University Hospitals of Leicester Annual Accounts 2018/19

Author: Nick Sone – Financial Controller Sponsor: Paul Traynor – Chief Financial Officer Date: 24 May 2019

Executive Summary

Trust Board paper A2

Context

We are required to produce annual accounts for the year ending 31st March 2019 which are recommended by the Audit Committee to the Trust Board for approval.

Questions

1. Are the accounts complete and audited?
2. Did we achieve the statutory targets and our financial plan for 2018/19?
3. Can the accounts be approved by the Trust Board, and what is the approval process?.

Conclusion

4. The accounts have been subject to external audit by Grant Thornton and are complete subject to the results of some remaining audit testing. Our draft accounts were submitted by the mandatory Department of Health deadline.
5. We met two out of four statutory targets; the External Financing Limit and Capital Resource Limit; and delivered a deficit of £41.7m.
6. The accounts can be approved by the Trust Board, and to complete the process, members of the Trust Board will be required to sign relevant certificates as detailed in the report.

Input Sought

We require the Audit Committee to consider the accounts, and recommend approval by the Trust Board on 24th May 2019.

For Reference

Edit as appropriate:

1. The following objectives were considered when preparing this report:

Safe, high quality, patient centred healthcare	Not applicable
Effective, integrated emergency care	Not applicable
Consistently meeting national access standards	Not applicable
Integrated care in partnership with others	Not applicable
Enhanced delivery in research, innovation & ed'	Not applicable
A caring, professional, engaged workforce	Not applicable
Clinically sustainable services with excellent facilities	Not applicable
Financially sustainable NHS organisation	Yes
Enabled by excellent IM&T	Not applicable

2. This matter relates to the following governance initiatives:

Organisational Risk Register	No
Board Assurance Framework	No

3. Related Patient and Public Involvement actions taken, or to be taken: None

4. Results of any Equality Impact Assessment, relating to this matter: None

5. Scheduled date for the next paper on this topic: May 2020

6. Executive Summaries should not exceed 1 page. My paper complies

7. Papers should not exceed 7 pages. My paper complies

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: AUDIT COMMITTEE

DATE: 24th MAY 2019

REPORT FROM: PAUL TRAYNOR – CHIEF FINANCIAL OFFICER

SUBJECT: UNIVERSITY HOSPITALS OF LEICESTER ANNUAL ACCOUNTS 2018/19

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1. INTRODUCTION

1.1 We are required to produce annual statutory accounts for the year ending 31st March which are reviewed by the Audit Committee before being presented to Trust Board for approval. The accounts for the year ending 31st March 2019 are attached (Appendix 1).

1.2 The accounts have been subject to external audit by Grant Thornton, who will report as a separate agenda item to the Audit Committee. Grant Thornton also review the Performance Report and Accountability Report.

1.3 The accounts are included as Appendix 1.

2. STATUTORY & ADMINISTRATIVE TARGETS 2018/19

TARGET	ACHIEVED	NOTES
STATUTORY TARGETS		
Break-even – to generate a surplus of income over spending comparing one year with another	X	(£41.7m) retained deficit, against an original planned (£21.2m) deficit.
External Financing Limit – to control cash within the financing limit	√	The Trust delivered the External Financing Limit
Capital Resource Limit – to contain capital spending within an agreed limit	√	The Trust delivered the Capital Resource Limit
ADMINISTRATIVE TARGET		
Better Payments Practice Code – to pay all valid invoices within 30 days of receipt	X	*Non-NHS:* value 66%; volume 39% *NHS:* value 59%; volume 17%

3. KEY POINTS TO NOTE

3.1 We experienced a challenging financial year in 2018/19 driven by the requirement to deliver a £51.5m CIP programme set against the backdrop of an opening deficit of (£21.2m). The plan included the creation of a Facilities Management Partnership (FM LLP).

3.2 Within the year, we were informed that the planned FM LLP could no longer proceed. As a result we could not deliver the Control Total and excluding PSF and any impairment relating to Property, Plant and Equipment, we delivered a deficit of £41.7m (including £10.1m of PSF funding) for the year with CIP of £51.6m.

3.3 Our income increased by £32m (4%) from £961m to £992m predominantly driven by patient activity related income. We also had a £5.9m gain on the sale of surplus land at our Glenfield site.

3.4 Total expenditure increased by £44.2m (4.4%) from £997.4m to £1,041.6m driven by an increase in pay costs of £32m and an increase in non-pay of £6.5m. £30m of the increase in pay costs was due to substantive staff costs including £10.6m relating to an uplift in agenda for change pay.

3.5 There was a £2.8m increase in the costs relating to bank staff and a £2.2m reduction in agency spend. The increase in non-pay costs included an impairment of our property, plant and equipment of £1.5m (2017/18 - £2.7m) following a revaluation of our estate.

3.6 Our year-end outturn on CIPs was £51.6m compared to plan a plan of £51.5m. This is shown by CMG in Figure 1.

Figure 1 – CIP Outturn 2018/19

	Plan	Actual	F / (A)		FYE
	£'000	£'000	£'000	%	£'000
CHUGGS	3,467	3,489	22	101%	3,485
CSI	2,287	2,938	651	128%	2,666
ESM	5,189	6,458	1,269	124%	4,893
ITAPS	2,908	2,915	7	100%	2,066
MSS	3,911	3,811	(101)	97%	4,252
RRCV	5,253	5,253	0	100%	5,571
Womens & Childrens	5,268	2,985	(2,283)	57%	4,336
TOTAL: CMG	**28,284**	**27,849**	**(436)**	**98%**	**27,270**
Facilities	2,377	1,813	(564)	76%	2,116
Corporate Total	20,820	21,929	1,109	105%	12,166
Total CIP	**51,481**	**51,590**	**110**	**100%**	**41,552**

4 Revaluation of our estate

4.1 The largest material transaction disclosed in our accounts relates to the increase in value of our estate. A gain on revaluation of £32.9m has been charged to the revaluation reserve and a (£1.5m) impairment has been charged to the Statement of Comprehensive Income within Other Operating Costs. The impairment is adjusted out of the retained deficit, which is the final bottom line reported figure.

4.2 The valuation at 31st March 2019 is based on depreciated replacement cost (DRC), on a Modern Equivalent Asset (MEA) basis. This basically means that a value is applied to our hospital buildings which equates to the cost of replacing them with modern equivalents, which are likely to be more efficient and less costly.

5 Accounts approval process for the Trust Board

5.1 Once the accounts have been finalised, in order to complete the accounting process members of the Trust Board will be required to sign relevant certificates including the following (*signatories are shown in brackets*):-

- **Statement of Directors' responsibilities in respect of Internal Control** *(Chief Executive);*
- **Annual Governance Statement 2018-19** *(Chief Executive);*
- **Directors' Statements – Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust** *(Chief Executive)*, **and Statement of Directors' Responsibilities in respect of the accounts** *(Chief Executive and Chief Financial Officer);*
- **Statement of Financial Position** *(Chief Executive);*
- **Letter of Representation** *(Chief Executive), and*
- **Annual Report** *(Chief Executive).*

5.2 These certificates will be included as a separate item on the Trust Board agenda. Once signed, they are passed to Grant Thornton who will provide us with their audit opinion. We will then submit the accounts and certificates to the DHSC.

5.3 The Annual Governance Statement is presented as a separate item to the Audit Committee and Trust Board.

6 Recommendations

6.1 The Audit Committee is asked to:

- **Consider** the Annual Report and Accounts, and **recommend** approval by the Trust Board on 24th May 2019.

- **Note** that the Annual Governance Statement, which is a key element of the Annual Accounts, is presented separately for review by the Director of Corporate & Legal Affairs.

PAUL TRAYNOR
CHIEF FINANCIAL OFFICER

University Hospitals of Leicester NHS Trust

Annual accounts for the year ended 31 March 2019

Statement of Comprehensive Income

	Note	Group 2018/19 £000	2017/18 £000
Operating income from patient care activities	3	865,268	820,331
Other operating income	4	127,118	140,459
Operating expenses	6, 8	(1,028,913)	(985,601)
Operating surplus/(deficit) from continuing operations		**(36,527)**	**(24,811)**
Finance income	11	190	74
Finance expenses	12	(6,881)	(5,410)
PDC dividends payable		(5,931)	(6,452)
Net finance costs		**(12,622)**	**(11,788)**
Other gains / (losses)	13	5,858	(16)
Corporation tax expense		(20)	-
Surplus / (deficit) for the year from continuing operations		**(43,311)**	**(36,615)**
Surplus / (deficit) on discontinued operations and the gain / (loss) on disposal of discontinued operations		-	-
Surplus / (deficit) for the year		**(43,311)**	**(36,615)**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(820)	(1,703)
Revaluations	15	44,822	22,920
Total comprehensive income / (expense) for the period		**691**	**(15,398)**
Surplus/ (deficit) for the period attributable to:			
University Hospitals of Leicester NHS Trust		(43,311)	(36,615)
TOTAL		**(43,311)**	**(36,615)**
Total comprehensive income/ (expense) for the period attributable to:			
University Hospitals of Leicester NHS Trust		691	(15,398)
TOTAL		**691**	**(15,398)**
Financial performance for the year			
Retained deficit for the year		(43,311)	(36,615)
Impairments (excluding IFRIC 12 impairments)		1,509	2,735
Adjustments in respect of donated and government granted asset reserve elimination		63	(575)
CQUIN Risk Reserve - 2016/17 CT non achievement adjustment		0	(2,309)
Adjusted retained deficit		**(41,739)**	**(36,764)**

We delivered a deficit of £41,739k excluding impairments of £1,509k and including provider sustainability funding of £10,048k.

Other operating income has been reduced by £12,501k in relation to VAT income which the Trust deemed was due to it under the Capital Goods Scheme. This income was included in the Trust's 2017/18 accounts and reflected amounts that would have been reclaimable from the HMRC following the planned establishment of our facilities management subsidiary in 2018/19. Approval for the establishment of this subsidiary was not granted and therefore a reduction in income for 2018/19 has been made to reflect this.

Statement of Financial Position

	Note	Group 31 March 2019 £000	Group 31 March 2018 £000	Trust 31 March 2019 £000	Trust 31 March 2018 £000
Non-current assets					
Intangible assets	14	8,889	11,480	8,889	11,480
Property, plant and equipment	15	479,471	427,610	479,446	427,586
Investment in subsidiary		-	-	4,000	4,000
Trade and other receivables	17	6,573	2,904	6,573	2,904
Total non-current assets		**494,933**	**441,994**	**498,908**	**445,970**
Current assets					
Inventories	16	25,052	23,829	23,757	22,356
Trade and other receivables	17	70,836	70,519	70,508	70,186
Cash and cash equivalents	18	15,099	8,919	12,669	7,259
Total current assets		**110,987**	**103,267**	**106,934**	**99,801**
Current liabilities					
Trade and other payables	19	(115,292)	(109,237)	(115,113)	(109,807)
Borrowings	21	(53,133)	(46,797)	(53,133)	(46,797)
Provisions	23	(368)	(448)	(346)	(448)
Other liabilities	20	(2,585)	(3,469)	(2,573)	(3,469)
Total current liabilities		**(171,378)**	**(159,951)**	**(171,165)**	**(160,521)**
Total assets less current liabilities		**434,542**	**385,310**	**434,677**	**385,250**
Non-current liabilities					
Borrowings	21	(219,699)	(168,469)	(211,424)	(168,469)
Provisions	23	(1,584)	(1,465)	(1,584)	(1,465)
Total non-current liabilities		**(213,008)**	**(169,934)**	**(213,008)**	**(169,934)**
Total assets employed		**221,534** `	**215,376**	**221,669**	**215,316**
Financed by					
Public dividend capital		341,176	331,956	341,176	331,956
Revaluation reserve		142,351	98,349	142,351	98,349
Income and expenditure reserve		(261,993)	(214,929)	(261,858)	(214,989)
Total taxpayers' equity		**221,534**	**215,376**	**221,669**	**215,316**

The notes on pages 109 to 154 form part of these accounts.

Signed……………………………………………………………………………………

Name	John Adler
Position	Chief Executive
Date	**24 May 2019**

Statement of Changes in Equity for the year ended 31 March 2019

Group	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**331,956**	**98,349**	**(214,929)**	**215,376**
Impact of implementing IFRS 9 on 1 April 2018	-	-	(3,753)	**(3,753)**
Surplus/(deficit) for the year	-	-	(43,311)	**(43,311)**
Revaluations	-	44,002	-	**44,002**
Public dividend capital received	9,220	-	-	**9,220**
Taxpayers' and others' equity at 31 March 2019	**341,176**	**142,351**	**(261,993)**	**221,534**

Group	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2017 - brought forward	**331,956**	**77,428**	**(178,610)**	**230,774**
Surplus/(deficit) for the year	-	-	(36,615)	**(36,615)**
Impairments	-	(1,703)	-	**(1,703)**
Revaluations	-	22,920	-	**22,920**
Other reserve movements	-	(296)	296	**-**
Taxpayers' and others' equity at 31 March 2018	**331,956**	**98,349**	**(214,929)**	**215,376**

Statement of Changes in Equity for the year ended 2019

Trust	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**331,956**	**98,349**	**(214,989)**	**215,316**
Impact of implementing IFRS 9 on 1 April 2018	-	-	(3,753)	**(3,753)**
Surplus/(deficit) for the year	-	-	(43,116)	**(43,116)**
Revaluations	-	44,002	-	**44,002**
Public dividend capital received	9,220	-	-	**9,220**
Taxpayers' and others' equity at 31 March 2019	**341,176**	**142,351**	**(261,858)**	**221,669**

Trust	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2017 - brought forward	**331,956**	**77,428**	**(178,610)**	**230,774**
Surplus/(deficit) for the year	-	-	(36,675)	**(36,675)**
Share of comprehensive income from associates and joint ventures	-	(1,703)	-	**(1,703)**
Fair value gains/(losses) on available-for-sale financial investments	-	22,920	-	**22,920**
Other reserve movements	-	(296)	296	**-**
Taxpayers' and others' equity at 31 March 2018	**331,956**	**98,349**	**(214,989)**	**215,316**

Information on reserves

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

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

Available-for-sale investment reserve
This reserve comprises changes in the fair value of available-for-sale financial instruments. When these instruments are derecognised, cumulative gains or losses previously recognised as other comprehensive income or expenditure are recycled to income or expenditure.

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

Statement of Cash Flows

	Note	Group 2018/19 £000	Group 2017/18 £000	Trust 2018/19 £000	Trust 2017/18 £000
Cash flows from operating activities					
Operating surplus / (deficit)		(36,527)	(24,811)	(36,602)	(24,884)
Non-cash income and expense:					
Depreciation and amortisation	6.1	19,579	22,400	19,574	22,397
Net impairments	7	1,509	2,735	1,509	2,735
Income recognised in respect of capital donations	4	(430)	(977)	(430)	(977)
(Increase)/decrease in receivables and other assets		(16,522)	(15,565)	(18,703)	(14,320)
(Increase)/decrease in inventories		(1,223)	(3,854)	(1,401)	(2,381)
Increase/(decrease) in payables and other liabilities		6,113	2,017	7,787	1,685
Increase/(decrease) in provisions		37	(125)	15	(125)
Tax (paid)		(10)	-	-	-
Net cash flows from / (used in) operating activities		**(27,474)**	**(18,180)**	**(28,250)**	**(15,870)**
Cash flows from investing activities					
Interest received		190	74	190	74
Purchase of intangible assets			(1,566)	-	(1,566)
Purchase of PPE and investment property		(17,689)	(27,932)	(17,684)	(27,921)
Sales of PPE and investment property		6,050	-	6,050	-
Cash for establishment of subsidiaries			-	-	(4,000)
Net cash flows from / (used in) investing activities		**(11,449)**	**(29,424)**	**(11,444)**	**(33,413)**
Cash flows from financing activities					
Public dividend capital received		9,220	-	9,220	-
Movement on loans from DHSC		47,335	64,262	47,335	64,262
Capital element of finance lease rental payments		(4,595)	(4,518)	(4,595)	(4,518)
Interest paid on finance lease liabilities		(699)	(1,025)	(699)	(1,025)
Interest on loans		(5,748)	-	(5,748)	-
Other interest paid		(93)	(3,772)	(93)	(3,762)
PDC dividend (paid) / refunded		(5,402)	(5,681)	(5,402)	(5,681)
Net cash flows from / (used in) financing activities		**40,018**	**49,266**	**40,018**	**49,276**
Increase / (decrease) in cash and cash equivalents		**1,095**	**1,662**	**324**	**(7)**
Cash and cash equivalents at 1 April - b/f		**2,900**	**1,238**	**1,240**	**1,247**
Cash and cash equivalents at 31 March	18	**3,995**	**2,900**	**1,564**	**1,240**

Closing cash shown on the above cashflow statement is £3,995k. This compares to the figure of £15,099k on the Statement Of Financial Position (SOFP). The difference of £11,104k is classified as an overdraft due to the timing of cash payments at the year end, and is included within borrowings on the SOFP and can be seen in note 21.

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2018/19 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

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

Note 1.1.2 Going concern

These accounts have been prepared on a going concern basis as assessed by the Trust Board. Non-trading entities in the public sector are assumed to be going concerns where there is a continued provision of a service in the future. The FReM (financial reporting manual) guidance is that the financial statements are prepared on a going concern basis unless there are plans for, or no realistic alternative other than the dissolution of the Trust without the transfer of its services to another entity within the public sector.

The Audit Committee, with delegated authority from the Trust Board considered the Trust's going concern position at its meeting on 24th May 2019 and the key areas considered were:

- The Trust's reported deficit in 2018/19 of £41,740k deficit. In 2018/19 the Trust secured external financing of £49,495k to fund its deficit position.

- The Trust's financial plan for 2019/20 forecasts the delivery of a £10,656k deficit, necessitating further revenue cash borrowing of this amount using the Department of Health and Social Care's Uncommitted Single Currency Interim Revenue Support Facility. The planned cash support in 2019/20 has been approved by the Trust Board as part of the overall financial plan for the year. In order for the Trust to access this facility, the Department of Health and Social Care must approve the Trust's daily cash flow forecast for 13 weeks from the date of each drawdown. The Trust received £9,220k of PDC support in 2018/19 and plan to receive £18,781k in 2019/20 for capital support in relation to the ICU project.

- The Trust is not currently seeking any additional cash support from NHS Improvement (NHSI) in 2019/20 over and above that required to fund its deficit. However, should cash be required for working capital support the Trust will follow the NHSI process to apply for revenue support.

- The Trust and group anticipates that it may take some time before it can achieve financial balance on a sustainable basis. The Board of Directors has carefully considered the principle of "going concern" and the Directors have concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Trust and group which may cast significant doubt about the ability of the Trust and group to continue as a going concern.

- The Trust has agreed contracts with local commissioners for 2019/20 and services are being commissioned in the same manner in the future as in prior years and there are no discontinued operations. Similarly no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust and group will have access to adequate resources in the form of support from the Department of Health and Social Care (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

Nevertheless, the Directors have concluded that assessing the Trust and group as a going concern remains appropriate. Although these factors represent a material uncertainty that may cast significant doubt about the Trust’s and group's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have reasonable expectations that the Trust and group will have adequate resources to continue in operational existence for the foreseeable future. As directed by the DHSC Group Accounting Manual 2018/19 the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the financial statements and has not included the adjustments that would result if it was unable to continue as a going concern.

Furthermore, the Trust has a planned deficit and has breached the requirement under Section 30 of the Local Audit and Accountability Act 2014 to a break even taking one year against another over a three year rolling period. As such the Trust’s external auditors have made a referral to the Secretary of State on 24th May 2019. The External Auditor also needs to consider the Trust's status as a going concern. The expectation is that the Trust will be in financial balance in 2023/24.

The Trust has a planned deficit and has breached the requirement under Section 30 of the Local Audit and Accountability Act 2014 to a break even taking one year against another over a three year rolling period. As such the Trust’s external auditors have made a referral to the Secretary of State. Such a referral (24th May 2019) has been made under Section 30 of the Local Audit and Accountability Act of 2014. The External Auditor also needs to consider the Trust's status as a going concern. The expectation is that the Trust will be in financial balance in 2023/24.

Note 1.2 Critical judgements in applying accounting policies

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

We consider going concern to be a critical judgement and this is discussed in section 1.1.2.

MEA Valuation
The Trust engaged its valuers, Gerald Eve LLP, to revalue its estate as at the 31st March 2019. This revaluation applied a Modern Equivalent Asset (MEA) valuation methodology, which took into account the Trust's long term reconfiguration strategy. The Trust provided the valuers with a report from external advisors to inform the MEA valuation. This report estimated that a site reduction of 18% could be achieved on the Trust's land and buildings.

Note 1.2.1 Sources of estimation uncertainty

Valuation of assets
The value of our land and buildings is based on a Modern Equivalent Asset valuation which uses an estimate of the future likely configuration of our estate. This is assumed to be a smaller area than the Trust's current three sites. There is therefore some inherent uncertainty in this estimate.

Note 1.3 Consolidation

Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position.

The amounts consolidated will be drawn from the published financial statements of the subsidiary for the year.

Where subsidiaries' accounting policies are not aligned with those of the Trust then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

The Trust currently consolidates one subsidiary - Trust Group Holdings Limited (the Company). The Company is registered in the UK, company number 10388315, with a share capital comprising one share of £1 owned by the Trust. The company commenced trading on the 1 April 2017 as an Outpatient Dispensary services for the Trust. The service is provided across the three UHL sites, operating in normal business hours. A significant proportion of the company's revenue is inter group trading with the Trust which is eliminated upon the consolidation of these group financial statements.

The Trust does not consolidate the Leicester Hospitals Charity (LHC) as it is not material to the Trust as a whole. The Trust Board is the corporate Trustee to LHC and transactions between the Trust and LHC are described in note 28.

In accordance with Section 408 of the Companies Act 2006, the Trust is exempt from the requirement to present its own income statement and statement of comprehensive income. The Trust's deficit for the period was £41,740k (2017/18: £36,615k). The Trust's total comprehensive expense for the period was £7,716k million (2017/18: £15,398k). " The Trust and subsidiary accounts are prepared under IFRS.

Note 1.4 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS). As directed by the GAM, the transition to IFRS 15 in 2018/19 has been completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

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

The Trust receives income from its subsidiary, Trust Group Holdings, in relation to the provision of administrative services provided by the Trust to the subsidiary. This income is adjusted out of the group position upon consolidation of the group accounts position.

Note 1.4.1 Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income

Note 1.4.2 Revenue from research contracts

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

Note 1.4.3 NHS injury cost recovery scheme

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

Note 1.4.4 Revenue grants and other contributions to expenditure

Government grants are grants from government bodies other than income from commissioners or Trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.5 Expenditure on employee benefits

Note 1.5.1 Short-term employee benefits

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. We do not calculate an accrual for untaken annual leave.

Note 1.5.2 Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. The schemes are accounted for as though they are defined contribution schemes.

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

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

Note 1.5.3 Expenditure on other goods and services

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

Note 1.6 Property, plant and equipment

Note 1.6.1 Recognition
Property, plant and equipment is capitalised where:

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

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

Note 1.6.2 Measurement

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

All assets are measured subsequently at valuation. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

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

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

Property, plant and equipment which has been reclassified as ‘held for sale’ ceases to be depreciated upon the reclassification. Assets in the course of construction are valued at historic cost and are not depreciated until the asset is brought into use.

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

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

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

Impairments
In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

Note 1.6.3 De-recognition
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:
  - management are committed to a plan to sell the asset
  - an active programme has begun to find a buyer and complete the sale
  - the asset is being actively marketed at a reasonable price
  - the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

Note 1.6.4 Revaluations of property, plant and equipment

The Trust has revalued its assets with an effective date of revaluation of 31st March 2019.

The Trust's freehold and leasehold property values were updated by an external valuer, Gerald Eve LLP, a regulated firm of chartered surveyors. The valuation was prepared in accordance with the requirements of the RICS Professional Standards, the International Valuation Standards and IFRS.

The valuation has been prepared in accordance with the Government Financial Reporting Manual (FReM) to comply with IFRS, specifically with regard to IAS 16 ‘Property, Plant and Equipment’ and IAS 40 ‘Investment Properties’.

The valuer's opinion of Fair Value was primarily derived using the Depreciated Replacement Cost approach to value the service potential, on a Modern Equivalent Asset (MEA) basis. The MEA valuation was based on the Trust's estates strategy, which outlines a five year major reconfiguration for the Trust's estate, and which effectively defines the Modern Equivalent Asset for the valuation.

The Trust's estates strategy is consistent with its clinical strategy and both strategies are intrinsically linked as we must reconfigure our estate in order to deliver our clinical strategy. We provided our estates strategy to our valuers, Gerald Eve LLP, to enable them to provide a more accurate MEA valuation based on our actual plans and future Trust configuration.

As a result of this valuation the Trust has incurred an impairment charge of £1,509k, which is included within Other Operating Costs in the SOCI. This figure is removed from the Adjusted Financial Performance figure in accordance with Department of Health (DH) Accounting guidance.

The Trust's revaluation reserve has also been reduced in value by £472k as a result of the revaluation. The revaluation reserve has also been increased by £36,068k as a result of an upwards revaluation.

Note 1.6.5 Donated and grant funded assets

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

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

Note 1.6.6 Useful Economic lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	3	89
Dwellings	17	43
Plant & machinery	-	15
Transport equipment	-	15
Information technology	-	8
Furniture & fittings	-	15

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

Note 1.7 Intangible assets

Note 1.7.1 Recognition

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

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

Expenditure on research is not capitalised.

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

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

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

Note 1.7.2 Measurement
Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

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

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

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

Note 1.7.3 Useful economic life of intangible assets
Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

	Min life Years	Max life Years
Software licences	-	7

Note 1.7.4 Donations of property, plant and equipment

The majority of donated assets have been purchased on behalf of the Trust by the Leicester Hospitals Charity.

Note 1.8 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula.

Note 1.9 Cash and cash equivalents

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

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

Note 1.10 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO_2 emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO_2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO_2 emissions are made.

There were no outstanding liabilities at the end of 2018/19 (£0 2017/18).

Note 1.11 Financial instruments and financial liabilities

Recognition

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

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

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

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

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

Classification and measurement

Financial liabilities are classified as “fair value through income and expenditure” or as “other financial liabilities”.

Financial assets and financial liabilities at “fair value through income and expenditure”
Financial assets and financial liabilities at “fair value through income and expenditure” are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

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

The trust’s loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and “other receivables”.

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

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

Loans from the Department of Health and Social Care are disclosed at historic cost.

Other financial liabilities
All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

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

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

Impairment of financial assets
For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

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

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

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

Note 1.12.1 Leases

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

Note 1.12.2 The Trust as lessee

Finance leases

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

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

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

Operating leases

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

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

Leases of land and buildings
Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

Note 1.12.3 The Trust as lessor

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

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

Note 1.13 Provisions
The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Clinical negligence costs
NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed but is not recognised in the Trust’s accounts.

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

Note 1.14 Contingencies

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

Contingent liabilities are defined as:

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

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

Note 1.15 Public dividend capital

Public dividend capital is a type of public sector equity finance, which represents the Department of Health and Social Care's investment in the Trust. HM Treasury has determined that, being issued under statutory authority rather than under contract, PDC is not a financial instrument within the meaning of IAS 32.

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health and Social Care as PDC dividend. The charge is calculated at the real rate set by the Secretary of State with the consent of HM Treasury (currently 3.5%) on the average relevant net assets of the Trust. Relevant net assets are calculated as the value of all assets less all liabilities, except for:

• donated assets (including lottery funded assets)
• average daily cash balances held with the Government Banking Service (GBS) and National Loans Fund (NLF) deposits (excluding cash balances held in GBS accounts that relate to a short term working capital facility)
• any PDC dividend balance receivable or payable.

The average relevant net 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 and Social Care, 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. The PDC dividend calculation is based upon the Trust's group accounts (i.e. including subsidiaries), but excluding consolidated charitable funds.

Note 1.16.1 Value added tax

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

Note 1.16.2 Corporation tax

The Trust has no corporation tax liability itself however the Trust's subsidiary is liable to pay corporation tax and this is recognised in the group accounts.

Note 1.17 Third party assets

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

Note 1.18 Losses and special payments

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

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

Note 1.19 Gifts

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

Note 1.20 Transfers of functions from other NHS bodies

As public sector bodies are deemed to operate under common control, business reconfigurations within the DH group are outside the scope of IFRS 3 Business Combinations. Where functions transfer between two public sector bodies, the GAM requires the application of ‘absorption accounting’. Absorption accounting requires that entities account for their transactions in the period in which they took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Income, and is disclosed separately from operating costs.

Note 1.21.1 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2018/19.

Note 1.21.2 Standards, amendments and interpretations in issue but not yet effective or adopted

The DHSC GAM does not require the following Standards and Interpretations to be applied in 2018/19. These standards are still subject to HM Treasury FReM adoption.

● IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted. IFRS 16 will be applicable for public sector bodies from 2020/21. The Trust expects that it will reclassify approximately £5,000k of annual operating lease expenditure as finance leases.

● IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted. This is not likely to have a material impact on the Trust's accounts.

● IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019. This is not likely to have a material impact on the Trust's accounts.

Note 2 Operating Segments

The Trust operates in one segment, which is the provision of healthcare.

Note 3 Operating income from patient care activities (Group)

Note 3.1 Income from patient care activities (by nature)	**2018/19**	**2017/18**
	£000	**£000**
Acute services		
Elective income	142,074	131,477
Non elective income	248,494	229,179
First outpatient income	47,996	48,273
Follow up outpatient income	45,624	43,628
A & E income	33,532	29,718
High cost drugs income from commissioners (excluding pass-through costs)	99,095	84,231
Other NHS clinical income	232,566	246,388
All services		
Private patient income	2,821	2,872
Agenda for Change pay award central funding	10,625	-
Other clinical income	2,441	4,565
Total income from activities	**865,268**	**820,331**

Note 3.2 Income from patient care activities (by source)

	2018/19	**2018/19**
Income from patient care activities received from:	**£000**	**£000**
NHS England	305,886	288,791
Clinical commissioning groups	542,245	522,902
Department of Health and Social Care	10,625	-
Other NHS providers	798	739
NHS other	320	273
Non-NHS: private patients	2,821	2,872
Non-NHS: overseas patients (chargeable to patient)	977	2,655
NHS injury scheme	1,551	1,910
Non NHS: other	45	189
Total income from activities	**865,268**	**820,331**
Of which:		
Related to continuing operations	865,268	820,331
Related to discontinued operations	-	-

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

	2018/19 £000	2017/18 £000
Income recognised this year	977	2,655
Cash payments received in-year	378	685
Amounts written off in-year	2,833	1,131

Note 4 Other operating income (Group)

	2018/19 £000	2017/18 £000
Research and development	35,804	34,439
Education and training	42,419	42,157
Charitable and other contributions to expenditure	430	977
Non-patient care services to other bodies	5,377	19,426
Provider sustainability / sustainability and transformation fund income (PSF / STF)	10,048	-
Rental revenue from operating leases	491	449
Income in respect of staff costs where accounted on gross basis	10,175	13,282
Other income		
Car parking	5,025	4,420
Catering	3,411	2,989
Staff accommodation	1,370	1,334
Dispensing income	1,075	1,054
Income generation	1,618	13,222
All other income	9,875	6,710
Total other operating income	**127,118**	**140,459**
Of which:		
Related to continuing operations	127,118	140,459

In 2017/18 non patient care services to other bodies included a one-off £12.5m of VAT income which was expected by the Trust under the Capital Goods Scheme. This related to amounts that the Trust deemed to be reclaimable from the HMRC due to the the planned establishment of a facilities management subsidiary in 2018/19. This subsidiary was not established and a reduction has been made to the income generation category in 2018/19.

4.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2018/19 £000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	340

Note 5 Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Note 5.1 UHL Catering and Car Parking income (Group)

	2018/19 £000s	2017/18 £000s
Income	8,436	6,098

We provide retail catering services to patients and the public, and collect car parking income from our car parks. We record the associated full costs of these activities as they are absorbed into the overheads of the Trust.

Note 5.2 Fees and Charges (Group)

	2018/19 £000	2017/18 £000
Income	10,693	13,222
Full cost	(10,693)	(13,222)
Surplus / (deficit)	**-**	**-**

Note 6.1 Operating expenses (Group)

	2018/19	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	1,197	1,128
Purchase of healthcare from non-NHS and non-DHSC bodies	9,313	4,560
Staff and executive directors costs	628,825	597,793
Remuneration of non-executive directors	88	83
Supplies and services - clinical (excluding drugs costs)	112,631	109,211
Supplies and services - general	13,774	13,585
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	102,124	105,789
Consultancy costs	671	844
Establishment	5,514	6,426
Premises	38,133	33,753
Transport (including patient travel)	5,281	3,756
Depreciation on property, plant and equipment	16,957	20,207
Amortisation on intangible assets	2,622	2,193
Net impairments	1,509	2,735
Movement in credit loss allowance: contract receivables / contract assets	2,826	-
Movement in credit loss allowance: all other receivables and investments	(928)	(802)
Increase/(decrease) in other provisions	-	(3)
Audit fees payable to the external auditor		
- audit services- statutory audit	99	99
- other auditor remuneration (external auditor only)	7	7
Internal audit costs	183	125
Clinical negligence	31,927	27,398
Legal fees	249	265
Insurance	125	135
Research and development	35,763	34,376
Education and training	1,039	945
Rentals under operating leases	4,963	6,426
Redundancy	104	151
Car parking & security	1,358	1,857
Hospitality	13	3
Losses, ex gratia & special payments	3,433	1,245
Other services, eg external payroll	1,152	2,978
Other		
Interpreting	347	330
Hire of facilities	207	220
All other expenditure	7,407	7,783
Total	**1,028,913**	**985,601**
Of which:		
Related to continuing operations	1,028,913	985,601

Note 6.2 Other auditor remuneration (Group)

	2018/19	2017/18
	£000	£000
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services	7	7
Total	**7**	**7**

Note 6.3 Limitation on auditor's liability (Group)

There is a £500k limitation on auditor's liability for external audit work carried out in 2018/19 (2017/18 £500k).

Note 7 Impairment of assets (Group)

	2018/19	2017/18
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	1,509	2,735
Total net impairments charged to operating surplus / deficit	**1,509**	**2,735**
Impairments charged to the revaluation reserve	820	1,703
Total net impairments	**2,329**	**4,438**

Note 8 Employee benefits (Group)

	2018/19	2017/18
	Total	**Total**
	£000	**£000**
Salaries and wages	517,156	492,251
Social security costs	48,307	45,870
Apprenticeship levy	2,500	461
Employer's contributions to NHS pensions	58,117	54,568
Pension cost - other	69	36
Termination benefits	104	151
Temporary staff (including agency)	18,870	21,076
Total gross staff costs	**645,123**	**614,413**
Total staff costs	**645,123**	**614,413**
Of which		
Costs capitalised as part of assets	763	1,875
Total employee benefits excl. capitalised costs	**644,360**	**612,538**

Note 8.1 Retirements due to ill-health (Group)

During 2018/19 there were 9 early retirements from the Trust agreed on the grounds of ill-health (7 in the year ended 31 March 2018). The estimated additional pension liabilities of these ill-health retirements is £632k (£626k in 2017/18).

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

Note 9 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

c) Other pension schemes

The Trust offers an additional defined contribution workplace pension scheme - the National Employment Savings Scheme (NEST). This is not material.

Note 10 Operating leases (Trust only)

Note 10.1 University Hospitals of Leicester NHS Trust as a lessor

This note discloses income generated in operating lease agreements where University Hospitals of Leicester NHS Trust is the lessor.

	2018/19	2017/18
	£000	£000
Operating lease revenue		
Minimum lease receipts	491	449
Total	**491**	**449**

	31 March 2019	31 March 2018
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	436	80
- later than one year and not later than five years;	40	87
- later than five years.	56	70
Total	**532**	**237**

Note 10.2 University Hospitals of Leicester NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where University Hospitals of Leicester NHS Trust is the lessee.

Of the total minimum lease payments for 2018/19, £3,639k (2017/18 - £4,958k) relates to external contracts for the provision of haemodialysis services as defined under IAS 17 Leases. The Trust is provided with haemodialysis services from private sector suppliers from sites in Northamptonshire and Lincolnshire.

	2018/19	2017/18
	£000	£000
Operating lease expense		
Minimum lease payments	4,963	6,426
Total	**4,963**	**6,426**

	31 March 2019	31 March 2018
	£000	£000
Future minimum lease payments due:		
- not later than one year;	3,904	2,955
- later than one year and not later than five years;	4,163	6,124
Total	**8,067**	**9,079**

Note 11 Finance income (Group)

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

	2018/19	2017/18
	£000	£000
Interest on bank accounts	190	74
Total	**190**	**74**

Note 12.1 Finance expenditure (Group)

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

	2018/19	2017/18
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	6,023	4,295
Finance leases	763	1,025
Interest on late payment of commercial debt	93	89
Total interest expense	**6,879**	**5,409**
Unwinding of discount on provisions	2	1
Total finance costs	**6,881**	**5,410**

Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2018/19	2017/18
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	93	89

Note 13 Other gains / (losses) (Group)

	2018/19	2017/18
	£000	£000
Gains on disposal of assets	5,858	-
Losses on disposal of assets	-	(16)
Total gains / (losses) on disposal of assets	5,858	(16)
Total other gains / (losses)	**5,858**	**(16)**

Note 14 Intangible assets - 2018/19

	Group	
	Software licences	Total
	£000	£000
Valuation / gross cost at 1 April 2018 - brought forward	**29,574**	**29,574**
Reclassifications	29	**29**
Valuation / gross cost at 31 March 2019	**29,603**	**29,603**
Amortisation at 1 April 2018 - brought forward	**18,094**	**18,094**
Provided during the year	2,622	**2,622**
Reclassifications	(2)	**(2)**
Amortisation at 31 March 2019	**20,714**	**20,714**
Net book value at 31 March 2019	**8,889**	**8,889**
Net book value at 1 April 2018	**11,480**	**11,480**

Note 14.1 Intangible assets - 2017/18

	Software licences	Total
	£000	£000
Valuation / gross cost at 1 April 2017 - brought forward	**27,368**	**27,368**
Additions	1,566	**1,566**
Reclassifications	640	**640**
Valuation / gross cost at 31 March 2018	**29,574**	**29,574**
		-
Amortisation at 1 April 2017 - brought forward	**15,901**	**15,901**
Provided during the year	2,193	**2,193**
Amortisation at 31 March 2018	**18,094**	**18,094**
		-
Net book value at 31 March 2018	**11,480**	**11,480**
Net book value at 1 April 2017	**11,467**	**11,467**

Note 15 Property, plant and equipment - 2018/19

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2018 - brought forward	**48,878**	**296,244**	**8,383**	**11,807**	**166,638**	**212**	**61,545**	**2,460**	**596,167**
Additions	-	7,773	-	7,569	6,699	23	4,584	8	**26,656**
Impairments		(2,326)	(3)						**(2,329)**
Revaluations	(10)	33,074	665	-	-	-	-	-	**33,729**
Reclassifications	-	60	-	(159)	70	-	-	-	**(29)**
Disposals / derecognition	(269)	-	-	-	(3,600)	(15)	(129)	(26)	**(4,039)**
Valuation/gross cost at 31 March 2019	**48,599**	**334,825**	**9,045**	**19,217**	**169,807**	**220**	**66,000**	**2,442**	**650,155**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**-**	**-**	**-**	**117,113**	**123**	**49,593**	**1,728**	**168,557**
Provided during the year	-	10,686	407	-	3,345	7	2,463	49	**16,957**
Revaluations		(10,686)	(407)						**(11,093)**
Reclassifications	-	-	-	-	(6)	-	8		**2**
Disposals / derecognition	-	-	-	-	(3,570)	(15)	(128)	(26)	**(3,739)**
Accumulated depreciation at 31 March 2019	**-**	**-**	**-**	**-**	**116,882**	**115**	**51,936**	**1,751**	**170,684**
Net book value at 31 March 2019	**48,599**	**334,825**	**9,045**	**19,217**	**52,925**	**105**	**14,064**	**691**	**479,471**
Net book value at 1 April 2018	**48,878**	**296,244**	**8,383**	**11,807**	**49,525**	**89**	**11,952**	**732**	**427,610**

Note 15.1 Property, plant and equipment - 2017/18

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2017 - brought forward	**46,478**	**273,626**	**7,978**	**11,592**	**159,428**	**199**	**57,886**	**2,268**	**559,455**
Additions	-	15,657	50	2,651	9,958	13	3,186	215	**31,730**
Impairments	(1,800)	(2,629)	(9)	-	-	-	-	-	**(4,438)**
Revaluations	4,200	8,623	364	-	-	-	-	-	**13,187**
Reclassifications	-	967	-	(2,436)	291	-	490	-	**(688)**
Disposals / derecognition	-	-	-	-	(3,039)	-	(17)	(23)	**(3,079)**
Valuation/gross cost at 31 March 2018	**48,878**	**296,244**	**8,383**	**11,807**	**166,638**	**212**	**61,545**	**2,460**	**596,167**
Accumulated depreciation at 1 April 2017 - brought forward	**-**	**16**	**-**	**-**	**111,750**	**109**	**47,658**	**1,661**	**161,194**
Provided during the year	-	9,363	370	-	8,418	14	1,952	90	**20,207**
Revaluations	-	(9,363)	(370)	-	-	-	-	-	**(9,733)**
Reclassifications	-	(16)	-	-	(32)	-	-	-	**(48)**
Disposals/ derecognition	-	-	-	-	(3,023)	-	(17)	(23)	**(3,063)**
Accumulated depreciation at 31 March 2018	**-**	**-**	**-**	**-**	**117,113**	**123**	**49,593**	**1,728**	**168,557**
Net book value at 31 March 2018	**48,878**	**296,244**	**8,383**	**11,807**	**49,525**	**89**	**11,952**	**732**	**427,610**
Net book value at 1 April 2017	**46,478**	**273,610**	**7,978**	**11,592**	**47,678**	**90**	**10,228**	**607**	**398,261**

Note 15.2 Property, plant and equipment financing - 2018/19

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	48,599	327,950	9,045	19,217	31,851	91	13,981	604	**449,999**
Finance leased	-	-	-	-	19,637	-	-	-	**19,637**
Owned - government granted	-	668	-	-	-	-	-	-	**668**
Owned - donated	-	6,207	-	-	1,437	14	83	87	**7,828**
NBV total at 31 March 2019	**48,599**	**334,825**	**9,045**	**19,217**	**52,925**	**105**	**14,064**	**691**	**478,132**

Note 15.3 Property, plant and equipment financing - 2017/18

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2018									
Owned - purchased	48,878	289,269	8,383	11,807	28,154	74	11,914	645	**399,124**
Finance leased	-	-	-	-	20,073	-	-	-	**20,073**
Owned - government granted	-	689	-	-	-	-	-	-	**689**
Owned - donated	-	6,286	-	-	1,298	15	38	87	**7,724**
NBV total at 31 March 2018	**48,878**	**296,244**	**8,383**	**11,807**	**49,525**	**89**	**11,952**	**732**	**427,610**

Note 16 Inventories

	Group		Trust	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
Drugs	6,069	6,090	4,774	4,617
Consumables	18,772	17,657	18,773	17,657
Energy	211	82	211	82
Total inventories	**25,052**	**23,829**	**23,758**	**22,356**

Inventories recognised in expenses for the year were £147,075k (2017/18: £137,002k). Write-down of inventories recognised as expenses for the year were £0k (2017/18: £2k).

Note 17.1 Trade receivables and other receivables

	Group		Trust	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
Current				
Contract receivables*	61,120		61,120	
Trade receivables*		26,421		26,407
Accrued income*		33,291		33,429
Allowance for impaired contract receivables / assets*	(2,170)		(2,170)	
Prepayments (non-PFI)	9,309	7,271	9,309	7,246
VAT receivable	1,781	2,011	1,453	1,579
Other receivables	796	1,525	796	1,525
Total current trade and other receivables	**70,836**	**70,519**	**70,508**	**70,186**
Non-current				
Contract receivables*	2,458		2,458	
Trade receivables		3,460		3,460
Accrued income*		-		-
Allowance for impaired contract receivables / assets*	(917)		(917)	
Allowance for other impaired receivables		(928)		(928)
Prepayments (non-PFI)	5,032	372	5,032	372
Total non-current trade and other receivables	**6,573**	**2,904**	**6,573**	**2,904**
Of which receivables from NHS and DHSC group bodies:				
Current	49,280	38,168	49,280	38,168

*Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables. This replaces the previous analysis into trade receivables and accrued income. IFRS 15 is applied without restatement therefore the comparative analysis of receivables has not been restated under IFRS 15.

Note 17.2 Allowances for credit losses 2018/19

	Group	Trust
	Contract receivables and contract assets	Contract receivables and contract assets
	£000	£000
Allowances as at 1 Apr 2018 - brought forward	**928**	**928**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	3,753	3,753
New allowances arising	1,544	1,544
Changes in existing allowances	354	354
Utilisation of allowances (write offs)	(3,492)	(3,492)
Allowances as at 31 Mar 2019	**3,087**	**3,087**

IFRS 9 and IFRS 15 are adopted without restatement therefore this analysis is prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure shown below.

	Group		Trust	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Provision for doubtful debts as at 1 April 2017 - brought forward	**1,944**	**1,651**	**1,944**	**1,651**
At 1 April - restated	**1,944**	**1,651**	**1,944**	**1,651**
Transfers by absorption	-	-		
Increase in provision	8	105	8	105
Amounts utilised	(214)	(91)	(214)	(91)
Unused amounts reversed	(810)	279	(810)	279
Provision for doubtful debts as at 31 March 2018	**928**	**1,944**	**928**	**1,944**

Note 18 Cash and cash equivalents movements

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

	Group		Trust	
	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000
At 1 April	**8,919**	**1,238**	**7,259**	**1,238**
Net change in year	6,180	7,681	5,409	6,021
At 31 March	**15,099**	**8,919**	**12,668**	**7,259**
Broken down into:				
Cash at commercial banks and in hand	2,474	-	44	
Cash with the Government Banking Service	12,625	8,919	12,624	1,146
Total cash and cash equivalents as in SoFP	**15,099**	**8,919**	**12,668**	**1,146**
Bank overdrafts (GBS and commercial banks)	(11,104)	(6,019)	(11,104)	-
Total cash and cash equivalents as in SoCF	**3,995**	**2,900**	**1,564**	**1,146**

Note 18.1 Third party assets held by the Trust

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

	31 March 2019	31 March 2018
	£000	£000
Monies on deposit	-	1
Total third party assets	**-**	**1**

Note 19.1 Trade and other payables

	Group		Trust	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
Current				
Trade payables	56,217	55,863	56,038	59,311
Capital payables	3,423	4,307	3,423	4,307
Accruals	28,627	23,558	28,627	23,563
Social security costs	7,298	6,969	7,298	6,957
Other taxes payable	6,121	5,892	6,121	5,882
PDC dividend payable	536	7	536	7
Accrued interest on loans*	-	587	-	587
Other payables	8,089	12,054	8,089	9,194
Total current trade and other payables	**110,311**	**109,237**	**110,132**	**109,808**
Of which payables from NHS and DHSC group bodies:				
Current	15,806	18,188	15,806	18,188

*Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note 35. IFRS 9 is applied without restatement therefore comparatives have not been restated.

Note 19.2 Early retirements in NHS payables above

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

Group and Trust	**31 March 2019**	**31 March 2019**	**31 March 2018**	**31 March 2018**
	£000	**Number**	**£000**	**Number**
- to buy out the liability for early retirements over 5 years	186	-	211	-
- number of cases involved	-	65	-	66

Note 20 Other liabilities

	Group		Trust	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
Current				
Deferred income	7,566	3,469	7,566	3,469
Total other current liabilities	**7,566**	**3,469**	**7,566**	**3,469**

Note 21 Borrowings

	Group		Trust	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
Current				
Bank overdrafts	11,104	6,019	11,104	6,019
Loans from DHSC	37,122	36,260	37,122	36,260
Obligations under finance leases	5,415	4,518	5,415	4,518
Total current borrowings	**53,641**	**46,797**	**53,641**	**46,797**
Non-current				
Loans from DHSC	209,410	162,075	209,410	162,075
Obligations under finance leases	10,289	6,394	10,289	6,394
Total non-current borrowings	**219,699**	**168,469**	**219,699**	**168,469**

The Trust's opening financing consisted of £198,335k of loans and the Trust had a closing balance of £246,531k capital and revenue loans, including £65,559k of Interim Revolving Working Capital Facility (IRWC).

During 2018/19 the Trust successfully applied for additional loans to support its revenue position of £49,495k. A loan of £34,100k is repayable in 2019/20 and the Trust anticipates that it will secure a new loan to enable this repayment to be made, or the terms of the existing loan will be extended.

Loans are usually repayable in full, three years after the Trust receives them. There are two capital loans which are repaid in instalments, with a total of £2,160k being repayable annually over 25 years. The Trust funds these repayments through its internal financing.

Note 21.2 Reconciliation of liabilities arising from financing activities

	DHSC	Leases	Total
	£000	£000	£000
Carrying value at 1 April 2018	**198,335**	**10,912**	**209,247**
Financing cash flows - payments and receipts of principal	47,335	(4,595)	**42,740**
Financing cash flows - payments of interest	(5,748)	(699)	**(6,447)**
Non-cash movements:			
Impact of implementing IFRS 9 on 1 April 2018	587	-	**587**
Additions	-	540	**540**
Application of effective interest rate	6,023	763	**6,786**
Carrying value at 31 March 2019	**246,532**	**6,921**	**253,453**

Note 22 Finance leases

Managed Equipment Service (MES) finance lease

The Trust has a finance lease in relation to its managed equipment service as defined by IAS 17 *Leases.*

Commencement date: 2007-2008
End date: 2025-2026

Payment for the fair value of the services received

The annual unitary payment is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Interest costs charged to revenue

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.

Property plant and equipment assets recognised on the balance sheet

The finance lease assets are recognised as property, plant and equipment. The asset values, life and depreciation for the MES scheme are provided to the Trust by the Lessor.

Depreciation on the property, plant and equipment is charged to revenue.

Liability

A liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the assets and is subsequently measured as a finance lease liability in accordance with IAS 17 *Leases.*

Asset replacement

Any assets, or asset components replaced by the operator during the contract 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.

Assets contributed by the Trust to the operator for use in the scheme (MES only).

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

Note 22.2 University Hospitals of Leicester NHS Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	Group	
	31 March 2019	**31 March 2018**
	£000	**£000**
Gross lease liabilities	**7,308**	**12,142**
of which liabilities are due:		
- not later than one year;	4,907	4,518
- later than one year and not later than five years;	976	3,099
- later than five years.	1,425	4,525
Finance charges allocated to future periods	(387)	(1,230)
Net lease liabilities	**6,921**	**10,912**
of which payable:		
- not later than one year;	4,907	4,518
- later than one year and not later than five years;	895	2,842
- later than five years.	1,119	3,552

Note 23.1 Provisions for liabilities and charges analysis (Group)

	Pensions: early departure costs	Pensions: injury benefits*	Redundancy	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2018	**981**	**510**	**77**	**345**	**1,913**
Arising during the year	65	12	27	618	**722**
Utilised during the year	(214)	(57)	(77)	(69)	**(417)**
Reversed unused	(17)	(136)	-	(115)	**(268)**
Unwinding of discount	2	-	-	-	**2**
At 31 March 2019	**817**	**329**	**27**	**779**	**1,952**
Expected timing of cash flows:					
- not later than one year;	214	57	27	70	**368**
- later than one year and not later than five years;	603	228	-	280	**1,111**
- later than five years.	-	44	-	429	**473**
Total	**817**	**329**	**27**	**779**	**1,952**

Note 23.2 Provisions for liabilities and charges analysis (Trust)

	Pensions: early departure costs	Pensions: injury benefits*	Redundancy	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2018	**981**	**510**	**77**	**345**	**1,913**
Arising during the year	65	12	27	596	**700**
Utilised during the year	(214)	(57)	(77)	(69)	**(417)**
Reversed unused	(17)	(136)	-	(115)	**(268)**
Unwinding of discount	2	-	-	-	**2**
At 31 March 2019	**817**	**329**	**27**	**757**	**1,930**
Expected timing of cash flows:					
- not later than one year;	214	57	27	48	**346**
- later than one year and not later than five years;	603	228	-	280	**1,111**
- later than five years.	-	44	-	429	**473**
Total	**817**	**329**	**27**	**757**	**1,930**

* In 2018/19 the analysis of provisions has been revised to separately identify provisions for injury benefit liabilities. In previous periods, these provisions were included within other provisions.

Note 23.3 Clinical negligence liabilities

At 31 March 2019, £394,856k was included in provisions of NHS Resolution in respect of our clinical negligence liabilities (31 March 2018: £334,763k).

Note 24 Contingent assets and liabilities

	Group		Trust	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
Value of contingent liabilities				
Other	(126)	(144)	(126)	(144)
Gross value of contingent liabilities	**(126)**	**(144)**	**(126)**	**(144)**
Amounts recoverable against liabilities	-	-	-	-
Net value of contingent liabilities	**(126)**	**(144)**	**(126)**	**(144)**

Contingent Liability
During the year, the Trust disposed of surplus land to Davidsons Homes for the development of local housing units. The contract for the sale of the land was completed within the year with the associated transfer of legal title. At the same time, a separate contract has been entered into that includes a put option to the effect that the sale and proceeds received is contingent upon Davidsons Homes obtaining appropriate access and planning permission within a reasonable timeframe. On the event of these conditions not being met, the buyer has the right to exercise the put option for the Trust to repurchase the land at the original selling price plus indexation. The Directors of the Trust have reviewed the put option and based upon information available has concluded that whilst exercising the option is possible it is not probable that access and planning permission will not be granted and therefore payment to repurchase the land will not be required.

The Trust's contingent liabilities relate to property, employer and public liability cases which are administered by the NHS Litigation Authority and are expected to be resolved.

Note 25 Contractual capital commitments

	Group		Trust	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	19,203	4,002	19,203	4,002
Total	**19,203**	**4,002**	**19,203**	**4,002**

Contractual capital commitments of £19,203k includes £15,997k in relation to our major ICU reconfiguration project which is funded through Public Dividend Capital.

Note 26 Financial instruments

Note 26.1 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. Because of the continuing service provider relationship that the 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 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 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. Trust treasury activity is subject to review by the Trust's 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 strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at the 31st March 2019 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups, 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 relies on loans from the Department of Health and Social Care to fund its deficit and also for an element of capital expenditure. The Trust's closing loan balances for 2018/19 were as follows:

	Balance	Repayable in:			
	31/03/2019	2019/20	2020/21	2021/22	Later
	£'000	£'000	£'000	£'000	£'000
Capital loans (repayable in instalments)	45,487	2,160	2,160	2,160	39,007
Revenue support / working capital loans	135,486	34,100	51,891	49,495	0
Revolving working capital facility	65,559	0	65,559	0	0
Total	**246,532**	**36,260**	**119,610**	**51,655**	**39,007**

All loans are repayable to the Department of Health and Social Care. A further £10.7m of loans are planned to be received to fund the Trust's deficit in 2019/20. The main clause in all of these loans is that our cash balance is not permitted to fall below £1,000k at any time. We appply monthly for our deficit support loans and are required to submit a detailed 13 week cashflow in support of each loan.

Interest rates for the above loans range from 1.5% to 3.5%. The Trusts cash, loans and working capital positions are monitored by its Finance and Investment Committee.

Land sale

As described within Note 24 Contingent Liabilities, the Trust has disposed of some surplus land within the year. As part of this transaction, a separate contract has been entered into that includes a put option to the effect that the sale and proceeds received is contingent upon the buyer obtaining appropriate access and planning permission within a reasonable timeframe. On the event of these conditions not being met, the buyer has the right to exercise the put option for the Trust to repurchase the land at the original selling price plus indexation. The Directors of the Trust have reviewed the put option and based upon information available has concluded that whilst exercising the option is possible, it is not probable that access and planning permission will not be granted and therefore payment to repurchase the land will not be required.

The Trust has not recognised any liability in respect of this put option as it believes the financial liability associated with this is £nil.

Note 26.2 Carrying values of financial assets

	Group		Trust	
	Financial assets at amortised cost	**Total book value**	**Financial assets at amortised cost**	**Total book value**
	£000	**£000**	**£000**	**£000**
Assets as per SoFP as at 31 March 2019				
Receivables (excluding non financial assets) - with DHSC group bodies	49,280	**49,280**	49,280	**49,280**
Receivables (excluding non financial assets) - with other bodies	12,007	**12,007**	11,679	**11,679**
Other investments / financial assets	-	**-**	4,000	**4,000**
Cash and cash equivalents	15,099	**15,099**	15,099	**15,099**
Total at 31 March 2019	**76,386**	**76,386**	**80,058**	**80,058**

	Loans and receivables	**Total book value**	**Loans and receivables**	**Total book value**
	£000	**£000**	**£000**	**£000**
Assets as per SoFP as at 31 March 2018				
Trade and other receivables excluding non financial assets	61,848	**61,848**	61,991	**61,991**
Other investments / financial assets	-	**-**	4,000	**4,000**
Cash and cash equivalents	8,919	**8,919**	7,215	**7,215**
Total at 31 March 2018	**70,767**	**70,767**	**73,206**	**73,206**

Note 26.3 Carrying values of financial liabilities

	Group		Trust	
	Financial liabilities at amortised cost	**Total book value**	**Financial liabilities at amortised cost**	**Total book value**
	£000	**£000**	**£000**	**£000**
Liabilities as per SoFP as at 31 March 2019				
DHSC Loans	246,532	**246,532**	246,532	**246,532**
Obligations under finance leases	6,921	**6,921**	6,921	**6,921**
Other borrowings excluding finance lease and PFI liabilities	11,104	**11,104**	11,104	**11,104**
Trade and other payables (excluding non financial liabilities) - with DHSC group bodies	10,825	**10,825**	10,825	**10,825**
Trade and other payables (excluding non financial liabilities) - with other bodies	85,531	**85,531**	85,352	**85,352**
Total at 31 March 2019	**360,913**	**360,913**	**360,734**	**360,734**

	Other financial liabilities	**Total book value**	**Other financial liabilities**	**Total book value**
	£000	**£000**	**£000**	**£000**
Liabilities as per SoFP as at 31 March 2018				
Loans from the Department of Health and Social Care	198,335	**198,335**	204,354	**204,354**
Obligations under finance leases	10,912	**10,912**	10,912	**10,912**
Other borrowings	6,019	**6,019**	-	**-**
Trade and other payables excluding non financial liabilities	73,029	**73,029**	73,172	**73,172**
Total at 31 March 2018	**288,295**	**288,295**	**288,438**	**288,438**

Note 26.5 Maturity of financial liabilities

	Group		Trust	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
In one year or less	141,214	119,749	141,035	119,892
In more than one year but not more than two years	119,975	2,792	119,975	2,792
In more than two years but not more than five years	59,402	125,051	59,402	125,051
In more than five years	40,322	40,703	40,322	40,703
Total	**360,913**	**288,295**	**360,734**	**288,438**

Note 27 Losses and special payments

Group and trust	2018/19 Total number of cases	2018/19 Total value of cases	2017/18 Total number of cases	2017/18 Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	-	-	3	5
Bad debts and claims abandoned	1,962	3,262	485	1,131
Total losses	**1,962**	**3,262**	**488**	**1,136**
Special payments				
Compensation under court order or legally binding arbitration award	4	4	1	3
Ex-gratia payments	133	167	130	106
Total special payments	**137**	**171**	**131**	**109**
Total losses and special payments	**2,099**	**3,433**	**619**	**1,245**

Note 28.1 Related parties (Group)

During the year none of the Department of Health and Social Care Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the University Hospitals of Leicester NHS Trust. The Leicester Hospitals Charity is a related party of all members of the Trust Board, as the Trust Board is the Charity's corporate trustee.

Mr K Singh, Trust Chairman, has a family member who is a Partner with Lakeside Healthcare. During the reporting year, the Trust made payments to Lakeside Healthcare amounting to £100k.

Professor Philip Baker, Non Executive Director, is the Dean of Medicine, Pro-Vice-Chancellor and Head of the College of Life Sciences, University of Leicester. Transactions with the University of Leicester are shown below.

Mr Ballu Patel, Non-Executive Director, is Chair of Leicester Hospitals Charity. Transactions with the Leicester Hospitals Charity are shown below.

Vicky Bailey, Non-Executive Director, is a council member of the University of Nottingham. During the reporting year the Trust made payments of £116k to the University and received payments of £34k from the University. £4k was owed to the Trust from the University at the year end.

Eleanor Meldrum, Acting Chief Nurse is an Honorary Professor at DeMontfort University. During the reporting year the Trust payments of £54k to the University.

Mr J Adler, Chief Executive, is an unpaid Trustee of NHS Providers. During the reporting year, the Trust made payments amounting to £23k to NHS Providers.

The spouse of Mr P Traynor, Chief Financial Officer, is currently an Interim Business Development Manager at LLR Alliance. During the reporting year, the Trust made payments amounting to £68k to LLR Alliance.

Louise Tibbert, Director of Workforce and OD, Member of the NHS Pension Board as an employer representative. The NHS Pension Scheme is shown below as a DHSC entity.

The Trust has outstanding loans totalling £246,531k at the 31 March 2019, issued by the Department of Health.

MATERIAL DEPARTMENT OF HEALTH AND SOCIAL CARE ENTITIES

The Department of Health and Social Care (DHSC) is regarded as a related party. During the year the University Hospitals of Leicester NHS Trust has had a significant number of material transactions with the DHSC and with other entities for which the DHSC is regarded as the parent Department. These entities are listed below:

NHS Leicester City CCG
NHS West Leicestershire CCG
NHS East Leicestershire and Rutland CCG
Nottingham University Hospitals NHS Trust
Leicestershire Partnership NHS Trust
North West Anglia NHS Foundation Trust
NHS England - Central Midlands Local Office
NHS England - East Midlands Specialised Commissioning Hub
Health Education England
NHS Pension Scheme
NHS Resolution

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with the following organisations:

HM Revenue and Customs - VAT
HM Revenue and Customs - Other Taxes and Duties
Leicester City Council
Leicestershire County Council

University of Leicester:

During the reporting year, the Trust made payments to the University of Leicester amounting to £6,297k (2017/18 - £8,737k). The majority of these payments relate to the provision of services to the Trust by medical staff employed by the University of Leicester, and research payments. As at 31st March 2019 a sum of £897k (2017/18 - £2,643k) is included in payables in respect of the University of Leicester. The University paid us £5,290k (2017/18 - £4,847k) in the year, relating primarily to research work, and £1,370k (2017/18 - £1,622k) was included within receivables at 31st March 2018.

Leicester Hospitals Charity

The Trust is the Corporate Trustee for Leicester Hospitals Charity which is an independent charity registered with the Charity Commission. In 2018/19 the Trust received total asset donations of £430k (£900k in 2017/18). Full details will be included in the Charity's accounts as submitted to the Charity Commission.

Note 28.2 Related parties (Trust)

Trust Group Holdings Limited

The financial statements of the parent (Trust) are presented together with the consolidated financial statements. Any transactions or balances between the group entities have been eliminated on consolidation. Trust Group Holdings Limited does not have any transactions with the NHS or other Government entities except those with the parent Trust and HMRC (payroll and social security taxes). The Trust's receivables includes £117k owed by the subsidiary and the Trust's payables include £2,093k owed to the subsidiary.

Note 29.1 Initial application of IFRS 9

IFRS 9 Financial Instruments as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to reserves on 1 April 2018.

IFRS 9 replaces IAS 39 and introduces a revised approach to classification and measurement of financial assets and financial liabilities, a new forward-looking 'expected loss' impairment model and a revised approach to hedge accounting.

Under IFRS 9, borrowings from the Department of Health and Social Care, which were previously held at historic cost, are measured on an amortised cost basis. Consequently, on 1 April 2018 borrowings increased by £587k, and trade payables correspondingly reduced.

Reassessment of allowances for credit losses under the expected loss model resulted in a £3,753k decrease in the carrying value of receivables.

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classifiction of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. The carrying value of these receivables at 1 April 2018 was £3,390k.

Note 29.2 Initial application of IFRS 15

IFRS 15 Revenue from Contracts with Customers as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the income and expenditure reserve on 1 April 2018.

IFRS 15 introduces a new model for the recognition of revenue from contracts with customers replacing the previous standards IAS 11, IAS 18 and related Interpretations. The core principle of IFRS 15 is that an entity recognises revenue when it satisfies performance obligations through the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

As directed by the GAM, the Trust has applied the practical expedient offered in C7A of the standard removing the need to retrospectively restate any contract modifications that occurred before the date of implementation (1 April 2018).

These changes have had no material financial impact in 2018/19.

Note 30 Better Payment Practice Code

	2018/19 Number	2018/19 £000	2017/18 Number	2017/18 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	169,613	597,569	166,500	566,455
Total non-NHS trade invoices paid within target	65,974	395,630	48,025	356,760
Percentage of non-NHS trade invoices paid within target	38.90%	66.21%	28.84%	62.98%
NHS Payables				
Total NHS trade invoices paid in the year	5,639	129,951	5,213	124,245
Total NHS trade invoices paid within target	964	76,159	807	65,156
Percentage of NHS trade invoices paid within target	17.10%	58.61%	15.48%	52.44%

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

Note 31.1 External financing

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

	2018/19 £000	2017/18 £000
Cash flow financing	50,267	58,082
External financing requirement	50,267	58,082
External financing limit (EFL)	50,267	58,082
Under / (over) spend against EFL	-	-

Note 31.2 Capital Resource Limit

	2018/19 £000	2017/18 £000
Gross capital expenditure	26,656	33,296
Less: Disposals	(300)	(16)
Less: Donated and granted capital additions	(430)	(977)
Charge against Capital Resource Limit	**25,926**	**32,303**
Capital Resource Limit	25,926	32,514
Under / (over) spend against CRL	**-**	**211**

Note 31.3 Breakeven duty financial performance

	2018/19 £000
Adjusted financial performance surplus / (deficit) (control total basis)	(41,739)
Breakeven duty financial performance surplus / (deficit)	**(41,739)**

Note 32 Breakeven Duty Rolling Assessment

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19
Breakeven duty in-year financial performance		51	1,013	88	91	(39,655)	(40,648)	(34,051)	(27,152)	(34,455)	(41,739)
Breakeven duty cumulative position	3,910	3,961	4,974	5,062	5,153	(34,502)	(75,150)	(109,201)	(136,353)	(170,808)	(212,547)
Operating income		697,692	696,257	719,154	758,665	770,393	834,376	866,036	924,269	960,790	992,386
Cumulative breakeven position as a percentage of operating income		0.6%	0.7%	0.7%	0.7%	-4.5%	-9.0%	-12.6%	-14.8%	-17.8%	-21.4%

The breakeven duty in-year financial performance is not disclosed on the same basis as the figures reported in the SOCI for Retained Deficit (£43,312k). In accordance with DHSC guidance we have disclosed the above financial performance as:

	2018/19	2017/18
Financial performance for the year	**£000**	**£000**
Retained deficit for the year	(43,311)	(36,615)
Impairments (excluding IFRIC 12 impairments)	1,509	2,735
Adjustments in respect of donated and government granted asset reserve elimination	63	(575)
Adjusted retained deficit	**(41,739)**	**(34,455)**

The Trust has a comprehensive medium term reconfiguration plan and is expected to achieve financial balance in 2023/24.

Note 33 Events after the reporting date

There are no events after the reporting date to be reported.