/22 £5.9m) and is disclosed in Note 36

Statement of Financial Position as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Intangible assets	13	12,688	14,450
Property, plant and equipment	14	742,488	616,355
Right of use assets	17.1	21,359	-
Receivables	19	5,872	4,717
Total non-current assets		**782,407**	**635,522**
Current assets			
Inventories	18	24,641	22,973
Receivables	19	96,011	66,573
Cash and cash equivalents	20	90,925	97,109
Total current assets		**211,577**	**186,655**
Current liabilities			
Trade and other payables	21	(235,827)	(192,748)
Borrowings	23	(10,305)	(11,215)
Provisions	24	(16,989)	(4,697)
Other liabilities	22	(25,935)	(29,838)
Total current liabilities		**(289,056)**	**(238,498)**
Total assets less current liabilities		**704,928**	**583,679**
Non-current liabilities			
Borrowings	23	(170,958)	(162,594)
Provisions	24	(7,767)	(10,213)
Total non-current liabilities		**(178,725)**	**(172,807)**
Total assets employed		**526,203**	**410,872**
Public dividend capital		557,967	491,286
Revaluation reserve		143	143
Income and expenditure reserve		(31,907)	(80,557)
Total taxpayers' equity		**526,203**	**410,872**

The notes on pages 5 to 53 form part of these accounts.

The accounts were approved by the Board of Directors at its meeting on 29 June 2023 and signed on its behalf by:

Name	**Professor Phil Wood**	**Simon Worthington**
Position	**Chief Executive**	**Director of Finance**
Date	**29 June 2023**	

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2022 - brought forward	**491,286**	**143**	**(80,557)**	**410,872**
Implementation of IFRS 16 on 1 April 2022	**-**	**-**	618	**618**
Surplus for the year	-	-	46,439	**46,439**
Other transfers between reserves	-	-	-	**-**
Public dividend capital received	67,166	-	-	**67,166**
Public dividend capital repaid	(485)	-	-	**(485)**
Other reserve movements	-	-	1,593	**1,593**
Taxpayers' equity at 31 March 2023	**557,967**	**143**	**(31,907)**	**526,203**

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

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

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 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 2023

	Note	2022/23 £000	2021/22 £000
Cash flows from operating activities			
Operating surplus		72,246	29,097
Non-cash income and expense:			
Depreciation and amortisation	6	35,216	34,275
Net impairments	7	(26,112)	20,657
Income recognised in respect of capital donations	4	(14,420)	(24,762)
(Increase) in receivables and other assets		(36,693)	(12,554)
(Increase) in inventories		(1,668)	(428)
Increase in payables and other liabilities		29,534	27,267
Increase in provisions		9,802	5,047
Net cash flows from operating activities		**67,905**	**78,599**
Cash flows from investing activities			
Interest received		2,348	66
Purchase of intangible assets		(555)	(8,416)
Purchase of Property, plant and equipment		(121,214)	(89,669)
Sales of property, plant and equipment		134	609
Initial direct costs or up front payments in respect of new right of use assets (lessee)		(58)	-
Receipt of cash donations to purchase assets		20,142	11,489
Net cash flows (used in) investing activities		**(99,203)**	**(85,921)**
Cash flows from financing activities			
Public dividend capital received		67,166	32,871
Public dividend capital repaid		(485)	-
Movement on loans from DHSC		(2,056)	(2,556)
Capital element of lease liability repayments		(3,694)	(382)
Capital element of PFI payments		(8,711)	(9,170)
Interest on loans		(529)	(601)
Interest element of lease liability repayments		(635)	(474)
Interest paid on PFI obligations		(17,542)	(13,986)
PDC dividend paid		(8,400)	(6,575)
Net cash flows from financing activities		**25,114**	**(873)**
(Decrease) in cash and cash equivalents		**(6,184)**	**(8,195)**
Cash and cash equivalents at 1 April - brought forward		**97,109**	**105,304**
Cash and cash equivalents at 31 March	20	**90,925**	**97,109**

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 2022/23 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

Note 1.2 Going concern

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

Note 1.3 Interests in other entities

The Trust has no interest in other entities

Note 1.4 Revenue from contracts with customers

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

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

Note 1.4 Revenue from contracts with customers (continued)

Revenue from NHS contracts
The main source of income for the Trust is from contracts held with commissioners for health care services. Funding envelopes are set at both at an Integrated Care System (ICS) level for secondary care and NHS England Regional level for specialised services and Public Health. The majority of the Trust's income is earned from commissioners in the form of fixed payments to fund an agreed level of activity.

The contract funding is allocated on an Aligned Payments and Incentives (API) model which is a type of blended payments model. It involves:
• providers and commissioners locally agreeing a fixed element to deliver an agreed level of activity; and
• a variable element to reflect quality of care (best practice tariffs and CQUIN) and address deviations from planned activity levels used to set the fixed element.

In 2022/23 the API rules fixed payments are set at a level assuming the achievement of elective activity targets. These payments are accompanied by a variable-element to adjust income for actual activity delivered on elective services and advice and guidance services. Where actual elective activity delivered differs from the agreed level set in the fixed payments, the variable element either increases or reduces the income earned by the Trust at a rate of 75% of the tariff price.

The Trust also receives income from commissioners under Commissioning for Quality Innovation (CQUIN) and Best Practice Tariff (BPT) schemes. Delivery under these schemes is part of how care is provided to patients setting incentives for improving quality and best standards of surgical care. As such CQUIN and BPT payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the overall contract with the commissioner. In 2022/23 payment under these schemes is included in fixed payments from commissioners based on assumed achievement of criteria. Adjustments for actual performance are made through the variable element of the contract payments.

For 2022-23, the Trust agreed with commissioners a more local approach to the API rules ensuring achievement and quality were maintained whilst supporting the sustainability of services and achievement of waiting list reductions.

Elective recovery funding provides additional funding for the delivery of elective services. In 2022/23 elective recovery funding was included within the aligned payment and incentive contracts. In 2021/22 income earned by the system based on achievement of elective recovery targets was distributed between individual entities by local agreement and income earned from the fund was accounted for as variable consideration.

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

Note 1.4 Revenue from contracts with customers (continued)

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

Note 1.5 Other forms of income

Grants and donations
Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

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

Note 1.6 Expenditure on employee benefits

Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the Trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as and when they become due.

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

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

Note 1.7 Expenditure on other goods and services

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

Note 1.8 Discontinued operations

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

Note 1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

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

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

Note 1.9 Property, plant and equipment (continued)

Measurement (continued)

Valuation

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

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

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

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

Depreciation

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

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

Revaluation gains and losses

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

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

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

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 1.9 Property, plant and equipment (continued)

De-recognition
Assets intended for disposal are reclassified as 'held for sale' once the criteria in IFRS 5 are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

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

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

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

Private Finance Initiative (PFI) transactions
PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

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

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

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

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

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

Note 1.9 Property, plant and equipment (continued)

Private Finance Initiative (PFI) transactions (continued)

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

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

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

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

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

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

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

Note 1.10 Intangible assets

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

Internally generated intangible assets

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

Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software

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

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

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

Useful lives of intangible assets

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

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

Note 1.11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method.
The Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Note 1.12 Investment properties
The Trust does not hold any investment properties

Note 1.13 Cash and cash equivalents
Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Note 1.14 Financial assets and financial liabilities

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

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

Classification and measurement
Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

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

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

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

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

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

Note 1.14 Financial assets and financial liabilities (continued)

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

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

HM Treasury has ruled that central government bodies may not recognise stage 1 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. The Trust therefore does not recognise loss allowances for stage 1 and stage 2 impairments against these bodies. Additionally, the Department of Health and Social Care provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and the Trust does not recognise loss allowances for stage 1 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

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

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

Note 1.15 Leases

A lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. An adaptation of the relevant accounting standard by HM Treasury for the public sector means that for NHS bodies, this includes lease-like arrangements with other public sector entities that do not take the legal form of a contract. It also includes peppercorn leases where consideration paid is nil or nominal (significantly below market value) but in all other respects meet the definition of a lease. The Trust does not apply lease accounting to new contracts for the use of intangible assets.

The Trust determines the term of the lease term with reference to the non-cancellable period and any options to extend or terminate the lease which the Trust is reasonably certain to exercise.

The Trust as a lessee

Recognition and initial measurement

At the commencement date of the lease, being when the asset is made available for use, the Trust recognises a right of use asset and a lease liability.

The right of use asset is recognised at cost comprising the lease liability, any lease payments made before or at commencement, any direct costs incurred by the lessee, less any cash lease incentives received. It also includes any estimate of costs to be incurred restoring the site or underlying asset on completion of the lease term.

The lease liability is initially measured at the present value of future lease payments discounted at the interest rate implicit in the lease. Lease payments includes fixed lease payments, variable lease payments dependent on an index or rate and amounts payable under residual value guarantees. It also includes amounts payable for purchase options and termination penalties where these options are reasonably certain to be exercised.

Where an implicit rate cannot be readily determined, the Trust's incremental borrowing rate is applied. This rate is determined by HM Treasury annually for each calendar year. A nominal rate of 0.95% applied to new leases commencing in 2022 and 3.51% to new leases commencing in 2023.

The Trust does not apply the above recognition requirements to leases with a term of 12 months or less or to leases where the value of the underlying asset is below £5,000, excluding any irrecoverable VAT. Lease payments associated with these leases are expensed on a straight-line basis over the lease term. Irrecoverable VAT on lease payments is expensed as it falls due.

Also, the Trust has not applied the above recognition requirements where the lease or rental arrangements do not meet the right of use IFRS16 criteria such as substitution.

Subsequent measurement

As required by a HM Treasury interpretation of the accounting standard for the public sector, the Trust employs a revaluation model for subsequent measurement of right of use assets, unless the cost model is considered to be an appropriate proxy for current value in existing use or fair value, in line with the accounting policy for owned assets. Where consideration exchanged is identified as significantly below market value, the cost model is not considered to be an appropriate proxy for the value of the right of use asset.

The Trust subsequently measures the lease liability by increasing the carrying amount for interest arising which is also charged to expenditure as a finance cost and reducing the carrying amount for lease payments made. The liability is also remeasured for changes in assessments impacting the lease term, lease modifications or to reflect actual changes in lease payments. Such remeasurements are also reflected in the cost of the right of use asset. Where there is a change in the lease term or option to purchase the underlying asset, an updated discount rate is applied to the remaining lease payments.

Note 1.15 Leases (continued)

The Trust as a lessor

The Trust assesses each of its leases and classifies them as either a finance lease or an operating lease. 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.

Where the Trust is an intermediate lessor, classification of the sublease is determined with reference to the right of use asset arising from the headlease.

Finance leases

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

Operating leases

Income from operating leases is recognised on a straight-line basis or another systematic 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.

Initial application of IFRS 16

IFRS 16 Leases as adapted and interpreted for the public sector by HM Treasury has been applied to these financial statements with an initial application date of 1 April 2022. IFRS 16 replaces *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations.

The standard has been applied using a modified retrospective approach with the cumulative impact recognised in the Income and Expenditure Reserve on 1 April 2022. Upon initial application, the provisions of IFRS 16 have only been applied to existing contracts where they were previously deemed to be a lease or contain a lease under IAS 17 and IFRIC 4. Where existing contracts were previously assessed not to be or contain a lease, these assessments have not been revisited.

The Trust as lessee

For continuing leases previously classified as operating leases, a lease liability was established on 1 April 2022 equal to the present value of future lease payments discounted at the Trust's incremental borrowing rate of 0.95%. A right of use asset was created equal to the lease liability and adjusted for prepaid and accrued lease payments and deferred lease incentives recognised in the Statement of Financial Position immediately prior to initial application. Hindsight has been used in determining the lease term where lease arrangements contain options for extension or earlier termination.

No adjustments have been made on initial application in respect of leases with a remaining term of 12 months or less from 1 April 2022 or for leases where the underlying assets has a value below £5,000.

The Trust as lessor

Leases of owned assets where the Trust is lessor were unaffected by initial application of IFRS 16. For existing arrangements where the Trust is an intermediate lessor, classification of all continuing sublease arrangements has been reassessed with reference to the right of use asset.

2021/22 comparatives

Comparatives for leasing transactions in these accounts have not been restated on an IFRS 16 basis. Under IAS 17 the classification of leases as operating or finance leases still applicable to lessors under IFRS 16 also applied to lessees. In 2021/22 lease payments made by the Trust in respect of leases previously classified as operating leases were charged to expenditure on a straight line basis.

Note 1.16 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective from 31 March 2023:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	3.27%	0.47%
Medium-term	After 5 years up to 10 years	3.20%	0.70%
Long-term	After 10 years up to 40 years	3.51%	0.95%
Very long-term	Exceeding 40 years	3.00%	0.66%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective from 31 March 2023:

	Inflation rate	Prior year rate
Year 1	7.40%	4.00%
Year 2	0.60%	2.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of 1.70% in real terms (prior year: minus 1.30%).

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 24.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.17 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 25 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 25, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.18 Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

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

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, with certain additions and deductions as defined by the Department of Health and Social Care.

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

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.19 Value added tax
Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.20 Corporation tax
The Trust does not have any Corporation Tax liability

Note 1.21 Climate change levy
Expenditure on the climate change levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

Note 1.22 Foreign exchange
The functional and presentational currency of the Trust is sterling.

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

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

Note 1.23 Third party assets
Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM* (see Note 20.2).

Note 1.24 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

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

Note 1.25 Gifts

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

Note 1.26 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2022/23.

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

IFRS 16 Leases - application of liability measurement principles to PFI and other service concession arrangements

From 1 April 2023, the measurement principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to a price index representing the rate of inflation. The PFI liability will be remeasured when a change in the index causes a change in future repayments and that change has taken effect in the cash flow. Such remeasurements will be recognised as a financing cost. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred.

Initial application of these principles will be on 1 April 2023 using a modified retrospective approach with the cumulative impact taken to reserves. This is expected to result in an increased PFI liability on the Statement of Financial Position. The effect of this has not yet been quantified as final guidance is awaited from the Department of Health and Social Care.

Other standards, amendments and interpretations

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts - Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM: early adoption is not therefore permitted. It is not anticipated that adoption of this standard will have a material impact on the financial statements of the Trust.

Note 1.28 Critical judgements in applying accounting policies

The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust'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 Note 1.9 and Note 27 PFI transactions.
- The Energy Centre development at St James's University Hospital site has been judged to contain a lease. The site was developed under a 15 year contractual arrangement with Vital Energy and following an assessment under IFRIC 4, the arrangement assessed as containing a lease.
- The Trust has decided to adopt a single site valuation for the Modern Equivalent Asset valuation of the estate following the RICS principles. See Note 1.9 and Note 16.
- Leases have been reviewed in line with IFRS16 to determine whether the Trust has a right of use asset. See Note 1.15 and Note 17
- The Trust has a Managed Equipment Service with Philips for the provision of cath lab services and has calculated the relevant components making up this lease by assessing the relevant proportion of lease charges for consumables and management fees and excluded from the Right of Use asset value.

Note 1.29 Sources of estimation uncertainty

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

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

The Trust has used valuations carried out at 31 March 2023 and 31 March 2022 by its expert independent professional valuer (Cushman & Wakefield) to determine the value of property. These property valuations and useful lives are based on the Royal Institute of Chartered Surveyors valuation standards insofar as these are consistent with the requirements of HM Treasury and the Department of Health and Social Care. The carrying value of property at 31 March 2023 is £456.3m.

- Provision for Impairment of Receivables - Note 1.14 and Note 19.2

The Trust is required to judge when there is sufficient evidence to impair individual receivables which is undertaken taking into account the age profile and class of receivable. The Trust adopts a prudent approach when setting the expected credit loss based on a forward look of credit risk. Every effort is made to collect the debt, even when it has been impaired, and it is only written off as a final course of action after all possible recovery efforts have been made. The actual level of debt eventually written off may be different to that which has been judged as impaired. The carrying value of the provision for impairment of receivables at 31 March 2023 is £5.1m.

- Provisions - Note 1.16 and Note 24.

Provisions, by their nature, are a matter of judgement, with the best estimate made based on the information available at that the time. The carrying value of provisions at 31 March 2023 is £24.8m.

Note 2 Operating Segments

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

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

Note 3 Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	**2022/23 £000**	**2021/22 £000**
Acute services		
Income from commissioners under API contracts*	1,164,819	1,114,458
High cost drugs income from commissioners (excluding pass-through costs)	307,129	299,977
Other NHS clinical income	3,294	16,131
All services		
Private patient income	1,437	3,845
Elective recovery fund	41,207	15,609
Agenda for change pay award central funding***	33,239	-
Additional pension contribution central funding**	40,617	38,173
Other clinical income	6,742	4,712
Total income from activities	**1,598,484**	**1,492,905**

*Aligned payment and incentive contracts are the main form of contracting between NHS providers and their commissioners. More information can be found in the 2022/23 National Tariff payments system documents.
https://www.england.nhs.uk/publication/past-national-tariffs-documents-and-policies/

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

***'In March 2023 the government announced an additional pay offer for 2022/23, in addition to the pay award earlier in the year. Additional funding was made available by NHS England for implementing this pay offer for 2022/23 and the income and expenditure has been included in these accounts as guided by the Department of Health and Social Care and NHS England. In May 2023 the government confirmed this offer will be implemented as a further pay award in respect of 2022/23 based on individuals in employment at 31 March 2023.

Note 3.2 Income from patient care activities (by source)

	2022/23	**2021/22**
Income from patient care activities received from:		
NHS England*	816,560	702,831
Clinical commissioning groups**	184,126	778,854
Integrated care boards**	588,024	
Department of Health and Social Care	13	22
Other NHS providers	166	1,242
NHS other	1,429	1,420
Non-NHS: private patients	1,437	3,845
Non-NHS: overseas patients (chargeable to patient)	1,221	418
Injury cost recovery scheme	4,758	3,310
Non NHS: other	750	963
Total income from activities	**1,598,484**	**1,492,905**
Of which:		
Related to continuing operations	1,598,484	1,492,905

*Income from NHS England includes £40.6m (2021/22 £38.2m) to cover the increase in the cost of employers contributions to the NHS Pension Scheme (see Notes 8 and 9).

**On 30 June 2022, Clinical Commissioning Groups were disbanded and their function taken over by Intergrated Care Boards from 1 July 2022.

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

	2022/23	2021/22
	£000	£000
Income recognised this year	1,221	418
Cash payments received in-year	350	197
Amounts added to provision for impairment of receivables	718	352
Amounts written off in-year	325	121

Note 4 Other operating income

	2022/23			2021/22		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	35,001	-	**35,001**	31,020	-	**31,020**
Education and training	91,546	3,518	**95,064**	81,243	3,460	**84,703**
Non-patient care services to other bodies	50,613	-	**50,613**	40,878	-	**40,878**
Reimbursement and top up funding	4,100	-	**4,100**	18,820	-	**18,820**
Income in respect of employee benefits accounted on a gross basis	15,862	-	**15,862**	13,688	-	**13,688**
Receipt of capital grants and donations and peppercorn leases	-	14,420	**14,420**	-	24,762	**24,762**
Charitable and other contributions to expenditure	-	5,335	**5,335**	-	4,427	**4,427**
Revenue from operating leases	-	2,040	**2,040**	-	1,384	**1,384**
Other income*	23,069	-	**23,069**	15,358	-	**15,358**
Total other operating income	**220,191**	**25,313**	**245,504**	**201,007**	**34,033**	**235,040**
Of which:						
Related to continuing operations			245,504			235,040

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

Note 5 Operating leases - The Leeds Teaching Hospitals NHS Trust as lessor

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

The Trust has applied IFRS 16 to account for lease arrangements from 1 April 2022 without restatement of comparatives. Comparative disclosures in this note are presented on an IAS 17 basis. This includes a different maturity analysis of future minimum lease receipts under IAS 17 compared to IFRS 16.

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.

Note 5.1 Operating lease income

	2022/23	2021/22
	£000	£000
Lease receipts recognised as income in year:		
Minimum lease receipts	2,040	1,384
Total in-year operating lease income	**2,040**	**1,384**

Note 5.2 Future lease receipts

	31 March 2023
	£000
Future minimum lease receipts due at 31 March 2023:	
- not later than one year	2,034
- later than one year and not later than two years	2,021
- later than two years and not later than three years	1,790
- later than three years and not later than four years	915
- later than four years and not later than five years	431
- later than five years	1,528
Total	**8,719**

	31 March 2022
Future minimum lease receipts due at 31 March 2022:	
- not later than one year;	1,459
- later than one year and not later than five years;	4,449
- later than five years.	1,867
Total	**7,775**

Note 6 Operating expenses

Note 6.1 Operating expenses

	2022/23	2021/22
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	62	-
Purchase of healthcare from non-NHS and non-DHSC bodies	23,681	19,656
Staff and executive directors costs	1,061,315	962,026
Remuneration of non-executive directors	222	215
Supplies and services - clinical (excluding drugs costs)*	191,325	182,293
Supplies and services - general	9,495	12,794
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	285,106	266,116
Consultancy costs	620	957
Establishment	8,382	8,532
Premises	70,769	74,831
Transport (including patient travel)	5,935	5,733
Depreciation on property, plant and equipment and right of use assets	32,899	30,995
Amortisation on intangible assets	2,317	3,280
Net impairments**	(26,112)	20,657
Movement in credit loss allowance: contract receivables / contract assets	1,531	570
Change in provisions discount rate(s)	(548)	92
Fees payable to the external auditor:		
audit services- statutory audit***	122	102
Internal audit costs	434	384
Clinical negligence	39,416	41,920
Legal fees	579	399
Insurance	816	976
Research and development	29,078	25,355
Education and training	9,370	8,553
Expenditure on short term leases (current year only)	278	
Expenditure on low value leases (current year only)	82	
Operating lease expenditure (comparative only)		3,114
Redundancy	162	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI)	10,954	10,151
Car parking & security	328	433
Hospitality	95	76
Losses, ex gratia & special payments	44	50
Other services	2,044	1,474
Other****	10,941	17,114
Total	**1,771,742**	**1,698,848**
Of which:		
Related to continuing operations	1,771,742	1,698,848

*Supplies and services expenditure in 2022/23 includes the use of donated PPE that was purchased by the DHSC and issued to the Trust of £4.4m (2021/22 -£13.7m).

**Detail on the impairments can be found at Note 7.
***Audit fees include irrecoverable VAT (see Note 1.19)

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

Note 6.2 Nightingale Facilities

During 2021/22 the Trust was a host for a Nightingale Surge Hub which closed at the end of March 2022.

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

	Gross costs 2022/23 £000	Gross costs 2021/22 £000
Set up costs:		
Other operating costs	-	4,652
Running costs:		
Other operating costs	-	31
Decommissioning costs:		
Other operating costs	-	266
Total gross costs	**-**	**4,949**

Note 6.3 Other auditor remuneration

There is no other remuneration paid to the external auditor in either of the financial years 2022/23 or 2021/22

Note 6.4 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2022/23 or 2021/22.

Note 7 Impairment of assets

	2022/23 £000	2021/22 £000
Net impairments charged/(credited) to operating surplus resulting from:		
Other	(26,112)	20,657
Total net impairments charged to operating surplus	**(26,112)**	**20,657**
Impairments charged to the revaluation reserve		
Total net impairments	**(26,112)**	**20,657**

The impairment reversal in 2022/23 and impairment in 2021/22 arises following the full valuation of the Trust's estate undertaken by an independent valuer. Full details can be found in Note 16.

Note 8 Employee benefits

	2022/23 Total £000	2021/22 Total £000
Salaries and wages	839,174	740,049
Social security costs	78,177	69,271
Apprenticeship levy	4,013	3,633
Employer's contributions to NHS pensions	132,581	125,192
Termination benefits	162	-
Temporary staff (including agency)	38,040	51,165
Total gross staff costs	**1,092,147**	**989,310**
Recoveries in respect of seconded staff	-	-
Total staff costs	**1,092,147**	**989,310**
Of which		
Costs capitalised as part of assets	3,796	3,552

Note 8.1 Retirements due to ill-health

During 2022/23 there were 18 early retirements from the Trust agreed on the grounds of ill-health (12 in the year ended 31 March 2022). The estimated additional pension liabilities of these ill-health retirements is £1,039k (£464k in 2021/22).

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

Note 9 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. The costs for 2022/23 and 2021/22 are shown in Note 8. The estimated costs for 2023/24 are £140m.

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 2023, is based on valuation data as at 31 March 2022, updated to 31 March 2023 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

The actuarial valuation as at 31 March 2020 is currently underway and will set the new employer contribution rate due to be implemented from April 2024.

c) National Employment Savings Trust Pension

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

NEST is a defined contribution scheme managed by a third party organisation. It carries no possibility of actuarial gain or loss to the Trust and there are no financial liabilities other than payment of the 3% employers contribution of qualifying earnings. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly. Employer contributions during 2022/23 amounted to £408k (2021/22 - £316k). At 31st March 2023 there were 2,107 employees enrolled in the scheme (1,732 at 31 March 2022). Further details of the scheme can be found at www.nestpensions.org.uk.

Note 10 Finance income

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

	2022/23	2021/22
	£000	£000
Interest on bank accounts	2,348	66
Total finance income	**2,348**	**66**

Note 11 Finance expenditure

Note 11.1 Finance expenditure

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

	2022/23	2021/22
	£000	£000
Interest expense:		
Interest on loans from the Department of Health and Social Care	525	599
Interest on lease obligations	635	474
Main finance costs on PFI schemes obligations	6,619	6,961
Contingent finance costs on PFI scheme obligations	10,923	7,025
Total interest expense	**18,702**	**15,059**
Unwinding of discount on provisions	(31)	(26)
Total finance costs	**18,671**	**15,033**

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

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

Note 12 Other gains / (losses)

	2022/23	2021/22
Gains on disposal of assets	134	611
Losses on disposal of assets	(342)	(16)
Total other gains / (losses)	**(208)**	**595**

Obsolete and surplus items of equipment were sold during the current and preceding financial year. This resulted in an overal loss of £208k (2021/22 surplus £595k).

Note 13 Intangible assets

Note 13.1 Intangible assets - 2022/23

	Software licences	Internally generated information technology	Intangible assets under construction	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2022 - brought forward	**2,736**	**24,082**	**-**	**26,818**
Additions	522	33	-	**555**
Reclassifications	-	(6,766)	6,766	**-**
Valuation / gross cost at 31 March 2023	**3,258**	**17,349**	**6,766**	**27,373**
Amortisation at 1 April 2022 - brought forward	**1,796**	**10,572**	**-**	**12,368**
Provided during the year	411	1,906	-	**2,317**
Amortisation at 31 March 2023	**2,207**	**12,478**	**-**	**14,685**
Net book value at 31 March 2023	**1,051**	**4,871**	**6,766**	**12,688**
Net book value at 1 April 2022	**940**	**13,510**	**-**	**14,450**

Note 13.2 Intangible assets - 2021/22

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

Note 14 Property, plant and equipment

Note 14.1 Property, plant and equipment - 2022/23

	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 2022 - brought forward	**12,535**	**401,210**	**889**	**68,529**	**247,191**	**532**	**87,181**	**1,387**	**819,454**
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	-	(531)	-	-	-	-	-	-	**(531)**
Additions	-	16,880	-	95,104	13,425	-	4,950	-	**130,359**
Impairments	(524)	(6,845)	-	-	-	-	-	-	**(7,369)**
Reversals of impairments	-	19,691	56	-	-	-	-	-	**19,747**
Reclassifications	-	12,314	-	(12,130)	-	-	(184)	-	**-**
Disposals / derecognition	-	-	-	-	(1,047)	-	-	(19)	**(1,066)**
Valuation/gross cost at 31 March 2023	**12,011**	**442,719**	**945**	**151,503**	**259,569**	**532**	**91,947**	**1,368**	**960,594**
Accumulated depreciation at 1 April 2022 - brought forward	**-**	**-**	**-**	**-**	**149,389**	**532**	**51,791**	**1,387**	**203,099**
Provided during the year	-	13,624	28	-	9,468	-	6,263	-	**29,383**
Reversals of impairments	-	(13,624)	(28)	-	-	-	-	-	**(13,652)**
Disposals / derecognition	-	-	-	-	(705)	-	-	(19)	**(724)**
Accumulated depreciation at 31 March 2023	**-**	**-**	**-**	**-**	**158,152**	**532**	**58,054**	**1,368**	**218,106**
Net book value at 31 March 2023	**12,011**	**442,719**	**945**	**151,503**	**101,417**	**-**	**33,893**	**-**	**742,488**
Net book value at 1 April 2022	**12,535**	**401,210**	**889**	**68,529**	**97,802**	**-**	**35,390**	**-**	**616,355**

Note 14.2 Property, plant and equipment - 2021/22

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

Note 14.3 Property, plant and equipment financing - 31 March 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Total
	£000	£000	£000	£000	£000	£000	£000
Owned - purchased	12,011	304,775	945	128,295	80,102	33,845	**559,973**
On-SoFP PFI contracts and other service concession arrangements	-	129,750	-	-	9,430	-	**139,180**
Owned - donated/granted	-	8,194	-	23,208	11,885	48	**43,335**
Total net book value at 31 March 2023	**12,011**	**442,719**	**945**	**151,503**	**101,417**	**33,893**	**742,488**

Note 14.4 Property, plant and equipment financing - 31 March 2022

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

Note 14.5 Property plant and equipment assets subject to an operating lease (Trust as a lessor) - 31 March 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Total
				£000	£000	£000	£000
Subject to an operating lease	-	8,962	-	-	-	-	**8,962**
Not subject to an operating lease	12,011	433,757	945	151,503	101,417	33,893	**733,526**
Total net book value at 31 March 2023	**12,011**	**442,719**	**945**	**151,503**	**101,417**	**33,893**	**742,488**

Note 15 Donations of property, plant and equipment

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

	2022/23	2021/22
	£000	£000
Leeds Hospitals Charity (previously Leeds Cares)	1,166	581
Northern Pathology Imaging Co-operative	3,363	9,874
Health Education England	379	76
Department of Health & Social Care	168	1,401
Salix	9,070	12,607
Others	274	223
Total donations for property, plant and equipment	**14,420**	**24,762**

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

Note 16 Revaluations of property, plant and equipment

A full 5 yearly cyclical valuation of the Trust's entire estate was carried out during 2019/20. For 2022/23, an interim valuation was conducted by Cushman and Wakefield, who issued their reports dated 31 March 2023. In 2021/22 a desk top exercise was performed. The valuations were based on existing use. The report for 2021/22, completed in accordance with guidance issued by Royal Institution of Chartered Surveyors ("RICS"), gave a value of the estate of £414.6m. For 2022/23, the report completed in accordance with guidance issued by RICS, gave a value of the estate of £456.3m.

Note 17 Leases - The Leeds Teaching Hospitals NHS Trust as a lessee

This note details information about leases for which the Trust is a lessee.

The Trust has short term and low value leases for items of medical and non-medical equipment, vehicles and short-term property lets. None of these are individually significant.

The Trust has applied IFRS 16 to account for lease arrangements from 1 April 2022 without restatement of comparatives. Comparative disclosures in this note are presented on an IAS 17 basis.

Note 17.1 Right of use assets - 2022/23

	Property (land and buildings) £000	Plant & machinery £000	Transport equipment £000	Total £000	Of which: leased from DHSC group bodies £000
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets	531	-	-	**531**	-
IFRS 16 implementation - adjustments for existing operating leases / subleases	14,509	6,405	667	**21,581**	9,095
Additions	672	1,636	-	**2,308**	-
Remeasurements of the lease liability	283	-	15	**298**	-
Movements in provisions for restoration / removal costs	75	-	-	**75**	-
Reversal of impairments	68	-	-	**68**	-
Valuation/gross cost at 31 March 2023	**16,138**	**8,041**	**682**	**24,861**	**9,095**
Provided during the year	2,357	926	233	**3,516**	1,231
Reversal of impairments	(14)	-	-	**(14)**	-
Accumulated depreciation at 31 March 2023	**2,343**	**926**	**233**	**3,502**	**1,231**
Net book value at 31 March 2023	**13,795**	**7,115**	**449**	**21,359**	**7,864**
Net book value of right of use assets leased from other NHS providers					5,834
Net book value of right of use assets leased from other DHSC group bodies					2,030

Note 17.2 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the Statement of Financial Position. A breakdown of borrowings is disclosed in Note 23.1.

	2022/23 £000
Carrying value at 31 March 2022	**9,802**
IFRS 16 implementation - adjustments for existing operating leases	20,963
Lease additions	2,250
Lease liability remeasurements	298
Interest charge arising in year	635
Lease payments (cash outflows)	(4,329)
Other changes	(1,593)
Carrying value at 31 March 2023	**28,026**

Lease payments for short term leases, leases of low value underlying assets and variable lease payments not dependent on an index or rate are recognised in operating expenditure.

These payments are disclosed in Note 6.1. Cash outflows in respect of leases recognised on-SoFP are disclosed in the reconciliation above.

Note 17.3 Maturity analysis of future lease payments at 31 March 2023

	Total 31 March 2023 £000	Of which leased from DHSC group bodies: 31 March 2023 £000
Undiscounted future lease payments payable in:		
- not later than one year;	4,597	1,188
- later than one year and not later than five years;	15,499	4,442
- later than five years.	11,626	2,556
Total gross future lease payments	**31,722**	**8,186**
Finance charges allocated to future periods	(3,696)	(286)
	28,026	**7,900**
Of which:		
Leased from other NHS providers		5,861
Leased from other DHSC group bodies		2,039

Note 17.4 Maturity analysis of finance lease liabilities at 31 March 2022 (IAS 17 basis)

The following table details the maturity of obligations under leases the Trust previously determined to be finance leases under IAS 17 at 31 March 2022.

	31 March 2022
Undiscounted future lease payments payable in:	
- not later than one year;	832
- later than one year and not later than five years;	3,587
- later than five years.	8,677
Total gross future lease payments	**13,096**
Finance charges allocated to future periods	(3,294)
Net finance lease liabilities at 31 March 2022	**9,802**
of which payable:	
- not later than one year;	423
- later than one year and not later than five years;	2,155
- later than five years.	7,224

Note 17.5 Commitments in respect of operating leases at 31 March 2022 (IAS 17 basis)

This note discloses costs incurred in 2021/22 and commitments as at 31 March 2022 for leases the Trust previously determined to be operating leases under IAS 17.

	2021/22 £000
Operating lease expense	
Minimum lease payments	3,114
Total	**3,114**

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

Note 17.6 Initial application of IFRS 16 on 1 April 2022

IFRS 16 as adapted and interpreted for the public sector by HM Treasury has been applied to leases in these financial statements with an initial application date of 1 April 2022.

The standard has been applied using a modified retrospective approach without the restatement of comparatives. Practical expedients applied by the Trust on initial application are detailed in the leases accounting policy in Note 1.15.

Lease liabilities created for existing operating leases on 1 April 2022 were discounted using the weighted average incremental borrowing rate determined by HM Treasury as 0.95%.

Reconciliation of operating lease commitments as at 31 March 2022 to lease liabilities under IFRS 16 as at 1 April 2022

	1 April 2022 £000
Operating lease commitments under IAS 17 at 31 March 2022	**11,504**
Impact of discounting at the incremental borrowing rate	
IAS 17 operating lease commitment discounted at incremental borrowing rate	**10,887**
Less:	
Commitments for short term leases	(29)
Irrecoverable VAT previously included in IAS 17 commitment	(1,080)
Other adjustments:	
Differences in the assessment of the lease term	2,300
Rent increases reflected in the lease liability, not previously reflected in the IAS 17 commitment	327
Finance lease liabilities under IAS 17 as at 31 March 2022	9,802
Other adjustments	8,558
Total lease liabilities under IFRS 16 as at 1 April 2022	**30,765**

Note 18 Inventories

	31 March 2023 £000	31 March 2022 £000
Drugs	8,952	8,223
Consumables	14,826	13,861
Energy	863	889
Total inventories	**24,641**	**22,973**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £437,141k (2021/22: £411,155k). Write-down of inventories recognised as expenses for the year were £0k (2021/22: £0k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2022/23 the Trust received £4,100k of items purchased by the Department of Health and Social Care (2021/22: £3,713k).

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

Note 19 Receivables

Note 19.1 Receivables

	31 March 2023 £000	31 March 2022 £000
Current		
Contract receivables	77,167	42,178
Capital receivables	7,177	13,066
Allowance for impaired contract receivables / assets	(4,169)	(3,186)
Prepayments (non-PFI)	9,539	7,700
PFI lifecycle prepayments	500	1,188
PDC dividend receivable	-	141
VAT receivable	5,232	5,173
Other receivables	565	313
Total current receivables	**96,011**	**66,573**
Non-current		
Contract receivables	3,684	3,096
Allowance for impaired contract receivables / assets	(916)	(736)
PFI lifecycle prepayments	810	192
Other receivables	2,294	2,165
Total non-current receivables	**5,872**	**4,717**
Of which receivable from NHS and DHSC group bodies:		
Current	49,939	21,481
Non-current	2,294	2,165

The majority of trade is with NHS England and Clinical Commissioning Groups pre 30 June 2022 and Integrated Care Boards post 30 June 2022. As NHS bodies are funded by Government to buy NHS patient care services, credit scoring of them is not considered necessary.

Non-current other receivables represent costs to be reimbursed by NHS England in relation to the Clinicians' Pension Tax provision (Note 24.1).

Note 19.2 Allowances for credit losses

	Contract receivables and contract assets £000	Contract receivables and contract assets £000
Allowances as at 1 April - brought forward	**3,922**	**3,586**
New allowances arising	1,531	570
Utilisation of allowances (write offs)	(368)	(234)
Allowances as at 31 March 2023	**5,085**	**3,922**

Note 19.3 Exposure to credit risk

Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31st March 2023 are in receivables from customers, as disclosed in the contracts receivables note (Note 19.1)

Note 20 Cash and cash equivalents

Note 20.1 Cash and cash equivalents movements

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

	2022/23	2021/22
	£000	£000
At 1 April	**97,109**	**105,304**
Net change in year	(6,184)	(8,195)
At 31 March	**90,925**	**97,109**
Broken down into:		
Cash in hand	18	19
Cash with the Government Banking Service	90,907	97,090
Total cash and cash equivalents as in SoCF	**90,925**	**97,109**

Note 20.2 Third party assets held by the Trust

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

	31 March 2023	31 March 2022
	£000	£000
Bank balances	3	10
Total third party assets	**3**	**10**

Note 21 Trade and other payables

	31 March 2023 £000	31 March 2022 £000
Current		
Trade payables	54,745	55,869
Capital payables	31,697	22,790
Accruals	112,558	78,943
Social security costs	11,588	11,540
Other taxes payable	11,298	10,426
PDC dividend payable	735	-
Pension contributions payable	12,915	12,467
Other payables	291	713
Total current trade and other payables	**235,827**	**192,748**
Of which payables from NHS and DHSC group bodies:		
Current	4,259	3,112

Note 22 Other liabilities

	31 March 2023 £000	31 March 2022 £000
Current		
Deferred income: contract liabilities	25,935	29,838
Total other current liabilities	**25,935**	**29,838**

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

Note 23 Borrowings

Note 23.1 Borrowings

	31 March 2023 £000	31 March 2022 £000
Current		
Loans from DHSC	2,076	2,080
Lease liabilities*	1,117	423
Obligations under PFI contracts	7,112	8,712
Total current borrowings	**10,305**	**11,215**
Non-current		
Loans from DHSC	13,338	15,394
Lease liabilities*	26,909	9,379
Obligations under PFI contracts	130,711	137,821
Total non-current borrowings	**170,958**	**162,594**

* The Trust has applied IFRS 16 to lease arrangements within these accounts from 1 April 2022 without restatement of comparatives. More information about leases and the impact of this change in accounting policy can be found in Note 17.

Note 23.2 Reconciliation of liabilities arising from financing activities - 2022/23

	Loans from DHSC	Lease Liability	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2022	**17,474**	**9,802**	**146,533**	**173,809**
Cash movements:				
Financing cash flows - payments and receipts of principal	(2,056)	(3,694)	(8,711)	**(14,461)**
Financing cash flows - payments of interest	(529)	(635)	(6,618)	**(7,782)**
Non-cash movements:				
Impact of implementing IFRS 16 on 1 April 2022	-	20,963	-	**20,963**
Additions	-	2,250	-	**2,250**
Lease liability remeasurements	-	298	-	**298**
Application of effective interest rate	525	635	6,619	**7,779**
Other changes	-	(1,593)	-	**(1,593)**
Carrying value at 31 March 2023	**15,414**	**28,026**	**137,823**	**181,263**

Note 23.3 Reconciliation of liabilities arising from financing activities - 2021/22

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

Note 24 Provisions for liabilities and charges analysis

Note 24.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Re-structuring	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2022	**2,634**	**2,631**	**3,848**	**-**	**5,797**	**14,910**
Change in the discount rate	-	(548)	-	-	(2,058)	**(2,606)**
Arising during the year	104	106	8,800	3,400	2,553	**14,963**
Utilised during the year	(239)	(120)	(150)	-	(40)	**(549)**
Reversed unused	(12)	(342)	-	-	(1,624)	**(1,978)**
Unwinding of discount	-	(31)	-	-	47	**16**
At 31 March 2023	**2,487**	**1,696**	**12,498**	**3,400**	**4,675**	**24,756**
Expected timing of cash flows:						
- not later than one year;	245	140	12,422	3,400	782	**16,989**
- later than one year and not later than five years;	980	560	76	-	295	**1,911**
- later than five years.	1,262	996	-	-	3,598	**5,856**
Total	**2,487**	**1,696**	**12,498**	**3,400**	**4,675**	**24,756**

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

Legal claims relate to personal injury and other claims where the Trust has received advice that settlement is probable. The final amounts and timings of payments remain subject to negotiation or legal judgement. Included are claims with a value of £309k (£228k in 2021/22) which are being handled on behalf of the Trust by NHS Resolution who have advised on their status. The value represents amounts which the Trust may bear as its share of any settlement. The balance of claims are being dealt with directly by the Trust as they represent settlement values likely to fall below NHS Resolution's excess level. Legal claims also includes provision for contractual disputes which are subject to on-going legal discussions.

As part of waste reduction plans for 2023/24 developed during 2022/23 a restructuring provision has been created by the Trust.

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

Other provisions also include clinician's pension tax reimbursement. During 2019/20 a national decision was made to resolve a taxation issue linked to pensions relating to senior clinical staff. Under this interim arrangement, the NHS Trust incurs the additional tax charge which is then reimbursed by NHS England. This remains the case for 2022/23. A provision is recognised in the Trust's accounts with a corresponding receivable from NHS England (Note 19.1)

Other provisions includes a dilpaidations provision. During 2021/22, as part of the preparation for the introduction of IFRS16, a decision was made to assess the potential liability for dilapidation costs that that could arise in relation to properties leased by the Trust. The value of the provision for 2022/23 is £2m.

Note 24.2 Clinical negligence liabilities

At 31 March 2023, £626,230k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Leeds Teaching Hospitals NHS Trust (31 March 2022: £934,551k).

Note 25 Contingent assets and liabilities

	31 March 2023 £000	31 March 2022 £000
Value of contingent liabilities		
NHS Resolution legal claims	(111)	(144)
Other	(307)	(336)
Gross value of contingent liabilities	**(418)**	**(480)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(418)**	**(480)**
Net value of contingent assets	**-**	**-**

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 26 Contractual capital commitments

	31 March 2023 £000	31 March 2022 £000
Property, plant and equipment*	71,137	62,246
Intangible assets	658	5,974
Total	**71,795**	**68,220**

Capital commitments increased to £72m as at 31st March 2023 and relate primarily to the Trust’s Building the Leeds Way programme. Construction works for the new Pathology Lab at St James's are progressing at pace and are due to complete in Summer / Autumn 2023. Other material capital commitments relate to the Trust's Network and Telephony Modernisation Programme and material building projects such as the Same Day Emergency Care Centre at St James and Elective Theatre Hubs.

Note 27 On-SoFP PFI arrangements

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

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

Note 27.1 On-SoFP PFI obligations

The following obligations in respect of the PFI arrangements are recognised in the statement of financial position:

	31 March 2023 £000	31 March 2022 £000
Gross PFI liabilities	**190,814**	**206,114**
Of which liabilities are due		
- not later than one year;	13,375	15,301
- later than one year and not later than five years;	53,499	53,499
- later than five years.	123,940	137,314
Finance charges allocated to future periods	(52,991)	(59,581)
Net PFI obligation	**137,823**	**146,533**
- not later than one year;	7,112	8,712
- later than one year and not later than five years;	31,828	30,442
- later than five years.	98,883	107,379

Note 27.2 Total on-SoFP PFI commitments

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

	31 March 2023 £000	31 March 2022 £000
Total future payments committed in respect of the PFI arrangements	**496,934**	**474,455**
Of which payments are due:		
- not later than one year;	33,275	33,847
- later than one year and not later than five years;	135,116	118,703
- later than five years.	328,543	321,905

Note 27.3 Analysis of amounts payable to service concession operator

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

	2022/23	2021/22
	£000	£000
Unitary payment payable to service concession operator	**37,637**	**34,420**
Consisting of:		
- Interest charge	6,619	6,961
- Repayment of balance sheet obligation	8,711	9,170
- Service element and other charges to operating expenditure	10,954	10,151
- Capital lifecycle maintenance	430	645
- Contingent rent	10,923	7,025
- Addition to lifecycle prepayment	-	468
Total amount paid to service concession operator	**37,637**	**34,420**

Note 28 Financial instruments

Note 28.1 Financial risk management

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

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

Currency Risk

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

Interest Rate Risk

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

Credit Risk

Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2023 are in receivables from customers, as disclosed in the contracts receivables note (Note 19.1).

Liquidity risk

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

Note 28.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2023	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	85,802	**85,802**
Cash and cash equivalents	90,925	**90,925**
Total at 31 March 2023	**176,727**	**176,727**

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

Note 28.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2023	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	15,414	**15,414**
Obligations under leases	28,026	**28,026**
Obligations under PFI contracts	137,823	**137,823**
Trade and other payables excluding non financial liabilities	212,190	**212,190**
Provisions under contract	12,064	**12,064**
Total at 31 March 2023	**405,517**	**405,517**

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

Note 28.4 Maturity of financial liabilities

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

	31 March 2023 £000	31 March 2022 £000
In one year or less	244,746	192,966
In more than one year but not more than five years	78,409	66,764
In more than five years	140,911	153,589
Total	**464,066**	**413,319**

Note 28.5 Fair values of financial assets and liabilities

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

Note 29 Losses and special payments

	2022/23		2021/22	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	4	-	3	-
Bad debts and claims abandoned	214	410	118	253
Stores losses and damage to property	-	-	1	-
Total losses	**218**	**410**	**122**	**253**
Special payments				
Ex-gratia payments	131	228	108	161
Total special payments	**131**	**228**	**108**	**161**
Total losses and special payments	**349**	**638**	**230**	**414**

Note 30 Related parties

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

The Department of Health and Social Care is regarded as a related party. Sir Julian Hartley, the Trust's Chief Executive to 31 January 2023, was a Non-Executive Director of the Department of Health and Social Care. The Leeds Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These include NHS England, NHS West Yorkshire ICB and Leeds CCG. In addition, the Trust has had a number of material transactions with other government departments, central and local government bodies (including Leeds City Council) and the University of Leeds.

The Trust's Chair, Dame Linda Pollard, was appointed Chair Advisor to support the "Messenger Review" of Health and Social Care leadership for the Department of Health & Social Care. Dame Linda Pollard is also vice-Chair and Senior Independent Director of NHS Providers. During 2022/23 the Trust expended £79k with NHS Providers, £36k of which was unpaid at 31 March 2023.

The Trust has also received revenue and capital payments from a number of charitable funds, including Leeds Hospitals Charity. Leeds Hospitals Charity have given £2.2m in revenue (21/22 - £2.3m) and £1.2m in capital donations (21/22 - £0.6m). At 31 March 2023 £0.4m of these donations were still to be received (at 31st March 22 - £0.5m). Dame Linda Pollard and Chris Schofield, a Non Executive Director are both Trustees of Leeds Hospitals Charity. Leeds Hospitals Charity is independently managed but raises funds for, manages donations received on behalf of, and makes grants to the Trust.

Professor Laura Stroud, Non Executive Director, is the Deputy Dean and Director of the Institute of Medical Education at the University of Leeds. During the year the Trust's income from the University was £8.3m (21/22 - £8.3m) of which £2.2m remained to be paid at 31 March 2023 (31 March 2022 - £1.6m). Expenditure with the University was £15.1m (21/22 - £15.5m) of which £0.2m remained to be paid at 31 March 2023 (31 March 2022 - £1.4m). Philomena Corrigan, Non Executive Director, is also a Trustee of St Gemmas Hospice. During the year the Trust received income of £83k from St Gemmas Hospice.

Note 31 Prior period adjustments

There are no prior period adjustments .

Note 32 Events after the reporting date

Events after the end of the reporting period are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised. The events can be adjusting and non-adjusting.

In March 2023, the government announced a one-off pay offer for the 2022-23 financial year and a 5% pay increase for the 2023-24 financial year, for staff employed under Agenda for Change terms and conditions. In May 2023 the government confirmed this offer will be implemented. The income (additional funding made available by NHS England) and expenditure relating to the 2022-23 one-off element has been included in these accounts, in accordance with guidance from the Department of Health & Social Care and NHS England.

Note 33 Better Payment Practice code

Non-NHS Payables	2022/23 Number	2022/23 £000	2021/22 Number	2021/22 £000
Total non-NHS trade invoices paid in the year	248,629	782,229	246,472	810,350
Total non-NHS trade invoices paid within target	242,702	758,946	240,227	785,218
Percentage of non-NHS trade invoices paid within target	97.6%	97.0%	97.5%	96.9%
NHS Payables				
Total NHS trade invoices paid in the year	22,487	134,186	21,259	131,949
Total NHS trade invoices paid within target	21,920	132,226	20,229	129,044
Percentage of NHS trade invoices paid within target	97.5%	98.5%	95.2%	97.8%

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 34 External financing limit

The Trust is given an external financing limit against which it is permitted to underspend

	2022/23 £000	2021/22 £000
Cash flow financing	58,404	28,958
Other capital receipts	-	-
External financing requirement	**58,404**	**28,958**
External Financing Limit	58,404	28,958
Under / (over) spend against EFL	**-**	**-**

Note 35 Capital Resource Limit

	2022/23 £000	2021/22 £000
Gross capital expenditure	133,520	104,803
Less: Disposals	(342)	(15)
Less: Donated and granted capital additions	(14,420)	(24,762)
Charge against Capital Resource Limit	**118,758**	**80,026**
Capital Resource Limit	118,758	80,026
Under / (over) spend against CRL	**-**	**-**

Note 36 Breakeven duty financial performance

	2022/23 £000	2021/22 £000
Adjusted financial performance surplus (control total basis)	7,632	5,917
IFRIC 12 breakeven adjustment	23	-
Breakeven duty financial performance surplus	**7,655**	**5,917**

	2022/23 £000	2021/22 £000
Adjusted financial performance (control total basis):		
Surplus for the period	46,439	7,709
Remove net impairments not scoring to the Departmental expenditure limit	(26,112)	20,657
Remove I&E impact of capital grants and donations	(12,984)	(22,893)
Remove net impact of inventories received from DHSC group bodies for COVID response	289	444
Adjusted financial performance surplus	**7,632**	**5,917**

Note 37 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£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)
Breakeven duty cumulative position	3,868	4,831	6,882	11,089	14,178	15,793	(8,593)	(38,787)
Operating income		910,556	934,527	970,709	1,002,444	1,044,916	1,086,638	1,115,720
Cumulative breakeven position as a percentage of operating income		0.5%	0.7%	1.1%	1.4%	1.5%	(0.8%)	(3.5%)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(1,901)	18,880	52,925	13,956	8,107	5,917	7,655
Breakeven duty cumulative position	(40,688)	(21,808)	31,117	45,073	53,180	59,097	66,752
Operating income	1,172,927	1,238,267	1,335,847	1,414,740	1,596,795	1,727,945	1,843,988
Cumulative breakeven position as a percentage of operating income	(3.5%)	(1.8%)	2.3%	3.2%	3.3%	3.4%	3.6%

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 ceased to exist om 30 June 2023 and were replaced by Integrated Care Boards.

Commissioners
Organisations that contract with the NHS trust to purchase healthcare. In the main these are NHS Clinical Commissioning Groups, Integrated Care Boards 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.

Elective recovery fund
A specific allocation of funding which is available to NHS providers linked to achievement of access and activity targets as set out by NHS England

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

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

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

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

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

Impairment
A fall in the value of an asset.

Integrated Care Boards
Statutory organisations established under the Health & Social care Act 2022 covering geographical areas. ICBs replaced clinical commissioning groups on 1 July 2023 and are responsible for planning and funding most NHS services in the area.

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

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

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

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

Net assets
Total assets less total liabilities.

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

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

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

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

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

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

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

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

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

Right of use asset
An asset that is leased rather than owned where the lessee such as the NHS trust controls the asset and obtains the benefits of using the asset over the period of the lease.

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

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

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

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

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

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

The Leeds Teaching Hospitals NHS Trust
1st Floor, Trust HQ, St. James's University Hospital

communications.lth@nhs.net

www.leedsth.nhs.uk

facebook: LeedsTHTrust

twitter: @leedshospitals