# LEEDS TEACHING HOSPITALS NHS TRUST

# ANNUAL ACCOUNTS

# 2016-17

# Finance Review 2016/17

At the end of the financial year 2016/17 the Trust is reporting a revenue deficit of £37 million. This figure reduces to a deficit of £1.9 million following adjustment for allowed technical factors (explained on p2), including an impairment of £34.2 million following a fall in the value of our estate and meets the "control total" target agreed with our regulator, NHS Improvement. The original plan to deliver an adjusted surplus of £1.2 million became unachievable as a result of the cost to the organisation of dealing with the failure of our Pathology information system during the summer of 2016. The result achieved, while still a deficit, represents a significant step forward in our drive towards achieving a sustainable financial surplus. Our plan for 2017/18 is to deliver a £9 million surplus

**Key Financial Results**

| | 2016/17 | 2015/16 |
|---|---|---|
| Revenue Deficit - adjusted | -£1.9m | -£30m |
| Capital Investment | £33m | £28m |
| Cash held 31 March | £20m | £3m |
| Invoices paid in 30 days | 94% | 93% |

**Revenue Summary**

In 2016/17 the Trust benefitted from the national Sustainability and Transformation Fund scheme which was agreed between NHS Improvement and NHS England as a means of incentivising financial and service performance improvements. In return for meeting agreed targets throughout the year Trusts would be eligible to receive a share of the overall monies available. Having achieved all the necessary targets required, we received a total of £24.7 million, including bonus funding of £1.7 million. The inclusion of bonus funding is recognition from NHS Improvement of everything the Trust has done and continues to do to achieve financial sustainability.

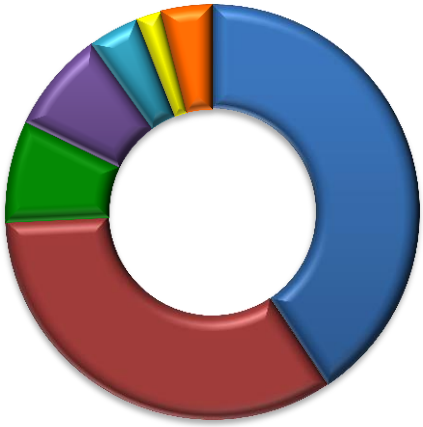
In meeting its agreed financial position the Trust made £61 million of efficiency and other savings. In value terms the most significant of those was the reduction in the financing costs of our Bexley Wing Private Finance Initiative agreement. A lengthy negotiation concluded in March 2017 with an overall reduction of £50 million in interest charges on the borrowing associated with the scheme. Of this amount, £10 million was brought into account in 2016/17 and the balance will be spread across the remaining 20 year life of the contract in the form of reduced annual payments of £1.9 million. The new agreement therefore secures a valuable future saving.

Total revenue income has increased by £56.7 million in the year of which £24.7 million is the Sustainability and Transformation money already mentioned. The remaining increase is predominantly revenue from patient care activity which has gone up by £32.1 million on 2015/16. This includes £11.9 million of price changes, £15.9 million in high cost drugs and medical device reimbursements and £4.3 million in activity changes. The movement includes a number of variations from our planned income levels which themselves serve to highlight how our revenue is affected by the type and volume of demand for our services.

Non elective, or emergency, cases were more than 5,000 above expectation but because there is a point in the length of stay of such cases where we receive reduced payment our overall income for this activity was down by £5 million. The resulting pressure on planned admissions led to over 2,400 fewer cases than planned with our income being £8 million less than expected. There were offsets. Day cases and outpatient saw income in excess of plan of £2.7 million and £1 million respectively.

The chart below shows the sources of our income.

**Where each £1 came from**



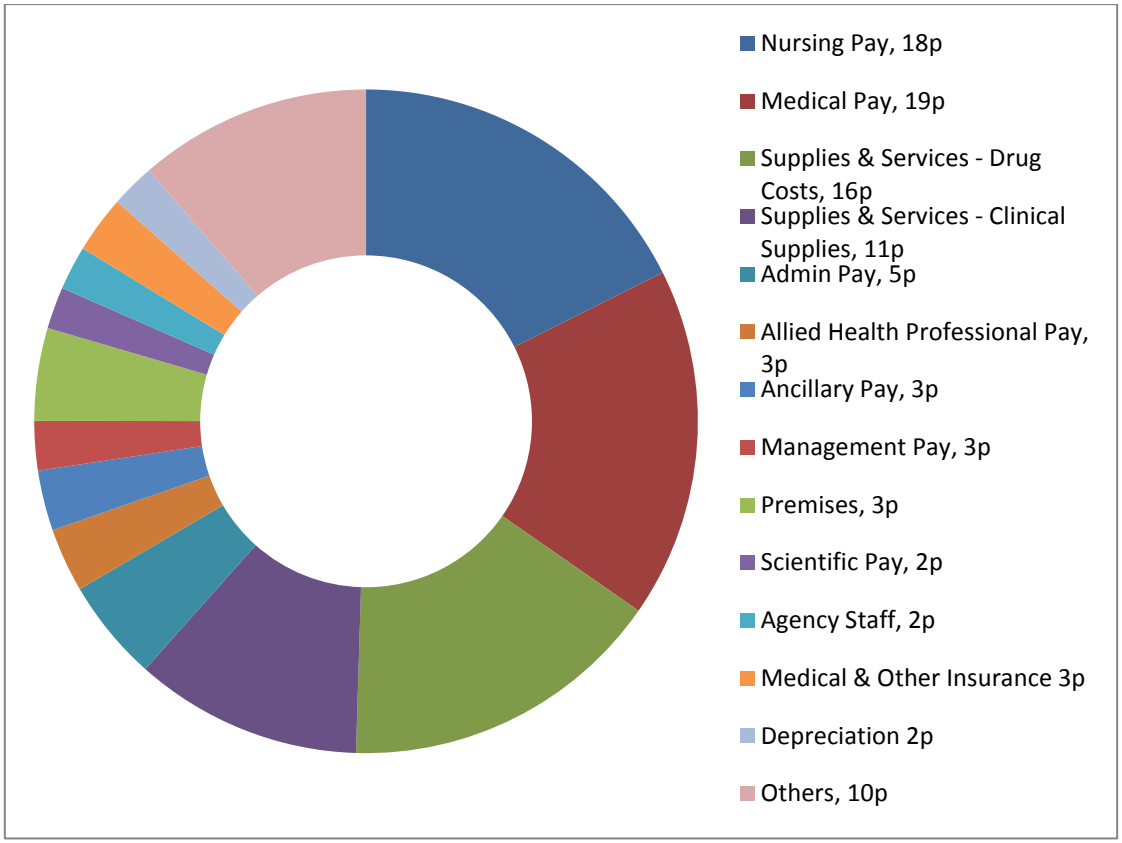
- NHS England, 41p
- Leeds Clinical Commissioning Groups, 34p
- Other Clinical Commissioning Groups, 8p
- Education and Training & Research, development & Clinical Trials 8p
- Non-Patient Care Services to other bodies, 4p
- Other income from activities, 2p

Expenditure on pay increased by £27.6 million. This is partially explained by national pay awards but also by increased staff numbers. The table below shows how our permanent employee numbers have increased in recent years as we have reduced our reliance on agency staff. In 2016/17 our expenditure on agency staff was contained within the £26 million ceiling set for us by NHS Improvement.

| Movement in WTE* | | | |
|---|---|---|---|
| | **2016/17** | **2015/16** | **2014/15** |
| Employees in post | +601 | +771 | +273 |
| Of which: | | | |
| • Medical/Dental | +58 | +50 | +23 |
| • Nursing | +65 | +134 | +165 |
| | | | |
| Agency/Bank | -70 | -154 | +325 |

* WTE = whole time equivalent

The illustration below shows how we spent the money we received




Non pay expenditure increased by £51.6 million, and a significant proportion of that was due to the £34.2 million impairment noted above which ultimately is adjusted out as part of the final reported deficit figure of £2.3 million and high cost drugs and devices of £15.9 million for which the Trust is reimbursed by commissioners on a direct 'pass through' basis. The underlying change was therefore only £1.5 million which was principally due to increases in utility costs and the Trust's contribution to the NHS Litigation Authority, offset by reductions in PFI costs and usage of the Independent Sector for healthcare provision in specific circumstances.

## Working Capital

There were times through the year when the Trust had to call on its agreed Working Capital Facility with the Department of Health in order to meet temporary cash shortfalls. In total we borrowed £23 million of temporary loans of which £8 million was repaid in year. Half of the outstanding £15 million balance was repaid in April 2017 and the balance will be repaid in full during 2017/18. Making use of the facility enabled the Trust to ensure that the overwhelming majority of our suppliers were paid within 30 days of us receiving their invoices. Our performance in recent years in meeting this commitment has improved steadily as illustrated below:

| Invoices Paid in 30 Days | | | |
|---|---|---|---|
| **2016/17** | **2015/16** | **2014/15** | **2013/14** |
| 94% | 93% | 90% | 66% |

## Going Concern

The knowledge that cash support is available if needed and the fact that we have plans in place to deliver breakeven in 2017/18, underpinned by signed income agreements with our major commissioners, has given Trust directors the assurance they require to complete the 2016/17 accounts on the basis that the Trust is a going concern.

## Capital Investment

In 2015/16 we reported that the full ambitions of our capital investment plan could not be realised because of increasing constraints on the availability of loan or other central funding. Those pressures have continued through 2016/17 and look set to remain for 2017/18 and beyond. Despite the fact that we were not able to meet the entire £50 million expenditure programme we had planned at the outset of 2016/17 we nevertheless can report some success. Our bid to secure £11.6 million of additional loan funding to undertake the complete refurbishment of our power generating station at the General Infirmary was approved and work has commenced. The scheme is a partnership arrangement with Engie Ltd and the University of Leeds which will see electricity supplied to the Infirmary and University for 25 years.

In total we spent £33 million on capital schemes associated with our estate, medical equipment and informatics infrastructure during the year; funded as follows:

| Funding Source | £m |
|---|---|
| Depreciation | 17 |
| Capital Investment Loans | 10 |
| Private Finance Initiative (Equipment Replacement) | 3 |
| Public Dividend Capital | 2 |
| Grants/Donations | 1 |
| | **33** |

There was slippage on some schemes including the generating station and our installation of a 3T MRI scanner which is being primarily funded by charitable donation. These schemes will proceed in 2017/18.

The table below identifies a few of the capital investment schemes from 2016/17:

| Scheme | £m |
|---|---|
| Generating Station Complex - Leeds General Infirmary | 3.2 |
| Safer Wards | 1.9 |
| Reconfiguration of Ward L50 - Leeds General Infirmary | 1.2 |
| 2 Linear Accelerators - Bexley Wing (PFI Funded) | *2.2* |
| David Beevers Decontamination Unit - St James's | 0.9 |
| Gynaecology Minor Procedures Unit - St James's | 0.9 |
| E Medicines system | 0.7 |
| CT Scanner | 0.7 |
| Genomic Medicines Centre | 0.7 |
| 10 Ventilator Systems | 0.4 |
| Haemodialysis Machines | 0.3 |

## Looking Ahead

As stated above the Trust plans to return to financial surplus in 2017/18 following 3 years of deficits as part of its agreed recovery programme with NHS Improvement. In summary the Trust will:

- Achieve a £9 million revenue surplus "control total" which will include £23 million of Sustainability and Transformation funding
- Deliver efficiencies and waste reduction savings of £64 million
- Repay all of the £15 million working capital loans carried over from 2016/17
- Invest £39 million in capital schemes

These are ambitious plans in a time of widely recognised challenges facing the NHS and their achievement is subject to a number of risks. There is a risk that the full efficiency programme will not be delivered. A further year of unprecedented demand for emergency admissions could reduce our planned income. Either of these puts our ability to meet our agreed control target at risk and would mean the loss of some of our Sustainability and Transformation funding.

These risks must be recognised but there are reasons to believe our plans can be delivered. The Trust has shown an excellent track record in recent years of meeting its savings requirement without compromising patient safety. There are well established mechanisms in place within the organisation for scrutinising all waste reduction plans, assessing their potential quality impact and then monitoring and supporting their delivery. As part of 2017 being our "Year of Improvement" we are taking our Leeds Improvement Method out to a much broader audience within the Trust and engaging with staff to ensure efficiency is embedded within our culture. We continue to roll out our Scan4Safety initiative as part of a national pilot to improve patient safety and make our procurement of medical supplies more efficient

Similarly, we are working closely with all of our partners from across the city and beyond to manage demand for our services on a properly integrated basis. We are

active participants in the local Sustainability and Transformation Partnership which is working towards delivering new collaborative arrangements across our health economy. Our new Bilberry and Heather wards at Wharfedale Hospital have improved our capacity to have patients who no longer require full acute or specialist treatment in a more appropriate setting, thereby making more beds available to admit new patients.

## STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Chief Executive of the NHS Trust Development Authority has designated that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Chief Executive of the NHS Trust Development Authority. 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 with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

I confirm that, 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 trust's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

**JULIAN HARTLEY**
**Chief Executive**

**25th May 2017**

## 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 the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, Directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

**JULIAN HARTLEY**
**Chief Executive**

**JENNY EHRHARDT**
**Acting Director of Finance**

**25th May 2017**

# ANNUAL GOVERNANCE STATEMENT (2016/17)

## 1. Scope of responsibility

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

## 2. The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Leeds Teaching Hospitals NHS Trust, 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 2017 and up to the date of approval of the annual report and accounts.

## 3. Capacity to handle risk

3.1 The Board of Directors provides leadership on the overall governance agenda. The Board of Directors is supported by a range of Committees that scrutinise and review assurances on internal control; such Committees include the Audit, Quality Assurance and Finance & Performance. The Risk Management Committee and Research, Education and Training Committees are executive Committees reporting to the Board of Directors. The Committees have all provided an annual report with attendance of the respective Committee Chair at the Audit Committee meeting on 8 March 2017. The Risk Management Committee focusses on all high or significant risk exposures and oversees risk treatment to ensure: (a) the correct strategy is adopted for managing risk; (b) controls are present and effective; and (c) action plans are robust for those risks that remain intolerant. The Risk Management Committee is chaired by myself as Chief Executive and comprises of all Executive Directors. Senior managers and specialist advisors routinely attend each meeting. The Trust has kept under review and updated risk management policies during the course of the year. Whilst the Risk Management Committee reports directly to the Board through me, it also works closely with front line Clinical Service Units (CSU's) and all Committees of the Board in order to anticipate, triangulate and prioritise risk - working together to continuously enhance risk treatment.

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

3.3 Incidents, complaints, claims and patient feedback are routinely analysed to identify lessons for learning and improve internal control. Lessons for learning are disseminated to staff using a variety of methods including 'Quality Matters' briefings, Learning Points Bulletin and personal feedback where required. The Quality Assurance Committee provides oversight on this process, with an annual report to the Board of Directors each July.

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

3.5 The Board of Directors regularly scans the horizon for emergent opportunities or threats, and considers the nature and timing of the response required in order to ensure risk is kept under prudent control at all times.

## 4. The risk and control framework

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

### (i) Determine priorities

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

### (ii) Risk Identification

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

### (iii) Risk Assessment

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

### (iv) Risk Response (Risk Treatment)

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

### (v) Risk Reporting

Significant risks are reported at each formal meeting of the Board of Directors and Risk Management Committee. In addition, in the event of a significant risk arising, arrangements are in place to escalate a risk to the Chief Executive and Executive Team. The level at which risk must be escalated is clearly set out in the Risk Management Policy, which was revised in March 2016. The risk report to the Board of Directors also details what action is being taken, and by whom, to mitigate the risk and monitor delivery. The Audit Committee and Board of Directors have reviewed assurance on the effective operation of controls to manage potential significant risk as set out in the Corporate Risk Register and supporting report to each Board meeting and regular reviews of the Board Assurance Framework. This

is supported by a recent Internal Audit Report No. 2016/31 'Framework of Assurance including Risk Registers', where Full Assurance was reported.

**(vi) Risk Review**

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

b. Incident reporting and investigation is recognised as a vital component of risk and safety management and is key to the success of a learning organisation. An electronic incident reporting system is operational throughout the organisation and is accessible to all colleagues. Incident reporting is promoted through induction and training, regular communications, leadership walk rounds or other visits and inspections that take place. In addition, arrangements are in place to raise any concerns at work confidentially and anonymously if necessary.

**Risk Profile**

## 5. Significant Risks Facing the Trust

5.1 As at 31st March 2017, Leeds Teaching Hospitals NHS Trust has identified a range of significant risks, which are currently being mitigated, whose impact could have a direct bearing on compliance, CQC registration or the achievement of corporate objectives in the following areas should the mitigation plans be ineffective. The significant risk profile captures risk in the following areas:

- **National Standards** - ECS, 18-week RTT, 62-day and 31 Subsequent Surgery Cancer and rate of Cancelled Operations not re-booked within 28 days with some risks being mitigated in diagnostic in MRI, Ultrasound and Endoscopy.
- **Finance** - The Trust is an organisation in financial recovery; the Executive Team has worked with NHS Improvement (NHSI) with the aim to return to financial sustainability within three years as defined in the recovery plan. The key risks have been ensuring we are paid appropriately for the activity we deliver, alongside the rigorous scrutiny of costs to ensure Waste Reduction Plans are delivered without compromise to clinical safety.
- **Fundamental Standards of Safety & Quality** - Nurse Staffing Levels, Medical Staffing, C. *difficile* and MRSA targets, Failure to Rescue a Deteriorating Patient.
- **Performance & Regulation** - A combination of demand and capacity factors giving rise to continued high levels of medical outlying and delayed discharges alongside the challenges associated with violence due to organic, mental health or behavioural reasons, unserviceable critical IT infrastructure and resilience and issues with corroded heating pipes and power failures due to electrical infrastructure/ resilience with risks to clinical services
- **Strategy** – The Sustainable Transformation Plan (STP) needs to address the importance of 'out of hospital care'.

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, and we also subject each significant risk to detailed controls assurance (documented in the Board Assurance Framework), the results of which are examined by the Audit Committee and have been used to underpin this Statement.

## 6. Care Quality Commission Registration

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

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

6.2 The Trust is registered with the Care Quality Commission, has no compliance actions in force and is fully compliant with the *Fundamental Standards.* There was a follow-up inspection undertaken by the Care Quality Commission in May 2016; relating to the inspection that took place in March 2014. The Trust received an overall **Good** rating when the final report from the follow-up inspection was published in September 2016. The Board of Directors welcomed the report and the significant improvement in the ratings. Progress continues to be made in accordance with the plan, which is monitored through the Quality Assurance Committee.

## 7. Pensions

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

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

## 8. Carbon Reduction

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

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

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

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

9.2 The Trust submitted its Operational Plan for 2017/19 in December 2016 to NHS Improvement, incorporating a supporting financial plan approved by the Board of Directors. This informs the detailed operational plans and budgets which are also approved by the Board. The Trust actively engages Commissioners, regulators (NHS Improvement) and others as necessary to develop and agree detailed financial and operational plans. Prior to approval the Board takes the views obtained from stakeholders into account. Work is currently underway working with local and regional stakeholders towards the delivery of five year Sustainability and Transformation Plans (STPs) for both the West Yorkshire and Harrogate 'footprint' and the City of Leeds.

The Trust is a key member of the West Yorkshire Association of Acute Trusts (WYAAT) which during 2016/17 established a Committee in Common for the governance and accountability of work streams to support the STP.

The Trust established the inaugural Leeds STP Health and Social Care Board to Board meeting, with three meetings taking take during 2016/17.

9.3 The Board agrees annually a set of corporate objectives which are communicated to colleagues. This provides the basis for performance reviews at CSU level. Operational performance is kept under constant review by the Executive Team, Finance & Performance Committee and the Board of Directors. In order to keep under review the delivery of the corporate objectives, the Board reviews at each formal meeting a Quality & Performance Report covering patient safety, quality, access and experience metrics, and a Finance Performance Report. Since my appointment as Chief Executive, the Board has approved a Quality Improvement Strategy (with a refresh at the March 2017 meeting setting out the strategy for 2017-2020) with progress reports to the Quality Assurance Committee and Board, and published within the Quality Account.

9.4 Assurances on the operation of controls are commissioned and reviewed by the Audit Committee and, where appropriate, other Committees of the Board of Directors as part of their annual cycle of business. The implementation of recommendations made by Internal and External Audit is overseen by the Audit Committee. Due to the changes in the rules around appointment of external

auditors for NHS Trust, the Board of Directors appointed the External Auditors for the first time, with an extension to the contract by one year.

**10. Annual Quality Account**

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

10.2 The Trust has continued to embed strong clinical leadership for the development of the Quality Account during 2016/17 and this has been provided by the Chief Medical Officer in close collaboration with the Chief Nurse / Deputy Chief Executive and the wider Executive Team. Assurances relating to the outcomes highlighted within the Annual Quality Account were provided to the Quality Assurance Committee (QAC), a formal committee of the Trust Board, which is chaired by a Non-Executive Director. The Quality Assurance Committee is responsible for overseeing the production of the Quality Account and for overseeing monitoring indicators and data quality. The Trust has engaged with partner organisations, including Leeds Healthwatch and Commissioners at NHS West Leeds CCG to agree priority quality goals for the year ahead, relating to the key quality domains: safety, effectiveness, experience. A limited scope assurance report is provided by External Audit on the content of the quality account and selected key performance indicators.

**11. Review of effectiveness**

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

**12. The Board of Directors**

12.1 The Board has set out the governance arrangements including the Committee structure within the Standing Orders. In summary, the Board's Committee structure comprised of the following: (i) Finance & Performance Committee; (ii) Audit Committee, (iii) Quality Assurance Committee; (iv) Remuneration Committee; supported by the executive Committees (v) Research, Education and Training Committee; (vi) and Risk Management Committee. Chairs of the Board's Committees report to the Board at the first available Board meeting after each Committee meeting and urgent matters are escalated by the Committee Chair to the Board as deemed appropriate.

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

requirement (to be carried out every three years). We currently await further guidance from the recent consultation by the CQC on the 'Well-lead Review', prior to commissioning our next external review.

The Board commissioned an independent 360° review which included feedback from external stakeholders and was reported and considered in detail at a Board timeout session during June 2016.

12.3 The Board assign high importance to risk management and internal control. The effectiveness of the Board's risk management and internal control framework is subject to independent review by Internal Audit on an annual basis. Progress continued to be made during the year culminating in a 'significant assurance' opinion by the Head of Internal Audit, in line with the previous year. As a result of their work in 2016/17, the internal auditors have provided significant assurance that the Trust has adequate and effective arrangements in place to support the achievement of management's objectives over risk management, internal control, governance and value for money.

**13. Internal Audit**

13.1 With respect to the internal audits concluded during 2015/16, there were two (out of 37) assignments for which Internal Audit reported the level of assurance as limited for the year ended 31st March 2017. These audits provide limited assurance as a result of weaknesses in the design and/or operation of controls. Management action plans are developed and implemented, or in the process of being implemented, to address identified weaknesses. Progress is reviewed by the Audit Committee.

**14. External Audit**

14.1 External audit provides independent assurance on the accounts, annual report, Annual Governance Statement and as defined by NHS Improvement, limited assurance on the Annual Quality Report.

**15. Health & Safety**

15.1 In 2016 the Trust was one of only a few Trusts to receive a Royal Society for the Prevention of Accident (ROSPA) Safety *Gold Award* for its H&S management arrangement; this is a significant achievement for an organisation. As Chief Executive I have signed the Annual Fire Safety Certificate of Compliance, as assurance was reported to the Risk Management Committee.

**16. Promoting Safety**

16.1 The Trust has appointed 'Freedom to Speak Up Guardians' with the aim of promoting a culture of openness for staff to express concerns about patient care and safety. The current Whistleblowing Policy will be revised and re-launched in Quarter 1 of 2017 as the Freedom to Speak up Policy.

16.2 The Trust has also appointed 'Guardians of Safe Working' for the support and development of Junior Doctors. The Board of Directors are sighted on these roles, with quarterly reports to the Research, Education and Training Committee and the first annual report plan for the Board in May 2017.

**17. Significant In-Year Matters**

The Board and its Committee structures receive reports on the performance of the organisation against its duties set out in the provider licence. Reporting information is supplied to provide insight to the actual performance position against constitutional

standards, full year to date position, and where appropriate agreed trajectories, to enable actual comparisons to be made year on year.

(i) There were 74 reported events during the year that met the criteria for a Serious Incident (SI). Each case has been thoroughly investigated and reported to local commissioners. Detailed action plans have been developed and implemented in response to specific cases.

(ii) There were four incidents which qualified for reporting as a Never Event, relating to wrong tooth extraction, wrong side anaesthetic block and wrong site surgery (2). These incidents have been subject to a Serious Incident investigation; the findings and actions have been discussed with commissioners and shared with staff across the organisation.

(iii) There were 2 formal *Prevention of Future Death Reports* (formerly known as *Rule 43 and now known as Regulation 28 Reports*) issued by the Coroner. The Trust had addressed the concerns raised by the Coroner in these cases.

(iv) There were 53 events that met the criteria for reporting to the Health & Safety Executive under the provisions of the *Reporting of Injuries, Diseases or Dangerous Occurrences* (RIDDOR) Regulations. The Trust has continued to raise the profile of safety management during the year, and has received reports on progress at the Risk Management Committee.

(v) At an aggregate level the Trust did not meet the national requirement to treat a minimum of 92% of patients within 18-weeks of referral for those patients on the incomplete standard pathway. We are likely to close the year with an aggregate performance at 88.85% with seven reporting specialties not meeting the incomplete standard (Trauma & Orthopedics, Plastic Surgery, Urology, General Surgery, ENT, Oral Surgery and 'Others').
The main underperformance relates to the impact of the non- elective pressure on elective IP activity, which despite significantly increased Daycase and OP activity has been unable to keep pace with demand. This has continued to grow in 12 Out Patient specialties that received more than 5% above the contracted level of referrals (from all sources) alongside a 10% growth in In Patient demand in a further 12 specialties.

(vi) The Emergency Care Standard (ECS) national target of 95% of patients being seen within 4 hours of presenting in A&E was not achieved in 2016/17 with pressures at both sides of the city this year. Emergency pressures and unplanned increases in demand, combined with challenges to discharge patients continued at unprecedented levels due to pressures on out of hospital healthcare infrastructure. With system wide actions such as GPs in A&E, the opening of Bilberry and Heather units (at the Wharfedale site), co-location of medical assessment in A&E, performance recovered in March to achieve an above 90% formally reported position which meant that the Trust achieved the A&E trajectory agreed with NHSI for March 2017.

(vii) The continued bed pressures resulted in the Trust not meeting the national requirement for all last minute cancelled operations to be rebooked within 28 days. Although there had been substantial progress in 2015/16 to reduce these to 84 breaches of this target at the year end, compared to 132 in 2015/16, this was not sustained in 2016/17 with 276 breaches YTD.

(viii) The Trust met the national requirement to undertake 99% diagnostic tests within six weeks of referral from September 2016 to March 2017, including achievement at Endoscopy level from September to support continued JAG full accreditation. Achievement has continued to be challenging during Quarter 3 and 4 particularly with MRI demand rises and capacity constraints.

(ix) The Trust has not achieved the national requirement to treat a minimum of 85% of patients referred for suspected cancer within 62 days of referral from a GP or Dentist since March 2016. The Trust continues to work closely with neighboring providers, GPs, Commissioners and other stakeholders to improve the timeliness of referrals to the Trust, which includes local breach reallocation processes. Work to improve internal systems and processes and build capacity continues to improve performance in key challenged pathways. The process for the monitoring of long waiting patients, i.e. those waiting more than 104 days without treatment has continued with the position stabilized at the level of 50 patients per month despite the bed pressure position during the majority of 2016/17.

(x) The Trust has met the national requirements to see a minimum of 93% of patients within 14 days for i) urgent GP referral for suspected cancer and ii) the breast symptomatic target, for all months in 2016/17 bar April, August and January for the urgent GP referral for suspected cancer standard. The main issues in April and August were related to Endoscopy capacity, with repeated annual issue in January related to patient choice to defer their appointments over the Christmas period. The Trust closed the year with both these targets being maintained.

(xi) The Trust has not met the 31 day subsequent surgery standard since October 2016 due to issues related to bed pressure impact on surgical specialties at SJUH and demand and capacity issues within the Melanoma Skin service at LGI. Pace of recovery for these standards has been slower than hoped due to the reduced ability to accelerate surgical throughput, but is expected to be delivered in Q1 2017/18.

(xii) Good progress has been made in reducing Clostridium Difficile infection in our Trust. In 2016/17, 115 patients developed CDI in our hospitals against the nationally-set trajectory of 119 for the Trust, which is a significant reduction compared to last year when 139 patients were diagnosed with CDI whilst in our care. In addition we have continued to identify a greater proportion of the cases, in conjunction with our commissioners, as having no "lapse in care" whilst in our Trust.

In 2016/17, 10 patients developed an MRSA bacteraemia whilst in our care, plus one where the MRSA isolate was a sample contaminant. This

total is an absolute rise on the number that we had last year, and nationally each NHS Acute Trust continues to have an MRSA bacteraemia annual target set at zero, which a handful of our peers have achieved. The circumstances of each event were thoroughly reviewed. The patients involved had a number of medical co-morbidities, necessitating complex medical and nursing care. However, whilst the absolute total has risen, we are not currently a "significant outlier" nationally. 2017/18 will see the development of a HCAI collaborative which will utilise the Model for Improvement as a framework for testing new interventions to reduce HCAI Blood Stream Infections.

(xiii) The Trust has faced a number of financial challenges in 2016/17, and has delivered a small deficit at the end of the year. Full achievement of the planned position; a surplus of £1.2 million; was impacted as a direct result of the additional costs incurred following a serious failure of our Pathology IT system. The Trust has submitted a plan to NHSI which will deliver a surplus of £9m in 2017/18.

(xiv) The Trust is mitigating on-going challenges associated with the historic legacy of lack of basic investment into capital infrastructure. Hence the high level risks described as; unserviceable critical IT infrastructure and resilience issues along with issues with corroded heating pipes and power failures due to electricity infrastructure/ resilience with risks to clinical services. These have presented challenges during the year.

(xv) During the year the Trust has experienced growth in the violence towards patients and staff due to organic, mental health or behavioural issues. Joint work is taking place between LTHT and the local mental health trust to address this.

(xvi) In year the Trust has instigated Silver Command to oversee operational issues to manage the impact of industrial action by Junior Doctors. Proactive planning and management mitigated the numbers of patients being cancelled on the actual days of the strike action.

(xvii) On 16th September 2016, the Trust's *Telepath*, Pathology IT system, suffered an outage that could not be rapidly restored, resulting in a protracted, wide-scale Business Continuity incident across the Trust. The outage affected Blood Bank, Blood Sciences and Microbiology services within the Trust, but also had implications for Bradford Teaching Hospitals NHS Trust and primary care across Bradford and Leeds. Due to the potential risk to patient safety and impact on service delivery, the Trust activated its internal business continuity arrangements on 18th September and a Silver Command was established to manage the incident response. Initially, Silver Command met twice daily, this reduced to once a day from 1st October before the command and control arrangements were stood down completely on 10th October. At this stage, a Recovery Working Group was established to oversee the actions required for restoring full functionality to Pathology IT systems, to recover and reconcile data, and ensure future systems' resilience.

The Trust continues to experience issues with the IT infrastructure which was highlighted by the Pathology outage in the autumn 2016. The Trust Board has approved a Strategic Outline Case to mitigate these issues

which is awaiting approval from NHS Improvement. This is a result of historic under investment over a number of years in the IT infrastructure by previous Boards. The Trust has also undertaken a complete review of all the key and critical systems to seek assurance to minimise the risk of a future occurrence. All actions from an external review after the Pathology outage are being implemented.

**18. Concluding Remarks**

18.1 As Accounting Officer with responsibility for maintaining a sound system of internal control at Leeds Teaching Hospitals NHS Trust, I have reviewed the system of internal control. We continue to make good progress to address the financial challenges and over three years have delivered in the region of £220m savings. We are an organisation in financial recovery; the Executive Team has worked with NHS Improvement (NHSI) with the aim to return to financial sustainability within three years as defined in the recovery plan. My review confirms that Leeds Teaching Hospitals NHS Trust has a system of internal control in operation, and progress has been made, but further improvement is underway across a range of priorities to better support the achievement of the Trust's policies, aims and objectives going forward. Those control issues highlighted in this statement have been or are currently being addressed. I confirm that there are no other significant breaches of internal control that have been brought to my attention in respect of the financial year ended 31st March 2017 and up to the date of approval of the annual report and accounts.

**JULIAN HARTLEY**
**Chief Executive**

**Date: 25 May 2017**

## INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF THE LEEDS TEACHING HOSPITALS NHS TRUST

We have audited the financial statements of The Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union, and as interpreted and adapted by the 2016-17 Government Financial Reporting Manual as contained in the Department of Health Group Accounting Manual 2016-17 and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to the National Health Service in England ("the Accounts Direction").

We have also audited the information in the Remuneration and Staff Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes;
- the table of pension benefits of senior managers and related narrative notes;
- the analysis of staff numbers; and
- the table of pay multiples and related narrative notes.

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

**Respective responsibilities of Directors, the Accountable Officer and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

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.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of The Leeds Teaching Hospitals NHS Trust as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the National Health Service Act 2006 and the Accounts Directions issued thereunder.

**Opinion on other matters**

In our opinion:

- the parts of the Remuneration and Staff Report to be audited 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 and accounts is consistent with the financial statements.

**Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the governance statement does not comply with the NHS Improvement's guidance; or
- we issue a report in the public interest under Section 24, Schedule 7 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under Section 24, Schedule 7 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**Exception reports**

**Referral to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014**

**Auditor's responsibilities**

We have a duty under the Local Audit and Accountability Act 2014 to refer the matter to the Secretary of State if we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

On 30 May 2017 we referred a matter to the Secretary of State under section 30(b) of the Local Audit and Accountability Act 2014 in relation to the breach of the Trust's statutory financial duty at 31 March 2017 under Paragraph 2(1) of Schedule 5 of the NHS Act 2006 that:

'Each NHS trust must ensure that its revenue is not less than sufficient, taking one year with another, to meet outgoings properly chargeable to revenue account'.

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

**Basis for qualified conclusion (except for)**

The Trust has delivered a year-end financial outturn at 31 March 2017 of a £1.9 million deficit achieving its adjusted control total as agreed with NHS Improvement. The year-end target included the delivery of £65.5 million from cost improvement plans (CIPs). The Trust has put in place arrangements at a corporate and clinical service unit (CSU) level to deliver its CIP target but has relied on £18.562 million of non-recurrent measures.

For 2017/18 the Trust Board has agreed a financial plan forecast to deliver a £9 million surplus, after taking account of Sustainability and Transformation Funding and the delivery of £63.9 million of savings through its Waste Reduction Programme (WRPs). At the start of 2017/18 the year the Trust has identified 56% of the required WRPs, although the CSU budgets have been reduced for their WRP allocation. This position is similar to the prior year at an equivalent date. The Trust is committed to securing long term financial sustainability through transformational change and reduced reliance on non-recurrent measures. However, for 2016/17 the level of non-recurrent measures relied upon to achieve the CIP target indicates that the Trust did not have proper arrangements in place to secure sustainable resource deployment.

These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

**Qualified conclusion (except for)**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, the Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

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

Gareth Davies
For and on behalf of Mazars LLP

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

30 May 2017

Data entered below will be used throughout the workbook:

| | |
|---|---|
| Trust name | Leeds Teaching Hospitals NHS Trust |
| This year | 2016-17 |
| Last year | 2015-16 |
| This year ended | 31 March 2017 |
| Last year ended | 31 March 2016 |
| This year commencing: | 1 April 2016 |
| Last year commencing: | 1 April 2015 |

**Accounts 2016-17**

## Statement of Comprehensive Income for year ended 31 March 2017

| | NOTE | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|---|
| Gross employee benefits | 9.1 | **(679,552)** | (651,993) |
| Other operating costs | 7 | **(520,710)** | (468,472) |
| Revenue from patient care activities | 4 | **975,548** | 943,383 |
| Other operating revenue | 5 | **197,379** | 172,337 |
| **Operating (deficit)** | | **(27,335)** | (4,745) |
| Investment revenue | 11 | **68** | 124 |
| Other gains and (losses) | 12 | **96** | (80) |
| Finance costs | 13 | **(1,699)** | (12,567) |
| **(Deficit) for the financial year** | | **(28,870)** | (17,268) |
| Public dividend capital dividends payable | | **(7,926)** | (9,963) |
| **Retained (deficit) for the year** | | **(36,796)** | (27,231) |

## Other Comprehensive Income

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| Impairments and reversals taken to the revaluation reserve | **(21,378)** | 0 |
| **Total comprehensive income for the year** | **(58,174)** | (27,231) |

## Financial Performance for the year

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| Retained (deficit) for the year | **(36,796)** | (27,231) |
| IFRIC 12 adjustment (including IFRIC 12 impairments) | **16,038** | 0 |
| Impairments (excluding IFRIC 12 impairments) | **18,229** | 0 |
| Adjustments in respect of donated asset reserve elimination | **628** | (2,963) |
| **Adjusted retained (deficit)** | **(1,901)** | (30,194) |

The Trust's financial performance for the year is derived from its retained deficit which is adjusted to take account of the revenue implications of impairments to fixed asset values arising from valuation falls. During 2016/17 the Trust's estate was revalued by an independent valuer who identified an overall reduction in value. (See note 15.3).

The retained deficit is adjusted to take account of the costs of a change in the national accounting treatment of donated assets (Note 1.10). The cost represents the difference in value between depreciation on donated assets which, until 2011/12, was funded from a reserve account and donations credited to income in the year which, until 2011/12, were credited to the reserve.

The notes on pages 6 to 36 form part of these financial statements.

## Statement of Financial Position as at 31 March 2017

| | NOTE | **31 March 2017** **£000s** | 31 March 2016 £000s |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **565,856** | 618,492 |
| Intangible assets | 16 | **6,518** | 2,835 |
| Trade and other receivables | 20.1 | **10,495** | 9,930 |
| **Total non-current assets** | | **582,869** | 631,257 |
| **Current assets** | | | |
| Inventories | 19 | **16,022** | 16,539 |
| Trade and other receivables | 20.1 | **65,846** | 53,928 |
| Cash and cash equivalents | 21 | **19,967** | 3,362 |
| **Sub-total current assets** | | **101,835** | 73,829 |
| Non-current assets held for sale | 22 | **0** | 0 |
| **Total current assets** | | **101,835** | 73,829 |
| **Total assets** | | **684,704** | 705,086 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **(105,286)** | (78,672) |
| Provisions | 27 | **(864)** | (775) |
| Borrowings | 24 | **(6,341)** | (4,957) |
| DH capital loan | 24 | **(5,646)** | (4,812) |
| **Total current liabilities** | | **(118,137)** | (89,216) |
| **Net current (liabilities)** | | **(16,302)** | (15,387) |
| **Total assets less current liablilities** | | **566,567** | 615,870 |
| **Non-current liabilities** | | | |
| Trade and other payables | 23 | **(259)** | (2,188) |
| Provisions | 27 | **(5,728)** | (5,231) |
| Borrowings | 24 | **(181,931)** | (193,112) |
| DH revenue support loan | 24 | **(52,399)** | (37,329) |
| DH capital loan | 24 | **(49,487)** | (45,113) |
| **Total non-current liabilities** | | **(289,804)** | (282,973) |
| **Total assets employed** | | **276,763** | 332,897 |
| **FINANCED BY:** | | | |
| Public Dividend Capital | | **334,888** | 332,848 |
| Retained earnings | | **(114,005)** | (77,209) |
| Revaluation reserve | | **55,880** | 77,258 |
| **Total Taxpayers' Equity** | | **276,763** | 332,897 |

The notes on pages 6 to 36 form part of these financial statements.

The financial statements on pages 1 to 36 were approved by the Board on 25th May 2017 and signed on its behalf by:

**JULIAN HARTLEY**
**Chief Executive**

## Statement of Changes in Taxpayers' Equity for the year ending 31 March 2017

| | Public Dividend capital | Retained earnings | Revaluation reserve | Total reserves |
|---|---|---|---|---|
| | £000s | £000s | £000s | £000s |
| **Balance at 1 April 2016** | **332,848** | **(77,209)** | **77,258** | **332,897** |
| **Changes in taxpayers' equity for the year ended 31 March 2017** | | | | |
| Retained (deficit) for the year | 0 | (36,796) | **0** | **(36,796)** |
| Impairments and reversals | 0 | 0 | (21,378) | **(21,378)** |
| Temporary and permanent PDC received - cash | 2,040 | 0 | 0 | **2,040** |
| **Net recognised revenue/(expense) for the year** | **2,040** | **(36,796)** | **(21,378)** | **(56,134)** |
| **Balance at 31 March 2017** | **334,888** | **(114,005)** | **55,880** | **276,763** |
| | | | | |
| **Balance at 1 April 2015** | **332,833** | **(49,978)** | **77,258** | **360,113** |
| **Changes in taxpayers' equity for the year ended 31 March 2016** | | | | |
| Retained (deficit) for the year | 0 | (27,231) | 0 | (27,231) |
| New PDC received - cash | 1,015 | 0 | 0 | 1,015 |
| PDC repaid in year | (1,000) | 0 | 0 | (1,000) |
| **Net recognised revenue/(expense) for the year** | **15** | **(27,231)** | **0** | **(27,216)** |
| **Balance at 31 March 2016** | **332,848** | **(77,209)** | **77,258** | **332,897** |

**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. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as the public dividend capital dividend.

**Income and expenditure reserve**

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

**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 expenses. 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.

## Statement of Cash Flows for the Year ended 31 March 2017

| | NOTE | 2016-17 £000s | 2015-16 £000s |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Operating (deficit) | | **(27,335)** | (4,745) |
| Depreciation and amortisation | 7 | **25,979** | 24,717 |
| Impairments and reversals | 17 | **34,267** | 0 |
| Decrease in Inventories | | **517** | 945 |
| (Increase)/decrease in trade and other receivables | | **(13,076)** | 8,811 |
| Increase/(decrease) in trade and other payables | | **21,657** | (6,789) |
| Provisions utilised | | **(619)** | (1,808) |
| Increase/(decrease) in movement in non cash provisions | | **1,205** | (157) |
| **Net Cash Inflow/(Outflow) from Operating Activities** | | **42,595** | 20,974 |
| **Cash Flows from Investing Activities** | | | |
| Interest received | | **68** | 124 |
| (Payments) for property, plant and equipment | | **(28,803)** | (30,042) |
| (Payments) for intangible assets | | **(1,064)** | (1,151) |
| Proceeds of disposal of assets held for sale (PPE) | | **110** | 124 |
| **Net Cash (Outflow) from Investing Activities** | | **(29,689)** | (30,945) |
| **Net Cash Inflow / (Outflow) before Financing** | | **12,906** | (9,971) |
| **Cash Flows from Financing Activities** | | | |
| Gross temporary and permanent PDC received | | **2,040** | 1,015 |
| Gross temporary and permanent PDC repaid | | **0** | (1,000) |
| Loans received from DH - New capital investment loans | | **10,020** | 5,394 |
| Loans received from DH - New revenue support loans | | **22,993** | 63,179 |
| Loans repaid to DH - Capital investment loans repayment of principal | | **(4,812)** | (5,112) |
| Loans repaid to DH - Working capital loans/revenue support loans | | **(7,923)** | (25,850) |
| Capital element of payments in respect of finance leases and on-SoFP PFI | | **(9,797)** | (4,702) |
| Interest paid | | **(1,652)** | (12,541) |
| PDC Dividend (paid) | | **(7,170)** | (10,348) |
| **Net Cash Inflow from Financing Activities** | | **3,699** | 10,035 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **16,605** | 64 |
| **Cash and Cash Equivalents at 1 April 2016** | | **3,362** | 3,298 |
| **Cash and Cash Equivalents at 31 March 2017** | **21** | **19,967** | 3,362 |

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Accounting Manual 2016-17 issued by the Department of Health. The accounting policies contained in that manual 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 Group Accounting Manual permits a choice of accounting policy, the accounting policy which 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 by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

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

**Going Concern**

These accounts have been prepared on a going concern basis
The Directors formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Trust has access to adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. See note 35.1 for further explanation.

### 1.2 Charitable Funds

Under the provisions of IFRS 10 Consolidated Financial Statements, those charitable funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. The Trust does not have control over any charitable funds. The Leeds Teaching Hospitals Charitable Foundation is independently managed by its own trustees and prepares its own financial statements. There is therefore no consolidation.

### 1.3 Critical accounting judgements and key sources of estimation uncertainty

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

### 1.3.1 Critical judgements in applying accounting policies

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

Bexley Wing and Wharfedale Hospital, constructed under the Private Finance Initiative (PFI), meet the criteria for inclusion in the financial statements as Finance Leases as the Trust bears the risks and rewards of ownership. See paragraphs 1.13 Leases and 1.14 PFI transactions.

## NOTES TO THE ACCOUNTS

**Key sources of estimation uncertainty**

**1.3.2**

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

- Plant, Property and Equipment - Para. 1.7 and Note 15
- Provision for Impairment of Receivables - Note 20.3
- Provisions - Para 1.17 and Note 27

During March the Trust estimates its total income from patient activity for the month and invoices commissioners accordingly. Estimates are based on activity in the year to date. Once actual activity information is available in the early part of the new financial year commissioners are invoiced with any adjustments. The risk of a material misstatement to the Trust's income position reported in the accounts is deemed to be negligible.

**1.4 Revenue**

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred or an appropriate expenditure provision is made.

The NHS 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 e.g. by an insurer. The NHS Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Goods are sold on an incidental basis. Income is recognised at the point the sale transaction occurs.

**1.5 Employee Benefits**

**Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

**Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes 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, the schemes are accounted for as though they were defined contribution schemes: the cost to the NHS body of participating in a scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the NHS Trust commits itself to the retirement, regardless of the method of payment.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

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.

**1.6 Other expenses**

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

## NOTES TO THE ACCOUNTS

### 1.7 Property, plant and equipment

**Recognition**
Property, plant and equipment is capitalised if:
● 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 will be supplied to the Trust;
● it is expected to be used for more than one financial year;
● the cost of the item can be measured reliably; and
● the item has cost of at least £5,000; or
● collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
● items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.
Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

**Valuation**
All property, plant and equipment are measured initially at cost, representing the cost 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 that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:
● Land and non-specialised buildings – market value for existing use.
● Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. In the Trust's case no alternative site has been sought.

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, borrowing costs. Assets are revalued and depreciation commences when they 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 economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

**Subsequent expenditure**
Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

### 1.8 Intangible assets

**Recognition**
Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:
● the technical feasibility of completing the intangible asset so that it will be available for use;
● the intention to complete the intangible asset and use it;

## NOTES TO THE ACCOUNTS

- the ability to sell or use the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

**Measurement**
The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

**1.9 Depreciation, amortisation and impairments**

Freehold land, assets under construction or development, and assets held for sale are not depreciated/amortised.

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

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

**1.10 Donated assets**
Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

**1.11 Government grants**
Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

**1.12 Non-current assets held for sale**
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

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

## NOTES TO THE ACCOUNTS

**The Trust as lessee**
Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's surplus/deficit.

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

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

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

**1.14 Private Finance Initiative (PFI) transactions**
HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The NHS Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

**Services received**
The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'

**PFI Asset**
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 IAS 17. Subsequently, the assets are measured at current value in existing use.

**PFI liability**
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 PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

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.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

**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 their fair value.

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.

## NOTES TO THE ACCOUNTS

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 NHS 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 NHS Trust's Statement of Financial Position.

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

On initial recognition of the asset, an equivalent deferred income balance is recognised, representing the future service potential to be received by the NHS Trust through the asset being made available to third party users.

The balance is subsequently released to operating income over the life of the concession on a straight-line basis.

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

**1.16 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 NHS Trust's cash management.

**1.17 Provisions**
Provisions are recognised when the NHS Trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:
• A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
• A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
• A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are in real terms.

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

**1.18 Clinical negligence costs**
The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at Note 27.

**1.19 Non-clinical risk pooling**
The NHS trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the NHS Trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

**1.20 Carbon Reduction Commitment Scheme (CRC)**
CRC and similar allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS Trust makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

## NOTES TO THE ACCOUNTS

**1.21 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHS Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

**1.22 Financial assets**

Financial assets are recognised when the NHS Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are classified into Loans and Receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Financial assets are initially valued at fair value. Fair value is determined by reference to quoted market prices where possible, or failing that by reference to similar arms-length transactions between knowledgeable and willing parties.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the NHS Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that have an impact on the estimated future cash flows of the asset.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**1.23 Financial liabilities**

Financial liabilities are recognised on the statement of financial position when the NHS Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historic cost. Otherwise, financial liabilities are initially recognised at fair value.

**Financial guarantee contract liabilities**

Financial guarantee contract liabilities are subsequently measured at the higher of:

● The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ; and

● The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

**Other financial liabilities**

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

## NOTES TO THE ACCOUNTS

**1.24 Value Added Tax**

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

**1.25 Foreign currencies**

The NHS Trust's functional and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Trust's surplus/deficit in the period in which they arise.

**1.26 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 36 to the accounts.

**1.27 Public Dividend Capital (PDC) and PDC dividend**

Public dividend capital represents taxpayers' equity in the NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

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

**1.28 Losses and Special Payments**

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the NHS Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

**1.29 Research and Development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

**1.30 Accounting Standards that have been issued but have not yet been adopted**

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 Revenue from Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

All of these would require futher consideration although it is not anticipated that the application of these standards would have a material impact on the 2016/17 accounts of the Trust.

**1.31 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.

## 2. Operating segments

The Trust engages in its activity as a single operating segment i.e. the provision of healthcare. Financial results are reported under the single segment of healthcare. Whilst internally the Trust operates via 18 clinical service units, they each provide essentially the same service (patient care) and face fundamentally the same risks.

## 3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of these schemes exceed £1 million nor are they sufficiently material to warrant separate disclosure. The revenues and expenditure relating to these schemes are included in notes 5 and 7 below.

## 4. Revenue from patient care activities

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| NHS England | **476,132** | 460,543 |
| Clinical Commissioning Groups | **486,784** | 462,945 |
| Foundation Trusts | **119** | 91 |
| NHS Other (including Public Health England and Prop Co) | **1,218** | 1,960 |
| Additional income for delivery of healthcare services | **0** | 7,000 |
| Non-NHS: | | |
| Local Authorities | **0** | 936 |
| Private patients | **5,593** | 4,715 |
| Overseas patients (non-reciprocal) | **559** | 592 |
| Injury costs recovery | **4,420** | 3,766 |
| Other Non-NHS patient care income | **723** | 835 |
| **Total revenue from patient care activities** | **975,548** | 943,383 |

## 5. Other operating revenue

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| Recoveries in respect of employee benefits | **11,498** | 10,766 |
| Education, training and research | **99,442** | 100,886 |
| Charitable and other contributions to revenue expenditure - NHS | **1,186** | 888 |
| Charitable and other contributions to revenue expenditure -non- NHS | **956** | 913 |
| Receipt of charitable donations for capital acquisitions | **1,031** | 4,390 |
| Non-patient care services to other bodies | **44,417** | 39,981 |
| Sustainability & Transformation Fund Income | **24,665** | 0 |
| Rental revenue from operating leases | **1,686** | 1,152 |
| Other revenue | **12,498** | 13,361 |
| **Total other operating revenue** | **197,379** | 172,337 |
| **Total operating revenue** | **1,172,927** | 1,115,720 |

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

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

## 6. Overseas visitors disclosure

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| Income recognised during 2016-17 (invoiced amounts and accruals) | **559** | **592** |
| Cash payments received in-year (re receivables at 31 March 2016) | **72** | **36** |
| Cash payments received in-year (iro invoices issued 2016-17) | **278** | **127** |
| Amounts added to provision for impairment of receivables (re receivables at 31 March 2016) | **64** | **197** |
| Amounts added to provision for impairment of receivables (iro invoices issued 2016-17) | **266** | **337** |
| Amounts written off in-year (irrespective of year of recognition) | **415** | **89** |

## 7. Operating expenses

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| Services from other NHS Trusts* | **472** | 526 |
| Purchase of healthcare from non-NHS bodies | **11,005** | 12,212 |
| Trust Chair and Non-executive Directors | **93** | 96 |
| Supplies and services - clinical | **325,712** | 309,083 |
| Supplies and services - general | **8,339** | 8,580 |
| Consultancy services | **1,001** | 585 |
| Establishment | **8,262** | 7,651 |
| Transport | **3,359** | 3,471 |
| Service charges - On-SoFP PFIs and other service concession arrangements | **8,251** | 13185 |
| Business rates paid to local authorities | **4,872** | 4781 |
| Premises | **35,679** | 34,310 |
| Hospitality | **155** | 146 |
| Insurance | **796** | 741 |
| Legal fees | **470** | 698 |
| Impairments and reversals of receivables | **313** | 959 |
| Depreciation | **24,529** | 24,176 |
| Amortisation | **1,450** | 541 |
| Impairments and reversals of property, plant and equipment (see note 17) | **34,267** | 0 |
| Audit fees | **120** | 120 |
| Other auditor's remuneration - audit of Quality Accounts | **10** | 12 |
| Clinical Negligence Scheme for Trusts - contribution | **32,900** | 29,909 |
| Research and development (excluding staff costs) | **64** | 1 |
| Education and training | **4,236** | 4,702 |
| Change in discount rate | **306** | (14) |
| Other expenses | **14,049** | 12,001 |
| **Total operating expenses (excluding employee benefits)** | **520,710** | 468,472 |
| | | |
| **Employee benefits** | | |
| Employee benefits excluding Board members | **678,129** | 650,563 |
| Board members | **1,423** | 1,430 |
| **Total employee benefits** | **679,552** | 651,993 |
| | | |
| **Total operating expenses** | **1,200,262** | 1,120,465 |

*Services from NHS bodies does not include expenditure which falls into a category in the remainder of note 7

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).

## 8. Operating leases

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

### 8.1. Leeds Teaching Hospitals NHS Trust as lessee

| | **Buildings £000s** | **Other £000s** | **2016-17 Total £000s** | 2015-16 £000s |
|---|---|---|---|---|
| **Payments recognised as an expense** | | | | |
| Minimum lease payments | 1,405 | 4,218 | **5,623** | 5,133 |
| Contingent rents | 0 | 0 | **0** | 0 |
| Sub-lease payments | 0 | 0 | **0** | 0 |
| **Total** | **1,405** | **4,218** | **5,623** | 5,133 |
| **Payable**: | | | | |
| No later than one year | 1,564 | 3,896 | **5,460** | 4,717 |
| Between one and five years | 4,520 | 3,485 | **8,005** | 6,931 |
| After five years | 3,294 | 0 | **3,294** | 3,211 |
| **Total** | **9,378** | **7,381** | **16,759** | 14,859 |

### 8.2. Leeds Teaching Hospitals NHS Trust as lessor

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

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| **Recognised as revenue** | | |
| Rental revenue | 1,686 | 1,152 |
| Contingent rents | 0 | 0 |
| **Total** | **1,686** | 1,152 |
| **Receivable**: | | |
| No later than one year | 1,701 | 874 |
| Between one and five years | 1,869 | 2,973 |
| After five years | 2,046 | 2,301 |
| **Total** | **5,616** | 6,148 |

# 9. Employee benefits

## 9.1. Employee benefits

| | 2016-17 Total £000s | 2015-16 Total £000s |
|---|---|---|
| **Employee benefits - Gross expenditure** | | |
| Salaries and wages | **568,864** | 556,196 |
| Social security costs | **48,390** | 36,614 |
| Employer Contributions to NHS BSA - Pensions Division | **63,072** | 60,084 |
| Other pension costs | **135** | 13 |
| Termination benefits | **0** | 57 |
| **Total employee benefits** | **680,461** | 652,964 |
| **Employee costs capitalised** | **909** | 971 |
| **Gross employee benefits excluding capitalised costs** | **679,552** | 651,993 |

## 9.2. Retirements due to ill-health

| | 2016-17 Number | 2015-16 Number |
|---|---|---|
| Number of persons retired early on ill health grounds | **25** | 25 |
| | **£000s** | £000s |
| Total additional pensions liabilities accrued in the year | **1,227** | 1,081 |

## 9.3. Pension costs

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

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

**a) Accounting valuation**

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

**b) Full actuarial (funding)**

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

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

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

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

## 9.3 Pension costs - other scheme

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

NEST is a defined contribution scheme managed by a third party organisation. It carries no possibility of actuarial gain or loss to the Trust and there are no financial liabilities other than payment of the 1% employers contribution of qualifying earnings. This contribution will increase to 2% in October 2017 and 3% in 2018. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly. At 31st March there were 376 employees enrolled in the scheme (133 at 31 March 2016). Further details of the scheme can be found at www.nestpensions.org.uk.

## 10. Better Payment Practice Code

### 10.1. Measure of compliance

| | 2016-17 Number | 2016-17 £000s | 2015-16 Number | 2015-16 £000s |
|---|---|---|---|---|
| **Non-NHS payables** | | | | |
| Total Non-NHS trade invoices paid in the year | **205,555** | **487,533** | 219,731 | 494,089 |
| Total Non-NHS trade invoices paid within target | **192,370** | **453,124** | 203,551 | 416,744 |
| Percentage of NHS trade invoices paid within target | **94%** | **93%** | 93% | 84% |
| **NHS payables** | | | | |
| Total NHS trade invoices paid in the year | **7,428** | **84,070** | 6,050 | 87,664 |
| Total NHS trade invoices paid within target | **5,897** | **76,848** | 4,517 | 79,587 |
| Percentage of NHS trade invoices paid within target | **79%** | **91%** | 75% | 91% |

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

### 10.2 The Late Payment of Commercial Debts (Interest) Act 1998

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

## 11. Investment revenue

| | 2016-17 £000s | 2015-16 £000s |
|---|---|---|
| **Interest revenue** | | |
| Bank interest | **68** | 124 |

## 12. Other gains and losses

| | 2016-17 £000s | 2015-16 £000s |
|---|---|---|
| Gain (Loss) on disposal of assets held for sale | **96** | (80) |

## 13. Finance costs

| | 2016-17 £000s | 2015-16 £000s |
|---|---|---|
| **Interest** | | |
| Interest on loans and overdrafts | **2,036** | 1,570 |
| Interest on obligations under finance leases | **8** | 8 |
| **Interest on obligations under PFI contracts:** | | |
| - main finance cost | **(6,027)** | 10,962 |
| - contingent finance cost | **5,654** | **0** |
| **Total interest expense** | **1,671** | 12,540 |
| Provisions - unwinding of discount | **28** | 27 |
| **Total** | **1,699** | 12,567 |

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

## 14. Other auditor remuneration

### 14.1. Other auditor remuneration

| | 2016-17 £000s | 2015-16 £000s |
|---|---|---|
| **Other auditor remuneration paid to the external auditor** | | |
| Audit-related assurance services (Quality Accounts) | **10** | 12 |

### 14.2. Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2016/17 or 2015/16.

## 15.1. Property, plant and equipment

| 2016-17 | Land | Buildings excluding dwellings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| **Cost or valuation:** | | | | | | | | | |
| **At 1 April 2016** | 20,475 | 590,522 | 2,352 | 10,135 | 200,338 | 884 | 62,388 | 1,387 | **888,481** |
| Additions of assets under construction | 0 | 0 | 0 | 8,360 | 0 | 0 | 0 | 0 | **8,360** |
| Additions Purchased | 0 | 9,399 | 0 | 0 | 8,022 | 0 | 4,809 | 0 | **22,230** |
| Additions - Purchases from cash donations | 0 | 159 | 0 | 195 | 677 | 0 | 0 | 0 | **1,031** |
| Reclassifications | 0 | 4,533 | 0 | (8,602) | 0 | 0 | 0 | 0 | **(4,069)** |
| Reclassifications as held for sale and reversals | 0 | 0 | 0 | 0 | (22,859) | (352) | (21,829) | 0 | **(45,040)** |
| Impairments/reversals charged to operating expenses | 0 | (50,037) | (596) | 0 | 0 | 0 | 0 | 0 | **(50,633)** |
| Impairments/reversals charged to reserves | 639 | (31,564) | (99) | 0 | 0 | 0 | 0 | 0 | **(31,024)** |
| **At 31 March 2017** | **21,114** | **523,012** | **1,657** | **10,088** | **186,178** | **532** | **45,368** | **1,387** | **789,336** |
| **Depreciation** | | | | | | | | | |
| **At 1 April 2016** | (639) | 66,357 | 509 | 0 | 158,175 | 855 | 43,350 | 1,382 | **269,989** |
| Reclassifications as held for sale and reversals | 0 | 0 | 0 | 0 | (22,846) | (352) | (21,828) | 0 | **(45,026)** |
| Impairment/reversals charged to reserves | 639 | (10,271) | (14) | 0 | 0 | 0 | 0 | 0 | **(9,646)** |
| Impairments/reversals charged to operating expenses | 0 | (16,282) | (84) | 0 | 0 | 0 | 0 | 0 | **(16,366)** |
| Charged during the year | 0 | 8,764 | 52 | 0 | 9,203 | 13 | 6,494 | 3 | **24,529** |
| **At 31 March 2017** | **0** | **48,568** | **463** | **0** | **144,532** | **516** | **28,016** | **1,385** | **223,480** |
| **Net Book Value at 31 March 2017** | **21,114** | **474,444** | **1,194** | **10,088** | **41,646** | **16** | **17,352** | **2** | **565,856** |
| **Asset financing:** | | | | | | | | | |
| Owned - Purchased | 21,114 | 325,265 | 1,194 | 9,260 | 28,385 | 16 | 17,104 | 2 | **402,340** |
| Owned - Donated | 0 | 10,987 | 0 | 482 | 4,713 | 0 | 248 | 0 | **16,430** |
| Held on finance lease | 0 | 613 | 0 | 0 | 0 | 0 | 0 | 0 | **613** |
| On-SOFP PFI contracts | 0 | 137,579 | 0 | 346 | 8,548 | 0 | 0 | 0 | **146,473** |
| **Total at 31 March 2017** | **21,114** | **474,444** | **1,194** | **10,088** | **41,646** | **16** | **17,352** | **2** | **565,856** |

**Revaluation reserve balance for property, plant & equipment**

| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 April 2016** | 310 | 69,662 | 0 | 0 | 5,953 | 14 | 364 | 955 | **77,258** |
| Movements - impairments | 0 | (21,378) | 0 | 0 | 0 | 0 | 0 | 0 | **(21,378)** |
| **At 31 March 2017** | **310** | **48,284** | **0** | **0** | **5,953** | **14** | **364** | **955** | **55,880** |

**Additions to assets under construction in 2016-17**

| | |
|---|---|
| Buildings excl dwellings | 8,360 |
| **Balance as at YTD** | **8,360** |

## 15.2. Property, plant and equipment prior-year

| 2015-16 | Land | Buildings excluding dwellings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| **Cost or valuation:** | | | | | | | | | |
| At 1 April 2015 | 20,475 | 568,183 | 2,352 | 19,352 | 200,080 | 884 | 55,872 | 1,387 | **868,585** |
| Additions of assets under construction | 0 | 0 | 0 | 9,573 | 0 | 0 | 0 | 0 | **9,573** |
| Additions purchased | 0 | 7,134 | 0 | 0 | 6,030 | 0 | 778 | 0 | **13,942** |
| Additions - Purchases from cash donations | 0 | 1,865 | 0 | 288 | 1,256 | 0 | 0 | 0 | **3,409** |
| Reclassifications | 0 | 13,340 | 0 | (19,078) | 0 | 0 | 5,738 | 0 | **0** |
| Reclassifications as held for sale and reversals | 0 | 0 | 0 | 0 | (7,028) | 0 | 0 | 0 | **(7,028)** |
| **At 31 March 2016** | **20,475** | **590,522** | **2,352** | **10,135** | **200,338** | **884** | **62,388** | **1,387** | **888,481** |
| **Depreciation** | | | | | | | | | |
| At 1 April 2015 | (639) | 57,155 | 473 | 0 | 155,718 | 840 | 37,721 | 1,369 | **252,637** |
| Reclassifications as held for sale and reversals | 0 | 0 | 0 | 0 | (6,824) | 0 | 0 | 0 | **(6,824)** |
| Charged during the year | 0 | 9,202 | 36 | 0 | 9,281 | 15 | 5,629 | 13 | **24,176** |
| **At 31 March 2016** | **(639)** | **66,357** | **509** | **0** | **158,175** | **855** | **43,350** | **1,382** | **269,989** |
| **Net Book Value at 31 March 2016** | **21,114** | **524,165** | **1,843** | **10,135** | **42,163** | **29** | **19,038** | **5** | **618,492** |
| **Asset financing:** | | | | | | | | | |
| Owned - Purchased | 21,114 | 355,519 | 1,843 | 9,847 | 28,839 | 29 | 18,707 | 5 | **435,903** |
| Owned - Donated | 0 | 12,644 | 0 | 288 | 5,203 | 0 | 331 | 0 | **18,466** |
| Held on finance lease | 0 | 639 | 0 | 0 | 0 | 0 | 0 | 0 | **639** |
| On-SOFP PFI contracts | 0 | 155,363 | 0 | 0 | 8,121 | 0 | 0 | 0 | **163,484** |
| **Total at 31 March 2016** | **21,114** | **524,165** | **1,843** | **10,135** | **42,163** | **29** | **19,038** | **5** | **618,492** |

## 15.3. (cont). Property, plant and equipment

All land and building assets were revalued as at 1st April 2016 by an independent, qualified valuer at depreciated replacement cost using the Modern Equivalent Asset (MEA) approach (Note 1.8). In assessing values, regard was given to various factors, including physical and functional obsolence of buildings and where active markets exist, e.g. land and residences, sales comparison. To assess fair value at the balance sheet date of 31 March 2017 a further exercise was undertaken by the valuer to assess movement in building cost indices since 1st April 2016 and the impact of capital expenditure during the year. The results of this exercise indicated valuation falls of £55 million which have been reflected in the carrying values of fixed assets at 31 March 2017.

Property, plant and equipment assets are depreciated over their useful economic lives. The Trust applies the following standard lives to these classes of assets.

| | Min life years | Max life years |
|---|---|---|
| Buildings (including dwellings) | **2** | **88** |
| Plant and machinery | **5** | **15** |
| Transport equipment | **5** | **10** |
| Information technology | **5** | **10** |
| Furniture and fittings | **5** | **10** |

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

| | 2016-17 £000's | 2015-16 £000's |
|---|---|---|
| Medical Research Council | **109** | **2,834** |
| NHS Litigation Authority - Patient Safety | **0** | **681** |
| Leeds Teaching Hospitals Charitable Foundation | **863** | **839** |
| Others | **59** | **36** |
| **Total** | **1,031** | **4,390** |

## 16. Intangible non-current assets

### 16.1. Intangible non-current assets

| 2016-17 | IT - in-house & 3rd party software | Computer Licenses | Total |
|---|---|---|---|
| **Cost or valuation:** | **£000's** | **£000's** | **£000's** |
| **At 1 April 2016** | **5,014** | **1,136** | **6,150** |
| Additions purchased | 293 | 771 | **1,064** |
| Reclassifications | 4,069 | 0 | **4,069** |
| Reclassified as held for sale and reversals | (820) | 0 | **(820)** |
| **At 31 March 2017** | **8,556** | **1,907** | **10,463** |
| | | | |
| **Amortisation** | | | |
| **At 1 April 2016** | **2,833** | **482** | **3,315** |
| Reclassified as held for sale and reversals | **(820)** | **0** | **(820)** |
| Charged during the year | **1,218** | **232** | **1,450** |
| **At 31 March 2017** | **3,231** | **714** | **3,945** |
| | | | |
| **Net Book Value at 31 March 2017** | **5,325** | **1,193** | **6,518** |
| | | | |
| **Asset Financing: Net book value at 31 March 2017 comprises:** | | | |
| Purchased | 4,675 | 1,023 | **5,698** |
| Donated | 650 | 170 | **820** |
| **Total at 31 March 2017** | **5,325** | **1,193** | **6,518** |

### 16.2. Intangible non-current assets prior year

| 2015-16 | IT - in-house & 3rd party software | Computer Licenses | Total |
|---|---|---|---|
| Cost or valuation: | £000's | £000's | £000's |
| At 1 April 2015 | 4,055 | 944 | **4,999** |
| Additions - purchased | 170 | 0 | **170** |
| Additions - government granted | 789 | 192 | **981** |
| **At 31 March 2016** | **5,014** | **1,136** | **6,150** |
| | | | |
| Amortisation | | | |
| At 1 April 2015 | 2,469 | 305 | **2,774** |
| Charged during the year | 364 | 177 | **541** |
| **At 31 March 2016** | **2,833** | **482** | **3,315** |
| | | | |
| **Net book value at 31 March 2016** | **2,181** | **654** | **2,835** |
| | | | |
| **Asset Financing: Net book value at 31 March 2016 comprises:** | | | |
| Purchased | 1,360 | 440 | **1,800** |
| Donated | 821 | 214 | **1,035** |
| **Total at 31 March 2016** | **2,181** | **654** | **2,835** |

### 16.3. Intangible non-current assets

The Trust's intangible assets are not considered sufficiently material to warrant revaluation. They have been measured at historic cost less amortisation (Note 1.9). The carrying amount if assets had been held at historic cost would be £9,742k (£5,184k in 2015/16).

Intangible assets are amortised over their useful economic lives which are all judged to be finite. The Trust applies the following standard lives to these classes of assets:

| | Min life years | Max life years |
|---|---|---|
| IT - in house & 3rd party software | 5 | 5 |
| Computer licences | 5 | 5 |
| Licences and trademarks | 5 | 5 |

## 17. Analysis of impairments and reversals recognised in 2016-17

| | 2016-17 Total £000s |
|---|---|
| **Property, Plant and Equipment impairments and reversals taken to SoCI** | |
| Loss or damage resulting from normal operations | 0 |
| Over-specification of assets | 0 |
| Abandonment of assets in the course of construction | 0 |
| **Total charged to Departmental Expenditure Limit** | **0** |
| | |
| Unforeseen obsolescence | 0 |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| Changes in market price (See note 15.3) | 34,267 |
| **Total charged to Annually Managed Expenditure** | **34,267** |
| | |
| **Total Impairments of Property, Plant and Equipment changed to SoCI** | **34,267** |
| | |
| **Total Impairments charged to SoCI - DEL** | **0** |
| **Total Impairments charged to SoCI - AME** | **34,267** |
| **Overall Total Impairments** | **0** |

## 17. Analysis of impairments and reversals recognised in 2016-17

| | Property Plant and Equipment | Total £000s |
|---|---|---|
| **Impairments and reversals taken to SoCI** | | |
| Loss or damage resulting from normal operations | 0 | **0** |
| Over-specification of assets | 0 | **0** |
| Abandonment of assets in the course of construction | 0 | **0** |
| **Total charged to Departmental Expenditure Limit** | **0** | **0** |
| | | |
| Unforeseen obsolescence | 0 | **0** |
| Loss as a result of catastrophe | 0 | **0** |
| Other | 0 | **0** |
| Changes in market price | 34,267 | **34,267** |
| **Total charged to Annually Managed Expenditure** | **34,267** | **34,267** |
| | | |
| **Total Impairments of Property, Plant and Equipment changed** | **34,267** | **34,267** |

The impairment charge of £34,267k arose as a result of an independent valuation of the Trust's estate (see Note 15.3) as at 1 April 2016. The valuation determined that there had been an overall reduction in the value of estate held by the Trust since the previous independent valuation at 1 April 2014.

## 18. Commitments

### 18.1. Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

| | **31 March 2017 £000s** | 31 March 2016 £000s |
|---|---|---|
| Property, plant and equipment | **13,429** | 3,100 |
| Intangible assets | **81** | 766 |
| **Total** | **13,510** | 3,866 |

Property, plant and equipment includes £9m relating to the Generating Station Complex, equipment replacement programme.

## 19. Inventories

| | Drugs | Consumables | Energy | Total | Of which held at NRV |
|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| **Balance at 1 April 2016** | **6,388** | **9,976** | **175** | **16,539** | 0 |
| Additions | 170,617 | 100,623 | 30 | **271,270** | 0 |
| Inventories recognised as an expense in the period | (171,116) | (100,671) | 0 | **(271,787)** | 0 |
| **Balance at 31 March 2017** | **5,889** | **9,928** | **205** | **16,022** | **0** |

## 20.1. Trade and other receivables

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2017** | 31 March 2016 | **31 March 2017** | 31 March 2016 |
| | **£000s** | £000s | **£000s** | £000s |
| NHS receivables - revenue | **26,430** | 24,169 | **0** | 0 |
| NHS prepayments and accrued income | **10,533** | 438 | **0** | 0 |
| Non-NHS receivables - revenue | **8,045** | 7,930 | **0** | 0 |
| Non-NHS receivables - capital | **441** | 87 | **0** | 0 |
| Non-NHS prepayments and accrued income | **7,365** | 8,188 | **0** | 0 |
| PDC Dividend prepaid to DH | **0** | 590 | **0** | 0 |
| Provision for the impairment of receivables | **(2,221)** | (2,896) | **(1,120)** | (804) |
| VAT | **1,722** | 2,505 | **0** | 0 |
| Current/non-current part of PFI and other PPP arrangements prepayments and accrued income | **7,300** | 6,754 | **6,733** | 7,076 |
| Other receivables | **6,231** | 6,163 | **4,882** | 3,658 |
| **Total** | **65,846** | 53,928 | **10,495** | 9,930 |
| **Total current and non current** | **76,341** | 63,858 | | |

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

## 20.2. Receivables past their due date but not impaired

| | **31 March 2017** | 31 March 2016 |
|---|---|---|
| | **£000s** | £000s |
| By up to three months | **5,263** | 2,738 |
| By three to six months | **348** | 797 |
| By more than six months | **730** | 1,710 |
| **Total** | **6,341** | 5,245 |

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

## 20.3. Provision for impairment of receivables

| | **2016-17** | 2015-16 |
|---|---|---|
| | **£000s** | £000s |
| **Balance at 1 April 2016** | **(3,700)** | (3,398) |
| Amount written off during the year | **672** | 657 |
| (Increase) in receivables impaired (see note 7) | **(313)** | (959) |
| **Balance at 31 March 2017** | **(3,341)** | (3,700) |

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

## 21. Cash and cash equivalents

| | **31 March 2017 £000s** | 31 March 2016 £000s |
|---|---|---|
| **Balance at 1 April 2016** | **3,362** | 3,298 |
| Net change in year | **16,605** | 64 |
| **Balance at 31 March 2017** | **19,967** | 3,362 |
| | | |
| **Made up of** | | |
| Cash with Government Banking Service | **19,907** | 3,252 |
| Commercial banks | **41** | 92 |
| Cash in hand | **19** | 18 |
| **Cash and cash equivalents as in statement of financial position and cash flows** | **19,967** | 3,362 |
| | | |
| Patients' money held by the Trust, not included above (note 36) | **1** | 19 |

## 22. Non-current assets held for sale

| | Plant and Machinery | Total |
|---|---|---|
| | £000s | £000s |
| **Balance at 1 April 2016** | 0 | **0** |
| Plus assets classified as held for sale in the year | 14 | **14** |
| Less assets sold in the year | (14) | **(14)** |
| **Balance at 31 March 2017** | **0** | **0** |
| | | |
| **Balance at 1 April 2015** | 0 | **0** |
| Plus assets classified as held for sale in the year | 204 | **204** |
| Less assets sold in the year | (204) | **(204)** |
| **Balance at 31 March 2016** | **0** | **0** |

During the year the Trust sold items of plant and minor equipment which had become surplus and obsolete. The sales resulted in a gain on disposal of £96k (Loss of £80k in 2015/16).

## 23. Trade and other payables

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2017 £000s** | 31 March 2016 £000s | **31 March 2017 £000s** | 31 March 2016 £000s |
| NHS payables - revenue | **3,366** | 2,573 | **0** | 0 |
| NHS accruals and deferred income | **3,048** | 2,911 | **0** | 0 |
| Non-NHS payables - revenue | **44,904** | 24,978 | **0** | 0 |
| Non-NHS payables - capital | **6,013** | 3,198 | **0** | 0 |
| Non-NHS accruals and deferred income | **24,648** | 23,731 | **259** | 2,188 |
| Social security costs | **7,588** | 5,806 | **0** | 0 |
| PDC Dividend payable to DH | **166** | 0 | **0** | 0 |
| Accrued Interest on DH Loans | **127** | 80 | **0** | 0 |
| Tax | **6,073** | 6,219 | **0** | 0 |
| Other payables | **9,353** | 9,176 | **0** | 0 |
| **Total** | **105,286** | 78,672 | **259** | 2,188 |
| **Total payables (current and non-current)** | **105,545** | **80,860** | | |
| **Included above:** | | | | |
| Outstanding pension contributions at the year end | **8,941** | 8,551 | | |

## 24. Borrowings

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2017 £000s** | 31 March 2016 £000s | **31 March 2017 £000s** | 31 March 2016 £000s |
| Loans from Department of Health | **5,646** | 4,812 | **101,886** | 82,442 |
| PFI liabilities - main liability | **6,303** | 4,920 | **181,558** | 192,702 |
| Finance lease liabilities | **38** | 37 | **373** | 410 |
| **Total** | **11,987** | **9,769** | **283,817** | **275,554** |
| **Total other liabilities (current and non-current)** | **295,804** | **285,323** | | |

**Borrowings / Loans - repayment of principal falling due in:**

| | **31 March 2017** | | |
|---|---|---|---|
| | **DH £000s** | **Other £000s** | **Total £000s** |
| 0-1 Years | 5,646 | 6,341 | **11,987** |
| 1 - 2 Years | 42,975 | 8,298 | **51,273** |
| 2 - 5 Years | 31,702 | 26,695 | **58,397** |
| Over 5 Years | 27,209 | 146,938 | **174,147** |
| **TOTAL** | **107,532** | **188,272** | **295,804** |

## 25. Deferred income

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2017 £000s** | 31 March 2016 £000s | **31 March 2017 £000s** | 31 March 2016 £000s |
| **Opening balance at 1 April 2016** | **6,931** | 5,846 | **2,188** | 2,291 |
| Deferred revenue addition | **6,105** | 4,965 | **0** | 1,472 |
| Transfer of deferred revenue | **(5,952)** | (3,880) | **(1,929)** | (1,575) |
| **Current deferred Income at 31 March 2017** | **7,084** | 6,931 | **259** | 2,188 |
| Total deferred income (current and non-current) | **7,343** | 9,119 | | |

## 26. Finance lease obligations as lessee

Finance lease obligations relate to the Catering Receipt and Distribution Unit (RADU) at Seacroft Hospital. The unit was constructed in 2002 by a private partner and will revert to Trust ownership upon expiry of the lease in 2027. The arrangement has been determined as a finance lease on the grounds that the Trust has the substantive risks and rewards associated with control of the facility. Accounting treatment is in line with the policy described in note 1.14.

| **Amounts payable under finance leases (Buildings)** | **Minimum lease payments** | | **Present value of minimum** | |
|---|---|---|---|---|
| | **31 March 2017 £000s** | 31 March 2016 £000s | **31 March 2017 £000s** | 31 March 2016 £000s |
| Within one year | **45** | 45 | **38** | 37 |
| Between one and five years | **179** | 179 | **159** | 156 |
| After five years | **224** | 269 | **214** | 254 |
| Less future finance charges | **(37)** | (46) | **0** | 0 |
| Minimum lease payments / Present value of minimum lease payments | **411** | 447 | **411** | 447 |
| Included in: | | | | |
| Current borrowings | | | **38** | 37 |
| Non-current borrowings | | | **373** | 410 |
| | | | **411** | 447 |

## 27. Provisions

| | | Comprising: | | |
|---|---|---|---|---|
| | **Total** | **Early Departure Costs** | **Legal Claims** | **Other** |
| | **£000s** | **£000s** | **£000s** | **£000s** |
| **Balance at 1 April 2016** | **6,006** | 5,591 | 340 | 75 |
| Arising during the year | **871** | 575 | 183 | 113 |
| Utilised during the year | **(619)** | (392) | (153) | (74) |
| Unwinding of discount | **28** | 28 | 0 | 0 |
| Change in discount rate | **306** | 306 | 0 | 0 |
| **Balance at 31 March 2017** | **6,592** | **6,108** | **370** | **114** |
| | | | | |
| **Expected Timing of Cash Flows:** | | | | |
| No Later than One Year | **864** | 380 | 370 | 114 |
| Later than One Year and not later than Five Years | **1,520** | 1,520 | 0 | 0 |
| Later than Five Years | **4,208** | 4,208 | 0 | 0 |

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

| | **£000s** |
|---|---|
| **As at 31 March 2017** | **361,147** |
| As at 31 March 2016 | 337,256 |

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

Legal claims relate to personal injury and other claims where the Trust has received advice that settlement is probable. The final amounts and timings of payments remain subject to negotiation or legal judgement. Included are claims with a value of £178k (£258k in 2015/16) which are being handled on behalf of the Trust by the NHS Litigation Authority who have advised on their status. The value represents amounts which the Trust may bear as its share of any settlement. The balance of claims are being dealt with directly by the Trust as they represent settlement values likely to fall below the NHS Litigation Authority's excess level.

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

## 28. Contingencies

| | **31 March 2017** | 31 March 2016 |
|---|---|---|
| | **£000s** | £000s |
| **Contingent liabilities** | | |
| NHS Litigation Authority legal claims | **(91)** | (122) |
| Other | **(513)** | (1,083) |
| **Net value of contingent liabilities** | **(604)** | (1,205) |

NHS Litigation Authority contingent liabilities consist entirely of claims for personal injury where the probability of settlement is very low. The NHS Litigation Authority 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.

## 29. PFI - additional information

The information below is required by the Department of Heath for inclusion in national statutory accounts

**Charges to operating expenditure and future commitments in respect of on- SoFP PFI**

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| Service element of on-SoFP PFI charged to operating expenses in year | **8,251** | 13,185 |
| **Total** | **8,251** | 13,185 |
| **Payments committed to in respect of the service element of on-SoFP PFI** | | |
| No later than one year | **10,686** | 10,444 |
| Later than one year, no later than five years | **45,294** | 44,262 |
| Later than five years | **158,058** | 169,777 |
| **Total** | **214,038** | 224,483 |

**Imputed "finance lease" obligations for on-SoFP PFI contracts due**

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| No later than one year | **14,438** | 15,625 |
| Later than one year, no later than five years | **64,540** | 70,076 |
| Later than five years | **206,551** | 249,594 |
| **Sub-total** | **285,529** | 335,295 |
| Less: interest element | **(97,668)** | (137,673) |
| **Total** | **187,861** | 197,622 |

| **Present Value Imputed "finance lease" obligations for on-SoFP PFI contracts due Analysed by when PFI payments are due** | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| No later than one year | **6,303** | 4,920 |
| Later than one year, no later than five years | **34,835** | 30,406 |
| Later than five years | **146,723** | 162,296 |
| **Total** | **187,861** | 197,622 |

| **Number of on-SoFP PFI Contracts** | | |
|---|---|---|
| Total number of on-SoFP PFI contracts | **2** | 2 |
| Number of on-SoFP PFI contracts which individually have a total commitments value in excess of £500m | **1** | 1 |

There are two PFI schemes which have been assessed as on-SoFP:

**Institute of Oncology at St James's Hospital - Bexley Wing**

This is a 30 year contract which expires in 2037. It provides for the construction, maintenance and partial equipping of Bexley Wing by the PFI partner in return for an annual charge to the Trust. The Trust has full use of the facilities to provide healthcare services and will take ownership of the building and equipment at the end of the contract period. The PFI partner is responsible for providing a managed maintenance service for the length of the contract after which the responsibilities revert to the Trust. The contract contains payment mechanisms providing for deductions from the annual charge for any poor performance or unavailability. Future charges to the Trust will be determined by reference to the Retail Price index. In 2022 the annual charge will reduce significantly to reflect the fact that the contractual commitment to meet equipment costs will be complete although the contractor is obliged to continue to provide equipment that is fit for purpose. The contract was subject of a refinancing agreement during 2016/17 as detailed further in note 13.

**Wharfedale Hospital**

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

## 30. Impact of IFRS treatment -2016-17

The information below is required by the Department of Heath for budget reconciliation purposes

| | **2016-17** | | 2015-16 | |
|---|---|---|---|---|
| | **Income £000s** | **Expenditure £000s** | Income £000s | Expenditure £000s |
| **Revenue costs of IFRS: Arrangements reported on-SoFP under IFRIC12 (e.g PFI)** | | | | |
| Depreciation charges | 0 | **4,441** | 0 | 4,531 |
| Interest expense | 0 | **(6,027)** | 0 | 10,961 |
| Impairment charge - AME | 0 | **16,038** | 0 | 0 |
| Other expenditure | 0 | **13,904** | 0 | 13,339 |
| Impact on PDC dividend payable | 0 | **(758)** | 0 | (765) |
| **Total IFRS expenditure (IFRIC12)** | **0** | **27,598** | **0** | **28,066** |
| Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue) | 0 | **19,624** | 0 | 30,946 |
| **Net IFRS change (IFRIC12)** | 0 | **7,974** | 0 | **(2,880)** |
| | | | | |
| **Capital consequences of IFRS : PFI and other items under IFRIC12** | | | | |
| Capital expenditure 2016-17 | | **3,193** | | 836 |
| UK GAAP capital expenditure 2016-17 (Reversionary Interest) | | **3,023** | | 3,023 |

| | **2016-17** Income/ Expenditure IFRIC 12 **£000s** | **2016-17** Income/ Expenditure ESA 10 **£000s** | 2015-16 Income/ Expenditure IFRIC 12 **£000s** | 2015-16 Income/ Expenditure ESA 10 **£000s** |
|---|---|---|---|---|
| **Revenue costs of IFRS12 compared with ESA10** | | | | |
| Depreciation charges | **4,441** | 0 | 4,531 | 0 |
| Interest expense | **(6,027)** | 0 | 10,961 | 0 |
| Impairment charge - AME | **16,038** | 0 | 0 | 0 |
| **Other expenditure** | | | | |
| Service charge | **8,250** | **19,624** | 13,339 | 30,946 |
| Contingent rent | **5,654** | 0 | 0 | 0 |
| Impact on PDC dividend payable | **(758)** | 0 | (765) | 0 |
| **Net revenue cost under IFRIC12 vs ESA10** | **27,598** | **19,624** | **28,066** | **30,946** |

## 31. Financial instruments

### 31.1. Financial risk management

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

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

**Currency risk**

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

**Interest rate risk**

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

**Credit risk**

Since the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31st March 2017 are in receivables from customers, as disclosed in the trade and other receivables note (Note 20).

**Liquidity risk**

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

### 31.2. Financial assets

| | Loans and receivables £000s | Total £000s |
|---|---|---|
| Receivables - NHS | 36,963 | **36,963** |
| Receivables - non-NHS | 10,089 | **10,089** |
| Cash at bank and in hand | 19,967 | **19,967** |
| **Total at 31 March 2017** | **67,019** | **67,019** |
| | | |
| Receivables - NHS | 24,608 | 24,608 |
| Receivables - non-NHS | 8,776 | 8,776 |
| Cash at bank and in hand | 3,362 | 3,362 |
| **Total at 31 March 2016** | 36,746 | 36,746 |

### 31.3. Financial liabilities

| | Other £000s | Total £000s |
|---|---|---|
| NHS payables | 12,743 | **12,743** |
| Non-NHS payables | 71,246 | **71,246** |
| Other borrowings | 107,532 | **107,532** |
| PFI & finance lease obligations | 188,272 | **188,272** |
| **Total at 31 March 2017** | **379,793** | **379,793** |
| | | |
| NHS payables | 11,124 | 11,124 |
| Non-NHS payables | 48,512 | 48,512 |
| Other borrowings | 87,253 | 87,253 |
| PFI & finance lease obligations | 198,069 | 198,069 |
| **Total at 31 March 2016** | 344,958 | 344,958 |

## 32. Events after the end of the reporting period

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

## 33. Related party transactions

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

The Department of Health is regarded as a related party. During the year the Leeds Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies.

| | Expenditure with related party | Income from related party | Amounts owed to related party | Amounts due from related party |
|---|---|---|---|---|
| | £000s | £000s | £000s | £000s |
| NHS Airedale, Wharfedale and Craven CCG | 0 | 6,890 | 15 | 45 |
| NHS Bradford Districts CCG | 0 | 11,382 | 34 | 183 |
| NHS Calderdale CCG | 70 | 5,896 | 80 | 13 |
| NHS Greater Huddersfield CCG | 0 | 7,133 | 12 | 28 |
| NHS Harrogate And Rural District CCG | 141 | 6,527 | 159 | 19 |
| NHS Leeds North CCG | 32 | 87,908 | 568 | 837 |
| NHS Leeds South And East CCG | 0 | 144,771 | 891 | 1,080 |
| NHS Leeds West CCG | 0 | 161,742 | 923 | 1,195 |
| NHS North Kirklees CCG | 0 | 8,553 | 44 | 61 |
| NHS Vale Of York CCG | 0 | 9,678 | 22 | 107 |
| NHS Wakefield CCG | 123 | 17,107 | 177 | 44 |
| NHS England | 88 | 509,191 | 0 | 22,192 |
| Department of Health | 0 | 9,889 | 0 | 1,280 |
| Leeds Community Healthcare NHS Trust | 585 | 6,754 | 488 | 541 |
| Mid Yorkshire Hospitals NHS Trust | 1,825 | 3,554 | 325 | 500 |
| Bradford Teaching Hospitals NHS Foundation Trust | 815 | 8,434 | 297 | 2,295 |
| Leeds And York Partnership NHS Foundation Trust | 258 | 3,641 | 18 | 497 |
| Sheffield Teaching Hospitals NHS Foundation Trust | 334 | 7,226 | 14 | 276 |
| University of Leeds | 14,748 | 5,108 | 1,180 | 651 |
| NHS Health Education England | 16 | 70,254 | 2 | 1,076 |
| NHS Litigation Authority | 33,537 | 0 | 8 | 0 |
| NHS Blood and Transplant | 7,921 | 1,594 | 169 | 54 |

The Trust has also received revenue and capital payments from a number of charitable funds, including the Leeds Teaching Hospitals Charitable Foundation. The Trust's Chair, Dr Linda Pollard, is a Trustee of the Leeds Teaching Hospitals Charitable Foundation. The Chairman of Trustees, Edward Ziff, is also Chairman and Chief Executive of Town Centre Securities Plc Group. During the year the Trust paid £78k to Town Centre Securities Plc Group for provision of car parking. The financial statements of the Charitable Foundation are published separately and can be obtained from:

www.leedshospitalsfundraising.org.uk/index.php

Professor Paul Stewart, Non Executive Director, is Dean of the School of Medicine, University of Leeds. Caroline Johnstone, Non Executive Director and Chair of the Trust's Audit Committee is a Member of the Council of the University of Leeds and its audit committee. Alison Page, Non Executive Director is Managing Partner of DLA Piper. During the year the Trust paid DLA Piper £151k for legal services. Mark Chamberlain, Non Executive Director and Chair of the Quality Committee is an Associate of Capsticks LLP. The Trust paid Capsticks LLP £45k in 2016/17 for legal services.

The Trust's Director of Finance (to 12 June 2016), Tony Whitfield is a Trustee of the Healthcare Financial Management Association. In 2016/17 the Trust made payments totalling £3k to the Association for corporate membership, training materials and attendance at training events.

## 34. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

| | Total Value of Cases £s | Total Number of Cases |
|---|---|---|
| Losses | 646,002 | 852 |
| Special payments | 194,691 | 192 |
| **Total losses and special payments** | 840,693 | 1,044 |

The total number of losses cases in 2015-16 and their total value was as follows:

| | Total Value of Cases £s | Total Number of Cases |
|---|---|---|
| Losses | 695,120 | 465 |
| Special payments | 290,915 | 219 |
| **Total losses and special payments** | 986,035 | 684 |

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

## 35. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

### 35.1. Breakeven performance

| | 2006-07 £000s | 2007-08 £000s | 2008-09 £000s | 2009-10 £000s | 2010-11 £000s | 2011-12 £000s | 2012-13 £000s | 2013-14 £000s | 2014-15 £000s | 2015-16 £000s | 2016-17 £000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | 757,446 | 793,445 | 871,680 | 910,556 | 934,527 | 970,709 | 1,002,444 | 1,044,916 | 1,086,638 | 1,115,720 | 1,172,927 |
| Retained surplus/(deficit) for the year | 355 | 3,093 | 471 | (43,426) | 5,799 | 2,829 | 1,498 | 496 | (19,988) | (27,231) | (36,796) |
| Adjustment for: | | | | | | | | | | | |
| Adjustments for impairments | 0 | 0 | 0 | 42,075 | (5,813) | 0 | 0 | 0 | (2,897) | 0 | 34,267 |
| Adjustments for impact of policy change re donated/government grants assets | 0 | 0 | 0 | 0 | 0 | 0 | 353 | 150 | (1,501) | (2,963) | 628 |
| Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12 | 0 | 0 | 0 | 2,314 | 2,065 | 1,378 | 1,238 | 969 | 0 | 0 | 0 |
| Break-even in-year position | **355** | **3,093** | **471** | **963** | **2,051** | **4,207** | **3,089** | **1,615** | **(24,386)** | **(30,194)** | **(1,901)** |
| Break-even cumulative position | **304** | **3,397** | **3,868** | **4,831** | **6,882** | **11,089** | **14,178** | **15,793** | **(8,593)** | **(38,787)** | **(40,688)** |

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, the Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

| | 2006-07 % | 2007-08 % | 2008-09 % | 2009-10 % | 2010-11 % | 2011-12 % | 2012-13 % | 2013-14 % | 2014-15 % | 2015-16 % | 2016-17 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Materiality test (I.e. is it equal to or less than 0.5%): | | | | | | | | | | | |
| Break-even in-year position as a percentage of turnover | 0.05 | 0.39 | 0.05 | 0.11 | 0.22 | 0.43 | 0.31 | 0.15 | (2.24) | (2.71) | (0.16) |
| Break-even cumulative position as a percentage of turnover | 0.04 | 0.43 | 0.44 | 0.53 | 0.74 | 1.14 | 1.41 | 1.51 | (0.79) | (3.48) | (3.47) |

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

**Going concern**

In both 2016-17 and the prior year the Trust has reported deficits and required revenue loans. The directors have been mindful of this in considering if it is appropriate to prepare the financial statements on the basis that the Trust is a going concern. In reaching their conclusion, directors have taken into account that in both years the deficits and support were planned as part of a longer term return to sustainable break even. In 2017-18 the Trust has a plan to deliver a surplus in line with an agreed control total, inclusive of Sustainability and Transformation funding. The plan is backed by confirmed income agreements with our principal commissioners and in the event of circumstances changing and funding being required to meet immediate obligations, revenue loans are available from the Department of Health . In light of these factors the directors have concluded that it is appropriate to prepare the financial statements on the basis that the Trust is a going concern.

**35.2. Capital cost absorption rate**

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets based on the pre audited accounts and therefore the actual capital cost absorption rate is automatically 3.5%.

**35.3. External financing**

The Trust is given an external financing limit which it is permitted to undershoot.

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| External financing limit | (3,814) | 33,223 |
| Cash flow financing | (4,084) | 32,860 |
| External financing requirement | **(4,084)** | 32,860 |
| **Underspend against external financing limit** | **270** | 363 |

**35.4. Capital resource limit**

The Trust is given a capital resource limit which it is not permitted to exceed.

| | **2016-17 £000s** | 2015-16 £000s |
|---|---|---|
| Gross capital expenditure | 32,686 | 28,075 |
| Less: book value of assets disposed of | (14) | (204) |
| Less: capital grants | 0 | (3,515) |
| Less: donations towards the acquisition of non-current assets | (1,031) | (875) |
| **Charge against the capital resource limit** | **31,641** | 23,481 |
| Capital resource limit | 31,705 | 23,759 |
| **Underspend against the capital resource limit** | **64** | 278 |

**36. Third party assets**

The Trust held cash which relate to monies held on behalf of patients at 31st March as shown below. This has been excluded from the cash and cash equivalents figure reported in the accounts (see Note 21).

| | **31 March 2017 £000s** | 31 March 2016 £000s |
|---|---|---|
| Patient monies held by the Trust | **1** | 19 |

# 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.

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

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

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

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

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

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

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

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

**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 publication which sets out the detailed requirements for NHS trust accounts.

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

**Impairment**
A fall in the value of an asset.

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

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

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

**Net assets**
Total assets less total liabilities.

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

**NHS Improvement**
The body responsible for overseeing foundation trusts and NHS trusts along with any independent sector providers that provide NHS-funded care. From 1 April 2016, NHS Improvement is the operational name for an organisation bring together Monitor and NHS Trust Development Authority

**NHS Trust Development Authority**
Organisation set up under the Health and Social Care Act 2012 which oversees all remaining NHS trusts and supports them as they move towards becoming foundation trusts. On 1 April 2016 the NHS Trust Development Authority merged with Monitor, the foundation trusts regulator, to form NHS Improvement

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

**Payables**
An amount that the NHS trust owes to another party such as suppliers (previously known as creditors under UK GAAP).

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

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

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

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

**Receivables**
An amount that is owed to the NHS trust by another party such as primary care trusts (previously known as debtors under UK GAAP)

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

**Statement of cash flows**
A primary financial statement which shows the flows of cash in and out of the NHS trust during the financial year (previously known as Cash Flow Statement under UK GAAP).

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

**Statement of comprehensive income**
A primary financial statement showing the revenue earned and expenditure in the financial year (previously known as the income and expenditure account under UK GAAP).

**Statement of financial position**
A primary statement showing the assets and liabilities of the NHS trust at a particular date, along with how these have been funded (previously known as the balance sheet under UK GAAP).

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

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

**Tariff**
The national price published annually by the Department of Health 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.