

ANNUAL REPORT AND ACCOUNTS 2016/17

Author: Nick Sone, Financial Controller Sponsors: Paul Traynor, Chief Financial Officer; Mark Wightman, Director of Marketing and Communications Date: 1 June 2017

Context

Trust Board paper F3

It is a requirement of the “NHS Trust Manual of Accounts” that the Trust produces an Annual Report and Accounts in line with its guidance, which then requires approval by the Trust Board before it is published. This year’s Annual Report and Accounts is shaped around our annual priorities for 2016/17, highlighting our achievements and challenges.

We will, as we have done for the last few years, produce a shorter easy read version, (with a larger print run) of the Annual Report and Accounts for distribution to stakeholders and the public. This will be available for our Annual Public Meeting in September 2017.

The Annual Report and Accounts document was presented to the Audit Committee on the 26th May 2017 where it was recommended for approval to the Trust Board.

Questions

1. Does the Board feel that the report reflects the work achieved under the 2016/17 priorities?
2. Does the Board have any amendments to the report?
3. Is the Annual Report and Accounts complete and audited?
4. Did we achieve the statutory targets and our financial plan for 2016-17?
5. Is the Board prepared to approve the report?

Conclusion

1. This will be determined at the Board meeting.
2. This will be determined at the Board meeting.
3. The Annual Report and Accounts is complete, subject to several items of information which are not yet available due to timing such as details of complaints received. These items do not impact on the Accounts. Our Accounts were submitted by the mandatory Department of Health deadline. They have been subject to external audit by KPMG.
4. We met two out of four statutory targets and delivered a deficit of £27.2m against plan of £8.3m. This was £6.9m adverse variance to plan (excluding STF).
5. The Annual Report and Accounts can be approved by the Trust Board, as recommended by the Audit Committee on 26th May 2017. To complete the process, members of the Trust Board will be required to sign relevant certificates.

Input Sought

The Board is asked to approve the Annual Report and Accounts and agree delegated authority for the Director of Marketing and Communications to make any final amendments that are requested by the Board or our Auditors, and to include any outstanding information.

For Reference

Edit as appropriate:

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

Safe, high quality, patient centred healthcare	[Yes / No / Not applicable]
Effective, integrated emergency care	[Yes / No / Not applicable]
Consistently meeting national access standards	[Yes / No / Not applicable]
Integrated care in partnership with others	[Yes / No / Not applicable]
Enhanced delivery in research, innovation & ed'	[Yes / No / Not applicable]
A caring, professional, engaged workforce	[Yes / No / Not applicable]
Clinically sustainable services with excellent facilities	[Yes / No / Not applicable]
Financially sustainable NHS organisation	[Yes / No / Not applicable]
Enabled by excellent IM&T	[Yes / No / Not applicable]

2. This matter relates to the following **governance** initiatives:

Organisational Risk Register	[Yes / No / Not applicable]
Board Assurance Framework	[Yes / No / Not applicable]

3. Related **Patient and Public Involvement** actions taken, or to be taken: As with previous reports, any feedback from the public is incorporated into the following report – hence the feedback form at the end of the report. The public facing, shorter, easy read version will be shared with some key stakeholders prior to publication for some feedback.

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

5. Scheduled date for the **next paper** on this topic: June 2018

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

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

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD

DATE: 1st JUNE 2017

REPORT FROM: PAUL TRAYNOR – CHIEF FINANCIAL OFFICER

SUBJECT: ANNUAL REPORT AND ACCOUNTS 2016/17

1. INTRODUCTION

- 1.1 We are required to publish, as a single document, a three part annual report and accounts (ARA) which includes:
- The Performance Report, which must include:
 - An overview
 - A performance analysis
 - The Accountability Report, which must include:
 - A Corporate Governance Report
 - A Remuneration and Staff Report
 - A Parliamentary Accountability and Audit Report
 - The Financial Statements
- 1.2 The Performance Report and Accountability Report are shaped around our annual priorities for the year, highlighting our achievements and challenges.
- 1.3 We will, as we have done for the last few years, produce a shorter easy read version (with a larger print run) of the ARA (called the Summary Annual Report and Accounts) for distribution to stakeholders and the public. This will be available for our Annual Public Meeting in September 2017.
- 1.4 The Trust is required to produce annual statutory accounts for the year ending 31st March which are reviewed by the Audit Committee before being presented to Trust Board for approval. The accounts for the year ending 31st March 2017 are attached (Appendix 1).
- 1.5 The Financial Statements have been subject to external audit by KPMG, who will report as a separate agenda item to the Audit Committee. KPMG also review the Performance Report and Accountability Report.
- 1.6 The ARA is included as Appendix 1 and was presented to the Audit Committee on 26th May 2018 where it was recommended to the Trust Board for approval. The Audit Committee recommended the ARA to the Trust Board for formal approval.

2. STATUTORY & ADMINISTRATIVE TARGETS 2016/17

TARGET	ACHIEVED	NOTES
STATUTORY TARGETS		
Break-even – to generate a surplus of income over spending comparing one year with another	X	£27,152k retained deficit, against a planned deficit of £8,300k. Excluding STF we delivered a deficit of £38,560k compared to plan of £31,700k, a variance of £6,860k.
External Financing Limit – to control cash within the financing limit	√	A permissible undershoot of £5k
Capital Resource Limit – to contain capital spending within an agreed limit	√	A permissible undershoot of £21k
ADMINISTRATIVE TARGET		
Better Payments Practice Code – to pay all valid invoices within 30 days of receipt	X	<i>Non-NHS</i> : value 62%; volume 19% <i>NHS</i> : value 69%; volume 10%

3. KEY POINTS TO NOTE

- 3.1 We experienced a very challenging financial year in 2016-17 driven by the requirement to deliver a £35m CIP programme set against the backdrop of an opening deficit of (£34.1m). We achieved a (£27.2m) deficit excluding impairments of (£24.8m) against a planned deficit of (£8.3m), and the main components of our financial outturn are covered below. Excluding STF we delivered a deficit of £38.6m compared to plan of £31.7m, a variance of £6.9m.
- 3.2 Our income increased by £46.9m (5.1%) from £866m to £913m predominantly driven by patient activity related income.
- 3.3 Total expenditure increased by £51m (5.7%) from £900.3m to £951.7m driven by an increase in pay costs of £57m reflecting the transfer of estates and facilities from an out-sourced service to an in-house provision. Non-pay remained in line with the prior year and non-operating costs reduced by £5m due to lower depreciation charges and dividend.
- 3.4 Our year-end outturn on CIPs was £36.2m compared to plan a plan of £35m as shown by CMG in Figure 1

Figure 1 – CIP Outturn 2016-17

	Mar-17				YTD				FY/Plan £000
	Plan £000	Actual £000	F/(A) £000	%	Plan £000	Actual £000	F/(A) £000	%	
CHUGGS	322	319	(3)	(1%)	3,810	4,130	320	8%	3,810
CS	423	460	37	9%	4,370	4,385	14	0%	4,370
ESM	521	75	238	45%	5,845	5,898	53	1%	5,845
ITAPS	380	369	(21)	(5%)	3,794	3,975	180	5%	3,794
M&S	392	661	268	68%	4,011	4,087	76	2%	4,011
RRCV	494	579	85	17%	5,814	5,876	61	1%	5,814
Womers & Childers	469	349	(120)	(26%)	3,928	2,928	(1,000)	(25%)	3,928
Total OVG	3,012	3,488	476	16%	31,573	31,228	(345)	(1%)	31,573
Facilities	8	132	125	1666%	80	1,947	1,117	139%	80
Corporate Total	273	585	312	114%	2,641	2,995	354	13%	2,641
Total OP	3,293	4,210	917	28%	35,044	36,170	1,125	3%	35,044

3.5 Material current asset and liability changes are shown below:

Description	Increase/Decrease	Reason
Cash	Decreased by £3.2m to £1.2m.	This was a planned decrease in line with the drawdown of our capital investment loan and associated Capital Resource Limit.
Inventories	Increased by £1.4m to £20.0m	Small increase in our stockholding.
Trade and Other Receivables	Increase of £10.8m to £56.0m	This increase relates to unpaid and overdue invoices with Leicestershire Partnership Trust of £3,254 overdue and £901k increase in overseas debt.
Trade and Other Payables	Decrease of £10.3m to £110.7m	This has reduced as a result of the increased external working capital funding we received in the year.

4 Methodology for revaluation of our estate

- 4.1 The largest material transactions disclosed in our 2016-17 Financial Statements relate to the reduction in value of the Trust's estate. A loss on revaluation of (£10.2m) has been charged to the revaluation reserve and a (£24.8m) impairment has been charged to the Statement of Comprehensive Income within Other Operating Costs. The impairment is adjusted out of the retained deficit, which is the final bottom line reported figure.
- 4.2 The valuation at 31st March 2017 is based on depreciated replacement cost (DRC), on a Modern Equivalent Asset (MEA) basis. This basically means that a value is applied to our hospital buildings which equates to the cost of replacing them with modern equivalents, which are likely to be more efficient and less costly.

5 Accounts approval process for the Trust Board

- 5.1 To complete the accounting process, members of the Trust Board are required to sign relevant certificates including the following (*signatories are shown in brackets*):-

- **Annual Governance Statement 2016-17** (*Chief Executive*)
- **Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust** (*Chief Executive*)
- **Statement of Directors' Responsibilities in respect of the Accounts** (*Chief Executive and Chief Financial Officer*)
- **Summarisation Schedules (TRUs) for the University Hospitals of Leicester NHS Trust** (*Chief Executive and Chief Financial Officer*)
- **Letter of Representation** (*Chief Executive*). ***This is included separately as Paper F5.***
- **Statement of Financial Position** (*Chief Executive*).

5.2 These certificate once signed will be passed to KPMG who will submit our accounts to the Department of Health along with their audit opinion.

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

6 Recommendations

6.1 The Trust Board is asked to:

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

PAUL TRAYNOR
CHIEF FINANCIAL OFFICER

Data entered below will be used throughout the workbook:

Trust name	University Hospitals of Leicester NHS Trust
This year	2016-17
Last year	2015-16
This year ended	31 March 2017
Last year ended	31 March 2016
This year commencing:	1 April 2016
Last year commencing:	1 April 2015

Accounts 2016-17

Wording to be used for Unused Tables (if option Selected)

Not relevant for trust

Data for File naming Convention

Org Code	RWE
Region Code	Y55
Short name	UNIVHOSPLEICS

Group Accounts Required?

Yes

Group Column Heading

Consolidated

Update for Group account Selection

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

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	8.1	(575,817)	(518,374)
Other operating costs	6	(390,479)	(381,894)
Revenue from patient care activities	3	781,908	744,258
Other operating revenue	4	142,361	121,778
Operating deficit		(42,027)	(34,232)
Investment revenue	10	54	56
Other losses	11	(7)	(16)
Finance costs	12	(2,725)	(1,489)
Deficit for the financial year		(44,705)	(35,681)
Public dividend capital dividends payable		(7,586)	(9,042)
Retained deficit for the year		(52,291)	(44,723)
Other Comprehensive Income			
		2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve		(13,664)	0
Net gain/(loss) on revaluation of property, plant & equipment		10,299	(26,142)
Total comprehensive income for the year		(55,656)	(70,865)
Financial performance for the year			
Retained deficit for the year		(52,291)	(44,723)
Impairments (excluding IFRIC 12 impairments)		24,826	10,392
Adjustments in respect of donated and government granted asset reserve elimination		313	280
Adjusted retained deficit		(27,152)	(34,051)

We delivered a deficit of £27,152k excluding impairments of £24,826k. This was £18,852k adverse to the plan of £8,300k and the difference includes £11,993k relating to the non-receipt of STF funding and £6,860k relating to underlying performance.

Other operating costs includes £24,826k (2015/16 - £10,392k) relating to the impairment of property, plant and equipment following a revaluation of the Trust's estate. This figure is removed from the Adjusted Retained Deficit figure in accordance with Department of Health (DH) Accounting guidance.

Total Comprehensive Income for the year includes an amount of £313k relating to the receipt of donated assets net of donated asset depreciation (2015/16 - £280k). This figure is removed from the Adjusted Retained Deficit figure in accordance with DH accounting guidance. This removes the effect on the Trust's financial performance of no longer having a donated asset or government granted asset reserve and ensures that performance can be measured consistently.

Within Total Comprehensive Income is an amount of (£13,664k) relating to a reduction in the value of the Trust's assets taken to the revaluation reserve. In 2015/16 the Trust had a decrease of (£26,142k) in its asset valuation that was taken to the revaluation reserve.

PDC dividends payable are based on the average relevant net assets of the Trust. Dividend payments have reduced by £1,456k from 2015/16 due mainly to the impact of the deficit for the year, which reduced dividends by £475k, and the impairments, which reduced dividends by £434k.

The notes on pages 15 to 35 form part of this account.

**Statement of Financial Position as at
31 March 2017**

		31 March 2017	31 March 2016
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	14	398,261	391,358
Intangible assets	15	11,467	10,452
Trade and other receivables	20.1	2,669	2,727
Total non-current assets		412,397	404,537
Current assets:			
Inventories	19	19,975	18,605
Trade and other receivables	20.1	55,953	45,106
Cash and cash equivalents	21	1,238	3,178
Total current assets		77,166	66,889
Total assets		489,563	471,426
Current liabilities			
Trade and other payables	22	(110,674)	(120,985)
Provisions	26	(475)	(633)
Borrowings	23	(4,474)	(4,315)
DH capital loan	23	(1,838)	(545)
Total current liabilities		(117,461)	(126,478)
Net current liabilities		(40,295)	(59,589)
Total assets less current liabilities		372,102	344,948
Non-current liabilities			
Provisions	26	(1,562)	(1,678)
Borrowings	23	(7,531)	(3,930)
DH revenue support loan	23	(92,087)	(34,100)
DH capital loan	23	(40,148)	(20,910)
Total non-current liabilities		(141,328)	(60,618)
Total assets employed:		230,774	284,330
FINANCED BY:			
Public Dividend Capital		331,956	329,856
Retained earnings		(178,610)	(126,659)
Revaluation reserve		77,428	81,133
Total Taxpayers' Equity:		230,774	284,330

The notes on pages 15 to 35 form part of this account.

The financial statements on pages 2 to 35 were approved by the Board on 1 June 2017 and signed on its behalf by

Chief Executive:

Date:

**Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2016	329,856	(126,659)	81,133	0	284,330
Changes in taxpayers' equity for 2016-17					
Retained deficit for the year		(52,291)			(52,291)
Net gain on revaluation of property, plant, equipment			10,299		10,299
Impairments and reversals			(13,664)		(13,664)
Transfers between reserves		340	(340)	0	0
Temporary and permanent PDC received - cash	2,100				2,100
Net recognised revenue/(expense) for the year	2,100	(51,951)	(3,705)	0	(53,556)
Balance at 31 March 2017	331,956	(178,610)	77,428	0	230,774
Balance at 1 April 2015	329,837	(82,017)	107,356	0	355,176
Changes in taxpayers' equity for the year ended 31 March 2016					
Retained deficit for the year		(44,723)			(44,723)
Net loss on revaluation of property, plant, equipment			(26,142)		(26,142)
Transfers between reserves		81	(81)	0	0
Net recognised revenue/(expense) for the year	19	(44,642)	(26,223)	0	(70,846)
Balance at 31 March 2016	329,856	(126,659)	81,133	0	284,330

Information on reserves

1 Public dividend capital

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

2 Income and expenditure reserve

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

3 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.

Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Cash Flows from Operating Activities			
Operating deficit		(42,027)	(34,232)
Depreciation and amortisation	6	26,487	31,518
Impairments and reversals	16	24,826	10,392
Donated Assets received credited to revenue but non-cash	4	0	(18)
Increase in Inventories		(1,370)	(4,464)
Increase in Trade and Other Receivables		(11,864)	(11,222)
Increase / (Decrease) in Trade and Other Payables		(1,049)	20,326
Provisions utilised		(475)	(681)
Increase in movement in non cash provisions		197	164
Net Cash Inflow / (Outflow) from Operating Activities		(5,275)	11,783
Cash Flows from Investing Activities			
Interest Received		56	56
Payments for Property, Plant and Equipment		(60,165)	(40,746)
Payments for Intangible Assets		(3,095)	(2,927)
Net Cash Outflow from Investing Activities		(63,204)	(43,617)
Net Cash Outflow before Financing		(68,479)	(31,834)
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received*		2,100	19
Loans received from DH - New Capital Investment Loans**		21,075	10,000
Loans received from DH - New Revenue Support Loans*		62,011	66,419
Loans repaid to DH - Capital Investment Loans		(545)	(545)
Loans repaid to DH - Interim Revolving Working Capital Facility*		(4,024)	(32,319)
Capital Element of Payments in Respect of Finance Leases		(4,840)	(5,248)
Interest paid		(2,725)	(1,463)
PDC Dividend paid		(6,513)	(10,349)
Net Cash Inflow from Financing Activities		66,539	26,514
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,940)	(5,320)
Cash and Cash Equivalents at Beginning of the Period		3,178	8,498
Cash and Cash Equivalents at year end	21	1,238	3,178

We received the following external financing in the year:

* £2,100k PDC for a Linear Accelerator (£1,919k); National Genome Project (£140k); and Fibro Scanner (£41k).

** £21,075k Capital Investment Loan to fund our new Emergency Floor.

*We received a total of £62,011k of Interim Revolving Working Capital (IRWC) funding in the year and repaid £4,024k of this in the year. We have been permitted to carry forward £57,988k of the IRWC to 2017/18 and this balance is shown in the Statement of Financial Position. In 2015/16 we were required to repay the full balance of IRWC (£32,319k) in the year following receipt of a revenue support loan.

We repaid £545k of a £12,000k capital loan which was received in 2014-15 to fund essential investment in our hospital buildings.

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2016-17 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

Going Concern

These accounts have been prepared on a going concern basis. Management believes the Trust will remain in operation for the foreseeable future with no necessity of liquidation or to cease operation.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

In the preparation of these Financial Statements, judgements, estimates and assumptions have been made by the Trust's management concerning the selection of useful lives of fixed assets, provisions necessary for certain liabilities and other similar evaluations. Actual amounts could differ from those estimates.

Deferred income

The value of deferred income included in the Statement Of Financial Position is based on management's judgement around the deferability of income at the Statement Of Financial Position date. More detail is provided in note 24.

Provisions

Provisions included in the Statement Of Financial Position are estimated using appropriate professional advice and are based on circumstances prevailing at the Statement Of Financial Position date.

Valuation of assets

There are judgements around the valuation of assets, of which more detail is provided in note 1.8.

We no longer include an accrual for untaken annual leave as this is not deemed to be material in nature.

NOTES TO THE ACCOUNTS

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

1.5 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services.

Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the Statement Of Financial Position date compared to expected total length of stay.

Revenue from education, training and research is recognised in the period in which services are provided. Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

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

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.

The Trust receives income for car parking and catering from services provided by estates and facilities which was insured on 1 May 2016.

1.6 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

1.7 Other expenses

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

NOTES TO THE ACCOUNTS

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

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to the NHS Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- Collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation

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

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

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. Assets are revalued and depreciation commences in the quarter after they are brought into use.

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

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

Subsequent expenditure

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

NOTES TO THE ACCOUNTS

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

1.9 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust, where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

Measurement

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

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

1.10 Depreciation, amortisation and impairments

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

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

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

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

1.11 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.12 Government grants

Government grant funded assets are capitalised at their fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

NOTES TO THE ACCOUNTS

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

1.13 Non-current assets held for sale

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

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

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

1.14 Leases

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

The University Hospitals of Leicester NHS Trust as lessee

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

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

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

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

The University Hospitals of Leicester NHS Trust as lessee

The University Hospitals of Leicester NHS Trust has no income from finance leases.

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

1.15 Inventories

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

NOTES TO THE ACCOUNTS

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

1.16 Cash and cash equivalents

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

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

1.17 Provisions

Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 0.24% in real terms.

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

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.18 Clinical negligence costs

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

1.19 Non-clinical risk pooling

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

1.20 Carbon Reduction Commitment Scheme (CRC)

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

1.21 Contingencies

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

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

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

1.22 Financial assets

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

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

The Trust does not hold any financial assets at fair value through profit and loss.

Held to maturity investments

The Trust does not hold any held to maturity investments.

Available for sale financial assets

The Trust does not categorise any of its assets as available for sale.

NOTES TO THE ACCOUNTS

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

Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

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

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

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

1.23 Financial liabilities

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

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

Financial liabilities at fair value through profit and loss

The Trust does not hold any financial assets at fair value through profit and loss.

Other financial liabilities

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

1.24 Value Added Tax

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

1.25 Foreign currencies

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

1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 34 to the accounts.

1.27 Public Dividend Capital (PDC) and PDC dividend

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

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

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

NOTES TO THE ACCOUNTS

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

1.28 Losses and Special Payments

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

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

1.29 Subsidiaries

The Trust has one wholly owned subsidiary, Trust Group Holdings. This was incorporated on 21 September 2016 and will be consolidated in the Trust's accounts from 2017/18. The company commenced trading on the 1 April 2017 as a pharmacy dispensing business.

1.30 Research and Development

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

1.31 Accounting Standards that have been issued but have not yet been adopted

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

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

1.32 Gifts

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

2. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material. These are all new schemes in 2016-17 following the insourcing of services from Interserve plc.

Summary Table - UHL Catering and Car Parking	2016-17 £000s	2015-16 £000s
Income	4,791	0
Full cost*	-	0
Surplus/(deficit)*	-	0

We provide retail catering services to patients and the public, and collect car parking income from our car parks. Prior to the 1st May 2016 these services were provided by Interserve and we accounted for the income as operating lease income under International Financial Reporting Standards.

* Due to the way in which this activity was coded during the year, it was not possible for us to identify the full cost and surplus/(deficit) relating to our internal catering and car parking services. We will be able to disclose these amounts from 2017/18.

Summary Table - Estates and facilities services provided to Leicester Partnership Trust	2016-17 £000s	2015-16 £000s
Income	8,505	0
Full cost	8,108	0
Surplus/(deficit)	397	0

Summary Table - Estates and facilities services provided to NHS property Services	2016-17 £000s	2015-16 £000s
Income	2,914	0
Full cost	2,507	0
Surplus/(deficit)	407	0

From 1 May 2016 we provide a range of estates and facilities services to Leicester Partnership Trust and NHS Property Services. These services were previously provided to those organisations, and us, by Interserve as part of a joint contract. We have generated a surplus from both of these activities.

3. Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	80	119
NHS England	258,067	242,452
Clinical Commissioning Groups	513,602	492,421
Foundation Trusts	785	686
NHS Other (including Public Health England and Prop Co)	435	1,133
Non-NHS:		
Local Authorities	42	166
Private patients	2,864	3,038
Overseas patients (non-reciprocal)	1,318	1,089
Injury costs recovery	1,957	1,645
Other Non-NHS patient care income	1,376	1,509
Total Revenue from patient care activities	780,526	744,258

'Non-NHS: Other' £1,376k relates to income from health bodies in Wales, Scotland and Northern Ireland (2015-16 - £1,189k).

4. Other operating revenue

	2016-17 £000s	2015-16 £000s
Recoveries in respect of employee benefits	9,081	9,331
Education, training and research	83,856	84,616
Receipt of charitable donations for capital acquisitions	199	374
Non-patient care services to other bodies	10,010	7,237
Sustainability & Transformation Fund Income	11,408	0
Income generation (Other fees and charges)	16,210	0
Rental revenue from operating leases	1,314	8,521
Other revenue	11,665	11,699
Total Other Operating Revenue	143,743	121,778
Total operating revenue	924,269	866,036

Sustainability & Transformation Fund Income

Total Other Operating Revenue has increased by £20.6m from the prior year. £11.4m of this relates to income from the Sustainability and Transformation Fund (STF). This is a new source of income for the Trust from a fund established by the Government to assist NHS organisations to achieve financial balance, while focusing on changing the way they provide high quality care for patients.

Income Generation

The Trust is responsible for delivering facilities management services in house from 1st May 2016, following cessation of the contract with Interserve. We also now provide these services to NHS Property Services and Leicestershire Partnership Trust and include the income as income generation. This income totalled £11.4m for the period 1 May 2016 to 31 March 2017.

Income generation also includes £4.8m income from catering and car parking which is now received directly by the Trust and classified as income generation rather than being included within operating lease income.

Rental revenue from operating leases

Rental revenue from operating leases includes £0.6m of income (2015-16 - £7.6m) from Interserve plc, in relation to car parking and catering for April 2016 prior to the cessation of the contract. In accordance with International Financial Reporting Standards, we classify this as operating lease income.

5. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	1,318	1,089
Cash payments received in-year (re receivables at 31 March 2016)	134	261
Cash payments received in-year (iro invoices issued 2016-17)	203	130
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	175	131
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	257	112
Amounts written off in-year (irrespective of year of recognition)	0	183

We have provided for £1,072k of bad debts in relation to overseas visitors.

6. Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	395	2,956
Services from other NHS bodies	286	205
Services from NHS Foundation Trusts	2,535	2,619
Total Services from NHS bodies*	3,216	5,780
Purchase of healthcare from non-NHS bodies	5,313	7,724
Trust Chair and Non-executive Directors	86	87
Supplies and services - clinical	212,247	199,321
Supplies and services - general	14,389	26,035
Consultancy services	2,204	3,961
Establishment	6,533	6,164
Transport	3,373	3,064
Business rates paid to local authorities	3,478	3,378
Premises	32,771	38,687
Insurance	85	54
Legal Fees	378	743
Impairments and Reversals of Receivables	384	(34)
Inventories write down	2	0
Depreciation	24,314	28,631
Amortisation	2,173	2,887
Impairments and reversals of property, plant and equipment	24,826	10,392
Internal Audit Fees	121	153
Audit fees	147	151
Other auditor's remuneration	37	16
Clinical negligence	23,724	17,076
Research and development (excluding staff costs)	22,932	23,147
Education and Training	1,292	1,333
Other	6,454	3,144
Total Operating expenses (excluding employee benefits)	390,479	381,894
Employee Benefits		
Employee benefits excluding Board members	574,849	517,437
Board members	968	937
Total Employee Benefits	575,817	518,374
Total Operating Expenses	966,296	900,268

Services from NHS bodies does not include expenditure which falls into a category below it in the table. The reduction in income from NHS Trusts is due to a more precise categoriation of this income in these other categories in 2016-17.

Supplies and services - clinical includes £102,168k expenditure on drugs.

General supplies and services costs have reduced by £11.6m from 2015/16. There has been a reduction of £18m following the insourcing of services previously provided by Interserve. This is offset by other increased spend on general supplies and services, and general price increases.

The insourcing of services from Interserve also accounts for £5m of the reduction of £5.9m in premises costs.

There has been a corresponding increase in pay costs of £18.8m (see note 8.1) relating to Interserve staff transferred to the Trust under TUPE regulations. Costs have therefore shifted from non-pay to pay following the insourcing.

Establishment costs include printing, stationery, postage and telephone costs.

Transport costs of £3.4m include lease cars £0.5m; taxis £0.3m; and the costs of transporting our patients to and from the hospital £1.9m.

7. Operating Leases

Of the total minimum lease payments for 2016-17, £5,199k (2015-16 - £4,604k) relates to external contracts for the provision of haemodialysis services as defined under IAS 17 Leases. The Trust is provided with haemodialysis services from private sector suppliers from sites in Northamptonshire and Lincolnshire.

7.1. University Hospitals of Leicester NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				6,426	5,877
Total				6,426	5,877
Payable:					
No later than one year		0	4,420	4,420	4,418
Between one and five years	0	0	8,758	8,758	8,911
After five years	0	0	18	18	169
Total	0	0	13,196	13,196	13,498

No future sublease payments expected to be received.

7.2. University Hospitals of Leicester NHS Trust as lessor

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	1,314	8,521
Total	1,314	8,521
Receivable:		
No later than one year	302	1,063
Between one and five years	2	11
Total	304	1,074

Operating lease revenue has reduced due to the impact of the Interserve plc facilities management contract ending at the end of April 2016. Under IFRS we disclosed income from catering and car parking as lease income, and income from these services is now received directly by the Trust and is now disclosed as Income Generation.

8. Employee benefits**8.1. Employee benefits**

	2016-17	2015-16
	Total	Total
	£000s	£000s
Employee Benefits - Gross Expenditure		
Salaries and wages	484,659	443,261
Social security costs	42,392	30,780
Employer Contributions to NHS BSA - Pensions Division	51,024	46,571
Other pension costs	33	20
Termination benefits	8	44
Total employee benefits	578,116	520,676
Employee costs capitalised	2,299	2,302
Gross Employee Benefits excluding capitalised costs	575,817	518,374

Total employee benefit costs have increased by £57.4m. £18.8m of this increase is due to the transfer of staff from Interserve to the Trust under TUPE regulations following early cessation of the contract. £13.5m of the increase is due to pay inflation. General supplies and services expenditure has reduced as a result of the costs moving from non-pay into pay.

8.2. Staff Numbers

	2016-17	2015-16
	Total	Total
	£000s	£000s
Average Staff Numbers		
Medical and dental	1,704	1,607
Ambulance staff	7	4
Administration and estates	2,249	2,010
Healthcare assistants and other support staff	897	322
Nursing, midwifery and health visiting staff	3,539	3,578
Nursing, midwifery and health visiting learners	1,903	1,645
Scientific, therapeutic and technical staff	1,767	1,657
Other	29	209
TOTAL	12,095	11,032
Of the above - staff engaged on capital projects	29	21

8.3. Staff Sickness absence and ill health retirements

	2016-17	2015-16
	Number	Number
Total Days Lost	96,020	87,347
Total Staff Years	11,954	10,664
Average working Days Lost	8.03	8.19

8.4. Retirements due to ill-health

	2016-17	2015-16
	Number	Number
Number of persons retired early on ill health grounds	6	7
	£000s	£000s
Total additional pensions liabilities accrued in the year	523	288

8.5. Exit Packages agreed in 2016-17

2016-17								
Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	1	8,050	0	0	1	8,050	0	0
	1	8,050	0	0	1	8,050	0	0

2015-16								
Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	1	0	0	0	1	0	0	0
£25,001-£50,000	1	43,710	0	0	1	43,710	0	0
Total	2	43,710	0	0	2	43,710	0	0

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

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

8.6. Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

9. Better Payment Practice Code**9.1. Measure of compliance**

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	159,196	636,385	125,692	544,043
Total Non-NHS Trade Invoices Paid Within Target	<u>30,207</u>	<u>396,325</u>	<u>72,708</u>	<u>416,673</u>
Percentage of NHS Trade Invoices Paid Within Target	<u>18.97%</u>	<u>62.28%</u>	<u>57.85%</u>	<u>76.59%</u>
NHS Payables				
Total NHS Trade Invoices Paid in the Year	4,979	116,179	5,130	96,952
Total NHS Trade Invoices Paid Within Target	<u>498</u>	<u>80,292</u>	<u>2,381</u>	<u>75,903</u>
Percentage of NHS Trade Invoices Paid Within Target	<u>10.00%</u>	<u>69.11%</u>	<u>46.41%</u>	<u>78.29%</u>

The Better Payment Practice Code requires the Trust to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. Although the Trust has been in receipt of cash support in 2016/17 we have not been able to achieve compliance due to a number of factors, including the timing of external cash receipts and other operational issues that have resulted in delays to payments. The Trust remains committed to achieving this standard and has made significant progress to date in correcting its operational issues.

9.2. The Late Payment of Commercial Debts (Interest) Act 1998

	2016-17 £000s	2015-16 £000s
Amounts included in finance costs from claims made under this legislation	<u>35</u>	<u>5</u>
Total	<u>35</u>	<u>5</u>

10. Investment Revenue

	2016-17 £000s	2015-16 £000s
Bank interest	<u>54</u>	<u>56</u>
Total investment revenue	<u>54</u>	<u>56</u>

11. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	<u>(7)</u>	<u>(16)</u>
Total	<u>(7)</u>	<u>(16)</u>

12. Finance Costs

	2016-17 £000s	2015-16 £000s
Interest		
Interest on loans and overdrafts	2,053	1,000
Interest on obligations under finance leases	626	458
Interest on late payment of commercial debt	<u>35</u>	<u>5</u>
Total interest expense	<u>2,714</u>	<u>1,463</u>
Other finance costs	<u>7</u>	<u>0</u>
Provisions - unwinding of discount	<u>4</u>	<u>26</u>
Total	<u>2,725</u>	<u>1,489</u>

13. Other Auditor Remuneration**13.1. Other auditor remuneration**

	2016-17 £000s	2015-16 £000s
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services	14	12
Taxation advisory services	<u>23</u>	<u>4</u>
Total	<u>37</u>	<u>16</u>

13.2. Limitation on auditor's liability

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

14. Property, plant and equipment

14.1. Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2016-17									
Cost or valuation:									
At 1 April 2016	47,690	256,743	8,645	31,231	152,118	156	62,096	2,160	560,839
Additions of Assets Under Construction				3,711					3,711
Additions Purchased	0	38,355	10		5,635	47	2,775	189	47,011
Additions - Purchases from Cash Donations & Government Grants	0	42	0	0	156	0	1	0	199
Additions Leased (including PFI/LIFT)	0	0	0		8,600	0	0	0	8,600
Reclassifications	0	23,257	0	(23,350)	0	0	0	0	(93)
Disposals other than for sale	(5,612)	(6)	(462)	0	(7,081)	(4)	(6,986)	(81)	(20,232)
Revaluation	4,400	(6,297)	(193)	0	0	0	0	0	(2,090)
Impairments/reversals charged to operating expenses	0	(24,826)	0	0	0	0	0	0	(24,826)
Impairments/reversals charged to reserves	0	(13,642)	(22)	0	0	0	0	0	(13,664)
At 31 March 2017	46,478	273,626	7,978	11,592	159,428	199	57,886	2,268	559,455
Depreciation									
At 1 April 2016	5,612	22	462		109,189	102	52,424	1,670	169,481
Disposals other than for sale	(5,612)	(6)	(462)		(7,061)	(4)	(6,986)	(81)	(20,212)
Revaluation	0	(11,996)	(393)		0	0	0	0	(12,389)
Charged During the Year	0	11,996	393		9,622	11	2,220	72	24,314
At 31 March 2017	0	16	0	0	111,750	109	47,658	1,661	161,194
Net Book Value at 31 March 2017	46,478	273,610	7,978	11,592	47,678	90	10,228	607	398,261
Asset financing:									
Owned - Purchased	46,478	267,385	7,978	11,592	22,934	71	10,187	520	367,145
Owned - Donated	0	5,563	0	0	1,024	19	41	87	6,734
Owned - Government Granted	0	662	0	0	0	0	0	0	662
Held on finance lease	0	0	0	0	23,720	0	0	0	23,720
Total at 31 March 2017	46,478	273,610	7,978	11,592	47,678	90	10,228	607	398,261

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	9,090	64,398	7,726	0	1	0	0	0	81,215
Movements (specify)	4,400	(8,252)	147	0	(1)	0	0	0	(3,706)
At 31 March 2017	13,490	56,146	7,873	0	0	0	0	0	77,509

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	2,044
Dwellings	0
Plant & Machinery	1,667
Balance as at YTD	3,711

14.2. Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2015-16									
Cost or valuation:									
At 1 April 2015	52,857	296,009	8,656	15,248	148,909	150	56,964	2,187	580,980
Additions of Assets Under Construction				19,872					19,872
Additions Purchased	0	13,181	115		4,716	24	2,635	9	20,680
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	18	0	0	0	18
Additions - Purchases from Cash Donations & Government Grants	0	163	0	0	190	0	2	0	355
Additions Leased (including PFI/LIFT)	0	0	0		1,705	0	0	0	1,705
Reclassifications	0	1,043	0	(3,889)	0	0	2,568	0	(278)
Disposals other than for sale	0	0	0	0	(3,420)	(18)	(73)	(36)	(3,547)
Revaluation	(3,666)	(44,762)	(126)	0	0	0	0	0	(48,554)
Impairment/reversals charged to reserves	(1,501)	(8,891)	0	0	0	0	0	0	(10,392)
At 31 March 2016	47,690	256,743	8,645	31,231	152,118	156	62,096	2,160	560,839
Depreciation									
At 1 April 2015	5,612	6,942	673		102,238	102	49,594	1,626	166,787
Disposals other than for sale	0	0	0		(3,400)	(16)	(73)	(36)	(3,525)
Revaluation	0	(21,779)	(633)		0	0	0	0	(22,412)
Charged During the Year	0	14,859	422		10,351	16	2,903	80	28,631
At 31 March 2016	5,612	22	462	0	109,189	102	52,424	1,670	169,481
Net Book Value at 31 March 2016	42,078	256,721	8,183	31,231	42,929	54	9,672	490	391,358
Asset financing:									
Owned - Purchased	42,078	250,122	8,183	31,231	24,012	29	9,452	403	365,510
Owned - Donated	0	5,884	0	0	1,082	25	48	87	7,126
Owned - Government Granted	0	715	0	0	0	0	0	0	715
Held on finance lease	0	0	0	0	17,835	0	172	0	18,007
Total at 31 March 2016	42,078	256,721	8,183	31,231	42,929	54	9,672	490	391,358

14.3. (cont). Property, plant and equipment**Donated assets**

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

Asset revaluation

The Trust has revalued its assets with an effective date of revaluation of 31st March 2017.

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

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

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

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

As a result of this valuation we have incurred an impairment charge of £24,826k, which is included within Other Operating Costs in the SOCI and is also disclosed in Note 16. This figure is removed from the Adjusted Retained Deficit figure in accordance with Department of Health (DH) Accounting guidance.

Our revaluation reserve has also been reduced in value by £13,665k as a result of the revaluation. The total reduction in our asset valuation is £38,491k.

The reduction in the value of our assets has contributed £0.4m to an overall reduction of £1.5m in PDC dividends payable for 2016-17.

Gross carrying value of fully depreciated assets in use at the balance sheet date

	31 March 2017 £000	31 March 2016 £000
Plant & Machinery (Purchased)	51,557	54,835
Plant & Machinery (Donated)	4,981	5,648
Transport Equipment (Purchased)	52	55
Tangible IM&T (Purchased)	38,313	45,300
Tangible IM&T (Donated)	134	134
Intangible IM&T (Purchased)	7,864	7,864
Intangible IM&T (Donated)	14	14
Furniture & Fittings (Purchased)	1,346	1,427
Furniture & Fittings (Donated)	71	71
	104,332	115,348

Economic Lives of Non-Current Assets

	Min Life Years	Max Life Years
Property, Plant and Equipment		
Buildings exc Dwellings	5	70
Dwellings	10	25
Plant & Machinery	0	10
Transport Equipment	0	7
Information Technology	0	7
Furniture and Fittings	0	7

15. Intangible non-current assets**15.1. Intangible non-current assets**

2016-17	Computer Licenses	Total
	£000's	£000's
At 1 April 2016	24,180	24,180
Additions Purchased	3,095	3,095
Reclassifications	93	93
At 31 March 2017	27,368	27,368
Amortisation		
At 1 April 2016	13,728	13,728
Charged During the Year	2,173	2,173
At 31 March 2017	15,901	15,901
Net Book Value at 31 March 2017	11,467	11,467
Asset Financing: Net book value at 31 March 2017 comprises:		
Purchased	11,467	11,467
Total at 31 March 2017	11,467	11,467

15.2. Intangible non-current assets prior year

2015-16	Computer Licenses	Total
	£000's	£000's
Cost or valuation:		
At 1 April 2015	20,975	20,975
Additions - purchased	2,927	2,927
Reclassifications	278	278
At 31 March 2016	24,180	24,180
Amortisation		
At 1 April 2015	10,841	10,841
Charged during the year	2,887	2,887
At 31 March 2016	13,728	13,728
Net book value at 31 March 2016	10,452	10,452
Net book value at 31 March 2016 comprises:		
Purchased	10,452	10,452
Total at 31 March 2016	10,452	10,452

15.3. Intangible non-current assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

All of the Trust's intangible assets are either purchased or donated, and none have been internally generated

All of the Trust's intangible assets are amortised up to a maximum of 6 years and are not subject to revaluation.

None of the Trust's intangible assets have been acquired by government grant.

The Trust has £7,878k of fully amortised intangible assets still in use.

The Trust has no significant intangible assets which it does not recognise as assets under IAS 38 Intangible Assets.

The Trust has no revaluation reserve balances for intangible assets.

The Trust has no material impairments for any individual intangible assets.

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

	2016-17 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Changes in market price	24,826
Total charged to Annually Managed Expenditure	24,826
Total Impairments of Property, Plant and Equipment changed to SoCI	24,826
Total Impairments charged to SoCI - DEL	0
Total Impairments charged to SoCI - AME	24,826
Overall Total Impairments	24,826
Donated and Gov Granted Assets, included above	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	91

The impairment of the new Emergency Department was £18.2m as determined by our external valuers. This reflects the requirement to demolish a number of existing buildings including a heritage building which involved the removal and retention of elements for future use. The specialist nature of the new department involved additional design costs due to this being a custom built area to meet our current and future requirements.

17. Commitments**17.1. Capital commitments**

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

	31 March 2017 £000s	31 March 2016 £000s
Property, plant and equipment	6,895	35,044
Intangible assets	156	3,090
Total	7,051	38,134

The Trust has not entered into any other non-cancellable contracts (which are not leases or PFI contracts or other service concessions).

18. Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with Other Central Government Bodies	421	0	12,023	0
Balances with Local Authorities	190	0	0	0
Balances with NHS bodies outside the Departmental Group	2	0	0	0
Balances with NHS bodies inside the Departmental Group	31,857	0	16,749	132,235
Balances with Bodies External to Government	23,483	2,669	88,214	7,531
At 31 March 2017	55,953	2,669	116,986	139,766
Prior period:				
Balances with Other Central Government Bodies	702	0	9,795	0
Balances with Local Authorities	440	0	86	0
Balances with NHS bodies inside the Departmental Group	26,658	0	15,936	55,010
Balances with Bodies External to Government	17,306	2,727	100,028	3,930
At 31 March 2016	45,106	2,727	125,845	58,940

19. Inventories

	Drugs £000s	Consumables £000s	Work in Progress £000s	Energy £000s	Loan Equipment £000s	Other £000s	Total £000s	Of which held at NRV £000s
Balance at 1 April 2016	3,596	14,967	0	42	0	0	18,605	14,967
Additions	102,731	35,455	0	188	0	0	138,374	35,455
Inventories recognised as an expense in the period	(102,168)	(34,786)	0	(48)	0	0	(137,002)	(34,788)
Write-down of inventories (including losses)	0	(2)	0	0	0	0	(2)	0
Balance at 31 March 2017	4,159	15,634	0	182	0	0	19,975	15,634

20.1. Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
NHS receivables - revenue	31,516	25,351	0	0
Non-NHS receivables - revenue	17,672	13,097	3,217	3,242
Non-NHS prepayments and accrued income	4,797	3,068	372	372
PDC Dividend prepaid to DH	764	1,307	0	0
Provision for the impairment of receivables	(1,024)	(764)	(920)	(887)
VAT	1,605	2,622	0	0
Other receivables	623	425	0	0
Total	55,953	45,106	2,669	2,727
Total current and non current	58,622	47,833		

The great majority of trade is with CCGs, as commissioners 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.

20.2. Receivables past their due date but not impaired

	31 March 2017 £000s	31 March 2016 £000s
By up to three months	1,496	3,074
By three to six months	500	809
By more than six months	2,434	1,156
Total	4,430	5,039

20.3. Provision for impairment of receivables

	2016-17 £000s	2015-16 £000s
Balance at 1 April 2016	(1,651)	(1,914)
Amount written off during the year	91	229
Amount recovered during the year	279	553
(Increase)/decrease in receivables impaired	(663)	(519)
Balance at 31 March 2017	(1,944)	(1,651)

We have changed our methodology for calculating this provision from the 'expected loss' model to the 'incurred loss model' as required by International Accounting Standard (IAS) 9. We now provide for the impairment of receivables based on a past event rather than generally applying percentages to gross debtor values. The percentage used to calculate the provision for impairment of Injury Cost Recovery debt is 21.99%.

21. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	3,178	8,498
Net change in year	(1,940)	(5,320)
Closing balance	1,238	3,178
Made up of		
Cash with Government Banking Service	1,149	3,163
Commercial banks	50	0
Cash in hand	39	15
Cash and cash equivalents as in statement of financial position	1,238	3,178
Cash and cash equivalents as in statement of cash flows	1,238	3,178

22. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
NHS payables - revenue	10,063	9,502	0	0
NHS accruals and deferred income	5,584	5,889	0	0
Non-NHS payables - revenue	48,744	43,305	0	0
Non-NHS payables - capital	4,808	14,052	0	0
Non-NHS accruals and deferred income	21,449	31,368	0	0
Social security costs	6,439	4,740	0	0
Accrued Interest on DH Loans	123	126	0	0
Tax	5,584	5,054	0	0
Other	7,880	6,949	0	0
Total	110,674	120,985	0	0
Total payables (current and non-current)	110,674	120,985		
Included above:				
Outstanding Pension Contributions at the year end	6,941	6,404		

23. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Loans from Department of Health	1,838	545	132,235	55,010
Finance lease liabilities	4,474	4,315	7,531	3,930
Total	6,312	4,860	139,766	58,940
Total other liabilities (current and non-current)	146,078	63,800		

The balance of Loans from the Department of Health is comprised of

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Interim Revenue Support Loan	0	0	34,100	34,100
Interim Working Capital Facility	0	0	57,988	0
Interim capital support loan - Emergency Floor	1,293	0	29,782	10,000
Interim capital support loan - Other Capital	545	545	10,365	11,455
Total	1,838	545	132,235	55,555

Borrowings / Loans - repayment of principal falling due in:

	31 March 2017		Total £000s
	DH £000s	Other £000s	
0-1 Years	1,838	4,474	6,312
1 - 2 Years	35,938	1,506	37,444
2 - 5 Years	63,500	2,259	65,759
Over 5 Years	32,797	3,766	36,563
TOTAL	134,073	12,005	146,078

24. Deferred income

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Opening balance at 1 April 2016	13,144	13,566	0	0
Deferred revenue addition	1,875	1,609	0	0
Transfer of deferred revenue	(3,059)	(2,031)	0	0
Current deferred income at 31 March 2017	11,960	13,144	0	0
Total deferred income (current and non-current)	11,960	13,144		

25. Finance lease obligations as lessee**Managed Equipment Service (MES) finance lease**

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

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

Payment for the fair value of the services received

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

Interest costs charged to revenue

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

Property plant and equipment assets recognised on the balance sheet

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

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

Liability

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

Asset replacement

Any assets, or asset components replaced by the operator during the contract are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

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

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

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Within one year	4,474	4,315	4,474	4,315
Between one and five years	3,285	1,559	3,012	1,429
After five years	5,859	3,301	4,519	2,501
Less future finance charges	(1,613)	(930)	-	-
Minimum Lease Payments / Present value of minimum lease payments	12,005	8,245	12,005	8,245
Included in:				
Current borrowings			4,474	4,315
Non-current borrowings			7,531	3,930
			12,005	8,245

26. Provisions

	Total	Comprising: Early Departure Costs	Other	Redundancy
	£000s	£000s	£000s	£000s
Balance at 1 April 2016	2,311	1,350	961	0
Arising during the year	200	36	151	13
Utilised during the year	(475)	(217)	(258)	0
Reversed unused	(3)	0	(3)	0
Unwinding of discount	4	3	1	0
Balance at 31 March 2017	2,037	1,172	852	13

Expected Timing of Cash Flows:

No Later than One Year	475	217	258	0
Later than One Year and not later than Five Years	1,464	870	594	0
Later than Five Years	98	85	0	13

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

As at 31 March 2017	282,547
As at 31 March 2016	251,499

Other provisions includes £174k for employer and public liability cases as notified to us by the NHS Litigation Authority; £550k permanent injury benefits and £129k for potential litigation or employment tribunals.

27. Contingencies

	31 March 2017 £000s	31 March 2016 £000s
Contingent liabilities		
Other	(122)	(165)
Net value of contingent liabilities	(122)	(165)

The Trust's contingent liabilities relate to property, employer and public liability cases. All of these are administered by the NHS Litigation Authority and are expected to be resolved in 2017-18. Provisions for these are also included at note 24.

28. Analysis of charitable fund reserves

We do not consolidate the following amounts within the Trust's accounts as they are not material.

	31 March 2017 £000s	31 March 2016 £000s
Restricted / Endowment Funds	1,985	2,023
Non-Restricted Funds	3,159	2,620
	5,144	4,643

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. They may also be capital funds (e.g. endowments) where the assets are required to be invested, or retained for use rather than expended.

29. Financial Instruments

29.1. Financial risk management

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

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

Currency risk

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

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

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

Liquidity risk

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

29.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Receivables - NHS		15,203		15,203
Receivables - non-NHS		930		930
Cash at bank and in hand		1,238		1,238
Total at 31 March 2017	0	17,371	0	17,371
Receivables - NHS		8,250		8,250
Receivables - non-NHS		10,568		10,568
Cash at bank and in hand		3,178		3,178
Total at 31 March 2016	0	21,996	0	21,996

29.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
NHS payables		4,428	4,428
Non-NHS payables		36,964	36,964
Other borrowings		134,073	134,073
Total at 31 March 2017	0	175,465	175,465
NHS payables		3,731	3,731
Non-NHS payables		31,868	31,868
Other borrowings		55,555	55,555
Total at 31 March 2016	0	91,154	91,154

30. Events after the end of the reporting period

There are no material adjusting post balance sheet events arising subsequent to the date of these financial statements.

31. Related party transactions

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

Mr K Singh, Trust Chairman, has a family member who is a Partner with Lakeside Healthcare. During the reporting year, the Trust made payments to Lakeside Healthcare amounting to £2,625k.

Colonel (Ret'd) I Crowe, Non-Executive Director, is Chair of Leicester Hospitals Charity. During the reporting year, the Trust received payments amounting to £233k from Leicester Hospitals Charity.

Mr J Adler, Chief Executive, is an unpaid Trustee of NHS Providers. During the reporting year, the Trust made payments amounting to £18k to NHS Providers.

The spouse of Mr P Traynor, Chief Financial Officer, is currently an Interim Business Development Manager at LLR Alliance. During the reporting year, the Trust received payments amounting to £5k from LLR Alliance and made payments amounting to £79k.

The Trust has outstanding loans totalling £134,073k at the 31 March 2016 issued by the Department of Health.

MATERIAL DEPARTMENT OF HEALTH ENTITIES

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

CLINICAL COMMISSIONING GROUPS

Cambridgeshire And Peterborough CCG
Corby CCG
Coventry And Rugby CCG
East Leicestershire And Rutland CCG
East Staffordshire CCG
Leicester City CCG
Lincolnshire East CCG
Lincolnshire West CCG
Nene CCG
Newark & Sherwood CCG
Nottingham City CCG
Rushcliffe CCG
South East Staffs And Seisdon Peninsular CCG
South Lincolnshire CCG
South West Lincolnshire CCG
Southern Derbyshire CCG
Warwickshire North CCG
West Leicestershire CCG

NHS TRUSTS

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

NHS FOUNDATION TRUSTS

Burton Hospitals NHS Foundation Trust
Chesterfield Royal Hospital NHS Foundation Trust
Derby Teaching Hospitals NHS Foundation Trust
Kettering General Hospital NHS Foundation Trust
Northamptonshire Healthcare NHS Foundation Trust
Nottinghamshire Healthcare NHS Foundation Trust
Oxford Health NHS Foundation Trust
Peterborough & Stamford Hospitals NHS Foundation Trust
Sherwood Forest Hospitals NHS Foundation Trust

OTHER

Central Midlands Local Office
East Midlands Specialised Commissioning Hub
Health Education England
National Health Service Pension Scheme
NHS Blood and Transplant
NHS England
NHS Litigation Authority
NHS Property Services
Public Health England

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

HM Revenue and Customs
Leicester City Council
Leicestershire County Council
Welsh Assembly Government

University of Leicester:

During the reporting year, the Trust made payments to the University of Leicester amounting to £13,833k (2015-16 - £11,949k). The majority of these payments relate to the provision of services to the Trust by medical staff employed by the University of Leicester, and research payments. As at 31st March 2017 a sum of £343k (2015-16 - £308k) is included in creditors in respect of the University of Leicester. The University paid us £4,782k (2015-16 - £5,447k) in the year, relating primarily to research work, and £1,771k (2015-16 - £1,426k) was included within debtors at 31st March 2017.

Leicester Hospitals Charity

The Trust is the Corporate Trustee for Leicester Hospitals Charity which is an independent charity registered with the Charity Commission. In 2016-17 the Trust received total asset donations of £199k (£355k in 2015-16). Full details will be included in the Charity's accounts as submitted to the Charity Commission.

32. Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	93,274	158
Special payments	183,604	120
Total losses and special payments and gifts	276,878	278

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

	Total Value of Cases £s	Total Number of Cases
Losses	213,318	402
Special payments	156,906	122
Total losses and special payments	370,224	524

33. Financial performance targets

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

33.1. Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	588,666	615,155	652,159	697,692	696,257	719,154	758,665	770,393	834,376	866,036	924,269
Retained surplus/(deficit) for the year	61	577	3,018	(3,992)	(2,542)	(27,985)	1,177	(39,514)	(47,493)	(44,723)	(52,291)
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	0	4,043	3,555	28,073	0	0	6,761	10,392	24,826
Adjustments for impact of policy change re donated/government grants assets						0	(1,086)	(141)	84	280	313
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				0	0	0	0	0	0	0	0
Absorption accounting adjustment							0	0	0	0	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	61	577	3,018	51	1,013	88	91	(39,655)	(40,648)	(34,051)	(27,152)
Break-even cumulative position	315	892	3,910	3,961	4,974	5,062	5,153	(34,502)	(75,150)	(109,201)	(136,353)

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

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Materiality test (I.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	0.01	0.09	0.46	0.01	0.15	0.01	0.01	-5.15	-4.87	-3.93	-2.94
Break-even cumulative position as a percentage of turnover	0.05	0.15	0.60	0.57	0.71	0.70	0.68	-4.48	-9.01	-12.61	-14.75

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

33.2. Capital cost absorption rate

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

33.3. External financing

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

	2016-17 £000s	2015-16 £000s
External financing limit (EFL)	87,578	49,260
Cash flow financing	77,717	43,646
Finance leases taken out in the year	4,657	5,248
Other capital receipts	0	0
External financing requirement	82,374	48,894
Underspend against EFL	5,204	366

33.4. Capital resource limit

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

	2016-17 £000s	2015-16 £000s
Gross capital expenditure	62,617	45,558
Less: book value of assets disposed of	(20)	(22)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(199)	(374)
Charge against the capital resource limit	62,398	45,162
Capital resource limit	62,419	45,203
Underspend against the capital resource limit	21	41

34. Third party assets

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 2017 £000s	31 March 2016 £000s
Third party assets held by the Trust.	3	3