St Helens and Knowsley Teaching Hospitals
NHS Trust

Annual Accounts 2018-19


Our Vision is 5 Star Patient Care
EMERGENCY NURSE
PRACTITIONER

Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

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

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

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

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

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

Ann Marr

Ms A M Marr
Chief Executive

Date: 22nd May 2019

Statement of the Directors' responsibilities in respect of the accounts

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

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

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

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

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Trust's performance, business model and strategy.

By order of the Board

Ann Marr

Ms A M Marr
Chief Executive
22nd May 2019

Nik Khashu

Mr N Khashu
Director of Finance
22nd May 2019

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust (the 'Trust') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2018-19 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we refer a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we make a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

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

Responsibilities of the Directors and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Director's Responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

The Audit Committee is those charged with governance. Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Matters on which we are required to report by exception - Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Accountable Officer

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

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

We are required under Section 21(1)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, and to report by exception where we are not satisfied.

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

Report on other legal and regulatory requirements – Certificate

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

Use of our report

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

John Farrar

John Farrar, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

4 Hardman Square
Spinningfields
Manchester, M3 3EB

24 May 2019


CVP Line Equipment
Arterial Line Equipment
Blood culture bottles and capillary gas tubes
Blood bottles, Jelcos, Venflons, Butterflies, T-Pieces, 2 way extensions
Name
Weight
ET Tube
DC Shocks
Adrenaline 1 in 10,000
Cefotaxime
Lorazepam
Phenytoin

Foreword to the accounts

These accounts for the year ended 31 March 2019 have been prepared by the St Helens and Knowsley Teaching Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Statement of Comprehensive Income

	Note	2018/19 £000	2017/18 £000
Operating income from patient care activities	2	324,576	310,386
Other operating income	3	77,582	73,201
Operating expenses	5	(390,275)	(357,755)
Operating surplus/(deficit) from continuing operations		**11,883**	**25,832**
Finance income	10	227	86
Finance expenses	11	(16,974)	(16,290)
Net finance costs		**(16,747)**	**(16,204)**
Surplus / (deficit) for the year from continuing operations		**(4,864)**	**9,628**
Surplus / (deficit) for the year		**(4,864)**	**9,628**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments and reversals	6	25	4,721
Total comprehensive income / (expense) for the period		**(4,839)**	**14,349**
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		(4,864)	9,628
Remove net impairments not scoring to the Departmental expenditure limit		4,179	(4,822)
Remove I&E impact of capital grants and donations		88	195
Adjusted financial performance surplus / (deficit)		**(597)**	**5,001**

Statement of Financial Position

	Note	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Intangible assets	12	925	1,435
Property, plant and equipment	13	258,868	261,236
Receivables	17	1,983	1,093
Total non-current assets		**261,776**	**263,764**
Current assets			
Inventories	16	3,650	3,660
Receivables	17	37,049	25,117
Cash and cash equivalents	18	5,109	11,661
Total current assets		**45,808**	**40,438**
Current liabilities			
Trade and other payables	19	(42,483)	(41,089)
Borrowings	21	(11,136)	(6,585)
Provisions	23	(350)	(398)
Other liabilities	20	(734)	(691)
Total current liabilities		**(54,703)**	**(48,763)**
Total assets less current liabilities		**252,881**	**255,439**
Non-current liabilities			
Borrowings	21	(254,437)	(252,869)
Provisions	23	(2,368)	(2,452)
Other liabilities	20	-	(27)
Total non-current liabilities		**(256,805)**	**(255,348)**
Total assets employed		**(3,924)**	**91**
Financed by			
Public dividend capital		66,630	65,806
Revaluation reserve		10,071	10,046
Income and expenditure reserve		(80,625)	(75,761)
Total taxpayers' equity		**(3,924)**	**91**

The notes on pages 17 to page 59 form part of these accounts.

Name	Ms A M Marr
Position	Chief Executive
Date	22nd May 2019

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2018 - brought forward	65,806	10,046	(75,761)	**91**
Surplus/(deficit) for the year	-	-	(4,864)	**(4,864)**
Impairments and reversals	-	25	-	**25**
Public dividend capital received	824	-	-	**824**
Taxpayers' equity at 31 March 2019	**66,630**	**10,071**	**(80,625)**	**(3,924)**

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

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

Information on reserves

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

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

Income and expenditure reserve

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

Statement of Cash Flows

	Note	2018/19 £000	2017/18 £000
Cash flows from operating activities			
Operating surplus / (deficit)		11,883	25,832
Non-cash income and expense:			
Depreciation and amortisation	5	8,366	8,431
Net impairments	6	4,179	(4,822)
Income recognised in respect of capital donations	3	(69)	(125)
Amortisation of PFI deferred credit		(32)	(5)
(Increase) / decrease in receivables and other assets		(12,544)	(2,993)
(Increase) / decrease in inventories		10	328
Increase / (decrease) in payables and other liabilties		1,254	7,553
Increase / (decrease) in provisions		(134)	(233)
Net cash generated from / (used in) operating activities		**12,913**	**33,966**
Cash flows from investing activities			
Interest received		215	77
Purchase of intangible assets		(309)	(369)
Purchase of property, plant, equipment and investment property		(8,276)	(6,354)
Prepayment of PFI capital contributions		(1,096)	(830)
Net cash generated from / (used in) investing activities		**(9,466)**	**(7,476)**
Cash flows from financing activities			
Public dividend capital received		824	1,369
Movement on loans from the Department of Health and Social Care		11,499	2,580
Movement on other loans		496	1,612
Capital element of finance lease rental payments		(152)	(118)
Capital element of PFI, LIFT and other service concession payments		(5,698)	(5,792)
Interest on loans		(116)	(53)
Other interest		(7)	-
Interest paid on finance lease liabilities		(84)	(28)
Interest paid on PFI, LIFT and other service concession obligations		(16,761)	(16,176)
Net cash generated from / (used in) financing activities		**(9,999)**	**(16,606)**
Increase / (decrease) in cash and cash equivalents		**(6,552)**	**9,884**
Cash and cash equivalents at 1 April - brought forward		**11,661**	**1,777**
Cash and cash equivalents at 31 March	18.1	**5,109**	**11,661**

Notes to the Accounts

1 Accounting policies and other information

1.1 Basis of preparation

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

1.1.1 Accounting convention

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

1.2 Going concern

In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern although the Trust has required working capital loans to meet its operational cash obligations. The Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the 2018/19 GAM the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the financial statements and has not included the adjustments that would result if it was unable to continue as a going concern. These accounts have been prepared on a going concern basis.

1.3 Critical judgements in applying accounting policies

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

- The Trust's PFI scheme (including the main PFI and Managed Equipment Service) is deemed to fall on the statement of financial position as assessed independently under IFRIC12 on the basis that the asset is under the control of the Trust and all risks and rewards sit with the Trust. This is deemed to be a critical judgement that impacts on the financial statements. The Trust's PFI assets have also been valued using depreciated replacement cost excluding VAT. By excluding VAT the Trust is accurately reflecting the depreciated replacement cost as a replacement asset would also be funded by PFI and, by the nature of the contract, have VAT recovered. This valuation is the same methodology and assumptions as in the prior year.

1.3.1 Sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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

1.4. Revenue

1.4.1 Revenue from contracts with customers

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

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

The nature of the Trust's business is such that income is accrued over time and as such income is expected to be received within 30 days of raising a bill. Consequently, the introduction of IFRS has not materially impacted upon the Trust's revenue figures.

Revenue from NHS contracts

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

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

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

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

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

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

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

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

1.5 Expenditure on employee benefits

Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement 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.

Pension costs
NHS Pension Scheme
Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales.

The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme.
Employer's pension cost contributions are charged to operating expenses as and when they become due.
Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.6 Expenditure on other goods and services

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

1.7 Property, plant and equipment

1.7.1 Recognition

Property, plant and equipment is capitalised where:

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

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

1.7.2 Measurement

Valuation

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

All assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

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

Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements of the services being provided.

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, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Subsequent expenditure

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

Depreciation

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

Property, plant and equipment which has been reclassified as ‘held for sale’ cease to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

The Trust depreciates its buildings using information on value and asset lives provided by a professional estate valuer. The methodology for assessing lives used by the valuer tends to longer asset lives and assumes buildings are adequately maintained, that capital lifecycle maintenance costs are charged to revenue and that valuations are undertaken regularly. This methodology was accepted by the Trust when the construction of its new PFI buildings began in the last decade and has been used consistently since. The methodology was particularly apt for an organisation with PFI buildings where there is a contractual obligation to maintain such buildings. The methodology also has the advantage of being practical. In January 2019 RICS changed its guidance such that valuers are now advised to adopt a “shorter-life” approach to assessing building asset lives. The RICS guidance up to that point did not preclude the use of the methodology used by the Trust.

The Trust had a formal revaluation of its buildings as at 31 March 2019 and intend to use the revised asset lives from 1 April 2019. This means that capital lifecycle maintenance costs from 1 April 2019 will now be capitalised.

Revaluation gains and losses

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

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

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

Impairments

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

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

1.7.3 De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

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

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

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

1.7.4 Donated and grant funded assets

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

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

1.7.5 Private Finance Initiative (PFI) transactions

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

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services (shown under operating expenses) and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation on finance costs and repayment of the liability is treated as contingent rent and is expensed as incurred.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the NHS Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value. The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively. However, taking into account the Trust's valuer's approach to assessing asset lives of building assets (which assumes assets are being maintained to original standards), then it is more appropriate for the Trust to treat such expenditure on property assets as a charge to revenue as and when charged through the unitary payment (see next paragraph). With regard to the managed equipment service element of the PFI scheme, major lifecycle costs are capitalised.
Due to a recent change in RICS guidance which the Trust has applied from 1 April 2019 there has been a reduction on building asset lives that effectively will necessitate the capitalisation of building lifecycle costs. The impact of applying this in 2018/19 has been estimated not to be material.

1.7.6 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Buildings, excluding dwellings	3	64
Plant & machinery	4	15
Transport equipment	7	7
Information technology	5	8
Furniture & fittings	7	10

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

1.8 Intangible assets

1.8.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

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

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

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

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

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

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

	Min life Years	**Max life Years**
Information technology	5	5
Software licences	5	5

1.9 Inventories

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

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

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

1.11 Financial assets and financial liabilities

1.11.1 Recognition
Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

1.11.2 Classification and measurement
Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

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

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities are classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost
Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Impairment of financial assets
For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

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

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

1.11.3 Derecognition
Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership.

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

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

1.12.1 The Trust as lessee

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

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

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

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

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

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

1.12.2 The Trust as lessor

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

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

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

Clinical negligence costs
NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 23.2 but is not recognised in the Trust's accounts.

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

1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but would be disclosed in note 24 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 24, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

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

1.15 Public dividend capital

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

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

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for:

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

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

1.16 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.

1.17 Foreign exchange

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

1.18 Third party assets

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

1.19 Losses and special payments

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

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

1.20 Early adoption of standards, amendments and interpretations

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

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

- 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.


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2 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4.1

2.1 Income from patient care activities (by nature)

	2018/19	2017/18
	£000	£000
Acute services		
Elective income	56,326	54,177
Non elective income	117,041	110,602
First outpatient income	23,290	20,548
Follow up outpatient income	27,196	28,642
A & E income	15,323	14,371
Other NHS clinical income	65,513	65,861
Community services		
Community services income from CCGs and NHS England	13,719	12,883
All services		
Private patient income	720	660
Agenda for Change pay award central funding	3,409	
Other clinical income	2,039	2,642
Total income from activities	**324,576**	**310,386**

2.2 Income from patient care activities (by source)

Income from patient care activities received from:	2018/19	2017/18
	£000	£000
NHS England	17,550	19,405
Clinical commissioning groups	294,149	281,461
Department of Health and Social Care	3,409	-
Other NHS providers	776	798
Local authorities	2,441	2,391
Non-NHS: private patients	720	660
Non-NHS: overseas patients (chargeable to patient)	39	83
Injury cost recovery scheme*	1,455	1,425
Non NHS: other**	4,037	4,163
Total income from activities	**324,576**	**310,386**

Note: all income relates to continuing operations

* Injury cost recovery income is subject to a provision for impairment of receivables of 21.89% to reflect expected rates of collection. ** The main component of this is patient care contracts with non-English NHS bodies.

2.3 Overseas visitors (relating to patients charged directly by the Trust)

	2018/19	2017/18
	£000	£000
Income recognised this year	39	83
Cash payments received in-year	34	58
Amounts added to provision for impairment of receivables	9	14
Amounts written off in-year	6	3

3 Other operating income

	2018/19	2017/18
	£000	£000
Other operating income from contracts with customers:		
Research and development (contract)	628	590
Education and training (excluding notional apprenticeship levy income)	11,526	11,032
Non-patient care services to other bodies*	28,136	29,774
Provider sustainability / sustainability and transformation fund income (PSF / STF)	10,967	7,945
Other contract income**	25,994	23,672
Other non-contract operating income		
Education and training - notional income from apprenticeship fund	230	58
Receipt of capital grants and donations	69	125
Amortisation of PFI deferred income / credits	32	5
Total other operating income	**77,582**	**73,201**

Note: all income relates to continuing operations

* These services also include clinical services provided by the Trust to other organsiations for their patients. **The principal item here is income relating to the Trust's PFI development (£13m) received from the Department of Health and Social Care via NHS England.

Note re operating segments: The activities of the Trust are all healthcare-related and treated as a single segment for the purposes of the accounts. The Trust's total income for 2018-19 was £402.158m of which 81% related to patient care activities for which clinical commissioning groups and NHS England account for 96% of the income.

3.1 Additional information on revenue from contracts with customers recognised in the period

	2018/19
	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	686

4 Fees and charges

HM Treasury requires disclosure of fees and charges income. The following disclosure is of income from charges to service users where income from that service exceeds £1 million and is presented as the aggregate of such income. The cost associated with the service that generated the income is also disclosed. There is nothing to disclose here.

5 Operating Expenses

	2018/19	2017/18
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	11,998	12,550
Purchase of healthcare from non-NHS and non-DHSC bodies	2,324	2,760
Staff and executive directors costs	238,599	219,697
Remuneration of non-executive directors	67	58
Supplies and services - clinical (excluding drugs costs)	29,289	28,689
Supplies and services - general	1,673	1,749
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	23,595	24,289
Consultancy costs	6	49
Establishment	3,682	3,627
Premises	18,036	16,834
Transport (including patient travel)	1,044	1,019
Depreciation on property, plant and equipment	7,724	7,802
Amortisation on intangible assets	642	629
Net impairments	4,179	(4,822)
Movement in credit loss allowance: contract receivables / contract assets	11	
Movement in credit loss allowance: all other receivables and investments	-	15
Increase/(decrease) in other provisions	-	(43)
Change in provisions discount rate(s)	(30)	24
Audit fees payable to the external auditor *:		
audit services- statutory audit	49	49
other auditor remuneration (external auditor only)	35	7
Internal audit costs	104	105
Clinical negligence	9,307	7,265
Legal fees	196	215
Insurance	255	201
Research and development	618	499
Education and training	2,812	2,403
Rentals under operating leases	900	546
Early retirements	44	59
Redundancy	315	231
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI)	26,327	25,176
Hospitality	160	148
Other	6,314	5,925
Total	**390,275**	**357,755**

Note: all expenses relate to continuing operations

(* Statutory audit fees are not VAT recoverable. The other auditor remuneration line includes the audit of the Quality account which is also not VAT recoverable and consultancy fees which are. The amounts net of VAT are: audit services - statutory audit (£41k) and other auditor remuneration (£34k).

5.1 Other auditor remuneration

	2018/19	2017/18
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the Trust	-	-
2. Audit-related assurance services	-	-
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	35	7
Total	**35**	**7**

5.2 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (2017/18: £2m).

6 Impairment of assets

	2018/19	2017/18
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	4,179	(4,822)
Total net impairments charged to operating surplus / deficit	**4,179**	**(4,822)**
Impairments charged to the revaluation reserve	(25)	(4,721)
Total net impairments	**4,154**	**(9,543)**

The above impairment reversals arose as a result of a formal revaluation of the Trust's buildings in 2018-19. (See also Note 15.)

7 Employee benefits

	2018/19 Total	2017/18 Total
	£000	£000
Salaries and wages	193,575	176,501
Social security costs	17,445	16,017
Apprenticeship levy	959	886
Employer's contributions to NHS pensions	21,237	19,380
Pension cost - other	45	18
Temporary staff (including agency)	8,171	9,397
Total staff costs	**241,432**	**222,199**
Of which		
Costs capitalised as part of assets	37	67
Total staff costs (excluding capitalised costs)	**241,395**	**222,132**

7.1 Retirements due to ill-health

During 2018/19 there were 4 early retirements from the Trust agreed on the grounds of ill-health (4 in the year ended 31 March 2018). The estimated additional pension liabilities of these ill-health retirements is £200k (£94k in 2017/18).

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

8 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.
In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.
The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.
The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.
The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

National Employment Savings Trust

The Pensions Act 2008 introduced new duties on employers to provide access to a workplace pension scheme that meets certain legal requirements. As from 1 April 2013 the Trust chose the National Employment Savings Trust (NEST) to fulfil this role for employees who are unable to join the NHS Pension Scheme due to its restrictions. There are currently 227 employees in the NEST scheme which is a defined contribution pension scheme. A defined contribution pension scheme is where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time.

9 Operating leases

9.1 St Helens And Knowsley Teaching Hospitals NHS Trust as a lessor

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

9.2 St Helens And Knowsley Teaching Hospitals NHS Trust as a lessee

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

Lease arrangements involve land and buildings with terms ranging from less than one year to 25 years. The principal lease and the one with the longest term relates to land used for the purpose of car parking.

	2018/19	2017/18
	£000	£000
Operating lease expense		
Minimum lease payments	900	546
Total	**900**	**546**

	31 March 2019	31 March 2018
	£000	£000
Future minimum lease payments due:		
- not later than one year;	847	492
- later than one year and not later than five years;	1,079	487
- later than five years.	3,467	-
Total	**5,393**	**979**

10 Finance income

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

	2018/19	2017/18
	£000	£000
Interest on bank accounts	227	86
Total finance income	**227**	**86**

11 Finance expenditure

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

	2018/19	2017/18
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	125	73
Finance leases	79	33
Interest on late payment of commercial debt	7	2
Main finance costs on PFI scheme obligations	8,773	8,963
Contingent finance costs on PFI scheme obligations	7,988	7,213
Total interest expense	**16,972**	**16,284**
Unwinding of discount on provisions	2	6
Total finance costs	**16,974**	**16,290**

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

	2018/19	2017/18
	£000	£000
Amounts included within interest payable arising from claims under this legislation	7	2

12 Intangible assets

12.1 Intangible assets - 2018/19

	Software licences	Internally generated information technology	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2018 - brought forward	**694**	**2,568**	**3,262**
Additions	81	51	132
Valuation / gross cost at 31 March 2019	**775**	**2,619**	**3,394**
Amortisation at 1 April 2018 - brought forward	**297**	**1,530**	**1,827**
Provided during the year	143	499	642
Amortisation at 31 March 2019	**440**	**2,029**	**2,469**
Net book value at 31 March 2019	**335**	**590**	**925**
Net book value at 1 April 2018	**397**	**1,038**	**1,435**

12.2 Intangible assets - 2017/18

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

13 Property, plant and equipment

13.1 Property, plant and equipment - 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2018 - brought forward	**6,500**	**237,606**	**2,543**	**45,253**	**112**	**3,733**	**6,335**	**302,082**
Additions	-	734	2,518	4,468	-	1,790	-	**9,510**
Impairments	-	(124)	-	-	-	-	-	**(124)**
Reversals of impairments	-	149	-	-	-	-	-	**149**
Reclassifications	-	3,040	(3,040)	-	-	-	-	-
Netting off accumulated depreciation against cost	-	(7,805)	-	-	-	-	-	**(7,805)**
Disposals / derecognition	-	-	-	(2,187)	-	-	-	**(2,187)**
Valuation/gross cost at 31 March 2019	**6,500**	**233,600**	**2,021**	**47,534**	**112**	**5,523**	**6,335**	**301,625**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**-**	**-**	**33,182**	**91**	**1,739**	**5,834**	**40,846**
Provided during the year	-	3,626	-	3,175	5	727	191	**7,724**
Impairments	-	4,230	-	-	-	-	-	**4,230**
Reversals of impairments	-	(51)	-	-	-	-	-	**(51)**
Netting off accumulated depreciation against cost	-	(7,805)	-	-	-	-	-	**(7,805)**
Disposals / derecognition	-	-	-	(2,187)	-	-	-	**(2,187)**
Accumulated depreciation at 31 March 2019	**-**	**-**	**-**	**34,170**	**96**	**2,466**	**6,025**	**42,757**
Net book value at 31 March 2019	**6,500**	**233,600**	**2,021**	**13,364**	**16**	**3,057**	**310**	**258,868**
Net book value at 1 April 2018	**6,500**	**237,606**	**2,543**	**12,071**	**21**	**1,994**	**501**	**261,236**

13.2 Property, plant and equipment - 2017/18

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

13.3 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019								
Owned - purchased	6,500	14,140	2,021	5,396	16	2,957	310	**31,340**
Finance leased	-	-	-	1,205	-	83	-	**1,288**
On-SoFP PFI contracts and other service concession arrangements	-	219,460	-	6,433	-	-	-	**225,893**
Owned - donated	-	-	-	330	-	17	-	**347**
NBV total at 31 March 2019	**6,500**	**233,600**	**2,021**	**13,364**	**16**	**3,057**	**310**	**258,868**

13.4 Property, plant and equipment financing - 2017/18

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

14 Donations of property, plant and equipment

Assets at a costs of £69,000 were financed by donations from the Trust's Charitable Funds in 2018/19. (Prior year £125,000.)

15 Revaluations of property, plant and equipment

For the financial year ending 31 March 2019 the Trust had a formal revaluation of the Trust's estate. This revaluation was undertaken by independent professional valuers from the firm Cushman and Wakefield. The vast majority of estate assets are valued using the alternative single site approach. See also Note 1.7.2.

16 Inventories

	31 March 2019	31 March 2018
	£000	£000
Drugs	1,501	1,504
Consumables	2,094	2,094
Energy	55	62
Total inventories	**3,650**	**3,660**

Note: None of the above inventories are held at fair value less costs to sell. Inventories recognised in expenses for the year were £45,712k (2017/18: £45,625k). Write-down of inventories recognised as expenses for the year were £0k (2017/18: £0k).

17 Trade receivables and other receivables

17.1 Trade receivables and other receivables

	31 March 2019	31 March 2018
	£000	£000
Current		
Contract receivables*	32,191	
Trade receivables*		9,953
Accrued income*		7,976
Allowance for impaired contract receivables / assets*	(661)	
Allowance for other impaired receivables	-	(665)
Prepayments (non-PFI)	2,553	2,623
PFI lifecycle prepayments	315	830
Interest receivable	24	12
VAT receivable	1,008	1,212
Other receivables	1,619	3,176
Total current trade and other receivables	**37,049**	**25,117**
Non-current		
Contract receivables*	1,401	
Allowance for impaired contract receivables / assets*	(319)	
Allowance for other impaired receivables	-	(312)
Prepayments (non-PFI)	120	-
PFI lifecycle prepayments	781	-
Other receivables	-	1,405
Total non-current trade and other receivables	**1,983**	**1,093**
Of which receivables from NHS and DHSC group bodies:		
Current	25,982	14,900
Non-current	-	-

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

17.2 Allowances for credit losses - 2018/19

	Contract receivables and contract assets	All other receivables
	£000	£000
Allowances as at 1 Apr 2018 - brought forward		**977**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	977	(977)
New allowances arising	11	-
Utilisation of allowances (write offs)	(8)	-
Allowances as at 31 Mar 2019	**980**	**-**

17.3 Allowances for credit losses - 2017/18

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

	All receivables
	£000
Allowances as at 1 Apr 2017	968
Increase in provision	15
Amounts utilised	(6)
Allowances as at 31 Mar 2018	**977**

17.4 Exposure to credit risk

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

18 Cash and cash equivalents movements

18.1 Cash and cash equivalents movements

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

	2018/19	2017/18
	£000	£000
At 1 April	**11,661**	**1,777**
Net change in year	(6,552)	9,884
At 31 March	**5,109**	**11,661**
Broken down into:		
Cash at commercial banks and in hand	99	110
Cash with the Government Banking Service	5,010	11,551
Total cash and cash equivalents as in SoFP	**5,109**	**11,661**
Total cash and cash equivalents as in SoCF	**5,109**	**11,661**

18.2 Third party assets held by the Trust

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

	31 March 2019	31 March 2018
	£000	£000
Bank balances	3	2
Total third party assets	3	2

19 Trade and other payables

	31 March 2019	31 March 2018
	£000	£000
Current		
Trade payables	3,148	5,583
Capital payables	855	633
Accruals	15,389	16,477
Receipts in advance (including payments on account)	900	-
Social security costs	9,394	6,112
Other taxes payable	5,308	5,769
Accrued interest on loans* and leases		34
Other payables**	7,489	6,481
Total current trade and other payables	**42,483**	**41,089**
Non-current	**-**	**-**
Total non-current trade and other payables	**-**	**-**
Of which payables from NHS and DHSC group bodies:		
Current	4,644	7,053
Non-current	-	-

*Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note. IFRS 9 is applied without restatement therefore comparatives have not been restated.
**The principal element of this relates to pension payables of which none are related to early retirements.

20 Other liabilities

	31 March 2019	31 March 2018
	£000	£000
Current		
Deferred income: contract liabilities	734	686
PFI deferred income / credits	-	5
Total other current liabilities	**734**	**691**
Non-current		
PFI deferred income / credits	-	27
Total other non-current liabilities	**-**	**27**

21 Borrowings

	31 March 2019	31 March 2018
	£000	£000
Current		
Loans from the Department of Health and Social Care	2,563	-
Other loans	211	-
Obligations under finance leases	221	152
PFI lifecycle replacement received in advance	-	735
Obligations under PFI contracts (excl. lifecycle)	8,141	5,698
Total current borrowings	**11,136**	**6,585**
Non-current		
Loans from the Department of Health and Social Care	16,604	7,630
Other loans	1,897	1,612
Obligations under finance leases	1,092	642
Obligations under PFI contracts (excl. lifecycle)	234,844	242,985
Total non-current borrowings	**254,437**	**252,869**

Note: further information on the Trust's borrowings can be found in Note 22 (finance lease obligations) and in Note 27 (On-SoFP PFI arrangements - additional information).

21.1 Reconciliation of liabilities arising from financing activities

	Loans from DHSC	Other loans	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2018	**7,630**	**1,612**	**794**	**248,683**	**258,719**
Cash movements:					
Financing cash flows - payments and receipts of principal	11,499	496	(152)	(5,698)	**6,145**
Financing cash flows - payments of interest	(116)	-	(84)	(8,773)	**(8,973)**
Non-cash movements:					
Impact of implementing IFRS 9 on 1 April 2018	29	-	5	-	**34**
Additions	-	-	671	-	**671**
Application of effective interest rate	125	-	79	8,773	**8,977**
Carrying value at 31 March 2019	**19,167**	**2,108**	**1,313**	**242,985**	**265,573**

22 Finance leases

22.1 St Helens And Knowsley Teaching Hospitals NHS Trust as a lessee

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

	31 March 2019	31 March 2018
	£000	£000
Gross lease liabilities	**1,595**	**1,030**
of which liabilities are due:		
- not later than one year;	313	230
- later than one year and not later than five years;	997	699
- later than five years.	285	101
Finance charges allocated to future periods	(282)	(236)
Net lease liabilities	**1,313**	**794**
of which payable:		
- not later than one year;	221	152
- later than one year and not later than five years;	820	552
- later than five years.	272	90


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23 Provisions for liabilities and charges

23.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits*	Legal claims	Total
	£000	£000	£000	£000
At 1 April 2018	**908**	**1,734**	**208**	**2,850**
Change in the discount rate	(8)	(22)	-	**(30)**
Arising during the year	44	104	104	**252**
Utilised during the year	(77)	(117)	(74)	**(268)**
Reversed unused	-	-	(88)	**(88)**
Unwinding of discount	1	1	-	**2**
At 31 March 2019	**868**	**1,700**	**150**	**2,718**
Expected timing of cash flows:				
- not later than one year;	80	120	150	**350**
- later than one year and not later than five years;	317	479	-	**796**
- later than five years.	471	1,101	-	**1,572**
Total	**868**	**1,700**	**150**	**2,718**

* In 2018/19 the analysis of provisions has been revised to separately identify provisions for injury benefit liabilities. In previous periods, these provisions were included within "other" provisions.
Note: The timing of cash flows is based on the expected payments (pensions/permanent injury benefits) and expected settlement date of claims (all other). The latter, due to the nature of legal claims, is particularly subject to change.

23.2 Clinical negligence liabilities

At 31 March 2019, £208,577k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of St Helens and Knowsley Teaching Hospitals NHS Trust (31 March 2018: £170,582k).

24 Contingent assets and liabilities

	31 March 2019	31 March 2018
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	(54)	(42)
Other*	-	(19)
Gross value of contingent liabilities	**(54)**	**(61)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(54)**	**(61)**
Net value of contingent assets	-	-

* Legal claims dealt with locally.

25 Contractual capital commitments

There are no contractual capital commitments as at 31 March 2019. (Prior year also nil.)

26 Other financial commitments

There are no other financial commitments as at 31 March 2019. (Prior year also nil.)

27 On-SoFP PFI arrangements (additional information)

27.1 Imputed finance lease obligations

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

	31 March 2019	31 March 2018
	£000	£000
Gross PFI, LIFT or other service concession liabilities	**621,426**	**628,734**
Of which liabilities are due		
- not later than one year;	26,320	22,459
- later than one year and not later than five years;	84,250	87,887
- later than five years.	510,856	518,388
Finance charges allocated to future periods	(378,441)	(380,051)
Net PFI, LIFT or other service concession arrangement obligation	**242,985**	**248,683**
- not later than one year;	8,141	5,698
- later than one year and not later than five years;	20,549	23,302
- later than five years.	214,295	219,683

27.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

Total future obligations under these on-SoFP schemes are as follows:

	31 March 2019	31 March 2018
	£000	£000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**1,465,410**	**1,460,586**
Of which liabilities are due:		
- not later than one year;	53,251	51,670
- later than one year and not later than five years;	213,259	206,605
- later than five years.	1,198,900	1,202,311

27.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	2018/19	2017/18
	£000	£000
Unitary payment payable to service concession operator	**52,389**	**49,740**
Consisting of:		
- Interest charge	8,773	8,963
- Repayment of finance lease liability	5,698	5,792
- Service element and other charges to operating expenditure	26,327	25,176
- Capital lifecycle maintenance	2,507	1,766
- Contingent rent	7,988	7,213
- Addition to lifecycle prepayment	1,096	830
Total amount paid to service concession operator	**52,389**	**49,740**

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

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

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

28 Financial instruments

28.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. The borrowings are for 1 to 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health and Social Care (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

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

Liquidity risk

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

28.2 Carrying values of financial assets

IFRS 9 Financial Instruments is applied restrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost	Total book value
	£000	£000
Carrying values of financial assets as at 31 March 2019 under IFRS 9		
Trade and other receivables excluding non financial assets	32,612	**32,612**
Cash and cash equivalents at bank and in hand	5,109	**5,109**
Total at 31 March 2019	**37,721**	**37,721**

	Loans and receivables	Total book value
	£000	£000
Carrying values of financial assets as at 31 March 2018 under IAS 39		
Trade and other receivables excluding non financial assets	17,929	**17,929**
Cash and cash equivalents at bank and in hand	11,661	**11,661**
Total at 31 March 2018	**29,590**	**29,590**

28.3 Carrying value of financial liabilities

IFRS 9 Financial Instruments is applied restrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost	Total book value
	£000	£000
Carrying values of financial liabilities as at 31 March 2019 under IFRS 9		
Loans from the Department of Health and Social Care	19,167	**19,167**
Obligations under finance leases	1,313	**1,313**
Obligations under PFI, LIFT and other service concession contracts	242,985	**242,985**
Other borrowings	2,108	**2,108**
Trade and other payables excluding non financial liabilities	26,881	**26,881**
Total at 31 March 2019	**292,454**	**292,454**

	Other financial liabilities	Total book value
	£000	£000
Carrying values of financial liabilities as at 31 March 2018 under IAS 39		
Loans from the Department of Health and Social Care	7,630	**7,630**
Obligations under finance leases	794	**794**
Obligations under PFI, LIFT and other service concession contracts	249,418	**249,418**
Other borrowings	1,612	**1,612**
Trade and other payables excluding non financial liabilities	29,174	**29,174**
Total at 31 March 2018	**288,628**	**288,628**

28.4 Fair values of financial assets and liabilities

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

28.5 Maturity of financial liabilities

	31 March 2019	31 March 2018
	£000	£000
In one year or less	38,017	35,759
In more than one year but not more than two years	5,799	8,611
In more than two years but not more than five years	33,861	24,485
In more than five years	214,777	219,773
Total	**292,454**	**288,628**

29 Losses and special payments

	2018/19 Total number of cases	Total value of cases	2017/18 Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	-	-	5	1
Bad debts and claims abandoned	26	7	64	5
Stores losses and damage to property	31	9	29	22
Total losses	**57**	**16**	**98**	**28**
Special payments				
Ex-gratia payments	48	94	53	98
Total special payments	**48**	**94**	**53**	**98**
Total losses and special payments	**105**	**110**	**151**	**126**
Compensation payments received		-		-

30 Initial application of new standards (IFRS 9 and IFRS 15)

30.1 Initial application of IFRS 9

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

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

Under IFRS 9, borrowings from the Department of Health and Social Care, which were previously held at historic cost, are measured on an amortised cost basis. Consequently, on 1 April 2018 borrowings re DHSC loans increased by £29k, and trade and other payables correspondingly reduced. Similarly borrowings re finance leases increased by £5k and trade and other payables correspondingly reduced.

Reassessment of allowances for credit losses under the expected loss model resulted in a £0k decrease in the carrying value of receivables.

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classifiction of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. The carrying value of these receivables at 1 April 2018 was £3,246k.

30.2 Initial application of IFRS 15

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

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

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

31 Related parties

During the year none of the Department of Health and Social Care Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with St Helens and Knowsley Teaching Hospitals NHS Trust.
The Trust's Chairman, Mr R Fraser, was also the interim Chairman of Southport and Ormskirk Hospitals NHS Trust until November 2018, an organisation with which the Trust does have business transactions.
The Department of Health and Social Care is regarded as a related party. During the year St Helens and Knowsley Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The principal entities are:

- St Helens CCG
- Knowsley CCG
- Halton CCG
- Liverpool CCG
- NHS England
- Health Education England
- NHS Business Services Authority
- HM Revenue and Customs

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

32 Events after the reporting date

The Trust has nothing to report.

33 Better Payment Practice code

	2018/19 Number	2018/19 £000	2017/18 Number	2017/18 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	47,609	170,002	48,888	162,159
Total non-NHS trade invoices paid within target	43,423	164,686	44,703	157,055
Percentage of non-NHS trade invoices paid within target	**91.2%**	**96.9%**	**91.4%**	**96.9%**
NHS Payables				
Total NHS trade invoices paid in the year	3,548	20,427	2,906	19,577
Total NHS trade invoices paid within target	3,408	19,780	2,723	18,010
Percentage of NHS trade invoices paid within target	**96.1%**	**96.8%**	**93.7%**	**92.0%**

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

34 External financing

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

	2018/19 £000	2017/18 £000
Cash flow financing	13,521	(10,233)
External financing requirement	**13,521**	**(10,233)**
External financing limit (EFL)	16,650	(601)
Under / (over) spend against EFL	**3,129**	**9,632**

35 Capital Resource Limit

	2018/19 £000	2017/18 £000
Gross capital expenditure	9,642	9,180
Less: Donated and granted capital additions	(69)	(125)
Charge against Capital Resource Limit	**9,573**	**9,055**
Capital Resource Limit	9,892	9,057
Under / (over) spend against CRL	**319**	**2**

36 Breakeven duty financial performance

	2018/19
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	(597)
Breakeven duty financial performance surplus / (deficit)	**(597)**

37 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		225	296	305	700	1,150	(2,551)	(9,551)	4,861	5,001	(597)
Breakeven duty cumulative position	2,807	3,032	3,328	3,633	4,333	5,483	2,932	(6,619)	(1,758)	3,243	2,646
Operating income		236,411	252,944	263,864	278,572	288,448	301,674	313,287	349,934	383,587	402,158
Cumulative breakeven position as a percentage of operating income		1.3%	1.3%	1.4%	1.6%	1.9%	1.0%	(2.1%)	(0.5%)	0.8%	0.7%

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