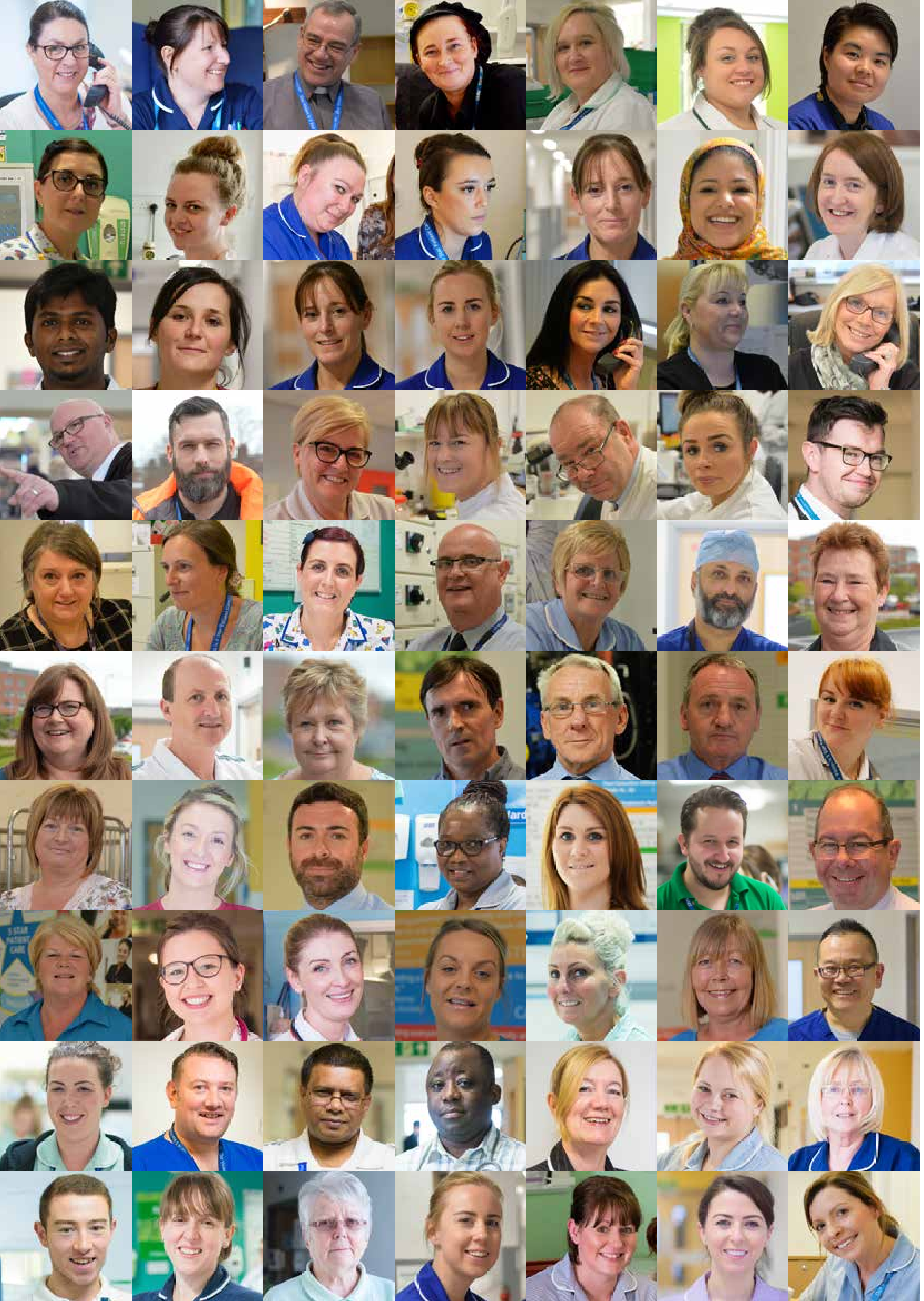
St Helens and Knowsley Teaching Hospitals NHS Trust

Annual Accounts 2017-18



Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

CCG	Clinical Commissioning Group
Current assets/liabilities	Assets or liabilities due to be received/paid over within one year of the SOFP date
DHSC	Department of Health and Social Care
FReM	Financial Reporting Manual
GAM	Group Accounting Manual (of the DHSC)
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
MEA	Modern equivalent asset basis, a basis on which to value land and property assets
Non-current assets/liabilities	Assets or liabilities due to be received/paid over after one year from the SOFP date. In terms of property, plant, equipment and intangible assets this would indicate assets from which would ensue a financial benefit beyond one year
Payables	Amounts owed to suppliers and other organisations, etc. (creditors)
PDC	Public dividend capital
PDC dividend	Public dividend capital dividend payable by the Trust to the Department of Health, based on 3.5% of the Trust's net relevant assets
PFI	Private Finance Initiative
PPE	Property, plant and equipment
Receivables	Amounts owed by customers, etc. (debtors)
R&D	Research and development
Statement of Changes in Equity (SOCIE)	Formerly known under UK GAAP as Movements on Reserves
Statement of Comprehensive Income (SOCI)	A combination of the Income and Expenditure Account and Statement of Total Recognised Gains and Losses shown under UK GAAP
Statement of Financial Position (SOFP)	Formerly known under UK GAAP as the Balance Sheet
TFA	Tripartite Formal Agreement
UK GAAP	Generally Accepted Accounting Practice in the United Kingdom

Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountability Officer Memorandum.

These include ensuring that:

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

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

Ann Marr

Ann Marr
Chief Executive
23 May 2018

Statement of Directors' responsibilities in respect of the accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgments and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

Ann Marr

Ann Marr
Chief Executive Officer
23 May 2018

Nik Khashu

Nik Khashu
Director of Finance
23 May 2018

Independent auditor's report to the Directors of St Helens and Knowsley Teaching Hospitals NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust (theTrust) for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006.

In our opinion the financial statements:
give a true and fair view of the financial position of the Trust as at 31 March 2018 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18; and
have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;
or the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 5 to 35, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of our work including that gained through work in relation to the Trust's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resource or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS Improvement or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice
In our opinion:
the parts of the Remuneration Report and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006; and
based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:
we have reported a matter in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have referred a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we had reason to believe that the Trust, or an officer of the Trust, was about to make, or had made, a decision which involved or would involve the body incurring unlawful expenditure, or was about to take, or had begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
we have made a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Directors and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Director's Responsibilities, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Trust.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception - Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources
Under the Code of Audit Practice we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We have nothing to report in respect of the above matter.

Responsibilities of the Accountable Officer

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

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

We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

John Farrar
Associate Director
for and on behalf of Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
25 May 2018

Foreword to the accounts

These accounts for the year ended 31 March 2018 have been prepared by the St Helens and Knowsley Teaching Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Statement of Comprehensive Income

		2017-18	2016-17
	Note	£000	£000
Operating income from patient care activities	2	310,386	280,045
Other operating income	4	73,201	69,889
Operating expenses	5	(357,755)	(318,230)
Operating surplus/(deficit) from continuing operations		**25,832**	31,704
Finance income	9	86	49
Finance expenses	10	(16,290)	(16,207)
Net finance costs		**(16,204)**	(16,158)
Surplus / (deficit) for the year		**9,628**	15,546
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Net Impairments/reversals	6	4,721	694
Total comprehensive income / (expense) for the period		**14,349**	16,240

Note that prior year performance is not re-assessed following accounting restatements.

See also notes 30.4 and 30.5 regarding breakeven duty performance adjusted for technical issues.

Pages 13 to 52 including Note 1 form part of this account.

Statement of Financial Position

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Intangible assets	11	1,435	1,528
Property, plant and equipment	12	261,236	250,851
Trade and other receivables	14	1,093	1,318
Total non-current assets		**263,764**	253,697
Current assets			
Inventories	13	3,660	3,988
Trade and other receivables	14	25,117	21,570
Cash and cash equivalents	15	11,661	1,777
Total current assets		**40,438**	27,335
Current liabilities			
Trade and other payables	17	(41,089)	(33,132)
Borrowings	19	(6,585)	(5,900)
Provisions	21	(398)	(596)
Other liabilities	18	(691)	(546)
Total current liabilities		**(48,763)**	(40,174)
Total assets less current liabilities		**255,439**	240,858
Non-current liabilities			
Borrowings	19	(252,869)	(253,972)
Provisions	21	(2,452)	(2,481)
Other liabilities	18	(27)	(32)
Total non-current liabilities		**(255,348)**	(256,485)
Total assets employed		**91**	(15,627)
Financed by			
Public dividend capital		65,806	64,437
Revaluation reserve		10,046	5,329
Income and expenditure reserve		(75,761)	(85,393)
Total taxpayers' equity		**91**	(15,627)

Pages 13 to 52 including Note 1 form part of this account.

The financial statements on pages 13 to 16 were approved by the Board on 23rd May 2018 and signed on its behalf by
A Marr
Chief Executive
23rd May 2018

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2017 - brought forward	**64,437**	**5,329**	**(85,393)**	**(15,627)**
Surplus for the year	-	-	9,628	**9,628**
Impairment reversals	-	4,721	-	**4,721**
Transfer to retained earnings on disposal of assets	-	(4)	4	**-**
Public dividend capital received	1,369	-	-	**1,369**
Taxpayers' equity at 31 March 2018	**65,806**	**10,046**	**(75,761)**	**91**

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2016 - brought forward	64,437	4,647	(100,951)	(31,867)
Surplus for the year	-	-	15,546	15,546
Other transfers between reserves	-	(12)	12	-
Impairment reversals	-	694	-	694
Taxpayers' equity at 31 March 2017	**64,437**	**5,329**	**(85,393)**	**(15,627)**

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 and Social Care as the public dividend capital dividend.

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

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

Statement of Cash Flows

	Note	2017-18 £000	2016-17 £000
Cash flows from operating activities			
Operating surplus / (deficit)		25,832	31,704
Non-cash income and expense:			
Depreciation and amortisation	5	8,431	8,371
Net impairments	5	(4,822)	(10,763)
Income recognised in respect of capital donations	4	(125)	(126)
Amortisation of PFI deferred credit	18	(5)	(5)
(Increase) / decrease in receivables and other assets		(2,993)	(6,876)
(Increase) / decrease in inventories		328	(148)
Increase / (decrease) in payables and other liabilties		7,553	2,869
Increase / (decrease) in provisions		(233)	204
Net cash generated from / (used in) operating activities		**33,966**	25,230
Cash flows from investing activities			
Interest received		77	50
Purchase of intangible assets		(369)	(167)
Purchase of property, plant, equipment and investment property		(6,354)	(3,484)
Prepayment of PFI capital contributions		(830)	(510)
Net cash generated from / (used in) investing activities		**(7,476)**	(4,111)
Cash flows from financing activities			
Public dividend capital received		1,369	-
Movement on loans from the Department of Health and Social Care	19	2,580	1,593
Movement on other loans		1,612	-
Capital element of finance lease rental payments		(118)	(74)
Capital element of PFI payments	25.3	(5,792)	(6,253)
Interest paid on finance lease liabilities		(28)	(20)
Interest paid on PFI obligations	10.1	(16,176)	(16,101)
Other interest paid		(53)	(50)
Net cash generated from / (used in) financing activities		**(16,606)**	(20,905)
Increase / (decrease) in cash and cash equivalents	15	**9,884**	214
Cash and cash equivalents at 1 April - brought forward		**1,777**	1,563
Cash and cash equivalents at 31 March	15	**11,661**	1,777

Notes to the Accounts

1 Accounting policies and other information

1.1 Basis of preparation

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

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.

1.1.2 Going concern

In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern although the Trust has required working capital loans to meet its operational cash obligations.

Although these factors represent material uncertainties that may cast 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 2017-18 GAM 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.

1.2 Critical judgements in applying accounting policies

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

- The Trust's PFI scheme (including the main PFI and Managed Equipment Service) is deemed to fall on the statement of financial position as assessed independently under IFRIC12.

1.2.1 Sources of estimation uncertainty

The only key areas of uncertainty, as at the statement of financial position sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to provisions, ie. early retirement costs, pemanent injury benefit awards, public and employer's liability claims; and the indices and estimated asset lives used in the valuation of the Trust buildings as at 31 March 2018.

1.3 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of income for the Trust is from commissioners for healthcare services. Income relating to patient care spells that are part-completed at the year end is not presently accounted for on the basis of materiality.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. 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 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.

1.4 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements where employees are entitled to receive payment for leave carried forward into the following period.

Pension costs

NHS Pension Scheme

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

Some employees are members of the National Employment Savings Trust (NEST) which is a defined contribution scheme and as such the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. (See also Note 7.)

1.5 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.

1.6 Property, plant and equipment

1.6.1 Recognition

Property, plant and equipment is capitalised where:

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

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

1.6.2 Measurement

Valuation

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

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

Subsequent expenditure

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

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

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

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

1.6.3 Derecognition
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.

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

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

1.6.5 Private Finance Initiative (PFI) transactions
PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

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

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

PFI Asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

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

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

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

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

Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively. However, taking into account the Trust's valuer's approach to assessing asset lives of building assets (which assumes assets are being maintained to original standards), then it is more appropriate for the Trust to treat such expenditure on property assets as a charge to revenue as and when charged through the unitary payment. With regard to the managed equipment service element of the PFI scheme, major lifecycle costs are capitalised.

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

Assets contributed by the Trust to the operator for use in the scheme

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

Other assets contributed by the Trust to the operator

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

1.6.6 Useful economic lives of property, plant and equipment

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

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.

	Min life (Years)	Max life (Years)
Buildings, excluding dwellings	8	76
Plant & machinery	4	15
Transport equipment	7	7
Information technology	5	8
Furniture & fittings	7	10

1.7 Intangible assets

1.7.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

Software

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

1.7.2 Measurement

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

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

Amortisation

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

1.7.3 Useful economic lives of intangible assets

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The useful economic life of intangible assets is 5 years.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.9 Cash and cash equivalents

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

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

1.10 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 described below.

Regular way purchases or sales are recognised and de-recognised, as applicable, using the Trade date.

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 assets are categorised as loans and receivables. Financial liabilities are classified as other financial liabilities.

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 and accrued income.

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.

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 through the use of a bad debt provision.

1.11. 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.

1.11.1 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 as 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.

1.11.2 The Trust as lessor

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

1.12 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 at note 21 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.

1.13 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 22 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 22, 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.

1.14 Public dividend capital

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

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.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated assets (including lottery funded assets),
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

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

1.15 Value added tax

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

1.16 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.

1.17 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).

The losses and special payments note is compiled directly from the losses and compensations register.

1.18 Early adoption of standards, amendments and interpretations

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

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

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

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

2 Operating income from patient care activities

2.1 Income from patient care activities (by nature)

	2017-18	2016-17
	£000	£000
Acute services		
Elective income	54,177	54,105
Non elective income	110,602	94,713
First outpatient income	20,548	20,732
Follow up outpatient income	28,642	32,916
A & E income	14,371	12,839
Other NHS clinical income	65,861	61,613
Community services		
Community services income from CCGs and NHS England	12,883	-
All services		
Private patient income	660	637
Other clinical income	2,642	2,490
Total income from activities	**310,386**	280,045

2.2 Income from patient care activities (by source)

Income from patient care activities received from:	**2017-18**	2016-17
	£000	£000
NHS England	19,405	18,783
Clinical commissioning groups	281,461	252,036
Other NHS providers	798	768
Local authorities	2,391	2,386
Non-NHS: private patients	660	638
Non-NHS: overseas patients (chargeable to patient)	83	19
NHS injury scheme*	1,425	1,321
Non NHS: other**	4,163	4,094
Total income from activities	**310,386**	280,045

Note: all income relates to continuing operations

* Injury cost recovery income is subject to a provision for impairment of receivables of 22.84% to reflect expected rates of collection. ** The main component of this is patient care contracts with non-English NHS bodies.

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

	2017-18	2016-17
	£000	£000
Income recognised this year	83	19
Cash payments received in-year	58	8
Amounts added to provision for impairment of receivables	14	8
Amounts written off in-year	3	-

4 Other operating income

	2017-18	2016-17
	£000	£000
Research and development	590	564
Education and training	11,090	10,694
Receipt of capital grants and donations	125	126
Non-patient care services to other bodies*	29,774	25,770
Sustainability and transformation fund income	7,945	11,610
Other income**	23,677	21,125
Total other operating income	**73,201**	69,889

Note: all income relates to continuing operations

* These services also include clinical services provided by the Trust to other organsiations for their patients. In addition, £636,000 of last year's figure has been reclassified as "other" and therefore restated above.

**The prinicipal item here is income relating to the Trust's PFI development (£13m) received from the Department of Health and Social Care via NHS England.

Note re operating segments: The activities of the Trust are all healthcare-related and treated as a single segment for the purposes of the accounts. The Trust's total income for 2017-18 was £383.587m of which 82% related to patient care activities for which clinical commissioning groups and NHS England account for 97% of the income.

5 Operating expenses

	2017-18	Restated* 2016-17	Original 2016-17
	£000	£000	£000
Purchase of healthcare from NHS and DHSC bodies	12,550	4,062	4,062
Purchase of healthcare from non-NHS and non-DHSC bodies	2,760	2,464	2,464
Staff and executive directors costs	219,697	206,231	207,932
Remuneration of non-executive directors	58	64	64
Supplies and services - clinical	28,689	26,249	49,788
Supplies and services - general	1,749	1,896	1,896
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	24,289	23,539	
Consultancy costs	49	117	117
Establishment	3,627	3,355	3,731
Premises (inc business rates)	16,834	12,319	12,531
Transport (including patient travel)	1,019	938	330
Depreciation on property, plant and equipment	7,802	7,685	7,685
Amortisation on intangible assets	629	686	686
Net impairments	(4,822)	(10,763)	(10,763)
Increase/(decrease) in provision for impairment of receivables	15	126	126
Increase/(decrease) in other provisions	(43)	172	
Change in provisions discount rate(s)	24	376	376
Audit fees payable to the external auditor:			
audit services - statutory audit	49	54	54
other auditor remuneration (external auditor only)	7	7	7
Internal audit costs	105	123	123
Clinical negligence	7,265	5,189	5,189
Legal fees	215	187	187
Insurance	201	220	220
Research and development (inc staff costs)	499	448	
Education and training (inc staff costs)	2,403	2,022	693
Rentals under operating leases	546	212	
Early retirement (inc provision movements)	59	(35)	
Redundancy	231	-	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI) on IFRS basis	25,176	24,757	24,757
Hospitality	148	131	131
Other	5,925	5,399	5,844
Total	**357,755**	**318,230**	**318,230**

Note: all expenditure relates to continuing operations

*Due to changes in national disclosure requirements some of the categories above have been restated.

5.1 Other auditor remuneration

This relates to the Audit of the Trust's Quality Account.

5.2 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (2016/17: £2m).

6 Impairment of assets

	2017-18	2016-17
	£000	£000
Net impairments charged/(credited) to operating surplus resulting from:		
Changes in market price	(4,822)	(10,763)
Total net impairments charged/(credited) to operating surplus	**(4,822)**	(10,763)
Impairments charged to the revaluation reserve	(4,721)	(694)
Total net impairments	**(9,543)**	(11,457)

The above impairment reversals arose as a result of a formal revaluation of the Trust's buildings in 2017-18. (See also Note 12.5.)

7 Employee benefits

7.1 Employee benefits

	2017-18	2016-17
	Total	Total
	£000	£000
Salaries and wages (including internal bank staff and locum temporary staff)	176,501	164,766
Social security costs	16,017	14,714
Apprenticeship levy	886	-
Employer's contributions to NHS pensions	19,380	17,798
Pension cost - other	18	10
Temporary staff (including agency)	9,397	10,701
Total staff costs	**222,199**	207,989
Of which		
Costs capitalised as part of assets	67	57

7.2 Retirements due to ill-health

During 2017/18 there were 4 early retirements from the Trust agreed on the grounds of ill-health (3 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £94k (£144k in 2016/17).

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

7.3 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and 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.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this ‘employer cost cap’ assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

National Employment Savings Trust

The Pensions Act 2008 introduced new duties on employers to provide access to a workplace pension scheme that meets certain legal requirements. As from 1 April 2013 the Trust chose the National Employment Savings Trust (NEST) to fulfil this role for employees who are unable to join the NHS Pension Scheme due to its restrictions. There are currently 277 employees in the NEST scheme which is a defined contribution pension scheme. A defined contribution pension scheme is where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time.

8 Operating leases

8.1 Operating leases as a lessor

The Trust does not receive any income as a lessor. (Prior year also nil.)

8.2 Operating leases as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where St Helens and Knowsley Teaching Hospitals NHS Trust is the lessee.

	2017-18	**2016-17**
	£000	**£000**
Operating lease expense		
Minimum lease payments	546	212
Total	**546**	212

	31 March 2018	31 March 2017
	£000	£000
Future minimum lease payments due:		
- not later than one year;	492	175
- later than one year and not later than five years;	487	336
Total	**979**	511

9 Finance income

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

	2017-18	2016-17
	£000	£000
Interest on bank accounts	86	49
Total	**86**	49

10 Finance expenditure

10.1 Finance costs

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	73	53
Finance leases	33	20
Interest on late payment of commercial debt	2	-
Main finance costs on PFI and LIFT schemes obligations	8,963	9,181
Contingent finance costs on PFI and LIFT scheme obligations	7,213	6,920
Total interest expense	**16,284**	16,174
Unwinding of discount on provisions	6	33
Total finance costs	**16,290**	16,207

10.2 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	2	-

11 Intangible assets

11.1 Intangible assets - 2017-18

	Software licences	Internally generated information technology	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2017 - brought forward	**480**	**2,824**	**3,304**
Additions	261	275	**536**
Disposals / derecognition	(47)	(531)	**(578)**
Gross cost at 31 March 2018	**694**	**2,568**	**3,262**
Amortisation at 1 April 2017 - brought forward	**236**	**1,540**	**1,776**
Provided during the year	108	521	**629**
Disposals / derecognition	**(47)**	**(531)**	**(578)**
Amortisation at 31 March 2018	**297**	**1,530**	**1,827**
Net book value at 31 March 2018	**397**	**1,038**	**1,435**
Net book value at 1 April 2017	**244**	**1,284**	**1,528**

11.2 Intangible assets - 2016-17

	Software licences	Internally generated information technology	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2016 - as previously stated	467	2,773	3,240
Prior period adjustments	-	-	-
Valuation / gross cost at 1 April 2016 - restated	467	2,773	3,240
Additions	48	140	188
Disposals / derecognition	(35)	(89)	(124)
Valuation / gross cost at 31 March 2017	480	2,824	3,304
Amortisation at 1 April 2016 - as previously stated	180	1,034	1,214
Prior period adjustments	-	-	-
Amortisation at 1 April 2016 - restated	180	1,034	1,214
Provided during the year	91	595	686
Disposals / derecognition	(35)	(89)	(124)
Amortisation at 31 March 2017	236	1,540	1,776
Net book value at 31 March 2017	244	1,284	1,528
Net book value at 1 April 2016	287	1,739	2,026

12 Property, plant and equipment

12.1 Property, plant and equipment 2017-18

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2017 - brought forward	**6,500**	**234,364**	**-**	**43,503**	**112**	**3,935**	**6,328**	**294,742**
Additions	-	234	2,597	4,887	-	919	7	**8,644**
Impairments	-	(906)	-	-	-	-	-	**(906)**
Reversals of impairments	-	3,914	-	-	-	-	-	**3,914**
Reclassifications	-	-	(54)	54	-	-	-	**-**
Disposals / derecognition	-	-	-	(3,191)	-	(1,121)	-	**(4,312)**
Valuation/gross cost at 31 March 2018	**6,500**	**237,606**	**2,543**	**45,253**	**112**	**3,733**	**6,335**	**302,082**
Accumulated depreciation at 1 April 2017 - brought forward	**-**	**3,157**	**-**	**33,023**	**86**	**2,078**	**5,547**	**43,891**
Provided during the year	-	3,378	-	3,350	5	782	287	**7,802**
Impairments	-	5,375	-	-	-	-	-	**5,375**
Reversals of impairments	-	(11,910)	-	-	-	-	-	**(11,910)**
Disposals / derecognition	-	-	-	(3,191)	-	(1,121)	-	**(4,312)**
Accumulated depreciation at 31 March 2018	**-**	**-**	**-**	**33,182**	**91**	**1,739**	**5,834**	**40,846**
Net book value at 31 March 2018	**6,500**	**237,606**	**2,543**	**12,071**	**21**	**1,994**	**501**	**261,236**
Net book value at 1 April 2017	**6,500**	**231,207**	**-**	**10,480**	**26**	**1,857**	**781**	**250,851**

12.2 Property, plant and equipment 2016-17

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2016 - as previously stated	6,500	222,705	-	42,321	112	3,482	6,227	281,347
Prior period adjustments	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2016 - restated	6,500	222,705	-	42,321	112	3,482	6,227	281,347
Additions	-	202	-	2,470	-	558	101	3,331
Reversals of impairments	-	11,457	-	-	-	-	-	11,457
Disposals / derecognition	-	-	-	(1,288)	-	(105)	-	(1,393)
Valuation/gross cost at 31 March 2017	6,500	234,364	-	43,503	112	3,935	6,328	294,742
Accumulated depreciation at 1 April 2016 - as previously stated	-	-	-	30,818	81	1,485	5,215	37,599
Prior period adjustments	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2016 - restated	-	-	-	30,818	81	1,485	5,215	37,599
Provided during the year	-	3,157	-	3,493	5	698	332	7,685
Disposals / derecognition	-	-	-	(1,288)	-	(105)	-	(1,393)
Accumulated depreciation at 31 March 2017	-	3,157	-	33,023	86	2,078	5,547	43,891
Net book value at 31 March 2017	6,500	231,207	-	10,480	26	1,857	781	250,851
Net book value at 1 April 2016	6,500	222,705	-	11,503	31	1,997	1,012	243,748

12.3 Property, plant and equipment financing 2017-18

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net book value at 31 March 2018								
Owned - purchased	6,500	11,531	2,543	6,057	21	1,858	501	**29,011**
Finance leased	-	-	-	677	-	130	-	**807**
On-SoFP PFI contracts and other service concession arrangements	-	226,075	-	4,979	-	-	-	**231,054**
Owned - donated	-	-	-	358	-	6	-	**364**
NBV total at 31 March 2018	**6,500**	**237,606**	**2,543**	**12,071**	**21**	**1,994**	**501**	**261,236**

12.4 Property, plant and equipment financing 2016-17

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2017								
Owned - purchased	6,500	15,148	-	6,852	26	1,717	781	31,024
Finance leased	-	-	-	222	-	133	-	355
On-SoFP PFI contracts and other service concession arrangements	-	216,059	-	2,926	-	-	-	218,985
Owned - donated	-	-	-	480	-	7	-	487
NBV total at 31 March 2017	6,500	231,207	-	10,480	26	1,857	781	250,851

12.5 Property, plant and equipment

Assets at a cost of £125,000 were financed by donations from the Trust's Charitable Funds in 2017/18. (Prior year £126,000.)

For the financial year ending March 2018 the Trust had a formal full revaluation of the Trust's estate. This revaluation was undertaken by professional valuers from the firm Cushman and Wakefield.

13 Inventories

	31 March 2018	31 March 2017
	£000	£000
Drugs	1,504	1,809
Consumables	2,094	2,114
Energy	62	65
Total inventories	**3,660**	3,988

Note: None of the above inventories are held at fair value less costs to sell.

Inventories recognised in expenses for the year were £45,625k (2016/17: £41,977k).
Write-down of inventories recognised as expenses for the year were £0k (2016/17: £0k).

14 Trade receivables and other receivables

14.1 Trade receivables and other receivables

	31 March 2018	31 March 2017
	£000	£000
Current		
Trade receivables	9,953	8,435
Accrued income	7,976	7,979
Provision for impaired receivables	(665)	(591)
Prepayments (non-PFI)	2,623	1,872
PFI lifecycle prepayments	830	510
Interest receivable	12	3
VAT receivable	1,212	838
Other receivables	3,176	2,524
Total current trade and other receivables	**25,117**	21,570
Non-current		
Provision for impaired receivables	(312)	(377)
Other receivables	1,405	1,695
Total non-current trade and other receivables	**1,093**	1,318
Of which receivables from NHS and DHSC group bodies:		
Current	14,900	14,206
Non-current	-	-

The majority of trade is with clinical commissioning groups as commissioners (CCGs) for NHS patient care services.
As CCGs are funded by Government to buy NHS patient care services no credit scoring of them is considered necessary.

14.2 Provision for impairment of receivables*

	2017-18	2016-17
	£000	£000
At 1 April as previously stated	**968**	851
Prior period adjustments	-	-
At 1 April - restated	**968**	851
Increase in provision	15	126
Amounts utilised	(6)	(9)
At 31 March	**977**	968

*Note that the above also includes a provision in respect of injury cost recovery income.

14.3 Credit quality of financial assets

	31 March 2018	31 March 2017
	Trade and other receivables	Trade and other receivables
Ageing of impaired financial assets	£000	£000
0 - 30 days	-	-
30-60 Days	-	-
60-90 days	-	-
90- 180 days	23	15
Over 180 days	233	240
Total	**256**	255
Ageing of non-impaired financial assets past their due date		
0 - 30 days	14,118	13,850
30-60 Days	670	531
60-90 days	793	413
90- 180 days	854	517
Over 180 days	1,238	848
Total	**17,673**	16,159

15 Cash and cash equivalents movements

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

	2017-18	2016-17
	£000	£000
At 1 April	**1,777**	1,563
Prior period adjustments	-	-
At 1 April (restated)	**1,777**	1,563
Net change in year	9,884	214
At 31 March	**11,661**	1,777
Broken down into:		
Cash at commercial banks and in hand	110	34
Cash with the Government Banking Service	11,551	1,743
Total cash and cash equivalents as in SoFP and SoCF	**11,661**	1,777

16 Third party assets held by the Trust

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

	31 March 2018	31 March 2017
	£000	£000
Bank balances	2	27
Total third party assets	**2**	27

17 Trade and other payables

17.1 Trade and other payables

	31 March 2018	31 March 2017
	£000	£000
Current		
Trade payables	5,583	4,966
Capital payables	633	111
Accruals *	16,477	16,388
Social security costs	6,112	3,859
Other taxes payable	5,769	3,683
Accrued interest on loans	34	7
Other payables **	6,481	4,118
Total current trade and other payables	**41,089**	33,132
Non-current		
Total non-current trade and other payables	**-**	-
Of which payables from NHS and DHSC group bodies:		
Current	7,053	3,042
Non-current	-	-

*Due to changes in national disclosure requirement for 2017/18, 2016/17 accruals has been restated and £546,000 has been transferred to "other liabilities" (see Note 18).
**The principal element of this relates to pension payables of which none are related to early retirements.

18 Other liabilities

	31 March 2018	31 March 2017
	£000	£000
Current		
Deferred income	686	541
PFI deferred income / credits	5	5
Total other current liabilities	**691**	546
Non-current		
PFI deferred income / credits	27	32
Total other non-current liabilities	**27**	32

19 Borrowings

	31 March 2018	31 March 2017
	£000	£000
Current		
Finance lease obligations	152	108
PFI lifecycle replacement received in advance	735	-
Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle)	5,698	5,792
Total current borrowings	**6,585**	5,900
Non-current		
Loans from the Department of Health and Social Care	7,630	5,050
Other loans	1,612	-
Finance lease obligations	642	239
Obligations under PFI, LIFT or other service concession contracts	242,985	248,683
Total non-current borrowings	**252,869**	253,972

Note: further information on the Trust's borrowings can be found in Note 20 (finance lease obligations) and in Note 25 (On-SoFP PFI additional information).

20 Finance leases

20.1 Finance lease obligations as a lessee

Obligations under finance leases where St Helens and Knowsley Teaching Hospitals NHS Trust is the lessee.

	31 March 2018	31 March 2017
	£000	£000
Gross lease liabilities	**1,030**	407
of which liabilities are due:		
- not later than one year;	230	133
- later than one year and not later than five years;	699	274
- later than five years.	101	-
Finance charges allocated to future periods	(236)	(60)
Net lease liabilities	**794**	347
of which payable:		
- not later than one year;	152	108
- later than one year and not later than five years;	552	239
- later than five years.	90	-

21 Provisions for liabilities and charges

21.1 Provisions for liabilities and charges analysis

	Pensions - early departure costs	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2017	**917**	**406**	**1,754**	**3,077**
Change in the discount rate	6	-	18	**24**
Arising during the year	59	95	72	**226**
Utilised during the year	(76)	(83)	(114)	**(273)**
Reversed unused	-	(210)	-	**(210)**
Unwinding of discount	2	-	4	**6**
At 31 March 2018	**908**	**208**	**1,734**	**2,850**
Expected timing of cash flows*:				
- not later than one year;	76	208	114	**398**
- later than one year and not later than five years;	301	-	455	**756**
- later than five years.	531	-	1,165	**1,696**
Total	**908**	**208**	**1,734**	**2,850**

The provisions classified under "other" include amounts for permanent injury benefit awards.

* The timing of cash flows is based on the expected payments (pensions/permanent injury benefits) and expected settlement date of claims (all other). The latter, due to the nature of legal claims, is particularly subject to change.

21.2 Clinical negligence liabilities

At 31 March 2018, £170,582k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of St Helens and Knowsley Teaching Hospitals NHS Trust (31 March 2017: £101,176k).

22 Contingent assets and liabilities

	31 March 2018	31 March 2017
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	(42)	(53)
Other*	(19)	(105)
Gross value of contingent liabilities	**(61)**	(158)
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(61)**	(158)
Net value of contingent assets	-	-

* Legal claims dealt with locally.

23 Contractual capital commitments

There are no contractual capital commitments as at 31 March 2018. (Prior year also nil.)

24 Other financial commitments

There are no other financial commitments as at 31 March 2018. (Prior year also nil.)

25 On-SoFP PFI additional information

25.1 Imputed finance lease obligations

St Helens and Knowsley Teaching Hospitals NHS Trust has the following obligations in respect of the finance lease element of the on-Statement of Financial Position PFI scheme :

	31 March 2018	31 March 2017
	£000	£000
Gross PFI	**628,734**	625,500
Of which liabilities are due		
- not later than one year;	22,459	21,968
- later than one year and not later than five years;	87,887	84,745
- later than five years.	518,388	518,787
Finance charges allocated to future periods	(380,051)	(371,025)
Net PFI	**248,683**	254,475
- not later than one year;	5,698	5,792
- later than one year and not later than five years;	23,302	22,797
- later than five years.	219,683	225,886

25.2 Total on-SoFP PFI

Total future obligations under this on-SoFP scheme are as follows:

	31 March 2018	31 March 2017
	£000	£000
Total future payments committed in respect of the PFI	1,460,586	1,461,897
Of which liabilities are due:		
- not later than one year;	51,670	49,892
- later than one year and not later than five years;	206,605	199,279
- later than five years.	1,202,311	1,212,726

25.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the Trust's payments in 2017-18:

	2017-18	2016/17
	£000	£000
Unitary payment payable to service concession operator	49,740	48,728
Consisting of:		
- Interest charge	8,963	9,181
- Repayment of finance lease liability	5,792	6,253
- Service element and other charges to operating expenditure	25,176	24,757
- Capital lifecycle maintenance	1,766	1,107
- Contingent rent	7,213	6,920
- Addition to lifecycle prepayment	830	510
Total amount paid to service concession operator	**49,740**	48,728

The PFI arrangement is between the Trust and New Hospitals, the latter being the special purpose vehicle currently acting for Medirest and Vinci. The main scheme is to build two new hospitals at the Trust's two sites in St Helens and Whiston. All construction was complete in November 2012. The contract term runs to August 2047, the price base being uplifted annually by the Retail Price Index, the base RPI having been set in December 2002. For the duration of the arrangement Vinci will provide hard facilities management (FM) services while soft FM services are currently provided by Medirest and are subject to scheduled market testing, the next being in June 2028.

At the end of the arrangement the ownership of the buildings will pass to the Trust. Under IFRIC12 as interpreted for the public sector, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges.

The PFI arrangement also incorporates a managed equipment service (MES) provided by GE which expires in 2026.
In the contract the legal title of equipment remains that of GE for the duration of the contract with the legal title passing to the Trust upon expiry of the MES Contract term when the Trust shall purchase all functioning MES Equipment at a price equivalent to the current net book value.

25.4 Impact of IFRS treatment

	31 March 2018	31 March 2017
The information below is required by the Department of Health for budget reconciliation purposes	**Expenditure**	Expenditure
	£000	£000
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12		
Depreciation charges	**4,082**	3,990
Interest Expense	**16,176**	16,101
Impairment charge - AME	**(7,621)**	(10,233)
Other Expenditure	**25,176**	24,757
Other income - amortisation of PFI deferred income / credits	**(5)**	(5)
Impact on PDC dividend payable	**(887)**	(1,481)
Total IFRS Expenditure (IFRIC12)	**36,921**	33,129
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)	**48,734**	47,811
Net IFRS change (IFRIC12)	**(11,813)**	(14,682)
Capital Consequences of IFRS : PFI and other items under IFRIC12		
Capital expenditure	**3,011**	1,107
UK GAAP capital expenditure (Reversionary Interest)	**1,973**	1,821

26 Financial instruments

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 Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the 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 and 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 NHS Improvement. The borrowings are for 1 to 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 therefore has low exposure to interest rate fluctuations.

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 and Social Care (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 revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2018 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 CCGs, 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.

26.2 Carrying values of financial assets

	Loans and receivables	**Total book value**
	£000	**£000**
Assets as per SoFP as at 31 March 2018		
Trade and other receivables excluding non financial assets	17,929	**17,929**
Cash and cash equivalents at bank and in hand	11,661	**11,661**
Total at 31 March 2018	**29,590**	**29,590**

	Loans and receivables	Total book value
	£000	£000
Assets as per SoFP as at 31 March 2017		
Trade and other receivables excluding non financial assets	16,414	16,414
Cash and cash equivalents at bank and in hand	1,777	1,777
Total at 31 March 2017	18,191	18,191

26.3 Carrying value of financial liabilities

	Other financial liabilities	**Total book value**
	£000	**£000**
Liabilities as per SoFP as at 31 March 2018		
Borrowings excluding finance lease and PFI liabilities	9,977	**9,977**
Obligations under finance leases	794	**794**
Obligations under PFI, LIFT and other service concession contracts	248,683	**248,683**
Trade and other payables excluding non financial liabilities	22,693	**22,693**
Total at 31 March 2018	**282,147**	**282,147**

	Other financial liabilities	Total book value
	£000	£000
Liabilities as per SoFP as at 31 March 2017		
Borrowings excluding finance lease and PFI liabilities	5,050	5,050
Obligations under finance leases	347	347
Obligations under PFI, LIFT and other service concession contracts	254,475	254,475
Trade and other payables excluding non financial liabilities	21,465	21,465
Total at 31 March 2017	**281,337**	**281,337**

26.4 Fair values of financial assets and liabilities

Book value (carrying value) has been used as a reasonable approximation of fair value.

26.5 Maturity of financial liabilities

	31 March 2018	31 March 2017
	£000	£000
In one year or less	**29,278**	27,365
In more than one year but not more than two years	**8,611**	5,774
In more than two years but not more than five years	**24,485**	22,312
In more than five years	**219,773**	225,886
Total	**282,147**	281,337

27 Losses and special payments

	2017-18		2016-17	
	Total number of cases	**Total value of cases**	Total number of cases	Total value of cases
	Number	**£000**	Number	£000
Losses				
Cash losses	5	1	12	9
Bad debts and claims abandoned	64	5	58	1
Stores losses and damage to property	29	22	10	32
Total losses	**98**	**28**	80	42
Special payments				
Ex-gratia payments	53	98	64	124
Total special payments	**53**	**98**	64	124
Total losses and special payments	**151**	**126**	144	166
Compensation payments received		-		-

Note that there were no cases exceeding £300,000 in either year.

28 Related parties

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

The Trust's Chairman, Mr R Fraser, is also the interim Chairman of Southport and Ormskirk Hospitals NHS Trust, an organisation with which the Trust does have business transactions. (For 2017-18 Income, including lead employer recharges, is c£14m, expenditure is c£1m.)

The Department of Health and Social Care is regarded as a related party. During the year St Helens and Knowsley Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The principal entities are:

St Helens CCG

Knowsley CCG

Halton CCG

Liverpool CCG

NHS England

Health Education England

NHS Business Services Authority

HM Revenue and Customs

The Trust has also received revenue and capital payments from the Trust's related NHS charity, the Whiston and St Helens Hospitals Charitable Fund, the corporate trustees for which are also members of the NHS Trust board. Please refer to the separate Trustees Report and Accounts for this charity.

29 Events after the reporting date

The Trust has nothing to report.

30 Financial performance targets

30.1 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	**48,888**	**162,159**	49,674	153,574
Total non-NHS trade invoices paid within target	**44,703**	**157,055**	46,828	149,842
Percentage of non-NHS trade invoices paid within target	**91.4%**	**96.9%**	94.3%	97.6%
NHS Payables				
Total NHS trade invoices paid in the year	**2,906**	**19,577**	3,063	11,962
Total NHS trade invoices paid within target	**2,723**	**18,010**	2,895	11,290
Percentage of NHS trade invoices paid within target	**93.7%**	**92.0%**	94.5%	94.4%

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.

30.2 External financing limit

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

	2017-18	2016-17
	£000	£000
Cash flow financing	**(10,233)**	(4,661)
External financing requirement	**(10,233)**	(4,661)
External financing limit (EFL)	**(601)**	(4,494)
Under / (over) spend against EFL	**9,632**	167

30.3 Capital resource limit

	2017/18	2016/17
	£000	£000
Gross capital expenditure	**9,180**	3,519
Less: Donated and granted capital additions	**(125)**	(126)
Charge against Capital Resource Limit	**9,055**	3,393
Capital Resource Limit	**9,057**	3,394
Under / (over) spend against CRL	**2**	1

30.4 Breakeven duty financial performance

	2017-18	2016-17
	£000	£000
Retained surplus for the year	**9,628**	15,546
Add back all I&E impairments / (reversals)	**(4,822)**	(10,763)
Adjustments in respect of donated government grant asset reserve elimination	**195**	78
Breakeven duty financial performance surplus	**5,001**	4,861

Due to the introduction of International Financial Reporting Standards (IFRS) in 2009-10, the Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring breakeven performance. Other adjustments are made in respect of accounting policy changes (property impairments and the removal of the donated asset and government reserves) to maintain comparability year to year.

30.5 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		225	296	305	700	1,150	(2,551)	(9,551)	4,861	5,001
Breakeven duty cumulative position	2,807	3,032	3,328	3,633	4,333	5,483	2,932	(6,619)	(1,758)	3,243
Operating income		236,411	252,944	263,864	278,572	288,448	301,674	313,287	349,934	383,587
Cumulative breakeven position as a percentage of operating income		1.28%	1.32%	1.38%	1.56%	1.90%	0.97%	-2.11%	-0.50%	0.85%

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