

2017/18 Accounts

Author: Nick Sone – Financial Controller Sponsor: Paul Traynor – Chief Financial Officer
Date: Trust Board Friday 25th May 2018

Executive Summary

Trust Board paper A2

Context

This paper presents our final accounts for 2017/18.

Questions

1. What is the final reported financial position in the accounts?
2. What other points need to be raised to the Trust Board?
3. Are the accounts complete and what are the next steps?

Conclusion

1. The final reported outturn position in the accounts for 2017/18 is a deficit of £36,764k which is consistent with the outturn reported to the Finance and Investment Committee.
2. Items as follows:
 - o This is the first year that we have produced a consolidated set of accounts, incorporating the results of Trust Group Holdings.
 - o There are no new accounting standards which have impacted on the accounts.
 - o The accounting policies have previously been approved by the Audit Committee.
 - o £12,501k has been included within income relating to the establishment of the Facilities Management LLP subsidiary in March 2018.
3. The accounts are complete subject to the finalisation of several audit queries. The Audit Committee will be asked to recommend approval of the accounts by the Trust Board on the 25th May. The Trust Board will be required to sign relevant certificates as follows:
 - o Statement of Directors' responsibilities in respect of Internal Control (Chief Executive);
 - o Annual Governance Statement 2017-18 (Chief Executive);
 - o 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);
 - o Statement of Financial Position (Chief Executive), and
 - o Letter of Representation (Chief Executive).

Input Sought

The Trust Board is asked to consider and approve the accounts, as recommended by the Audit Committee on 25th May 2018.

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	Not applicable
Board Assurance Framework	Not applicable

3. Related Patient and Public Involvement actions taken, or to be taken: [Insert here]

4. Results of any Equality Impact Assessment, relating to this matter: [Insert here]

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

6. Executive Summaries should not exceed 1 page. My paper does comply

7. Papers should not exceed 7 pages. My paper does not comply

Provider accounts template - group accounts

Inputs

MARSID	LEICESTER
Name of provider	University Hospitals of Leicester NHS Trust
Provider status	Trust
Date of year end (dd/mm/yyyy)	31/03/2018
Start of current year (dd/mm/yyyy)	01/04/2017
Comparative year end (dd/mm/yyyy)	31/03/2017
Start of comparative year (dd/mm/yyyy)	01/04/2016
Year for financial reporting (20XX/YY)	2017/18
Year for comparative year (20XX/YY)	2016/17
Year for year end (20XX)	2018
Year for comparative year (20XX)	2017
Opening Year (20XX)	2016
Next financial year (20XX/YY)	2018/19
Date of approval of financial statements (dd/mm/yyyy)	25/05/2018

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Links should be broken before submitting this file (as draft or audited) to NHS Improvement via your portal.

University Hospitals of Leicester NHS Trust

Annual accounts for the year ended 31 March 2018

Statement of Comprehensive Income

	Note	Group	
		2017/18 £000	2016/17 £000
Operating income from patient care activities	3	820,331	780,582
Other operating income	4	143,178	143,687
Operating expenses	6, 8	(988,320)	(966,303)
Operating surplus/(deficit) from continuing operations		(24,811)	(42,034)
Finance income	11	74	54
Finance expenses	12	(5,410)	(2,718)
PDC dividends payable		(6,452)	(7,586)
Net finance costs		(11,788)	(10,250)
Other gains / (losses)	13	(16)	(7)
Surplus / (deficit) for the year from continuing operations		(36,615)	(52,291)
Surplus / (deficit) for the year		(36,615)	(52,291)
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(1,703)	(13,664)
Revaluations	15	22,920	10,299
Total comprehensive income / (expense) for the period		(15,398)	(55,656)
Surplus/ (deficit) for the period attributable to:			
University Hospitals of Leicester NHS Trust		(36,615)	(52,291)
TOTAL		(36,615)	(52,291)
Total comprehensive income/ (expense) for the period attributable to:			
University Hospitals of Leicester NHS Trust		(15,398)	(55,656)
TOTAL		(15,398)	(55,656)
Financial performance for the year			
Retained deficit for the year		(36,615)	(52,291)
Impairments (excluding IFRIC 12 impairments)		2,735	24,826
Adjustments in respect of donated and government granted asset reserve elimination		(575)	313
CQUIN Risk Reserve - 1617 CT non achievement adjustment		(2,309)	0
Adjusted retained deficit		(36,764)	(27,152)

We delivered a deficit of £36,764k excluding impairments of £2,735k.

Operating costs includes £2,735k (2016/17 - £24,826k) relating to the impairment of property, plant and equipment following a revaluation of the Trust's estate. This figure is removed from the Adjusted Retained Deficit figure in accordance with Department of Health and Social Care (DHSC) Accounting guidance.

Total Comprehensive Income for the year includes an amount of £575k relating to the receipt of donated assets net of donated asset depreciation (2016/17 - £313k). This figure is removed from the Adjusted Financial Performance figure in accordance with DHSC accounting guidance. This removes the effect on the Trust's financial performance of no longer having a donated asset or government granted asset reserve and ensures that performance can be measured consistently.

Within Total Comprehensive Income is an amount of (£1,703k) relating to a decrease in the value of the Trust's assets taken to the revaluation reserve. In 2016/17 the Trust had a decrease of (£13,664k) in its asset valuation that was taken to the revaluation reserve.

Other operating income includes £12,501k of VAT income which is due to the Trust under the Capital Goods Scheme. This relates to amounts that have become reclaimable from the HMRC due to the the establishment of our facilities management subsidiary in 2018/19.

PDC dividends payable are based on the average relevant net assets of the Trust. Dividend payments have decreased by £1,134k from 2016/17 due mainly to the impact of the deficit for the year, which decreased dividends by £603k and the increase in borrowings which decreased dividends by £502k.

Statement of Financial Position

	Note	Group		Trust	
		31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Non-current assets					
Intangible assets	14	11,480	11,467	11,480	11,467
Property, plant and equipment	15	427,610	398,261	427,586	398,261
Investments in associates (and joint ventures)		-	-	4,000	-
Trade and other receivables	17	2,904	2,669	2,904	2,669
Total non-current assets		441,994	412,397	445,970	412,397
Current assets					
Inventories	16	23,829	19,975	22,356	19,975
Trade and other receivables	17	70,519	55,953	70,186	55,953
Cash and cash equivalents	18	2,900	1,238	1,240	1,238
Total current assets		97,248	77,166	93,782	77,166
Current liabilities					
Trade and other payables	19	(109,237)	(98,714)	(109,807)	(98,714)
Borrowings	21	(40,778)	(6,312)	(40,778)	(6,312)
Provisions	23	(448)	(475)	(448)	(475)
Other liabilities	20	(3,469)	(11,960)	(3,469)	(11,960)
Total current liabilities		(153,932)	(117,461)	(154,502)	(117,461)
Total assets less current liabilities		385,310	372,102	385,250	372,102
Non-current liabilities					
Borrowings	21	(168,469)	(139,766)	(168,469)	(139,766)
Provisions	23	(1,465)	(1,562)	(1,465)	(1,562)
Total non-current liabilities		(169,934)	(141,328)	(169,934)	(141,328)
Total assets employed		215,376	230,774	215,316	230,774
Financed by					
Public dividend capital		331,956	331,956	331,956	331,956
Revaluation reserve		98,349	77,428	98,349	77,428
Income and expenditure reserve		(214,929)	(178,610)	(214,989)	(178,610)
Total taxpayers' equity		215,376	230,774	215,316	230,774

The notes on pages X to X form part of these accounts.

Name

Position

Date

25 May 2018

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £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 31 March 2017

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2016 - brought forward	329,856	81,133	(126,659)	284,330
Taxpayers' and others' equity at 1 April 2016 - restated	329,856	81,133	(126,659)	284,330
Surplus/(deficit) for the year	-	-	(52,291)	(52,291)
Other transfers between reserves	-	(340)	340	-
Impairments	-	(13,664)	-	(13,664)
Revaluations	-	10,299	-	10,299
Public dividend capital received	2,100	-	-	2,100
Taxpayers' and others' equity at 31 March 2017	331,956	77,428	(178,610)	230,774

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

Trust	Public dividend capital £000	Revaluation reserve £000	Other reserves £000	Income and expenditure reserve £000	Total £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)
Impairments	-	(1,703)	-	-	(1,703)
Revaluations	-	22,920	-	-	22,920
Other reserve movements	-	(296)	(4,000)	296	(4,000)
Taxpayers' and others' equity at 31 March 2018	331,956	98,349	(4,000)	(214,989)	211,316

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

Trust	Public dividend capital £000	Revaluation reserve £000	Other reserves £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2016 - brought forward	329,856	81,133	-	(126,659)	284,330
Taxpayers' and others' equity at 1 April 2016 - restated	329,856	81,133	-	(126,659)	284,330
Surplus/(deficit) for the year	-	-	-	(52,291)	(52,291)
Other transfers between reserves	-	(340)	-	340	-
Impairments	-	(13,664)	-	-	(13,664)
Revaluations	-	10,299	-	-	10,299
Public dividend capital received	2,100	-	-	-	2,100
Taxpayers' and others' equity at 31 March 2017	331,956	77,428	-	(178,610)	230,774

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		Trust	
		2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Cash flows from operating activities					
Operating surplus / (deficit)		(24,811)	(42,034)	(24,884)	(42,034)
Non-cash income and expense:					
Depreciation and amortisation	6.1	22,400	26,487	22,397	26,487
Net impairments	7	2,735	24,826	2,735	24,826
Income recognised in respect of capital donations	4	(977)	(199)	(977)	(199)
(Increase)/decrease in receivables and other assets		(15,565)	(11,864)	(11,233)	(11,864)
(Increase)/decrease in inventories		(3,854)	(1,370)	(4,296)	(1,370)
Increase/(decrease) in payables and other liabilities		2,017	(1,049)	513	(1,049)
Increase/(decrease) in provisions		(125)	(278)	(125)	(278)
Net cash flows from / (used in) operating activities		(18,180)	(5,481)	(15,870)	(5,481)
Cash flows from investing activities					
Interest received		74	56	74	56
Purchase of intangible assets		(1,566)	(3,095)	(1,566)	(3,095)
Purchase of PPE and investment property		(27,932)	(60,165)	(27,905)	(60,165)
Receipt of cash donations to purchase assets		-	199	-	199
Cash for establishment of subsidiaries		-	-	(4,000)	-
Net cash flows from / (used in) investing activities		(29,424)	(63,005)	(33,397)	(63,005)
Cash flows from financing activities					
Public dividend capital received		-	2,100	-	2,100
Movement on loans from DHSC		64,262	78,517	64,262	78,517
Capital element of finance lease rental payments		(4,518)	(4,840)	(4,518)	(4,840)
Interest paid on finance lease liabilities		(1,025)	(626)	(1,025)	(626)
Other interest paid		(3,772)	(2,092)	(3,762)	(2,092)
PDC dividend (paid) / refunded		(5,681)	(6,513)	(5,681)	(6,513)
Net cash flows from / (used in) financing activities		49,266	66,546	49,276	66,546
Increase / (decrease) in cash and cash equivalents		1,662	(1,940)	9	(1,940)
Cash and cash equivalents at 1 April - b/f		1,238	3,178	1,238	3,178
Cash and cash equivalents at 1 April - restated		1,238	3,178	1,238	3,178
Cash and cash equivalents at 31 March	18	2,900	1,238	1,247	1,238

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 (DHSC) Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2017/18 issued by the DHSC. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

Note 1.1.1 Accounting convention

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

Note 1.1.2 Going concern

International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. Paragraphs 4.11 and 4.16 of the Department of Health and Social Care's (DHSC) Group Accounting Manual (GAM) identify that the continuation of the service is sufficient evidence of going concern. The financial statements should be 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. In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

The accounts have been prepared on a 'going concern' basis. The Trust reported a deficit of £27.2m in 2016/17 and £34.5m in 2017/18. In 2017/18 the Trust secured external financing of £66.36m. This included £26.7m to fund its deficit position; £31.9m for working capital support; and £7.7m for capital financing in relation to the Trust's emergency floor project.

The Trust's financial plan for 2018/19 forecasts the delivery of a £29.9m deficit, necessitating further revenue cash borrowing using the DHSC's Uncommitted Single Currency Interim Revenue Support Facility. The planned cash support in 2018/19 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 DHSC must approve the Trust's daily cash flow forecast for 13 weeks from the date of each drawdown. The Trust has planned to receive £27.4m PDC monies for capital support in relation to the ICU project.

The Trust is not currently seeking any additional cash support from NHS Improvement (NHSI) in 2018/19 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 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 which may cast significant doubt about the ability of the Trust to continue as a going concern.

Nevertheless, the Directors have concluded that assessing the Trust as a going concern remains appropriate. The Trust has agreed contracts with local commissioners for 2018/19 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 will have access to adequate resources in the form of support from the Department of Health (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

Although these factors represent material uncertainties that may cast significant doubt about the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the DHSC Group Accounting Manual 2017-18 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.

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 (25th May 2018) 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 return to break even position 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:

Control of a subsidiary

The Trust has control of a subsidiary, Trust Group Holdings. The financial statements are prepared at a group level and there are no significant restrictions on the Trust's ability to access or use assets or settle liabilities of the group. The Trust does not consider that there are any significant risks associated with interests in the subsidiary, or that there are any risks of a change of ownership or loss of control.

VAT income under Capital Goods Scheme

The Trust has included £12.5m within Operating Income which relates to VAT which has become reclaimable due to the establishment of a facilities management subsidiary. Whilst this subsidiary company has been established in March 2018 it is not currently trading and the Trust has not yet submitted a VAT claim to the HMRC. The critical judgements that the Trust has made in including this income are:

- the amount of VAT due to the Trust is accurate, based on the advice of external VAT experts;
- the VAT reclaim will be allowable under the provisions of the Capital Goods Scheme; and
- the VAT is claimable as at the 31st March due to the formation of the company.

Provision for doubtful debts

Under International Accounting Standard (IAS) 9.139, the Trust impairs financial assets and receivables on the 'incurred loss' model. The Trust does not calculate a general provision for doubtful debts. The Trust charges bad debts directly to the Statement of Comprehensive Income as soon as there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'); the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets; and this can be reliably estimated. The Trust does not recognise losses expected as a result of future events, no matter how likely.

MEA Valuation

The Trust engaged its valuers, Gerald Eve LLP, to revalue its estate as at the 31st March 2018. 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 buildings and a potential reduction of 63 acres of land. The Trust's valuers have made the same 18% adjustment for land as for buildings, on the basis that, although the amount of land required to host the Trust's reconfigured MEA hospital could reduce by as much as 63 acres, the relative density of development that would be required on the remaining existing sites would increase, increasing the value. The 18% reduction in land area is therefore deemed to be a reasonable estimation by the valuers.

Note 1.2.1 Sources of estimation uncertainty

Recoverable VAT

The Trust has included £12.5m within Operating Income which relates to VAT which has become reclaimable due to the establishment of our facilities management subsidiary. Whilst this company has been established in 2017/18 it is not currently trading and the Trust has not yet submitted a VAT claim to the HMRC. The £12.5m is therefore an estimate at the 31st March based on the Trust's assessment and on information provided to it by external VAT expert advisors. Due to the lack of an actual submitted claim there is uncertainty in this estimate.

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 are 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.

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 UHL. 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 adjusted financial performance for the period was £34.5 million (2016/17: £27.2 million). The Trust's total comprehensive expense for the period was £15.4 million (2016/17: £55.7 million).

The company 'Trust Group Holdings Limited' commenced trading on the 1 April 2017 and hence there are no transactions in the prior reporting year. Both sets of note are presented for consistency.

Note 1.4 Income

The main source of revenue for the Trust is contracts with commissioners in respect of healthcare services. The Trust also receives income from private patients and overseas visitors in relation to patient care activities. Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. At the year end, the Trust accrues income relating to activity delivered in that year. Where a patient care spell is incomplete at the year-end, revenue relating to the partially complete spell is accrued and agreed with the commissioner.

The Trust receives patient care related 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 that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Revenue from education, training and research is recognised in the period in which services are provided. The Trust also receives income for car parking and catering and this is recognised in the period in which services are provided. Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable. Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

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

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.

The Trust has accounted for £12.5m of income Under the Capital Goods Scheme relating to VAT income which is due to the Trust. This relates to amounts that have become reclaimable from the HMRC due to the the establishment of our facilities management subsidiary in March 2018.

Revenue grants and other contributions to expenditure

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

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

Note 1.5 Expenditure on employee benefits

Short-term employee benefits

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

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 are not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. There, 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 1.6 Expenditure on other goods and services

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

Note 1.7 Property, plant and equipment

Note 1.7.1 Recognition

Property, plant and equipment is capitalised where:

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

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

Note 1.7.2 Measurement

Valuation

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

All assets are measured subsequently at valuation. 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 1.7.3 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 1.7.4 Revaluations of property, plant and equipment

The Trust has revalued its assets with an effective date of revaluation of 31st March 2018.

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 £2,735k, 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 £1,703k as a result of the revaluation.

Note 1.7.5 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 1.7.6 Useful Economic lives of property, plant and equipment

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

	Min life	Max life
	Years	Years
Land	-	-
Buildings, excluding dwellings	4	67
Dwellings	15	23
Plant & machinery	-	10
Transport equipment	-	8
Information technology	-	8
Furniture & fittings	-	8

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

Note 1.8 Intangible assets

Note 1.8.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

Software

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

Note 1.8.2 Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 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 1.8.3 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	-	8

Note 1.8.4 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 1.9 Inventories

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

Strategic goods held for use in national emergencies (stockpiled goods) are held as non-current assets within property, plant and equipment. These stocks are maintained at minimum capability levels by replenishment to offset write-offs and so are not depreciated, as agreed with HM Treasury. Stockpiled goods are held at current value in existing use.

Note 1.10 Cash and cash equivalents

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

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

Note 1.11 Carbon Reduction Commitment scheme (CRC)

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

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

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

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.12 Financial 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

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

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

Note 1.13 Leases

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

Note 1.13.1 The Trust as lessee***Finance leases***

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

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

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

Operating leases

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

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

Leases of land and buildings

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

Note 1.13.2 The Trust as lessor***Finance leases***

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

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

Clinical negligence costs

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

Non-clinical risk pooling

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

Note 1.15 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed 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 1.16 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 1.17 Value added tax

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

Note 1.18 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 1.19 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 1.20 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 1.21 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 1.22 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

Note 1.23 Standards, amendments and interpretations in issue but not yet effective or adopted

The DH GAM does not require the following Standards and Interpretations to be applied in 2017-18. These standards are still subject to HM Treasury FReM adoption, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 and IFRS 17 still subject to HM Treasury consideration.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted. This is not likely to have a material impact on the Trust's accounts.
- IFRS 15 Revenue from Contracts with Customers – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted. We are reviewing the requirements of this standard and will assess the impact on the Trust's 2018/19 accounts.
- 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. This will have an impact on the disclosures that the Trust makes for operating leases and finance leases and will be reflected in the Trust's 2019/20 accounts.
- 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 22 Foreign Currency Transactions and Advance Consideration – Application required for accounting periods beginning on or after 1 January 2018. 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)	2017/18	2016/17
	£000	£000
Acute services		
Elective income	131,477	129,299
Non elective income	229,179	199,177
First outpatient income	48,273	44,074
Follow up outpatient income	43,628	49,020
A & E income	29,718	26,663
High cost drugs income from commissioners (excluding pass-through costs)	84,231	82,045
Other NHS clinical income	246,388	243,154
All services		
Private patient income	2,872	2,872
Other clinical income	4,565	4,278
Total income from activities	820,331	780,582

Note 3.2 Income from patient care activities (by source)

	2017/18	2016/17
Income from patient care activities received from:	£000	£000
NHS England	288,791	258,067
Clinical commissioning groups	522,902	513,658
Other NHS providers	739	865
NHS other	273	435
Local authorities	-	42
Non-NHS: private patients	2,872	2,864
Non-NHS: overseas patients (chargeable to patient)	2,655	1,318
NHS injury scheme	1,910	1,957
Non NHS: other	189	1,376
Total income from activities	820,331	780,582
Of which:		
Related to continuing operations	820,331	780,582

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

	2017/18	2016/17
	£000	£000
Income recognised this year	2,655	1,318
Cash payments received in-year	685	337
Amounts added to provision for impairment of receivables	-	432
Amounts written off in-year	1,131	-

Note 4 Other operating income (Group)

	2017/18	2016/17
	£000	£000
Research and development	34,439	28,791
Education and training	42,157	54,822
Receipt of capital grants and donations	977	199
Non-patient care services to other bodies	19,426	10,010
Sustainability and transformation fund income	-	11,408
Rental revenue from operating leases	449	1,314
Income in respect of staff costs where accounted on gross basis	14,649	9,268
Other income		
Car parking	4,420	3,659
Catering	2,989	2,431
Staff accommodation	1,334	1,574
Dispensing income	1,054	-
Income generation (see detail in note 5.1)	13,222	11,419
All other income	8,062	8,792
Total other operating income	143,178	143,687
Of which:		
Related to continuing operations	143,178	143,687

Note 5.1 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.

Summary Table - UHL Catering and Car Parking income

	2017/18	2016-17
	£000s	£000s
Income	6,098	4,791

We provide retail catering services to patients and the public, and collect car parking income from our car parks. We started to collect this income from May 2016 and therefore the prior year comparatives represent 11 months of income. We do record the associated full costs of these activities as they are absorbed into the overheads of the Trust.

Summary Table - Estates and facilities services provided to Leicester Partnership Trust

	2017/18	2016-17
	£000s	£000s
Income	10,189	8,505
Full cost	(10,189)	(8,108)
Surplus/(deficit)	0	397

Summary Table - Estates and facilities services provided to NHS property Services

	2017/18	2016-17
	£000s	£000s
Income	3,033	2,914
Full cost	(3,033)	(2,507)
Surplus/(deficit)	0	407

We provide a range of estates and facilities services to Leicester Partnership Trust and NHS Property Services which we classify as income generation.

Note 5.2 Fees and Charges (Group)

	2017/18	2016/17
	£000	£000
Income	13,222	11,419
Full cost	(13,222)	(10,615)
Surplus / (deficit)	-	804

Note 6.1 Operating expenses (Group)

	2017/18	2016/17
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	1,128	3,216
Purchase of healthcare from non-NHS and non-DHSC bodies	4,560	5,313
Staff and executive directors costs	599,160	575,809
Remuneration of non-executive directors	83	86
Supplies and services - clinical (excluding drugs costs)	109,211	103,653
Supplies and services - general	13,585	14,368
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	105,789	102,168
Inventories written down	-	2
Consultancy costs	844	2,204
Establishment	6,426	6,533
Premises	33,753	33,308
Transport (including patient travel)	3,756	3,373
Depreciation on property, plant and equipment	20,207	24,314
Amortisation on intangible assets	2,193	2,173
Net impairments	2,735	24,826
Increase/(decrease) in provision for impairment of receivables	(802)	384
Increase/(decrease) in other provisions	(3)	110
Audit fees payable to the external auditor		
- audit services- statutory audit	99	147
- other auditor remuneration (external auditor only)	7	37
Internal audit costs	125	121
Clinical negligence	27,398	23,724
Legal fees	265	378
Insurance	135	85
Research and development	34,376	22,932
Education and training	945	1,292
Rentals under operating leases	6,426	6,426
Redundancy	151	8
Car parking & security	1,391	421
Hospitality	3	21
Losses, ex gratia & special payments	1,245	277
Other services, eg external payroll	2,978	2,941
Other		
Security	466	204
Interpreting	330	543
Hire of facilities	220	184
All other expenditure	9,135	4,722
Total	988,320	966,303
Of which:		
Related to continuing operations	988,320	966,303

Note 6.2 Other auditor remuneration (Group)

	2017/18	2016/17
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services	-	-
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	7	37
Total	7	37

Note 6.3 Limitation on auditor's liability (Group)

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

Note 7 Impairment of assets (Group)

	2017/18	2016/17
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	2,735	24,826
Total net impairments charged to operating surplus / deficit	2,735	24,826
Impairments charged to the revaluation reserve	1,703	13,664
Total net impairments	4,438	38,490

Note 8 Employee benefits (Group)

	2017/18	2016/17
	Total	Total
	£000	£000
Salaries and wages	493,618	454,606
Social security costs	45,870	42,392
Apprenticeship levy	461	-
Employer's contributions to NHS pensions	54,568	51,024
Pension cost - other	36	33
Termination benefits	151	8
Temporary staff (including agency)	21,076	30,053
Total gross staff costs	615,780	578,116
Total staff costs	615,780	578,116
Of which		
Costs capitalised as part of assets	1,875	2,299
Total employee benefits excl. capitalised costs	613,905	575,817

Note 8.1 Retirements due to ill-health (Group)

During 2017/18 there were 7 early retirements from the trust agreed on the grounds of ill-health (6 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £626k (£523k in 2016/17).

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 in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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.

	2017/18 £000	2016/17 £000
Operating lease revenue		
Minimum lease receipts	165	1,314
Total	165	1,314
	31 March 2018	31 March 2017
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	80	302
- later than one year and not later than five years;	87	2
- later than five years.	70	-
Total	237	304

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 2017/18, £4,958k (2016/17 - £5,199k) 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.

	2017/18 £000	2016/17 £000
Operating lease expense		
Minimum lease payments	6,426	6,426
Total	6,426	6,426
	31 March 2018	31 March 2017
	£000	£000
Future minimum lease payments due:		
- not later than one year;	2,955	4,420
- later than one year and not later than five years;	6,124	8,758
- later than five years.	-	18
Total	9,079	13,196

Note 11 Finance income (Group)

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

	2017/18	2016/17
	£000	£000
Interest on bank accounts	74	54
Total	74	54

Note 12.1 Finance expenditure (Group)

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

	2017/18	2016/17
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	4,295	2,053
Finance leases	1,025	626
Interest on late payment of commercial debt	89	35
Total interest expense	5,409	2,714
Unwinding of discount on provisions	1	4
Total finance costs	5,410	2,718

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

	2017/18	2016/17
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	89	35

Note 13 Other gains / (losses) (Group)

	2017/18	2016/17
	£000	£000
Gains on disposal of assets	-	10
Losses on disposal of assets	(16)	(17)
Total gains / (losses) on disposal of assets	(16)	(7)
Total other gains / (losses)	(16)	(7)

Note 14 Intangible assets - 2017/18

	Group		Trust	
	Software licences	Total	Software licences	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2017 - brought forward	27,368	27,368	27,368	27,368
Additions	1,566	1,566	1,566	1,566
Reclassifications	640	640	640	640
Valuation / gross cost at 31 March 2018	29,574	29,574	29,574	29,574
Amortisation at 1 April 2017 - brought forward	15,901	15,901	15,901	15,901
Provided during the year	2,193	2,193	2,193	2,193
Amortisation at 31 March 2018	18,094	18,094	18,094	18,094
Net book value at 31 March 2018	11,480	11,480	11,480	22,960
Net book value at 1 April 2017	11,467	11,467	11,467	22,934

Note 14.1 Intangible assets - 2016/17

Group	Software licences £000	Total £000	Software licences £000	Total £000
Valuation / gross cost at 1 April 2016 - as previously stated	<u>24,180</u>	<u>24,180</u>	<u>24,180</u>	<u>24,180</u>
Valuation / gross cost at 1 April 2016 - restated	<u>24,180</u>	<u>24,180</u>	<u>24,180</u>	<u>24,180</u>
Additions	3,095	3,095	3,095	3,095
Reclassifications	<u>93</u>	<u>93</u>	<u>93</u>	<u>93</u>
Valuation / gross cost at 31 March 2017	<u><u>27,368</u></u>	<u><u>27,368</u></u>	<u><u>27,368</u></u>	<u><u>27,368</u></u>
Amortisation at 1 April 2016 - as previously stated	<u>13,728</u>	<u>13,728</u>	<u>13,728</u>	<u>13,728</u>
Amortisation at 1 April 2016 - restated	<u>13,728</u>	<u>13,728</u>	<u>13,728</u>	<u>13,728</u>
Provided during the year	<u>2,173</u>	<u>2,173</u>	<u>2,173</u>	<u>2,173</u>
Amortisation at 31 March 2017	<u><u>15,901</u></u>	<u><u>15,901</u></u>	<u><u>15,901</u></u>	<u><u>15,901</u></u>
Net book value at 31 March 2017	11,467	11,467	11,467	22,934
Net book value at 1 April 2016	10,452	10,452	10,452	20,904

Note 15 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)
Reversals of impairments	-	-	-	-	-	-	-	-	-
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)
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
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 15.1 Property, plant and equipment - 2016/17

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 2016 - as previously stated	47,690	256,743	8,645	31,231	152,118	156	62,096	2,160	560,839
Valuation / gross cost at 1 April 2016 - restated	47,690	256,743	8,645	31,231	152,118	156	62,096	2,160	560,839
Additions	-	14,648	10	27,460	14,391	47	2,776	189	59,521
Impairments	-	(38,468)	(22)	-	-	-	-	-	(38,490)
Revaluations	4,400	(6,297)	(193)	-	-	-	-	-	(2,090)
Reclassifications	-	47,006	-	(47,099)	-	-	-	-	(93)
Disposals / derecognition	(5,612)	(6)	(462)	-	(7,081)	(4)	(6,986)	(81)	(20,232)
Valuation/gross cost at 31 March 2017	46,478	273,626	7,978	11,592	159,428	199	57,886	2,268	559,455
Accumulated depreciation at 1 April 2016 - as previously stated	5,612	22	462	-	109,189	102	52,424	1,670	169,481
Accumulated depreciation at 1 April 2016 - restated	5,612	22	462	-	109,189	102	52,424	1,670	169,481
Provided during the year	-	11,996	393	-	9,622	11	2,220	72	24,314
Revaluations	-	(11,996)	(393)	-	-	-	-	-	(12,389)
Disposals/ derecognition	(5,612)	(6)	(462)	-	(7,061)	(4)	(6,986)	(81)	(20,212)
Accumulated depreciation at 31 March 2017	-	16	-	-	111,750	109	47,658	1,661	161,194
Net book value at 31 March 2017	46,478	273,610	7,978	11,592	47,678	90	10,228	607	398,261
Net book value at 1 April 2016	42,078	256,721	8,183	31,231	42,929	54	9,672	490	391,358

Note 15.2 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	27,705	74	11,914	645	398,675
Finance leased	-	-	-	-	20,522	-	-	-	20,522
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 15.3 Property, plant and equipment financing - 2016/17

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 2017									
Owned - purchased	46,478	267,385	7,978	11,592	22,934	71	10,187	520	367,145
Finance leased	-	-	-	-	23,720	-	-	-	23,720
Owned - government granted	-	662	-	-	-	-	-	-	662
Owned - donated	-	5,563	-	-	1,024	19	41	87	6,734
NBV total at 31 March 2017	46,478	273,610	7,978	11,592	47,678	90	10,228	607	398,261

Note 17.1 Trade receivables and other receivables

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Current				
Trade receivables	26,421	18,872	26,407	18,872
Accrued income	33,291	30,316	33,429	30,316
Provision for impaired receivables	-	(1,024)	-	(1,024)
Prepayments (non-PFI)	7,271	4,797	7,246	4,797
PDC dividend receivable	-	764	-	764
VAT receivable	2,011	1,605	1,579	1,605
Other receivables	1,525	623	1,525	623
Total current trade and other receivables	70,519	55,953	70,186	55,953
Non-current				
Trade receivables	3,460	3,217	3,460	3,217
Provision for impaired receivables	(928)	(920)	(928)	(920)
Prepayments (non-PFI)	372	372	372	372
Total non-current trade and other receivables	2,904	2,669	2,904	2,669
Of which receivables from NHS and DHSC group bodies:				
Current	18,344	31,859	18,344	31,859

Note 17.2 Provision for impairment of receivables

	Group		Trust	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
At 1 April as previously stated	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
At 31 March	928	1,944	928	1,944

Note 17.3 Credit quality of financial assets

Group	31 March 2018		31 March 2017	
	Trade and other receivables £000	Investments & Other financial assets £000	Trade and other receivables £000	Investments & Other financial assets £000
Ageing of impaired financial assets				
0 - 30 days	2	-	-	-
30-60 Days	45	-	4	-
60-90 days	55	-	2	-
90- 180 days	332	-	59	-
Over 180 days	4,074	-	1,879	-
Total	4,508	-	1,944	-

Ageing of non-impaired financial assets past their due date

0 - 30 days	2,906	-	-	-
30-60 Days	1,457	-	-	-
60-90 days	1,004	-	1,496	-
90- 180 days	722	-	500	-
Over 180 days	3,739	-	2,434	-
Total	9,828	-	4,430	-

Trust	31 March 2018		31 March 2017	
	Trade and other receivables £000	Investments & Other financial assets £000	Trade and other receivables £000	Investments & Other financial assets £000
Ageing of impaired financial assets				
0 - 30 days	2	-	-	-
30-60 Days	45	-	4	-
60-90 days	55	-	2	-
90- 180 days	332	-	59	-
Over 180 days	4,074	-	1,879	-
Total	4,508	-	1,944	-

Ageing of non-impaired financial assets past their due date

0 - 30 days	2,906	-	-	-
30-60 Days	1,457	-	-	-
60-90 days	1,004	-	1,496	-
90- 180 days	722	-	500	-
Over 180 days	3,739	-	2,434	-
Total	9,828	-	4,430	-

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	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
At 1 April	1,238	3,178	1,238	3,178
At 1 April (restated)	1,238	3,178	1,238	3,178
Net change in year	1,662	(1,940)	2	(1,940)
At 31 March	2,900	1,238	1,240	1,238
Broken down into:				
Cash at commercial banks and in hand	94	89	94	89
Cash with the Government Banking Service	2,806	1,149	1,146	1,149
Total cash and cash equivalents as in SoFP	2,900	1,238	1,240	1,238
Total cash and cash equivalents as in SoCF	2,900	1,238	1,240	1,238

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.

	Group and Trust	
	31 March	31 March
	2018	2017
	£000	£000
Monies on deposit	1	3
Total third party assets	1	3

Note 19.1 Trade and other payables

	Group		Trust	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£000	£000	£000	£000
Current				
Trade payables	55,863	58,807	59,311	58,807
Capital payables	4,307	4,808	4,307	4,808
Accruals	23,558	15,073	23,563	15,073
Social security costs	6,969	6,439	6,957	6,439
Other taxes payable	5,892	5,584	5,882	5,584
PDC dividend payable	7	-	7	-
Accrued interest on loans	587	123	587	123
Other payables	12,054	7,880	9,194	7,880
Total current trade and other payables	109,237	98,714	109,808	98,714

Of which payables from NHS and DHSC group bodies:

Current	11,416	10,063	11,416	10,063
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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	31 March	31 March	31 March
	2018	2018	2017	2017
	£000	Number	£000	Number
- to buy out the liability for early retirements over 5 years	211		212	
- number of cases involved		66		50
- outstanding pension contributions	7,495		6,941	

Note 20 Other liabilities

	Group		Trust	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£000	£000	£000	£000
Current				
Deferred income	3,469	11,960	3,469	11,960
Total other current liabilities	3,469	11,960	3,469	11,960

Note 21 Borrowings

	Group		Trust	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£000	£000	£000	£000
Current				
Loans from DHSC	36,260	1,838	36,260	1,838
Obligations under finance leases	4,518	4,474	4,518	4,474
Total current borrowings	40,778	6,312	40,778	6,312
Non-current				
Loans from DHSC	162,075	132,235	162,075	132,235
Obligations under finance leases	6,394	7,531	6,394	7,531
Total non-current borrowings	168,469	139,766	168,469	139,766

Our opening financing consisted of a £134,073k of loans and we finished the year with £198,335k of capital and revenue loans, including £66m of Interim Revolving Working Capital Facility (IRWC) that we have been permitted to carry forward to 2018/19 when it will need to be repaid.

During 2017/18 successfully applied for additional loans to support our revenue position of £19,129k and working capital support of £31,986k. We also received £7,658k of capital loans to fund our emergency floor project. A loan of £34,100k is repayable in February 2019 and we will secure a new loan to enable this repayment to be made.

Loans are usually repayable in full, three years after we receive them. There are two capital loans which repay in instalments, with a total of £2,160k being repayable annually over 25 years. We fund these repayments through our internal financing.

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		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Gross lease liabilities	12,142	13,618	12,142	13,618
of which liabilities are due:				
- not later than one year;	4,518	4,474	4,518	4,474
- later than one year and not later than five years;	3,099	3,285	3,099	3,285
- later than five years.	4,525	5,859	4,525	5,859
Finance charges allocated to future periods	(1,230)	(1,613)	(1,230)	(1,613)
Net lease liabilities	10,912	12,005	10,912	12,005
of which payable:				
- not later than one year;	4,518	4,474	4,518	4,474
- later than one year and not later than five years;	2,842	3,012	2,842	3,012
- later than five years.	3,552	4,519	3,552	4,519

Note 23.1 Provisions for liabilities and charges analysis (Group)

Group	Pensions - early departure			Total £000
	costs £000	Redundancy £000	Other £000	
At 1 April 2017	1,172	13	852	2,037
Arising during the year	26	77	159	262
Utilised during the year	(218)	(13)	(153)	(384)
Reversed unused	-	-	(3)	(3)
Unwinding of discount	1	-	-	1
At 31 March 2018	981	77	855	1,913
Expected timing of cash flows:				
- not later than one year;	218	77	153	448
- later than one year and not later than five years;	763	-	702	1,465
Total	981	77	855	1,913

Other provisions includes £199k for employer and public liability cases as notified to us by the NHS Litigation Authority; £510k permanent injury benefits and £147k for potential litigation or employment tribunals.

Note 23.2 Provisions for liabilities and charges analysis (Trust)

Trust	Pensions - early departure			Total £000
	costs £000	Redundancy £000	Other £000	
At 1 April 2017	1,172	13	852	2,037
Arising during the year	26	77	159	262
Utilised during the year	(218)	(13)	(153)	(384)
Reversed unused	-	-	(3)	(3)
Unwinding of discount	1	-	-	1
At 31 March 2018	981	77	855	1,913
Expected timing of cash flows:				
- not later than one year;	218	77	153	448
- later than one year and not later than five years;	763	-	702	1,465
Total	981	77	855	1,913

Note 23.3 Clinical negligence liabilities

At 31 March 2018, £334,763k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of University Hospitals of Leicester NHS Trust (31 March 2017: £282,547k).

Note 24 Contingent assets and liabilities

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Value of contingent liabilities				
Other	(144)	(122)	(144)	(122)
Gross value of contingent liabilities	(144)	(122)	(144)	(122)
Net value of contingent liabilities	(144)	(122)	(144)	(122)

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

Note 25 Contractual capital commitments

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Property, plant and equipment	4,002	6,895	4,002	6,895
Intangible assets	-	156	-	156
Total	4,002	7,051	4,002	7,051

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 2017 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 is not, therefore, exposed to significant liquidity risks.

Note 26.2 Carrying values of financial assets

	Group		Trust	
	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	48,790	48,790	48,790	48,790
Cash and cash equivalents	2,900	2,900	2,900	2,900
Total at 31 March 2018	51,690	51,690	51,690	51,690
Assets as per SoFP as at 31 March 2017				
Trade and other receivables excluding non financial assets	24,507	24,507	24,507	24,507
Cash and cash equivalents	1,238	1,238	1,238	1,238
Total at 31 March 2017	25,745	25,745	40,652	40,652

Note 26.3 Carrying values of financial liabilities

	Group		Trust	
	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				
Borrowings excluding finance lease and PFI liabilities	198,335	198,335	198,335	198,335
Obligations under finance leases	10,912	10,912	10,912	10,912
Trade and other payables excluding non financial liabilities	68,839	68,839	68,839	68,839
Total at 31 March 2018	278,086	278,086	278,086	278,086
Liabilities as per SoFP as at 31 March 2017				
Borrowings excluding finance lease and PFI liabilities	134,073	134,073	134,073	134,073
Obligations under finance leases	12,005	12,005	12,005	12,005
Trade and other payables excluding non financial liabilities	63,204	63,204	63,204	63,204
Total at 31 March 2017	209,282	209,282	209,282	209,282

Note 26.4 Fair values of financial assets and liabilities

Book value (carrying value) is a reasonable approximation of fair value.

Note 26.5 Maturity of financial liabilities

	Group		Trust	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
In one year or less	109,538	69,878	109,538	69,878
In more than one year but not more than two years	2,792	36,923	2,792	36,923
In more than two years but not more than five years	125,051	66,457	125,051	66,457
In more than five years	40,703	36,023	40,703	36,023
Total	278,086	209,282	278,086	209,282

Note 27 Losses and special payments

Group and trust	2017/18		2016/17	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	3	5	1	0
Bad debts and claims abandoned	485	1,131	156	91
Stores losses and damage to property	-	-	1	2
Total losses	488	1,136	158	93
Special payments				
Compensation under court order or legally binding arbitration award	1	3	-	-
Ex-gratia payments	130	106	120	184
Total special payments	131	109	120	184
Total losses and special payments	619	1,245	278	277

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.

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 £2,740k.

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.

Mr J Adler, Chief Executive, is an unpaid Trustee of NHS Providers. During the reporting year, the Trust made payments amounting to £9k 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 £154k to LLR Alliance.

Louise Tibbert, Director of Workforce and OD, Member of the NHS Pension Board as an employer representative.

The Trust has outstanding loans totalling £198,335k at the 31 March 2018, 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:

CLINICAL COMMISSIONING GROUPS

NHS Cambridgeshire And Peterborough CCG
NHS Corby CCG
NHS Coventry And Rugby CCG
NHS Leicester City CCG
NHS Lincolnshire East CCG
NHS Lincolnshire West CCG
NHS Nene CCG
NHS Rushcliffe CCG
NHS South Lincolnshire CCG
NHS South West Lincolnshire CCG
NHS Southern Derbyshire CCG
NHS West Leicestershire CCG

NHS TRUSTS

Leicestershire Partnership NHS Trust
Northampton General Hospital NHS Trust
Nottingham University Hospitals NHS Trust
Staffordshire and Stoke on Trent Partnership NHS Trust

NHS FOUNDATION TRUSTS

Derby Teaching Hospitals NHS Foundation Trust
Kettering General Hospital NHS Foundation Trust
Nottinghamshire Healthcare NHS Foundation Trust
Sherwood Forest Hospitals NHS Foundation Trust
North West Anglia NHS Foundation Trust
George Eliot Hospital NHS Trust

OTHER

Health Education England
National Health Service Pension Scheme
NHS Blood and Transplant
NHS England
NHS Litigation Authority
NHS Property Services
Public Health England

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 £8,737k (2016/17 - £13,833k). 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 2018 a sum of £2,643k (2016/17 - £343k) is included in payables in respect of the University of Leicester. The University paid us £4,847k (2016/17 - £4,782k) in the year, relating primarily to research work, and £1,622k (2016/17 - £1,771k) 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 2017/18 the Trust received total asset donations of £900k (£199k in 2016/17). 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

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 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 £4.1m owed by the subsidiary and the Trust's payables include £4.4 owed to the subsidiary.

Note 29 Events after the reporting date

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

Note 30 Better Payment Practice Code

	2017/18	2017/18	2016/17	2016/17
	Number	£000	Number	£000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	166,500	566,455	159,196	636,385
Total non-NHS trade invoices paid within target	48,025	356,760	30,207	396,325
Percentage of non-NHS trade invoices paid within target	<u>28.84%</u>	<u>62.98%</u>	<u>18.97%</u>	<u>62.28%</u>
NHS Payables				
Total NHS trade invoices paid in the year	5,213	124,245	4,979	116,179
Total NHS trade invoices paid within target	807	65,156	498	80,292
Percentage of NHS trade invoices paid within target	<u>15.48%</u>	<u>52.44%</u>	<u>10.00%</u>	<u>69.11%</u>

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 32.1 External financing

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

	2017/18	2016/17
	£000	£000
Cash flow financing	53,564	77,717
Finance leases taken out in year	4,518	4,657
External financing requirement	<u>58,082</u>	<u>82,374</u>
External financing limit (EFL)	58,082	87,578
Under / (over) spend against EFL	<u>-</u>	<u>5,204</u>

Note 32.2 Capital Resource Limit

	2017/18	2016/17
	£000	£000
Gross capital expenditure	33,296	62,617
Less: Disposals	(16)	(20)
Less: Donated and granted capital additions	(977)	(199)
Charge against Capital Resource Limit	<u>32,303</u>	<u>62,398</u>
Capital Resource Limit	32,514	62,419
Under / (over) spend against CRL	<u>211</u>	<u>21</u>

Note 32.3 Breakeven duty financial performance

	2017/18
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	(36,764)
Breakeven duty financial performance surplus / (deficit)	<u>(34,455)</u>

Note 33 Breakeven Duty Rolling Assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		51	1,013	88	91	(39,655)	(40,648)	(34,051)	(27,152)	(34,455)
Breakeven duty cumulative position	3,910	3,961	4,974	5,062	5,153	(34,502)	(75,150)	(109,201)	(136,353)	(170,808)
Operating income		697,692	696,257	719,154	758,665	770,393	834,376	866,036	924,269	963,509
Cumulative breakeven position as a percentage of operating income		0.57%	0.71%	0.70%	0.68%	-4.48%	-9.01%	-12.61%	-14.75%	-17.73%

The breakeven duty in-year financial performance is not disclosed on the same basis as the figures reported in the SOCI for Retained Deficit (£36,615k) or the Adjusted Retained Deficit (£36,764k). In accordance with DHSC guidance we have disclosed the above financial performance (excluding the CQUIN Risk Reserve - 1617 CT non achievement adjustment) as:

	2016/17	2017/18
	£000	£000
Financial performance for the year		
Retained deficit for the year	(36,615)	(52,291)
Impairments (excluding IFRIC 12 impairments)	2,735	24,826
Adjustments in respect of donated and government granted asset reserve elimination	(575)	313
Adjusted retained deficit	(34,455)	(27,152)

The Trust has a comprehensive medium term reconfiguration plan anticipated to achieve a breakeven position in 2023/24.