The Leeds Teaching Hospitals NHS
NHS Trust

Annual Accounts
2015/16

Finance Review 2015/16

While the Trust reported a deficit of £30 million in the year which ended on 31 March 2016 it is important to remember that this was consistent with our recovery plan and does in fact indicate that real progress towards our goal of financial sustainability has been made. There is no doubt that 2015/16 was exceptionally difficult for the entire NHS in financial terms and the Trust was not immune to the twin pressures of unprecedented demand and rising costs.

Key Financial Results

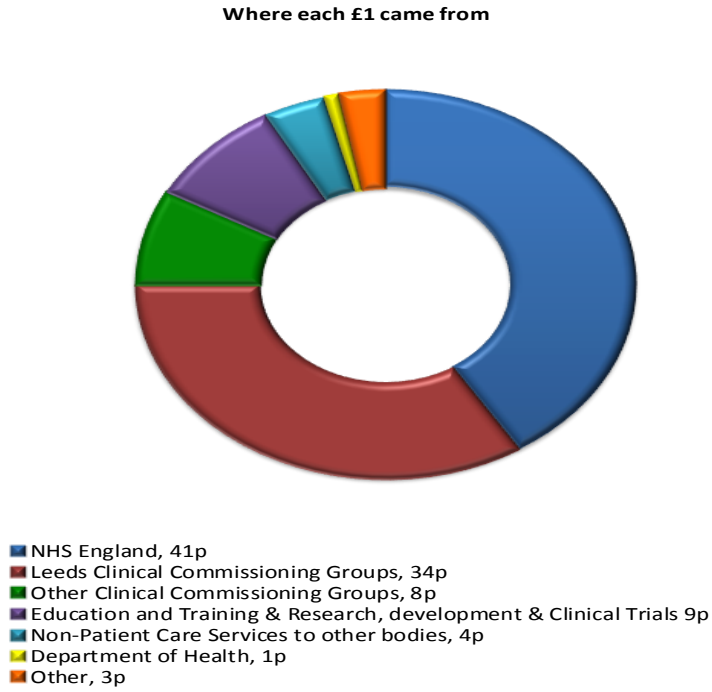
	2015/16 Plan	2015/16 Actual	2014/15 Actual
Revenue Deficit	-£40m	-£30m	-£24m
Capital Investment	£71m	£28m	£42m
Cash held 31 March	£3m	£3m	£3m
Invoices paid in 30 days	95%	93%	90%
Savings required	£67m	£70m	£54m

Revenue Summary

At the outset of the year the Trust had a plan to deliver a deficit of £40 million. The plan required savings of £67 million and was agreed with the Trust Development Authority or TDA (NHS Improvement from 1 April 2016) as the second consecutive year of deficit in a longer term strategy to bring us back to sustainable breakeven. During the course of the year the TDA asked NHS Trusts, including Leeds Teaching Hospitals, if they could improve their planned revenue positions through additional efficiency measures. The Trust's "stretch target" was agreed at £3m. Other measures agreed with the TDA further reduced the planned deficit of £40 million to the final reported £30 million as follows:

	£m
Planned deficit	**-40**
Stretch target efficiencies	3
Non recurrent income support	6
Capital to revenue	1
Reported deficit	**-30**

Overall, income from patient care activity increased by £18 million compared to the previous year. This very modest growth of less than 2% is a reflection of the mix of activity undertaken during the year and the implications that has for income. Levels of unplanned admissions have been unprecedented, going beyond the point at which NHS Trusts receive less payment for the treatments provided. With only a finite amount of activity that can be delivered in a fixed infrastructure, a higher level of unplanned demand has a knock-on effect of reducing planned activity levels which would have been paid for in full. The graph below gives a breakdown of where the income for the services we provide comes from.



Expenditure on pay increased by £20 million, of which £5m is explained by national pay awards. Most of the increase however is due to an increase in staff numbers

	Movement in WTE*
Employees in post	+771
Bank employees	+35
Agency staff	-189
Net increase	**+617**

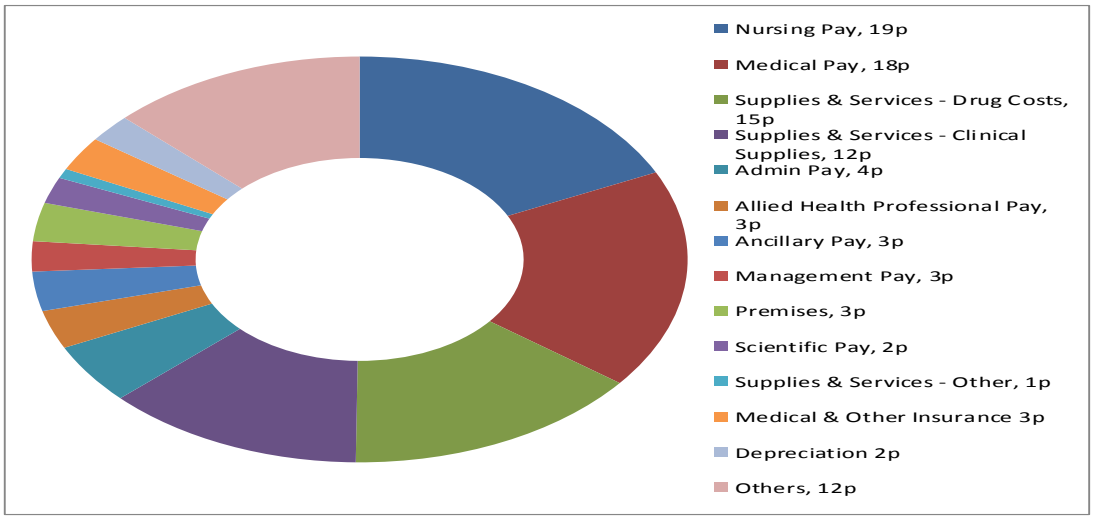
* WTE = whole time equivalent

At a national level there has been a clear focus on reducing reliance on agency staff within the NHS. We have responded positively to this as the figures above demonstrate. It is particularly pleasing to report that the additional staff in post included 180 nurses representing an investment of £6 million. This is the second consecutive year where very significant financial savings have been found while staff numbers have gone up. The Trust is absolutely committed to achieving financial sustainability without compromising on the quality or safety of patient care.

Non pay expenditure increased by £16 million compared to the previous year. Clearly we were successful in realising our requirement to make significant financial savings but there were still a number of significant cost pressures to be managed as part of that process. Our annual contribution to the NHS Litigation Authority's Clinical Negligence Scheme increased by £10 million. This is an NHS pool which effectively provides medical insurance. The increase reflects the growing value of claims the

NHSLA is settling nationally but also the fact that its discount scheme for good risk management measures came to an end. This alone added £3 million to our contribution.

The illustration below shows how we spent the money we received



Working Capital

In 2015/16 we borrowed £37 million to cover the cash shortfall arising from our planned revenue deficit. This measure, which followed a similar patter to the previous year when we received £34 million of Public Dividend Capital, was part of our financial plan from the outset and it enabled us to meet all of our payment obligations as they arose. We paid 93% of our suppliers' invoices within 30 days, an improvement on the 90% we achieved in 2014/15.

As part of our on-going drive towards sustainable finances a number of steps were taken to improve our systems and processes for collecting income due to us. More of our front line services offer "Chip and Pin" payment facilities, more of our chargeable services can be paid on line and we have strengthened our approach to pursuing outstanding debt. These measures have helped us to reduce current Trade and Receivables on the Statement of Financial Position by £8 million. There has also been a reduction of almost £1 million in the value of inventories held. Much of the reduction has come from the Pharmacy initiative to contract dispensary management to Boots plc. This is a clear example of a service quality improvement delivering financial benefit.

There will be further improvements to our underlying working capital processes during 2016/17 which will help build future resilience in cash management. In 2016/17, as a direct result of planning our return to revenue breakeven there is no plan to take further working capital loans. There are certain risks to that plan. Our ability to breakeven is dependent upon receipt of £23 million of national "Sustainability and Transformation" funding as well as achievement of our programme of cash releasing savings. To secure the former we will have to demonstrate achievement of a number of qualitative and financial targets throughout

the year. We believe that we can meet the requirements of success but in the event that we are unable to realise our full plans then it may be necessary to enter into a further agreement with the Department of Health to draw down working capital support. We have received written confirmation that, should it prove necessary, such support will be available.

The knowledge that cash support is available if needed and the fact that we have plans in place to deliver breakeven in 2016/17, underpinned by signed income agreements with our major commissioners, has given the Trust directors the assurance they require to complete the 2015/16 accounts on the basis that the Trust is a going concern. The deficits posted in each of the last two financial years were planned as part of a longer term return to sustainable breakeven and cash support was available to meet all obligations.

Capital Investment

Our original plan to invest £71 million in fixed assets (land, buildings, equipment and IT) assumed a level of loan funding which could not be made available by the Department of Health due to other economic pressures. There was uncertainty through much of the year about how much loan funding would be available for distribution but in the event we were successful in securing two important approvals (Generating Station complex at LGI £5million and general investment funding £8m). Only £4 million of these approvals were spent in 2015/16 due to the nature and timing of the schemes involved. The balance will be drawn to complete the projects in 2016/17. A further £1 million of residual borrowing from a 2014/15 approval was drawn in the year but total borrowing of £5 million compares to £11 million the year before. Further pressure was experienced in the reduction of centrally funded Public Dividend Capital from almost £5 million in 2014/15 to £1 million in 2015/16.

All of this meant that priority had to be given to schemes essential to the maintenance of patient safety with a corresponding reduction in our developmental ambitions. It is nevertheless pleasing to note that we were able to attract a £1.5 million increase in grants and donations. Almost £4.5 million was granted to us to help buy medical equipment or upgrade essential clinical systems, most of it from charitable organisations whose continued support is greatly appreciated. Grants and donations are sources of funding which we will be pursuing more robustly in the future to counter the risk that centrally available funds will continue to be subject to economic constraints.

The table below identifies some of the capital investment schemes from 2015/16

Scheme	£m
Electrical infrastructure at St James's - project completion	2
Hyperpolarised MRI - Block 25 LGI	2
E Medicines system	1
Safer Wards	1
Bioinformatics project	1
Ultrasound scanners	0.9
Replacement of Vascular Room 2 - LGI	0.6
Anaesthetic equipment	0.6

Our capital investment programme for 2016/17 is set at £50 million. Borrowing accounts for £17 million of this of which £6 million has already been approved in 2015/16. Of the remaining loan assumption of £11 million just over half relates to further work on the LGI Generating Station complex. Formal approval is required but all of the discussions with the regulator to date have been very positive. Other sources of funding for the £50 million are more secure and so we are confident that this planned increase in capital investment is feasible and robust.

Looking Ahead

Following two years of planned deficits we will return to financial breakeven in 2016/17 with a small surplus of £1 million. Our ability to meet this objective assumes:

- Delivering £66 million of savings
- Receiving £23 million from the national Sustainability and Transformation Fund by achieving agreed access targets
- Providing sufficient capacity to maintain the balance between planned and unplanned admissions

The risks associated with realising these plans have been fully recognised. Executive and Clinical Directors meet regularly to review the savings programme and ensure processes to implement specific schemes are implemented. Work to reduce waste, utilising the Leeds Improvement Method (based on Virginia Mason) will continue and expand. We will continue to work with our city wide partners to develop our integrated healthcare approach and improve patient flows. All schemes for enhancing efficiency are subject to careful Quality Impact Assessment to ensure that while financial savings can be delivered access, safety and care quality for patients are not diminished. In addition, the Trust has fully embraced the recommendations of Lord Carter's review into efficiency and is actively continuing with the work it began as one of the original cohort of 22 pilot sites for this important national project

The Trust has clearly demonstrated its ability to deliver its financial targets and major savings programmes in each of the last two difficult years. With the processes it now has in place we believe the plan to return a small financial surplus in 2016/17 is realistic and achievable.

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

26th May 2016

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

TONY WHITFIELD
Director of Finance

26th May 2016

ANNUAL GOVERNANCE STATEMENT (2015/16)

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 ongoing 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 2016 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 at the start of April 2016. 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.

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 during 2015/16. 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. The Board of Directors has in place an up-to-date Board Assurance Framework.

(vi) Risk Review

a. Those responsible for managing risk regularly review the output from the risk register to ensure it remains valid, reflects changes and supports decision

making. In addition risk profiles for all 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 2016, 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 Cancer, 2-week Breast Symptomatic, 6-week Diagnostic Wait targets, waiting times for Endoscopy and rate of Cancelled Operations not re-booked within 28 days
- **Finance** - The Trust is an organisation in financial recovery; the Executive Team has worked with the Training and Development Authority (TDA) and moving forward with NHS Improvement (NHS I) with the aim to return financial sustainability within three years as defined in the recovery plan. We have successfully delivered the second year of this 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 Cost Improvement Plan (CIP) 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, and pressures to maintain Endoscopy full JAG accreditation.
- **Performance & Regulation** - A combination of demand and capacity factors giving rise to unsustainable levels of medical outlying and delayed discharges and growing pressures 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 were no unannounced inspections by the Care Quality Commission during 2015/16; the most recent inspection took place in March 2014 with the report published in July 2014. The Trust received Good ratings within the Effective and Caring domains, and Requires Improvement in the Safe, Responsive and Well-Led domains. Overall the Trust was rated as 'Requires Improvement' by the CQC. The Board welcomed the report and accepted the findings. Progress has been made and continues in accordance with the plan. The Trust is currently preparing for a follow-up inspection in May 2016.

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 is required to submit to NHS Improvement an Annual Plan 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 Trust Development Authority/ 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 for the development of five year Sustainability and Transformation Plans (STPs) for both the West Yorkshire 'footprint' and the City of Leeds.

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 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. I can report there has been a good handover between the outgoing and incoming External Auditors during the 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 2015/16 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 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.

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 2015/16, the internal auditors have provided 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 ten (out of 40) assignments for which Internal Audit reported the level of assurance as limited for the year ended 31st March 2016. 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 on the Annual Quality Report.

15. Health & Safety

15.1 In 2015 the Trust received a Royal Society for the Prevention of Accident (ROSPA) Safety Silver Award for its H&S management arrangement; this is a significant achievement for an organisation entering the awards system for the first time. The Trust has participated in this year's programme and has achieved a Gold Award.

16. Significant In-Year Matters

(i) There were 89 reported events during the year that crossed the seriousness threshold and were declared a Serious Incident. Pressure ulcers and falls involving serious harm account for the majority of cases. Each case has been thoroughly investigated and reported to local commissioners. Detailed action plans are developed and implemented in response to specific cases.

(ii) There were five incidents which qualified for reporting as a Never Event, relating to checking procedures (retained surgical swab, wrong tooth extraction, incorrect lens implant and two incidents involving wrong side anaesthetic block). Each case has been thoroughly investigated and reported to local Commissioners. Detailed action plans are developed and implemented in response to specific incidents.

(iii) There were three formal *Prevention of Future Death Reports* (formerly known as *Rule 43 and now known as Regulation 28 Reports*) issued by the Coroner. At the time of report, the Trust had addressed the concerns raised by the Coroner in two of the cases, and is in discussions about possible solutions to address the third which has only recently been received.

(iv) There were 58 events that crossed the threshold for reporting to the Health & Safety Executive under the provisions of the *Reporting of Injuries, Diseases or Dangerous Occurrences* (RIDDOR) Regulations. The Trust has been raising the profile of safety management during the year, and has reviewed and making some changes to the Safety Management System.

(v) At an aggregate level the Trust met 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 closed the year with an aggregate performance at 92.1% with five reporting specialties not meeting the incomplete this standard (Trauma & Orthopedics, Plastic Surgery, Urology, General Surgery and 'Others'). The main underperformance relates to continued growth in Restorative Dentistry demand which outstrips availability within the Trust by 29%. If the Trust removed the Restorative Dentistry position the overall performance would be reported at a position of 93.1%. It is worth noting that this target was

achieved at a time when the Trust has faced unprecedented emergency pressures and unplanned increases in demand during the year, including in particular challenges to discharge patients due to pressures on out of hospital healthcare infrastructure.

(vi) The Trust closed the year meeting 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. All cancer waiting times standards were achieved for October, November, December and Q3 for the first time since Q1 in 2013/14. The Trust continues to work closely with neighboring providers, GPs, Commissioners and other stakeholders to improve the timeliness of referrals to the Trust and also working to improve internal systems and processes and build capacity to improve performance. Work is on-going work to re-establish a regional Cancer Network to improve communication and address referral and potential capacity/closure issues to services in local acute providers.
The Trust has introduced a process for the monitoring of long waiting patients, i.e. those waiting more than 104 days and still had no treatment. At the beginning of 2015/16 there were more than 100 patients who had waited over 104 days, which has reduced to 21 patients (as at 18th March 2016).

(vii) The Emergency Care Standard (ECS) national target of 95% of patients being seen within 4 hours of presenting in A&E was achieved from April to September 2015. The overall position was achieved at LGI and Wharfedale with pressures predominantly at the St James's site. Unprecedented emergency pressures and unplanned increases in demand, combined with challenges to discharge patients due to pressures on out of hospital healthcare infrastructure, resulted in the Trust not meeting the national requirement for all last minute cancelled operations to be rebooked within 28 days. There has been progress year on year with 84 breaches of this target at the year end, compared to 132 in 2015/16.

(viii) The Trust met the national requirement to undertake 99% diagnostic tests within six weeks of referral from August to end of December, including achievement at Endoscopy level from September to support the achievement of JAG accreditation.. Achievement has been challenging during Quarter 4 particularly with MRI capacity and continuing internal capacity against demand mismatch for endoscopy (the Trust had internal capacity to undertake 9,000 tests but has carried out 17,758 during the year through the use of in reach providers and the independent sector) discussions have taken place during the year with Commissioners to address the on-going internal capacity shortfall for 2016/17. This report includes 15 modalities against this standard.

(ix) 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 since October 2015 and ii) the breast symptomatic target, from September 2015. However during January the target for suspected cancer was not achieved and further analysis has shown this related to patient choice to defer their appointments over the Christmas period. The Trust closed the year with both these targets being maintained.

(x) The Trust has continued to make progress in controlling hospital acquired infection, reducing the incidence of meticillin-resistant Staphylococcus aureus (MRSA) bacteraemias to a total of six plus one culture contaminant for the year, which is a reduction of over 10% from the previous year, although it is recognised that the nationally set trajectory is zero There was a total of 139 cases of Clostridium difficile disease for the year, against an absolute trajectory of 119; which is an increase on that of the previous year. This is in line with findings nationally for 2015-6. However, this year, we have also identified a greater proportion of the cases, in conjunction with our commissioners, as having no "lapse in care" whilst in our Trust. A detailed infection prevention plan is in place to continue reduce the risk for patients and staff.

(xi) The Trust has faced a number of financial challenges in 2015/16, and has delivered a financial yearend position of a deficit in line with the plan. The Trust has received support from the Department of Health to fund the deficit during the year. The Trust has achieved the second year of the three year financial recovery plan and the Trust has submitted plans to NHS Improvement to deliver a small surplus of £1.2m for 2016/17.

(xii) 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.

(xiii) During the Trust has experienced growth in managing 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.

(xiv) 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 has resulted in some numbers of patients being cancelled on the actual days of the strike action.

17. Concluding Remarks

17.1 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 have delivered the second year of our three year financial plan against the forecast deficit during 2015/16 we are planning to deliver a small surplus in 2016/17. I and the Executive Team have met monthly during 2015/16 with the TDA to report progress. 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 2016 and up to the date of approval of the annual report and accounts.

JULIAN HARTLEY
Chief Executive

26th May 2016

Notes

I. Matters highlighted in section 15 have been identified in accordance with 2014/15 *Annual Governance Statement Guidance (Annex B)* issued by the NHS Trust Development Authority, and also using the qualifying criteria below, developed by the Trust.

II. A qualifying significant breach of internal control has been evaluated using the following criteria: *a significant breach of internal control is a breach where the Directors are satisfied that the issue was directly relevant to: (i) a failure to achieve a corporate objective; (ii) put the achievement of corporate objectives at significant risk of failure; or (iii) put any Licence to operate at significant risk (i.e. CQC Registration).*

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

We have audited the financial statements of the Leeds Hospitals NHS Trust for the year ended 31 March 2016 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 (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015-16 Government Financial Reporting Manual (the 2015-16 FReM) as contained in the Department of Health Group Manual for Accounts 2015-16 (the 2015-16 MfA) 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 tables of exit packages and related notes;
- the analysis of staff numbers and related notes; and
- 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 (C&AG) in November 2015, 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 C&AG 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 2016.

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 2016 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 Trust Development Authority's guidance; or

- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under 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 report

Auditor's responsibilities

We report to you if we are not satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Basis for qualified conclusion (except for)

The Trust has delivered a year-end financial outturn at 31 March 2016 of a £30.2 million deficit against a £37.2 million deficit agreed with the NHS Trust Development Agency (TDA). The outturn reflects £6 million additional revenue from TDA and £1 million capital to revenue transfer also approved by TDA. The year-end target included the delivery of £69.2 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 £25.5 million of non-recurrent measures.

For 2016/17 the Trust Board has agreed a financial plan forecast to deliver a £1.2 million surplus, including the delivery of £65.6 million of CIPs. At the date of this report the Trust has identified just over half of the required CIPs, although the CSU budgets have been reduced for their CIP 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 2015/16 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.

Qualified conclusion (except for)

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, 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 2016.

Certificate

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

Suresh Patel, Audit Director
for and on behalf of Mazars LLP, Appointed Auditor

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

31 May 2016

Leeds Teaching Hospitals NHS Trust

Annual Accounts for the period

1 April 2015 to 31 March 2016

Statement of Comprehensive Income for the year ended 31 March 2016

	Note	**2015-16 £000s**	2014-15 £000s
Gross employee benefits	9.1	**(651,993)**	(632,102)
Other operating costs	7	**(468,472)**	(452,179)
Revenue from patient care activities	4	**943,383**	925,514
Other operating revenue	5	**172,337**	161,124
Operating (deficit)/surplus		**(4,745)**	2,357
Investment revenue	11	**124**	111
Other gains and (losses)	12	**(80)**	112
Finance costs	13	**(12,567)**	(12,438)
(Deficit) for the financial year		**(17,268)**	(9,858)
Public dividend capital dividends payable		**(9,963)**	(10,130)
Retained (deficit) for the year		**(27,231)**	(19,988)

Other comprehensive income

Net (loss) on revaluation of property, plant & equipment		**0**	(4,558)
Total comprehensive income for the year		**(27,231)**	(24,546)

Financial performance for the year

Retained (deficit) for the year	**(27,231)**	(19,988)
IFRIC 12 adjustment (including IFRIC 12 impairments)	**0**	5,243
Impairments (excluding IFRIC 12 impairments)	**0**	(8,140)
Adjustments in respect of donated asset reserve elimination	**(2,963)**	(1,501)
Adjusted retained (deficit)	**(30,194)**	(24,386)

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 bringing its PFI assets onto the Statement of Financial Position, in line with International Financial Reporting Standards, from 2009/10. HM Treasury guidelines require the Trust's financial position to be aligned with how wider government departmental expenditure is measured. The revenue implications arising from bringing the PFI schemes onto the Statement of Financial Position are therefore excluded from the Trust's reported financial position. In 2015/16 the Trust ceased to incur additional costs arising from its PFI schemes.

The retained deficit is adjusted to take account of the costs of a change in the national accounting treatment of donated assets (Note 1.11). 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 34 form part of these financial statements.

Statement of Financial Position as at 31 March 2016

	Note	**31 March 2016 £000s**	31 March 2015 £000s
Non-current assets:			
Property, plant and equipment	14	**618,492**	615,948
Intangible assets	15	**2,835**	2,225
Trade and other receivables	18.1	**9,930**	11,165
Total non-current assets		**631,257**	629,338
Current assets:			
Inventories	17	**16,539**	17,484
Trade and other receivables	18.1	**53,928**	61,955
Cash and cash equivalents	19	**3,362**	3,298
Total current assets		**73,829**	82,737
Total assets		**705,086**	**712,075**
Current liabilities			
Trade and other payables	21	**(78,672)**	(89,469)
Provisions	25	**(775)**	(2,292)
Borrowings	22	**(4,957)**	(4,702)
DH capital loan	22	**(4,812)**	(4,927)
Total current liabilities		**(89,216)**	(101,390)
Net current liabilities		**(15,387)**	(18,653)
Total assets less current liablilities		**615,870**	610,685
Non-current liabilities			
Trade and other payables	21	**(2,188)**	(2,109)
Provisions	25	**(5,231)**	(5,679)
Borrowings	22	**(193,112)**	(198,069)
DH revenue support loan	22	**(37,329)**	0
DH capital loan	22	**(45,113)**	(44,715)
Total non-current liabilities		**(282,973)**	(250,572)
Total assets employed		**332,897**	360,113
FINANCED BY:			
Public Dividend Capital		**332,848**	332,833
Retained earnings		**(77,209)**	(49,978)
Revaluation reserve		**77,258**	77,258
Total Taxpayers' Equity		**332,897**	360,113

The notes on pages 6 to 34 form part of these financial statements.

The financial statements on pages 1 to 34 were approved by the Board on 26 May 2016 and signed on its behalf by:

JULIAN HARTLEY
Chief Executive

Statement of Changes in Taxpayers' Equity for the year ending 31 March 2016

	Public Dividend capital	Retained earnings	Revaluation reserve	Total reserves
	£000s	£000s	£000s	£000s
Balance at 1 April 2015	**332,833**	**(49,978)**	**77,258**	**360,113**
Changes in taxpayers' equity for 2015-16				
Retained (deficit) for the year	0	(27,231)	0	**(27,231)**
Permanent PDC received - cash	1,015	0	0	**1,015**
Permanent 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**
Balance at 1 April 2014	**293,954**	**(29,990)**	**81,816**	**345,780**
Changes in taxpayers' equity for 2014-15				
Retained (deficit) for the year	0	(19,988)	0	(19,988)
Net (loss) on revaluation of property, plant, equipment	0	0	(4,558)	(4,558)
New temporary and permanent PDC received - cash	68,679	0	0	68,679
New temporary and permanent PDC repaid in year	(29,800)	0	0	(29,800)
Net recognised revenue/(expense) for the year	**38,879**	**(19,988)**	**(4,558)**	**14,333**
Balance at 31 March 2015	**332,833**	**(49,978)**	**77,258**	**360,113**

Statement of Cash Flows for the year ended 31 March 2016

	Note	2015-16 £000s	2014-15 £000s
Cash Flows from Operating Activities			
Operating (deficit)/surplus		**(4,745)**	2,357
Depreciation and amortisation	7	**24,717**	21,658
Impairments and reversals		**0**	(2,897)
Interest paid		**(12,541)**	(12,437)
PDC Dividend paid		**(10,348)**	(10,370)
Decrease in inventories		**945**	151
Decrease/(increase) in trade and other receivables		**8,811**	(14,417)
(Decrease) in trade and other payables		**(6,789)**	(6,825)
Provisions utilised		**(1,808)**	(2,775)
(Decrease)/increase in movement in non cash provisions		**(157)**	2,057
Net Cash Outflow from Operating Activities		**(1,915)**	(23,498)
Cash Flows from Investing Activities			
Interest received		**124**	111
Payments for property, plant and equipment		**(30,042)**	(37,229)
Payments for intangible assets		**(1,151)**	(1,655)
Proceeds of disposal of assets held for sale (PPE)		**124**	269
Net Cash Outflow from Investing Activities		**(30,945)**	(38,504)
Net Cash Outflow before Financing		**(32,860)**	(62,002)
Cash Flows from Financing Activities			
Gross temporary (2014/15 only) and permanent PDC received		**1,015**	68,679
Gross temporary (2014/15 only) and permanent PDC repaid		**(1,000)**	(29,800)
Loans received from DH - New Capital Investment Loans		**5,394**	11,000
Loans received from DH - New Revenue Support Loans		**63,179**	0
Loans repaid to DH - Capital Investment Loans repayment of principal		**(5,112)**	(3,356)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		**(25,850)**	0
Capital element of payments in respect of finance leases and On-SoFP PFI		**(4,702)**	(4,459)
Net Cash Inflow from Financing Activities		**32,924**	42,064
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**64**	(19,938)
Cash and Cash Equivalents at 1 April 2015		**3,298**	23,236
Cash and Cash Equivalents at 31 March 2016	**19**	**3,362**	3,298

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 Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2015-16 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 Manual for Accounts 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

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

1.2 Going Concern

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 33.1 for further explanation.

1.3 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.

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the 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.

1.4.1 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 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 1.14 Leases and 1.15 PFI transactions.

1.4.2 Key sources of estimation uncertainty

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

- Plant, Property and Equipment - Para. 1.8 and Note 14
- Provision for Impairment of Receivables - Note 18.3
- Provisions - Para 1.18 and Note 25

1.5 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.

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

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

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.6 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 Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is 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 scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the 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 Trust commits itself to the retirement, regardless of the method of payment.

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

1.7 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.

1.8 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.

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. All assets are measured subsequently at current value.
Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the current value at the date of revaluation less any impairment.

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

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 and the valuation covers all of the existing hospital sites.

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

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from current value.

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.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

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.

1.9 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 fair value. Software that is integral to the operating 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
- 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
- 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 fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.10 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS Trust expects to obtain economic benefits or service potential from the asset. This is specific to the NHS 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 their estimated useful lives.

At each reporting period end, the NHS Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, 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 should be 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.

1.11 Donated assets

Donated non-current assets are capitalised at their fair 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 as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.12 Government grants

Government grant funded assets are capitalised at their 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.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.13 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.

1.14 Leases

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

The Trust as 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 Trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods 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.

1.15 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 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 in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

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 fair 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 finance lease liability or prepayment is recognised respectively.

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

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

Other assets contributed by the Trust to the operator
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.

1.16 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.

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

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

1.18 Provisions
Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the 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 rate of -1.55% in real terms (1.37% for employee early departure obligations).

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.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.19 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 Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at Note 25.

1.20 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 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.

1.21 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 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.

1.22 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.

1.23 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.

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 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 which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.24 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 historical 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.

1.25 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.

1.26 Foreign currencies

The Trust's functional currency 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.

1.27 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 35 to the accounts.

1.28 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the 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.

1.29 Losses and special payments

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

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

1.30 Joint arrangements

Material entities over which the Trust has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the NHS body is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.31 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.

1.32 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 2015-16. 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 for Contracts with Customers* - Application required for accounting periods beginning on or after 1 January 2017, 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.

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.

The main source of revenue for the Trust is from commissioners of healthcare services which are principally NHS England and Clinical Commissioning Groups (CCGs). The Department of Health has deemed that as NHS England and CCGs are under common control, they are classed as a single customer for the purpose of segmental analysis. No other customer generates in excess of 10% of total revenue.

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

	2015-16 £000s	2014-15 £000s
NHS England	**460,543**	439,566
Clinical Commissioning Groups	**462,945**	456,501
Foundation Trusts	**91**	0
NHS Other (including Public Health England and Prop Co)	**1,960**	1,853
Additional income for delivery of healthcare services	**7,000**	14,000
Non-NHS:		
Local Authorities	**936**	4,197
Private patients	**4,715**	4,832
Overseas patients (non-reciprocal)	**592**	656
Injury costs recovery	**3,766**	3,309
Other	**835**	600
Total revenue from patient care activities	**943,383**	925,514

5. Other operating revenue

	2015-16 £000s	2014-15 £000s
Recoveries in respect of employee benefits	**10,766**	9,057
Education, training and research	**100,886**	102,026
Charitable and other contributions to revenue expenditure - NHS	**888**	1,102
Charitable and other contributions to revenue expenditure -non- NHS	**913**	941
Receipt of donations for capital acquisitions - Charity	**4,390**	2,824
Non-patient care services to other bodies	**39,981**	36,916
Rental revenue from operating leases	**1,152**	681
Other revenue	**13,361**	7,577
Total other operating revenue	**172,337**	161,124
Total operating revenue	**1,115,720**	1,086,638

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

6. Overseas visitors disclosure

	2015-16 £000	2014-15 £000s
Income recognised during 2015-16 (invoiced amounts and accruals)	**592**	656
Cash payments received in-year (re receivables at 31 March 2015)	**36**	11
Cash payments received in-year (iro invoices issued 2015-16)	**127**	281
Amounts added to provision for impairment of receivables (re receivables at 31 March 2015)	**197**	291
Amounts added to provision for impairment of receivables (in respect of invoices issued 2015-16)	**337**	73
Amounts written off in-year (irrespective of year of recognition)	**89**	194

7. Operating expenses

	2015-16 £000s	2014-15 £000s
Services from other NHS Trusts	**526**	0
Purchase of healthcare from non-NHS bodies	**12,212**	11,849
Trust Chair and Non-executive Directors	**96**	89
Supplies and services - clinical	**309,083**	302,187
Supplies and services - general	**8,580**	8,705
Consultancy services	**585**	1,161
Establishment	**7,651**	8,009
Transport	**3,471**	3,084
Service charges - On-SoFP PFIs and other service concession arrangements	**13,185**	14,911
Business rates paid to local authorities	**4,781**	4,574
Premises	**34,310**	37,807
Hospitality	**146**	154
Insurance	**741**	1,069
Legal fees	**698**	663
Impairments and reversals of receivables	**959**	1,401
Depreciation	**24,176**	21,388
Amortisation	**541**	270
Impairments and reversals of property, plant and equipment	**0**	(2,897)
Audit fees	**120**	160
Other auditor's remuneration- Quality Accounts	**12**	12
Clinical Negligence Scheme for Trusts - contribution	**29,909**	19,296
Research and development (excluding staff costs)	**1**	0
Education and training	**4,702**	3,202
Change in discount rate	**(14)**	112
Other	**12,001**	14,973
Total operating expenses (excluding employee benefits)	**468,472**	452,179
Employee benefits		
Employee benefits excluding Board members	**650,563**	630,686
Board members	**1,430**	1,416
Total employee benefits	**651,993**	632,102
Total operating expenses	**1,120,465**	1,084,281

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

Included in Service charges - On-SoFP PFI is expenditure associated with building lifecycle costs for the Bexley Wing and Wharfedale Hospital PFI schemes. Historically these costs have been accounted for by the Trust as revenue expenditure. During 2015-16 the information in the operators' models was reviewed and information provided by independent valuers which led to a change in the technique used to estimate these costs. A proportion of the remaining lifecycle costs throughout the concession periods is now assessed as capital expenditure. In 2015-16 the effect of this has been to reduce the revenue cost by £1 million.

Expenditure associated with lease cars is included in Other above. In previous years the Trust has charged all lease car costs to revenue expenditure in the year in which invoices were paid. Following changes to the way car leases are administered in the Trust additional information has been made available to enable costs to be fully spread across 12 months. The effect of this has been to allocate appropriate expenditure to 2016-17 by including a prepayment in the accounts and reducing 2015-16 expenditure by £1.9 million.

Other expenses incorporates the costs for goods and services which are incidental to the Trust's core activity, for example, hosted services, 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 Operating leases

	Buildings £000s	Other £000s	2015-16 Total £000s	2014-15 £000s
Payments recognised as an expense				
Minimum lease payments	923	4,210	**5,133**	7,859
Contingent rents	0	0	**0**	0
Sub-lease payments	0	0	**0**	0
Total	923	4,210	**5,133**	7,859
Payable:				
No later than one year	1,135	3,582	**4,717**	4,784
Between one and five years	3,970	2,961	**6,931**	6,726
After five years	3,211	0	**3,211**	3,214
Total	**8,316**	**6,543**	**14,859**	14,724

8.2. Leeds Teaching Hospitals NHS Trust as lessor

The generating station complex at the Leeds General Infirmary is leased to a third party supplier under the terms of a power generation agreement. The lease had a twenty year term, due to expire in 2015. This has been extended to July 2016. Annual income is £250k. Other leases relate to various retail facilities provided across the Trust's sites.

	2015-16 £000	2014-15 £000s
Recognised as revenue		
Rental revenue	**1,152**	681
Receivable:		
No later than one year	874	246
Between one and five years	2,973	688
After five years	2,301	2,339
Total	**6,148**	3,273

9. Employee benefits and staff numbers

9.1. Employee benefits

	Total £000s	Permanently employed £000s	Other £000s
Employee benefits - Gross expenditure 2015-16			
Salaries and wages	**556,196**	494,853	61,343
Social security costs	**36,614**	36,614	0
Employer Contributions to NHS BSA - Pensions Division	**60,084**	60,084	0
Other pension costs	**13**	13	0
Termination benefits	**57**	57	0
Total employee benefits	**652,964**	**591,621**	**61,343**
Employee costs capitalised	**971**	971	0
Gross employee benefits excluding capitalised costs (note 7)	**651,993**	**590,650**	**61,343**

Employee benefits - Gross expenditure 2014-15	Total £000s	Permanently employed £000s	Other £000s
Salaries and wages	539,718	473,032	66,686
Social security costs	35,687	35,687	0
Employer Contributions to NHS BSA - Pensions Division	56,089	56,089	0
Other pension costs	1,442	1,442	0
Termination benefits	55	55	0
TOTAL - including capitalised costs	632,991	566,305	66,686
Employee costs capitalised	889	889	0
Gross employee benefits excluding capitalised costs (note7)	632,102	565,416	66,686

9.2. Staff numbers

	2015-16			2014-15
	Total Number	**Permanently employed Number**	**Other Number**	Total Number
Average staff numbers				
Medical and dental	**1,949**	1,826	123	1,922
Administration and estates	**2,557**	2,429	128	2,447
Healthcare assistants and other support staff	**3,144**	2,847	297	3,023
Nursing, midwifery and health visiting staff	**4,156**	3,866	290	4,017
Nursing, midwifery and health visiting learners	**4**	4	0	9
Scientific, therapeutic and technical staff	**1,932**	1,846	86	1,794
Social care staff	**12**	0	12	12
Healthcare science staff	**908**	873	35	862
Other	**442**	434	8	401
TOTAL	**15,104**	**14,125**	**979**	14,487
Of the above - staff engaged on capital projects	**22**	22	0	19

9.3. Staff sickness absence and ill health retirements

	2015-16 Number	2014-15 Number
Total days lost	**122,507**	123,022
Total staff years	**13,886**	13,225
Average working days lost	**8.82**	9.30

	2015-16 Number	2014-15 Number
Number of persons retired early on ill health grounds	**25**	25
	£000s	£000s
Total additional pensions liabilities accrued in the year	**1,081**	1,238

9.4. Exit packages agreed in 2015-16

2015-16						
Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Cost of compulsory redundancies**	**Number of other departures agreed**	**Cost of other departures agreed.**	**Total number of exit packages**	**Total cost of exit packages**
	Number	**£s**	**Number**	**£s**	**Number**	**£s**
£50,001-£100,000	0	0	1	57,069	**1**	**57,069**

2014-15						
Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Cost of compulsory redundancies**	**Number of other departures agreed**	**Cost of other departures agreed.**	**Total number of exit packages**	**Total cost of exit packages**
	Number	**£s**	**Number**	**£s**	**Number**	**£s**
£50,001-£100,000	1	54,935	0	0	1	54,935

Redundancy and other departure costs have been paid in accordance with the provisions of Agenda for Change. Exit costs in this note are accounted for in full in the year of departure. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

The Trust incurred departure costs under the terms of a Mutually Agreed Resignation Scheme. The cost to the Trust was less than would have been incurred with a compulsory redundancy.

This disclosure reports the number and value of exit packages agreed in the year. The expense associated with these departures may have been recognised in part or in full in a previous period.

9.5. Exit packages - Other departures analysis

	2015-16 Agreements	2015-16 Total value of agreements	2014-15 Agreements	2014-15 Total value of agreements
	Number	£000s	Number	£000s
Mutually agreed resignations (MARS) contractual costs	1	57	0	0

This disclosure reports the number and value of exit packages agreed in the year. Note: the expense associated with these departures may have been recognised in part or in full in a previous period

9.6. 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 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

9.7 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 133 employees enrolled in the scheme (122 at 31 March 2015). Further details of the scheme can be found at www.nestpensions.org.uk.

10. Better Payment Practice Code

10.1. Measure of compliance

	2015-16 Number	2015-16 £000s	2014-15 Number	2014-15 £000s
Non-NHS payables				
Total Non-NHS trade invoices paid in the year	**219,731**	**494,089**	232,738	526,444
Total Non-NHS trade invoices paid within target	**203,551**	**416,744**	208,856	459,267
Percentage of NHS trade invoices paid within target	**93%**	**84%**	90%	87%
NHS payables				
Total NHS trade invoices paid in the year	**6,050**	**87,664**	6,345	60,328
Total NHS trade invoices paid within target	**4,517**	**79,587**	3,835	47,695
Percentage of NHS trade invoices paid within target	**75%**	**91%**	60%	79%

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

	2015-16 £000s	2014-15 £000s
Interest revenue		
Bank interest	124	**111**

12. Other gains and losses

	2015-16 £000s	2014-15 £000s
(Loss)/gain on disposal of assets held for sale	**(80)**	112

13. Finance costs

	2015-16 £000s	2014-15 £000s
Interest		
Interest on loans and overdrafts	**1,570**	1,189
Interest on obligations under finance leases	**8**	9
Interest on obligations under PFI contracts:		
- main finance cost	**10,962**	11,203
Total interest expense	**12,540**	12,401
Provisions - unwinding of discount	**27**	37
Total	**12,567**	12,438

14.1. Property, plant and equipment

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 & government grants	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**

Revaluation reserve balance for property, plant & equipment	Land	Buildings	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
At 1 April 2015	310	69,662	0	0	5,953	14	364	955	**77,258**
Movements	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**310**	**69,662**	**0**	**0**	**5,953**	**14**	**364**	**955**	**77,258**

Additions to assets under construction in 2015-16	
Buildings excl dwellings	5,507
Plant & Machinery	4,066
Balance as at YTD	**9,573**

14.2. Property, plant and equipment - prior year

2014-15	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 2014	20,475	565,739	3,583	12,083	184,032	884	45,311	1,387	**833,494**
Additions of assets under construction	0	0	0	11,295	0	0	0	0	**11,295**
Additions purchased	0	3,997	0	0	14,941	0	7,680	0	**26,618**
Additions - Purchases from cash donations & government grants	0	180	0	35	2,144	0	414	0	**2,773**
Reclassifications	0	1,594	0	(4,061)	0	0	2,467	0	**0**
Reclassifications as held for sale and reversals	0	0	0	0	(1,037)	0	0	0	**(1,037)**
Revaluation	0	(3,327)	(1,231)	0	0	0	0	0	**(4,558)**
At 31 March 2015	**20,475**	**568,183**	**2,352**	**19,352**	**200,080**	**884**	**55,872**	**1,387**	**868,585**
Depreciation									
At 1 April 2014	0	50,772	437	0	147,776	818	33,924	1,299	**235,026**
Reclassifications as held for sale and reversals	0	0	0	0	(880)	0	0	0	**(880)**
Impairments/negative indexation charged to operating expenses	0	8,356	0	0	0	0	0	0	**8,356**
Reversal of impairments charged to operating expenses	(639)	(10,614)	0	0	0	0	0	0	**(11,253)**
Charged during the year	0	8,641	36	0	8,822	22	3,797	70	**21,388**
At 31 March 2015	**(639)**	**57,155**	**473**	**0**	**155,718**	**840**	**37,721**	**1,369**	**252,637**
Net book value at 31 March 2015	**21,114**	**511,028**	**1,879**	**19,352**	**44,362**	**44**	**18,151**	**18**	**615,948**
Asset financing:									
Owned - Purchased	21,114	341,947	1,879	19,317	29,460	44	17,732	18	**431,511**
Owned - Donated	0	10,931	0	35	5,079	0	419	0	**16,464**
Held on finance lease	0	649	0	0	0	0	0	0	**649**
On-SoFP PFI contracts	0	157,501	0	0	9,823	0	0	0	**167,324**
Total at 31 March 2015	**21,114**	**511,028**	**1,879**	**19,352**	**44,362**	**44**	**18,151**	**18**	**615,948**

14.3. (cont). Property, plant and equipment

All land and building assets were revalued as at 1st April 2014 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 2016 a further exercise was undertaken by the valuer to assess movement in building cost indices since 1st April 2015 and the impact of capital expenditure during the year. The results of this exercise indicated valuation increases estimated at up to £7 million offset by potential reductions of a similar amount for other factors including the impact of VAT on PFI assets. The adjustments were not considered sufficiently material to change the carrying value of assets. In 2016/17 the Trust will have an interim estate valuation.

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)	**1**	**88**
Plant and machinery	**5**	**15**
Transport equipment	**5**	**10**
Information technology	**5**	**10**
Furniture and fittings	**5**	**5**

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

	2015-16 £000's
Medical Research Council	**2,834**
NHS Litigation Authority - Patient Safety	**681**
Leeds Teaching Hospitals Charitable Foundation	**839**
Others	**36**
Total	**4,390**

15. Intangible non-current assets

15.1. Intangible non-current assets

2015-16	IT - in-house & 3rd party software	Computer Licences	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 - Purchases from cash donations and government grants	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:			
Purchased	1,360	440	**1,800**
Donated	821	214	**1,035**
Total at 31 March 2016	**2,181**	**654**	**2,835**

15.2. Intangible non-current assets - prior year

2014-15	IT - in-house & 3rd party software	Computer Licences	Total
	£000's	£000's	£000's
Cost or valuation:			
At 1 April 2014	2,640	704	3,344
Additions - purchased	1,395	209	1,604
Additions - government granted	20	31	51
At 31 March 2015	**4,055**	**944**	**4,999**
Amortisation			
At 1 April 2014	2,367	137	2,504
Charged during the year	102	168	270
At 31 March 2015	**2,469**	**305**	**2,774**
Net book value at 31 March 2015	**1,586**	**639**	**2,225**
Asset financing:			
Purchased	1,539	611	2,150
Donated	47	28	75
Total at 31 March 2015	**1,586**	**639**	**2,225**

15.3. 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 £5,184k.

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

16. Commitments

16.1. Capital commitments

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

	31 March 2016 £000s	31 March 2015 £000s
Property, plant and equipment	**3,100**	7,015
Intangible assets	**766**	268
Total	**3,866**	7,283

17. Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Total £000s
Balance at 1 April 2015	**7,215**	**10,002**	**267**	**17,484**
Additions	163,165	100,598	18	**263,781**
Inventories recognised as an expense in the period	(163,992)	(100,624)	(110)	**(264,726)**
Balance at 31 March 2016	**6,388**	**9,976**	**175**	**16,539**

18.1 Trade and other receivables

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
NHS receivables - revenue	**24,169**	29,800	**0**	0
NHS prepayments and accrued income	**438**	4,079	**0**	0
Non-NHS receivables - revenue	**7,930**	12,678	**0**	0
Non-NHS receivables - capital	**87**	291	**0**	0
Non-NHS prepayments and accrued income	**8,188**	6,284	**0**	0
PDC Dividend prepaid to DH	**590**	205	**0**	0
Provision for the impairment of receivables	**(2,896)**	(2,744)	**(804)**	(654)
VAT	**2,505**	1,956	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**6,754**	3,329	**7,076**	8,357
Other receivables	**6,163**	6,077	**3,658**	3,462
Total	**53,928**	61,955	**9,930**	11,165
Total current and non current	**63,858**	73,120		

There are no prepaid pension contributions Included in NHS receivables

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.

18.2 Receivables past their due date but not impaired

	31 March 2016 £000s	31 March 2015 £000s
By up to three months	**2,738**	5,881
By three to six months	**797**	264
By more than six months	**1,710**	499
Total	**5,245**	6,644

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.

18.3 Provision for impairment of receivables

	2015-16 £000s	2014-15 £000s
Balance at 1 April 2015	**(3,398)**	(2,285)
Amount written off during the year	**657**	288
(Increase) in receivables impaired	**(959)**	(1,401)
Balance at 31 March 2016	**(3,700)**	(3,398)

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.

19. Cash and cash equivalents

	31 March 2016 £000s	31 March 2015 £000s
Balance at 1 April 2015	**3,298**	23,236
Net change in year	**64**	(19,938)
Balance at 31 March 2016	**3,362**	3,298
Made up of		
Cash with Government Banking Service	**3,252**	3,221
Commercial banks	**92**	60
Cash in hand	**18**	17
Cash and cash equivalents as in statements of financial position and cash flows	**3,362**	3,298
Patients' money held by the Trust, not included above (note 34)	**19**	18

20. Non-current assets held for sale

	Plant and Machinery
	£000s
Balance at 1 April 2015	0
Plus assets classified as held for sale in the year	204
Less assets sold in the year	(204)
Balance at 31 March 2016	**0**
Liabilities associated with assets held for sale at 31 March 2016	**0**
Balance at 1 April 2014	0
Plus assets classified as held for sale in the year	157
Less assets sold in the year	(157)
Balance at 31 March 2015	**0**
Liabilities associated with assets held for sale at 31 March 2015	0

During the year the Trust sold items of plant and minor equipment which had become surplus and obsolete. The sales resulted in a loss on disposal of £80k (Note 12).

21. Trade and other payables

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
NHS payables - revenue	**2,573**	3,534	**0**	0
NHS accruals and deferred income	**2,911**	2,978	**0**	0
Non-NHS payables - revenue	**24,978**	29,786	**0**	0
Non-NHS payables - capital	**3,198**	7,152	**0**	0
Non-NHS accruals and deferred income	**23,731**	24,523	**2,188**	2,109
Social security costs	**5,806**	5,626	**0**	**0**
Accrued interest on DH Loans	**80**	54	**0**	**0**
Tax	**6,219**	6,320	**0**	**0**
Other	**9,176**	9,496	**0**	0
Total	**78,672**	89,469	**2,188**	2,109
Total payables (current and non-current)	**80,860**	**91,578**		
Included above:				
Outstanding pension contributions at the year end	**8,551**	8,144		

22. Borrowings

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
Loans from Department of Health	**4,812**	4,927	**82,442**	44,715
PFI liabilities:				
Main liability	**4,920**	4,665	**192,702**	197,622
Finance lease liabilities	**37**	37	**410**	447
Total	**9,769**	**9,629**	**275,554**	**242,784**
Total other liabilities (current and non-current)	**285,323**	**252,413**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2016		
	DH £000s	**Other £000s**	**Total £000s**
0-1 years	4,812	4,957	**9,769**
1 - 2 years	5,077	5,899	**10,976**
2 - 5 years	42,406	24,663	**67,069**
Over 5 years	34,959	162,550	**197,509**
Total	**87,254**	**198,069**	**285,323**

23. Deferred income

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
Opening balance at 1 April 2015	**5,846**	4,358	**2,291**	2,376
Deferred revenue addition	**4,965**	2,810	**1,472**	1,222
Transfer of deferred revenue	**(3,880)**	(1,322)	**(1,575)**	(1,307)
Current deferred Income at 31 March 2016	**6,931**	5,846	**2,188**	2,291
Total deferred income (current and non-current)	**9,119**	8,137		

24. 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 lease payments**	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
Within one year	**45**	45	**37**	37
Between one and five years	**179**	179	**156**	153
After five years	**269**	313	**254**	294
Less future finance charges	**(46)**	(53)		
Minimum lease payments / Present value of minimum lease payments	**447**	484	**447**	484
Included in:				
Current borrowings			**37**	37
Non-current borrowings			**410**	447
			447	484

25. Provisions

	Total	Early departure costs	Legal claims	Other
	£000s	£000s	£000s	£000s
Balance at 1 April 2015	**7,971**	5,957	423	1,591
Arising during the year	**458**	211	167	80
Utilised during the year	**(1,808)**	(358)	(250)	(1,200)
Reversed unused	**(628)**	(232)	0	(396)
Unwinding of discount	**27**	27	0	0
Change in discount rate	**(14)**	(14)	0	0
Balance at 31 March 2016	**6,006**	**5,591**	**340**	**75**
Expected timing of cash flows:				
No later than one year	**775**	360	340	75
Later than one year and not later than five years	**1,440**	1,440	0	0
Later than five years	**3,791**	3,791	0	0

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 £258k (£258k in 2014/15) 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. Provision was made in previous years to meet sums payable to staff as part of the Trust's transition arrangements following service restructuring. Those amounts have now been utilised.

Amount included in the provisions of the NHS Litigation Authority in respect of Clinical Negligence liabilities:

	£000s
As at 31 March 2016	**337,256**
As at 31 March 2015	164,851

The NHS Litigation Authority has advised that the increase in provisions they are carrying is the result of changes to actuarial factors and the discount rate applied to possible long term settlements.

26. Contingencies

	31 March 2016	31 March 2015
	£000s	£000s
Contingent liabilities		
NHS Litigation Authority legal claims	**(122)**	(162)
Employment Tribunal and other employee related litigation	**0**	(9)
Other	**(1,083)**	(998)
Net value of contingent liabilities	**(1,205)**	(1,169)

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 include £433k of personal injury claims. Those claims 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.

The remaining contingent liabilities in "other" relate to an assessment of the Trust's potential exposure in light of recent Employment Tribunal decisions which may have future implications for leave related pay. The assessment recognises a maximum future exposure. It is not an exposure to current claims against the Trust and the probability of any future payment is highly uncertain, as is the timescale involved.

27. 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 and Off-SoFP PFI

	2015-16 £000s	2014-15 £000s
Service element of on-SoFP PFI charged to operating expenses in year	**13,185**	14,911
Payments committed to in respect of off-SoFP PFI and the service element of on-SoFP PFI		
No later than one year	**10,444**	10,207
Later than one year, No later than five years	**44,262**	43,254
Later than five years	**169,777**	181,228
Total	**224,483**	234,689

Imputed "finance lease" obligations for on-SoFP PFI contracts due	**2015-16 £000s**	2014-15 £000s
No later than one year	**15,625**	15,625
Later than one year, No later than five years	**70,076**	67,774
Later than five years	**249,594**	267,521
Sub-total	**335,295**	350,920
Less: Interest element	**(137,673)**	(148,633)
Total	**197,622**	202,287

Present Value Imputed "finance lease" obligations for on-SoFP PFI contracts due Analysed by when PFI payments are due	**2015-16 £000s**	2014-15 £000s
No later than one year	**4,920**	4,665
Later than one year, No later than five years	**30,406**	26,754
Later than five years	**162,296**	170,868
Total	**197,622**	202,287

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

28. Impact of IFRS treatment

The information below is required by the Department of Heath for budget reconciliation purposes	**2015-16 Expenditure**	2014-15 Expenditure
Revenue costs of IFRS: Arrangements reported on-SoFP under IFRIC12 (e.g PFI)	**£000s**	£000s
Depreciation charges	4,531	4,471
Interest expense	10,961	11,201
Impairment charge - AME	0	5,243
Other expenditure	13,339	14,911
Impact on PDC dividend payable	(765)	(765)
Total IFRS Expenditure (IFRIC12)	**28,066**	**35,061**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)	30,946	31,550
Net IFRS change (IFRIC12)	**(2,880)**	**3,511**

Capital consequences of IFRS : PFI and other items under IFRIC12	**£000s**	£000s
Capital expenditure 2015-16	**836**	1,258
UK GAAP capital expenditure 2015-16 (Reversionary Interest)	**3,023**	2,911

29. Financial instruments

29.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the Trust Development Authority. 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 2016 are in receivables from customers, as disclosed in the trade and other receivables note (Note 18).

Liquidity risk

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

29.2 Financial assets

	Loans and receivables £000s
Receivables - NHS	24,608
Receivables - non-NHS	8,776
Cash at bank and in hand	3,362
Total at 31 March 2016	**36,746**
Receivables - NHS	30,825
Receivables - non-NHS	16,873
Cash at bank and in hand	3,298
Total at 31 March 2015	50,996

29.3 Financial liabilities

	£000s
NHS payables	**11,124**
Non-NHS payables	**48,512**
Other borrowings	**87,253**
PFI & finance lease obligations	**198,069**
Total at 31 March 2016	**344,958**
NHS payables	12,128
Non-NHS payables	59,790
Other borrowings	49,642
PFI & finance lease obligations	202,771
Total at 31 March 2015	324,331

30. 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.

31. 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
NHS Airedale, Wharfedale and Craven CCG	0	6,653	0	50
NHS Bradford Districts CCG	0	10,417	34	40
NHS Calderdale CCG	0	5,492	0	114
NHS Greater Huddersfield CCG	0	6,744	0	150
NHS Harrogate And Rural District CCG	0	6,585	0	31
NHS Leeds North CCG	0	84,774	566	459
NHS Leeds South And East CCG	0	138,016	927	835
NHS Leeds West CCG	0	154,789	923	775
NHS North Kirklees CCG	0	7,752	77	21
NHS Vale Of York CCG	0	8,636	21	97
NHS Wakefield CCG	0	15,182	93	42
NHS England	61	469,329	40	10,314
Department of Health	0	14,833	0	704
Leeds Community Healthcare NHS Trust	857	6,491	269	524
Mid Yorkshire Hospitals NHS Trust	1,562	3,550	260	1,661
Bradford Teaching Hospitals NHS Foundation Trust	1,112	8,262	387	2,058
Leeds And York Partnership NHS Foundation Trust	156	3,503	7	589
Sheffield Teaching Hospitals NHS Foundation Trust	122	7,274	23	133
University of Leeds	15,994	4,442	5	690
NHS Health Education England	24	71,076	24	170
NHS Litigation Authority	30,602	72	4	0
NHS Blood and Transplant	7,385	2,202	103	0

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 £112k to Town Centre Securities Plc Group for estates consultancy support and 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.

The Trust's Director of Finance, Tony Whitfield is a Trustee of the Healthcare Financial Management Association. In 2015/16 the Trust made payments totalling £16k to the Association for corporate membership, training materials and attendance at training events.

32. Losses and special payments

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**

The total number of losses cases in 2014-15 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	273,839	740
Special payments	252,272	210
Total losses and special payments	526,111	950

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.

33. 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.

33.1. 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
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**
Retained surplus/(deficit) for the year	355	3,093	471	(43,426)	5,799	2,829	1,498	496	(19,988)	**(27,231)**
Adjustment for:										
Adjustments for impairments	0	0	0	42,075	(5,813)	0	0	0	(2,897)	**0**
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	353	150	(1,501)	**(2,963)**
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*	0	0	0	2,314	2,065	1,378	1,238	969	0	**0**
Break-even in-year position	**355**	**3,093**	**471**	**963**	**2,051**	**4,207**	**3,089**	**1,615**	**(24,386)**	**(30,194)**
Break-even cumulative position	**304**	**3,397**	**3,868**	**4,831**	**6,882**	**11,089**	**14,178**	**15,793**	**(8,593)**	**(38,787)**

* 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 %
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)**
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)**

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 2015-16 and the prior year the Trust has reported deficits and required revenue support. 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 2016-17 the Trust has a plan to deliver a surplus and no requirement for revenue support. 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 an agreed working capital facility is in place. 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.

33.2. 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%.

33.3. External financing limit

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

	2015-16 £000s	2014-15 £000s
External financing limit (EFL)	**33,223**	62,199
Cash flow financing	**32,860**	62,002
External financing requirement	**32,860**	62,002
Under spend against EFL	**363**	197

33.4. Capital resource limit

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

	2015-16 £000s	2014-15 £000s
Gross capital expenditure	**28,075**	42,341
Less: book value of assets disposed of	**(204)**	(157)
Less: capital grants	**(3,515)**	0
Less: donations towards the acquisition of non-current assets	**(875)**	(2,824)
Charge against the capital resource limit	**23,481**	39,360
Capital resource limit	**23,759**	40,819
Underspend against the capital resource limit	**278**	1,459

34. 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 19).

	31 March 2016 £000s	31 March 2015 £000s
Patient monies held by the Trust	**19**	17

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.

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 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

NHS trusts manual for accounts
The annual Department of Health publication which sets out the detailed requirements for NHS trust accounts.

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.

Primary care trust
NHS organisations responsible for commissioning all types of healthcare services on behalf their local populations. Primary care trusts were abolished on 31 March 2013 and replaced by clinical commissioning groups.

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).

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.

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