Provider accounts - single entity accounts

Inputs

MARSID	NORTHMIDLANDS
Name of trust	University Hospitals of North Midlands NHS Trust
Provider status	Trust
Date of year end	31/03/2018
Start of current year	01/04/2017
Comparative year end	31/03/2017
Start of comparative year	01/04/2016
Year for financial reporting	2017/18
Year for comparative year	2016/17
Year for year end	2018
Year for comparative year	2017
Opening Year	2016
Next financial year	2018/19
Date of approval of financial statements	25/05/2018

University Hospitals of North Midlands NHS Trust

Annual accounts for the year ended 31 March 2018

Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2017/18 £000	2016/17 £000
Operating income from patient care activities	3	610,684	602,589
Other operating income	4	85,946	136,690
Operating expenses	6, 8	(736,512)	(770,128)
Operating surplus/(deficit) from continuing operations		**(39,882)**	**(30,849)**
Finance income	11	64	50
Finance expenses	12	(19,336)	(15,518)
PDC dividends payable		(2,119)	(3,925)
Net finance costs		**(21,391)**	**(19,393)**
Other gains / (losses)	13	(5)	7
Surplus / (deficit) for the year		**(61,278)**	**(50,235)**
Other comprehensive income*			
Will not be reclassified to income and expenditure:			
Impairments	7	-	(98,967)
Revaluations	16	45,549	33,635
Total comprehensive income / (expense) for the period		**(15,729)**	**(115,567)**

Financial Performance for the year

	2017/18 £000	2016/17 £000
Adjusted financial performance surplus / (deficit) (control total basis)	(61,278)	(50,235)
IFRIC 12 adjustment (including IFRIC 12 impairments)	-	9,728
Add back all I&E impairments / (reversals)	(8,583)	12,446
Remove capital donations / grants I&E impact	144	288
CQUIN Risk Reserve - 1617 CT non achievement adjustment	(1,608)	-
Adjusted financial performance surplus / (deficit)	(71,325)	(27,773)

*Other Comprehensive Income shows other non-cash net gains/(losses) that are not included as either operating revenue or expenditure, and as such does not impact on the financial outturn of the Trust.

The notes on pages 8 to 55 form part of this account

Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Intangible assets	14	18,625	20,143
Property, plant and equipment	15	532,326	485,018
Trade and other receivables	18	-	3,032
Total non-current assets		**550,951**	**508,193**
Current assets			
Inventories	17	12,682	13,298
Trade and other receivables	18	65,940	37,817
Other assets	19	-	247
Cash and cash equivalents	20	12,646	13,566
Total current assets		**91,268**	**64,928**
Current liabilities			
Trade and other payables	21	(65,823)	(72,970)
Borrowings	23	(18,820)	(21,950)
Provisions	25	(3,601)	(5,713)
Other liabilities	22	(5,988)	(5,267)
Total current liabilities		**(94,232)**	**(105,900)**
Total assets less current liabilities		**547,987**	**467,221**
Non-current liabilities			
Borrowings	23	(428,662)	(333,032)
Provisions	25	(980)	(983)
Other liabilities	22	(8)	(217)
Total non-current liabilities		**(429,650)**	**(334,232)**
Total assets employed		**118,337**	**132,989**
Financed by			
Public dividend capital		390,302	389,225
Revaluation reserve		122,021	76,642
Income and expenditure reserve		(393,986)	(332,878)
Total taxpayers' equity		**118,337**	**132,989**

The notes on pages 8 to 55 form part of these accounts.

The financial statements on pages 3 to 55 were approved by the Board on 25 May 2018 and signed on its behalf by

Chief Executive: Tracy Bullock **Date** 25.5.18

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	**389,225**	**76,642**	**(332,878)**	**132,989**
Surplus/(deficit) for the year	-	-	(61,278)	**(61,278)**
Impairments	-	-	-	**-**
Revaluations	-	45,549	-	**45,549**
Transfer to retained earnings on disposal of assets	-	(170)	170	**-**
Public dividend capital received cash*	1,077	-	-	**1,077**
Taxpayers' equity at 31 March 2018	**390,302**	**122,021**	**(393,986)**	**118,337**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2016 - brought forward	**362,575**	**143,679**	**(284,348)**	**221,906**
Surplus/(deficit) for the year	-	-	(50,235)	**(50,235)**
Other transfers between reserves	-	(1,705)	1,705	**-**
Impairments	-	(98,967)	-	**(98,967)**
Revaluations	-	33,635	-	**33,635**
Public dividend capital received * cash	26,650	-	-	**26,650**
Taxpayers' equity at 31 March 2017	**389,225**	**76,642**	**(332,878)**	**132,989**

*The increase in Public Dividend Capital of £1.077m relates to capital funding for the Urgent Treatment Centre and Cyber Security. In 2016/17 £26.65m relates to Integrating Hospital Services in Staffordshire (IHSS) funding received as a result of of the integration of Mid Staffordshire Foundation Trust on 1 November 2014.

Reconciliation of movement on retained earnings to adjusted deficit	
Net recognised revenue/(expense) for the year	(61,108)
Impairments excluded from financial performance	8,583
Adjustments in respect of donated gov't grant asset reserve elimination	(144)
Transfer from revaluation reserve in respect of assets disposal.	170
Adjusted financial performance (deficit)	(71,325)
Adjustment for CQUIN reserve	1,608
Total	**(61,108)**

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 expenditure. 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 for the Year ended 31 March 2018

	Note	2017/18 £000	2016/17 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(39,882)	(30,849)
Non-cash income and expense:			
Depreciation and amortisation	6.1	27,212	27,251
Net impairments	7	(8,583)	22,174
Income recognised in respect of capital donations	4	(594)	(421)
(Increase) / decrease in receivables and other assets		(25,325)	22,856
(Increase) / decrease in inventories		616	(930)
Increase / (decrease) in payables and other liabilties		2,363	(14,846)
Increase / (decrease) in provisions		(2,115)	(3,610)
Net cash generated from / (used in) operating activities		**(46,308)**	**21,625**
Cash flows from investing activities			
Interest received		64	50
Purchase of intangible assets		(2,447)	(4,608)
Purchase of property, plant, equipment and investment property		(26,554)	(38,504)
Sales of property, plant, equipment and investment property		59	-
Receipt of cash donations to purchase capital assets		594	-
Net cash generated from / (used in) investing activities		**(28,284)**	**(43,062)**
Cash flows from financing activities			
Public dividend capital received		1,077	26,650
Movement on loans from the Department of Health and Social Care		101,760	29,362
Movement on other loans		(293)	46
Other capital receipts		-	7
Capital element of finance lease rental payments		(461)	(367)
Capital element of PFI, LIFT and other service concession payments		(9,273)	(9,392)
Interest paid on finance lease liabilities		(126)	(180)
Interest paid on PFI, LIFT and other service concession obligations		(14,917)	(14,752)
Other interest paid		(2,967)	(586)
PDC dividend (paid) / refunded		(1,128)	(5,828)
Net cash generated from / (used in) financing activities		**73,672**	**24,960**
Increase / (decrease) in cash and cash equivalents		**(920)**	**3,523**
Cash and cash equivalents at 1 April - brought forward		**13,566**	**10,043**
Cash and cash equivalents at 31 March	20.1	**12,646**	**13,566**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

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

Note 1.1.1 Accounting convention

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

Note 1.1.2 Going concern

International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. Paragraphs 4.11 and 4.16 of the Department of Health and Social Care Group Accounting Manual identify that the continuation of the service is sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector. In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

The Trust reported a deficit of £27.773m in 2016/17. The Trust's financial performance in 2017/18 was £69.717 million deficit which is the breakeven duty financial performance net of the £1.608 million CQUIN risk reserve in the Statement of Comprehensive Income. As at 31 March 2018, the Trust has received cash support for its revenue position of £143.6m. Of this £101.8m was received in 2017/18 for its revenue position and £41.8m over the preceding two years (£12.5m in 2015/16 and £29.3m in 2016/17). The Trust's financial plan for 2018/19 forecasts the delivery of a further deficit of £44.8m, necessitating further revenue cash borrowing using the Department of Health's Uncommitted Single Currency Interim Revenue Support Facility Agreement. The planned cash support in 2018/19 has been approved by the Trust Board as part of the overall financial plan for the year. In order for the Trust to access this facility, the Department of Health must approve the Trust's daily cash flow forecast for 13 weeks from the date of each drawdown.

The Directors are seeking additional support from NHS Improvement in 2018/19 of £42.4m. This consists of new borrowing of £67.2m and the repayment of £24.8m 2017/18 deficit report where the cash has been received in May 2018 as required by NHSI. The Financial Plan submitted to NHS Improvement on 30 April 2018 includes the requirement for £42.4m cash support. NHS Improvement has not, at this point, confirmed this support for the full amount, however in April 2018 the Trust has received cash support from NHS Improvement in line with the Financial Plan.

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

Nevertheless, the Directors have concluded that assessing the Trust as a going concern remains appropriate. The Trust has agreed contracts with local commissioners for 2018/19 and services are being commissioned in the same manner in the future as in prior years and there are no discontinued operations. Similarly no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust will have access to adequate resources in the form of support from the Department of Health (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

Subject to the receipt of the revenue funding within the 2018/19 financial plan, the Directors consider that this provides sufficient evidence that the Trust will continue as a going concern for the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the accounts and has not included the adjustments that would result if it were unable to continue as a going concern. The assessment accords with the statutory guidance contained within the Department of Health and Social Care Group Accounting Manual.

Note 1.2 Critical judgements in applying accounting policies

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

Income recognition

It is the Trust's accounting policy to recognise income when performance occurs. In some instances the income that the Trust receives is not readily attributable to performance or the achievement of certain targets cannot readily be ascertained. The key judgements in relation to income recognition are detailed below at 1.2.1.

Estate Valuation

The Trust's management have elected to have a desk top valuation of the Trust's land and buildings as at 31 March 2018. This option was elected as providing the best assurance that the values are not materially misstated at the balance sheet date. The value of the Trust's Land, buildings and dwellings as at 31 March 2018 is £470,570,320. If the Trust's management had not revalued the estate, at 31 March 2018 the value of Land, Buildings and Dwellings would have been £451,648,000.

The Trust obtains valuations for its land, buildings and dwellings from a qualified independent valuer. These valuations are performed at a point in time and take into account conditions and circumstances relevant to that date. In future years, conditions may change resulting in uplifts or impairments being required to the value of land, buildings and dwellings. The valuation has been completed based on the depreciated replacement cost and the remaining useful economic life of the assets.

PFI Assets

The Trust's PFI scheme is deemed under International Financial Reporting Standards to be classed as on Statement of Financial Position 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 been valued using the modern equivalent asset method at 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.

Operating leases/finance leases

The Trust has two buildings which are leased to a third party. The Trust has deemed that this is an operating lease where the risks and rewards of the asset remain with the Trust and as such are recognised on the Trust's Statement of Financial Position as assets. This is deemed to be a critical judgement as if the transaction was deemed to be a finance lease the assets would not be reflected in the Statement of Financial Position and the property, plant and equipment balance would be £15,794,514 lower if these assets were not included.

Note 1.2.1 Sources of estimation uncertainty

The Trust do not consider that there are any 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 following are assumptions about the future and other major sources of estimation uncertainty that have been assessed.

Income recognition

In 2008-09 the requirement to account for patient care spells that were in progress but not complete as at 31 March was introduced. The value put on this activity is estimated using an average tariff, rather than the specific tariff relevant for each patient. The total value of the accrual for patient care is £5,656,173 and therefore a change of 1% between the average tariff applied and the actual tariff due would affect income assumptions by £56,562.

In 2013-14 the Payment by Results (PbR) rules regarding maternity pathways changed. The key element of this change is that the Commissioners make one payment per pregnancy covering the whole of the maternity pathway at the point at which the woman first presents for treatment. As providers of the treatment, the Trust defers the element of income which has been received in advance of the care being provided. The Trust estimates the income to be deferred based on the number of weeks of maternity care remaining for the patients who have attended the Trust. The Trust estimates the average antenatal phase for each patient and calculates the proportion of the antenatal phase which has not been completed by 31 March 2018 based on the average antenatal phase. The Trust then defers this element of income. The value of income deferred relating to maternity pathway is £3,117,655 and therefore a change of 1% to the value deferred would affect the income assumptions by £31,177.

Valuation of liabilities
As at 31 March 2018 the Trust recognised £38,745,000 of accruals and deferred income within trade and payables liability. The Trust's management has made the best estimate of the value of the liability based on information available at the reporting date. The value of these accruals may differ from the values estimated and since the value is high a difference of only 1% between the estimate and actual value would result in a change to the Trust's expenditure of £38,745. However, since none of the accruals are individually material and the Trust has provided at the most likely value (rather than with a bias towards a more or less favourable outturn) it is unlikely that the difference between actual and estimated values would be significant.

The Trust has obtained professional advice where applicable for the value that should be recognised in respect of provisions and contingent liabilities. The value of these liabilities is uncertain and values are likely to differ from those estimated. A difference of 1% between the estimated provision and actual value would result in a change to the Trusts position of £45,810. However, the Trust has provided at what it estimates the likely value would be based on information available.

Valuation of assets

As at 31 March 2018 the Trust recognised trade and receivables assets of £65,940,000. The Trust reviews and provides where necessary for income invoices more than 180 days past the due date, for RTA accruals at the prescribed rate of 22.84% and individually for any other debts which Trust management has reason to believe the Trust may not receive. The Trust's management considers that this is a reasonable estimate of the value of asset.

PFI

The Trust uses appropriate estimations to allocate the annual unitary payment into the relevant component parts. The Trust obtained professional advice at the beginning of the PFI contract to review and allocate the payments appropriately as set out in note 28.

Note 1.3 Charitable Funds
The divergence from the Government Financial Reporting Manual (FReM) that NHS Charitable Funds are not consolidated with NHS Trust's own financial statements has been removed for 2017-18. Under the provisions of IFRS 10 Consolidated Financial Statements, those Charitable Funds that fall under common control with NHS bodies should be consolidated within the entity's financial statements. The Trust has a Charitable Fund, the 'UHNM Charity' that falls under the definition of common control. Common control is defined within IFRS 10 as "the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities". Control is presumed to exist where a parent owns directly or indirectly more than half of the voting power of an entity, including where a body acts as a corporate trustee. The Trustees of the Charitable Fund are all members of the Trust Board. The purpose of an NHS Charity is to assist NHS patients, and HM Treasury view this as the "benefit" link as per the IFRS 10 guidance. The Trust has reviewed the financial statements of the 'UHNM Charity' and it is deemed that the income, expenditure, assets and liabilities of the Charitable Fund are not material. IAS 1 Presentation of Financial Statements states that specific disclosure requirements set out in individual standards or interpretations need not be satisfied if the information is not material. The consolidation of the Charitable Fund would not have a material impact on the financial statements of the Trust and has therefore not been consolidated into the Trust's financial statements.

Note 1.4 Income
Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the trust is contracts with commissioners in respect of health care services. At the year end, the trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

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

The NHS trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The NHS trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

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

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

Note 1.5 Expenditure on employee benefits
Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees.

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

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

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

Note 1.6 Expenditure on other goods and services
Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.7 Property, plant and equipment

Note 1.7.1 Recognition

Property, plant and equipment is capitalised where:

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

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

Note 1.7.2 Measurement

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

Land and buildings are stated in the Statement of Financial Position (SOFP) at their revalued amounts, being the fair value at the date of revaluation less any impairment. Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost (DRC).

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

All land and buildings are restated to current value using independent professional valuations in accordance with IAS16 at least every five years, with interim revaluations carried out annually also by independent professional valuers. The full asset valuation includes a full site inspection by the professional valuer whilst interim valuations only include a site inspection where deemed necessary due to significant changes in the year. The last full asset valuations were undertaken at the prospective valuation date at 1st April 2016 which included a site visit in early 2016. An interim valuation was carried out at 31 March 2018 which included a review of capital expenditure, market conditions and asset lives.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The property valuations are carried out primarily on the basis of (DRC) for specialised operational property (e.g. NHS patient treatment facilities) and Existing Use Value (EUV) for non-specialised operational property. The value of land for existing use purposes is assessed at EVU. For non-operational land including surplus land, the valuations are carried out at Market Value.

The Department of Health has adopted the Modern Equivalent Asset (MEA) approach for its DRC valuations rather than the previous identical replacement method. The MEA approach used to value the property will normally be based on the cost of a modern equivalent asset that has the same service potential as the existing asset and then adjusted to take account of obsolescence. In the past, functional obsolescence has not been reflected in asset valuations for the NHS.

Functional obsolescence examines a building's design or specification and whether it may no longer fulfil the function for which it was originally designed or whether it may be much more basic than the MEA. The asset will still be capable of use but at a lower level of efficiency than the MEA, or may be capable of modification to bring it up to a current specification. Other common causes of functional obsolescence include advances in technology or legislative change. The obsolescence adjustment will reflect either the cost of upgrading, or if this is not possible, the financial consequences of the reduced efficiency compared with the modern equivalent.

The Trust's PFI assets have been valued using the modern equivalent asset method at 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 as in the prior year.

The MEA approach incorporates the Building Cost Information Service Index to determine an increase or decrease in building costs which impact on the asset valuation.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

The carrying values of PPE are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The Trust's land and building valuation was carried out by the Trust's current valuer DVS, on a MEA "Optimised Alternative Site" method valuation, and applied on 1st April 2016, with an interim valuation at 31 March 2018.

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance. The Trust has valued its land and buildings at fair value - non-specialised assets at existing use value and specialised operation assets at depreciated replacement cost.

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 economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

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

Subsequent expenditure

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

Depreciation

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

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

Revaluation gains and losses

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

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

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

Impairments

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

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

Note 1.7.3 Derecognition

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

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:

- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

Note 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.

Note 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 and the charges for services.

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

PFI Asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively.

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

Assets contributed by the NHS trust to the operator for use in the scheme

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

Other assets contributed by the NHS trust to the operator

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

Note 1.7.6 Useful economic lives of property, plant and equipment

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

	Min life Years	Max life Years
Buildings, excluding dwellings	15	80
Dwellings	20	80
Plant & machinery	5	15
Transport equipment	4	7
Information technology	3	10
Furniture & fittings	5	15

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

Note 1.8 Intangible assets

Note 1.8.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

Software

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

Note 1.8.2 Measurement

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

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

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

Amortisation

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

Note 1.8.3 Useful economic lives of intangible assets

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives for software licences is between 2 and 15 years

Note 1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method. This is considered to be a reasonable approximation to the fair value due to the high turnover of stocks.

Note 1.10 Cash and cash equivalents

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

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

Note 1.11 Financial instruments and financial liabilities

Recognition

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

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

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

De-recognition

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

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

Classification and measurement

Financial assets are categorised as "fair value through income and expenditure", loans and receivables or "available-for-sale financial assets".

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

Financial assets and financial liabilities at "fair value through income and expenditure"

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

The Trust does not hold Financial assets and finanical liabilities at "fair value through income and expenditure"

Loans and receivables

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

The trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and "other receivables".

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the trust intends to dispose of them within 12 months of the Statement of Financial Position date.

The Trust does not hold any Available-for-sale financial assets.

Other financial liabilities

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

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

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

Impairment of financial assets

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

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

Note 1.12 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.

Note 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 an item of property plant and equipment.

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

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

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

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

Note 1.12.2 The trust as lessor

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

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

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

Clinical negligence costs
NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS resolution on behalf of the trust is disclosed at note 25.2 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.

Note 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 26 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 26, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

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

Note 1.15 Public dividend capital

Public dividend capital (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 the audit of the annual accounts.

Note 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.

Note 1.17 Subsidiaries
Material entities over which the NHS trust has the power to exercise control are classified as subsidiaries and are consolidated. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the NHS trust or where the subsidiary's accounting date is not co-terminus.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

From 2013-14, the Trust is required under IFRS10 to consolidate the results of 'UHNM Charity' Charitable Funds over which it considers it has the power to exercise control in accordance with IFRS10 requirements. The Trust however deems that the income, expenditure, assets and liabilities of the Charitable Fund are not material to the Trust's financial statements and in line with IAS1, which states that specific disclosure requirements set out in individual standards or interpretations need not be satisfied if the information is not material, the Trust has not consolidated the Charitable Fund.

Note 1.18 Third party assets

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

Note 1.19 Losses and special payments

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

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

Note 1.20 Early adoption of standards, amendments and interpretations

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

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

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

• IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted. It is not considered that this change will have a material impact on the accounts nor materially amend accounting policies

• IFRS 15 Revenue from Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted. It is not considered that this change will have a material impact on the accounts nor materially amend accounting policies

• 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. The Trust is working through the implications of this change and awaiting guidance on the interpretation within the DoHSC Group Accounting Manual.

Note 2 Operating Segments

IFRS 8 requires reporting entities to separate out the financial performance of each segment of the business, on the basis reported to the Chief Operating Decision Maker (CODM). The Trust considers that the Trust Board is the CODM of the organisation. The Trust Board receives financial performance data for the Trust as one 'healthcare' segment and makes decisions on this basis.

	Healthcare Per SOCI		Healthcare Reported to Trust Board		Healthcare Variance	
	2017-18	2016-17	**2017-18**	2016-17	**2017-18**	2016-17
	£000s	£000s	£000s	£000s	£000s	£000s
Income	696,694	739,336	696,100	738,604	594	732
Pay costs	(461,050)	(458,461)	(461,050)	(458,181)	0	(280)
Non pay costs	(305,361)	(308,648)	(304,767)	(308,196)	(594)	(452)
Reported breakeven performance	(69,717)	(27,773)	(69,717)	(27,773)	0	0
Net Assets:						
Segment net assets	118,337	132,989	118,337	132,989	0	0

The financial performance of the Trust is reported to Board on a breakeven basis. A reconciliation of the Trust's breakeven performance to the retained surplus/(deficit) reported in the Statement of Comprehensive Income.

Since all the business of the Trust is deemed to be one 'healthcare' segment there is no difference between the financial performance of this segment and the financial performance of the Trust. The variances above are in relation to income and depreciation in respect of governement granted and donated assets which is not included in the figures for income and expenditure.

Note 3 Operating income from patient care activities

Note 3.1 Income from patient care activities (by nature)

	2017/18	2016/17
	£000	£000
Acute services		
Elective income	102,858	106,632
Non elective income	188,598	173,401
First outpatient income	34,991	30,239
Follow up outpatient income	29,185	35,227
A & E income	21,283	19,024
High cost drugs income from commissioners (excluding pass-through costs)	50,870	50,830
Other NHS clinical income	181,122	185,354
All services		
Private patient income	1,349	1,618
Other clinical income	428	264
Total income from activities	**610,684**	**602,589**

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2017/18	2016/17
	£000	£000
NHS England	211,449	193,180
Clinical commissioning groups	386,694	389,578
Department of Health and Social Care	685	-
Other NHS providers	26	434
NHS other	275	7,764
Non-NHS: private patients	1,349	1,618
Non-NHS: overseas patients (chargeable to patient)	428	264
NHS injury scheme	3,077	3,377
Non NHS: other	6,701	6,374
Total income from activities	**610,684**	**602,589**
Of which:		
Related to continuing operations	610,684	602,589

Other non NHS revenue mainly relates to income received from NHS bodies within Wales which are classified as non NHS as such bodies are outside NHS England.

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

	2017/18	2016/17
	£000	£000
Income recognised this year	428	264
Cash payments received in-year	298	143
Amounts added to provision for impairment of receivables	180	221
Amounts written off in-year	28	8

Note 4 Other operating income

	2017/18	2016/17
	£000	£000
Research and development	4,657	6,224
Education and training	27,730	26,400
Receipt of capital grants and donations	594	452
Charitable and other contributions to expenditure	205	238
Non-patient care services to other bodies	11,765	23,657
Support from the Department of Health and Social Care for mergers*	9,900	63,275
Sustainability and transformation fund income	-	8,883
Rental revenue from operating leases	896	1,301
Income in respect of staff costs where accounted on gross basis	479	677
Other income **	29,720	5,583
Total other operating income	**85,946**	**136,690**
Of which:		
Related to continuing operations	85,946	136,690

* Support from the Department of Health and Social Care for mergers relates to additional income received as transistional support for the Mid Staffordshire NHS Foundation Trust integration. The funding received is £9.9m from the DoHSC.

Funding received of £14.9m from NHS England relating to deficit funding and £2.10m in relation to Winter Funding is included in other income detailed below.

**A breakdown of Other income is show in the table below:

	2017/18	2016/17
	£000	£000
Car Parking income	3,413	2,702
Catering	75	1
Pharmacy sales	35	7
Staff accommodation rental	830	898
2017/18 deficit report NHS England	14,870	-
2017/18 NHS England Winter Funding	2,110	-
Contribution to the costs of the modular theatre and wards	2,800	-
EU Emissions	302	-
Other income not identified above	5,285	1,975
	29,720	**5,583**

Note 5 Income generation activities

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

Summary Table - aggregate of all schemes	**2017/18**	**2016/17**
	£000	**£000**
Income	3,573	3,567
Full cost	(2,465)	(2,670)
Surplus / (deficit)	**1,108**	**897**

Note 6.1 Operating expenses

	2017/18	**2016/17**
	£000	**£000**
Purchase of healthcare from NHS and DHSC bodies*	7,787	13,257
Purchase of healthcare from non-NHS and non-DHSC bodies	3,359	6,849
Purchase of social care	-	1,611
Staff and executive directors costs	457,086	453,999
Remuneration of non-executive directors	88	89
Supplies and services - clinical (excluding drugs costs)	72,011	70,112
Supplies and services - general	8,037	7,690
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	73,373	71,693
Inventories written down	541	47
Consultancy costs	5,431	5,768
Establishment	4,642	4,732
Premises	19,995	25,406
Transport (including patient travel)	3,514	3,616
Depreciation on property, plant and equipment	23,247	23,474
Amortisation on intangible assets	3,965	3,777
Net impairments	(8,583)	22,174
Increase/(decrease) in provision for impairment of receivables	390	(1,619)
Audit fees payable to the external auditor		
audit services- statutory audit	90	133
other auditor remuneration (external auditor only)	7	12
Internal audit costs	154	198
Clinical negligence	20,891	16,085
Legal fees	57	26
Insurance	79	54
Research and development (staff costs)	3,964	4,462
Education and training	1,537	1,865
Rentals under operating leases	4,236	4,376
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (PFI) on IFRS basis	31,237	31,813
Hospitality	72	85
Other	(695)	(1,656)
Total	**736,512**	**770,128**
Of which:		
Related to continuing operations	736,512	770,128

*Service from NHS bodies does not include expenditure which falls into a category below

Note 6.2 Other auditor remuneration

	2017/18	2016/17
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of quality accounts	7	12
2. Other assurance services	-	-
Total	**7**	**12**

Note 6.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (2016/17: £0m).

Note 7 Impairment of assets

	2017/18	2016/17
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Unforeseen obsolescence	48	964
Changes in market price	(8,631)	21,210
Total net impairments charged to operating surplus / deficit	**(8,583)**	**22,174**
Impairments charged to the revaluation reserve	-	98,967
Total net impairments	**(8,583)**	**121,141**

The reversal of impairments relates to the impact of the interim valuation of the Trusts land and building assets at 31 March 2018 and is a result of an increase in build costs and the Staffordshire location factor during 2017/18.

Note 8 Employee benefits

	2017/18 Total £000	2016/17 Total £000
Salaries and wages	364,747	355,365
Social security costs	34,571	33,445
Apprenticeship levy	1,773	-
Employer's contributions to NHS pensions	42,329	41,382
Pension cost - other	25	-
Termination benefits	618	425
Temporary staff (including agency)	18,487	29,885
Total gross staff costs	**462,550**	**460,502**
Recoveries in respect of seconded staff	-	-
Total staff costs	**462,550**	**460,502**
Of which		
Costs capitalised as part of assets	1,500	2,041
Gross Employee Benefits excluding capitalised costs	**461,050**	**458,461**

Note 8.1 Retirements due to ill-health

During 2017/18 there were 6 early retirements from the trust agreed on the grounds of ill-health (6 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £305k (£259k in 2016/17).

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

Note 9 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

Other pension schemes

In line with the Governments auto enrolment pension roll out, from 1st April 2013 the Trust offered the NEST pension scheme to employees who may not be eligible to join the NHS Pension Scheme. The NEST scheme is a defined contribution scheme. The Trust (employers) contributions to this scheme during 2017/18 were £25k (£22k in 2016/17)

Note 10 Operating leases

Note 10.1 University Hospitals of North Midlands NHS Trust as a lessor

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

The Trust receives rental income from commerical retail outlets with the Hospital reception areas and from rental of buildings owned by the Trust.

	2017/18	2016/17
	£000	£000
Operating lease revenue		
Minimum lease receipts	896	1,301
Total	**896**	**1,301**

	31 March 2018	31 March 2017
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	445	440
- later than one year and not later than five years;	977	973
- later than five years.	426	426
Total	**1,848**	**1,839**

Note 10.2 University Hospitals of North Midlands NHS Trust as a lessee

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

The Trust leases various medical and office equipment assets under operating leases. The terms of the leases are standard equipment leases for between 5-7 years. The Trust does not sub-let these assets.

	2017/18	2016/17
	£000	£000
Operating lease expense		
Minimum lease payments	4,236	4,376
Total	**4,236**	**4,376**

	31 March 2018	31 March 2017
	£000	£000
Future minimum lease payments due:		
- not later than one year;	4,094	4,194
- later than one year and not later than five years;	6,352	9,915
- later than five years.	-	-
Total	**10,446**	**14,109**

Note 11 Finance income

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

	2017/18	2016/17
	£000	£000
Interest on bank accounts	64	50
Total	**64**	**50**

Note 12.1 Finance expenditure

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

	2017/18	2016/17
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	4,293	586
Finance leases	126	180
Interest on obligations under PFI contracts		
Main finance costs on PFI and LIFT schemes obligations	8,068	8,834
Contingent finance costs on PFI and LIFT scheme obligations	6,849	5,918
Total interest expense	**19,336**	**15,518**
Total finance costs	**19,336**	**15,518**

The interest expense has increased in 2017/18 due to the Trust requiring revenue cash borrowing using the Department of Health's Uncommitted Single Currency Interim Revenue Support Facility Agreement of £101.76m. The interest rate paid by the Trust in the year is between 1.5% and 6%.

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

	2017/18	2016/17
	£000	£000
Compensation paid to cover debt recovery costs under this legislation	1	2

Note 13 Other gains / (losses)

	2017/18	2016/17
	£000	£000
Gains on disposal of assets	-	7
Losses on disposal of assets	(5)	-
Total gains / (losses) on disposal of assets	(5)	7
Total other gains / (losses)	**(5)**	**7**

Note 14.1 Intangible assets - 2017/18

	Information & technology £000	Total £000
Valuation / gross cost at 1 April 2017 - brought forward	**34,181**	**34,181**
Additions	2,447	**2,447**
Gross cost at 31 March 2018	**36,628**	**36,628**
Amortisation at 1 April 2017 - brought forward	**14,038**	**14,038**
Provided during the year	3,965	**3,965**
Amortisation at 31 March 2018	**18,003**	**18,003**
Net book value at 31 March 2018	**18,625**	**18,625**
Net book value at 1 April 2017	**20,143**	**20,143**

Information and technology assets are the only category of intangible asset held by the Trust. These assets have not been revalued as amortised historic cost is deemed to be a reasonable proxy for fair value.

The useful economic life of the asset is determined by the duration the asset will be used by the Trust.

Note 14.2 Intangible assets - 2016/17

	Information & technology £000	Total £000
Valuation / gross cost at 1 April 2016 - as previously stated	**26,610**	**26,610**
Additions	4,614	**4,614**
Impairments	(3,337)	**(3,337)**
Reclassifications	6,294	**6,294**
Valuation / gross cost at 31 March 2017	**34,181**	**34,181**
Amortisation at 1 April 2016 - as previously stated	**11,855**	**11,855**
Provided during the year	**3,777**	**3,777**
Impairments	(1,594)	**(1,594)**
Amortisation at 31 March 2017	**14,038**	**14,038**
Net book value at 31 March 2017	**20,143**	**20,143**
Net book value at 1 April 2016	**14,755**	**14,755**

Note 15.1 Property, plant and equipment - 2017/18

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2017 - brought forward	**19,235**	**398,514**	**1,955**	**908**	**132,840**	**742**	**23,786**	**9,512**	**587,492**
Additions	-	7,311	-	2,399	5,478	-	1,016	283	**16,487**
Impairments	-	-	-	-	(216)	-	-	-	**(216)**
Reversals of impairments to operating expenses	-	7,462	-	-	-	-	-	-	**7,462**
Revaluations	-	35,965	75	-	-	-	-	-	**36,040**
Disposals / derecognition	-	-	-	-	(10,970)	(41)	(192)	(989)	**(12,192)**
Valuation/gross cost at 31 March 2018	**19,235**	**449,252**	**2,030**	**3,307**	**127,132**	**701**	**24,610**	**8,806**	**635,073**
Accumulated depreciation at 1 April 2017 - brought forward	-	-	-	-	**78,228**	**742**	**17,510**	**5,994**	**102,474**
Provided during the year	-	**10,645**	**33**	-	**9,887**	-	**2,032**	**650**	**23,247**
Impairments	-	-	-	-	(168)	-	-	-	**(168)**
Reversals of impairments	-	(1,169)	-	-	-	-	-	-	**(1,169)**
Revaluations	-	(9,476)	(33)	-	-	-	-	-	**(9,509)**
Disposals / derecognition	-	-	-	-	(10,906)	(41)	(192)	(989)	**(12,128)**
Accumulated depreciation at 31 March 2018	-	-	-	-	**77,041**	**701**	**19,350**	**5,655**	**102,747**
Net book value at 31 March 2018	**19,235**	**449,252**	**2,030**	**3,307**	**50,091**	-	**5,260**	**3,151**	**532,326**
Net book value at 1 April 2017	**19,235**	**398,514**	**1,955**	**908**	**54,612**	-	**6,276**	**3,518**	**485,018**

Included withing the land value is £5,675,000 (£5,675,000 2016/17) relating the land at the Royal Infirmary site with has been identified as a surplus asset. There are restrictions on this site which would prevent access to the market at the reporting date and as a result the land has been valued at market value through applying an adaptation of IAS16, rather than being valued at fair value under IFRS13.

Note 15.2 Property, plant and equipment - 2016/17

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2016 - as previously stated	38,710	437,442	2,150	12,312	122,422	752	23,084	9,108	645,980
Additions	-	29,054	-	1,609	13,384	-	1,859	404	46,310
Impairments	(19,475)	(105,365)	(195)	-	(583)	-	(60)	-	(125,678)
Revaluations	-	28,312	-	25	-	-	-	-	28,337
Reclassifications	-	9,071	-	(12,976)	(1,307)	-	(1,082)	-	(6,294)
Disposals / derecognition	-	-	-	(62)	(1,076)	(10)	(15)	-	(1,163)
Valuation/gross cost at 31 March 2017	19,235	398,514	1,955	908	132,840	742	23,786	9,512	587,492
Accumulated depreciation at 1 April 2016 - as previously stated	-	14	-	-	70,176	751	15,339	5,374	91,654
Provided during the year	-	10,672	33	-	9,911	1	2,237	620	23,474
Impairments	-	(5,878)	(33)	-	(334)	-	(35)	-	(6,280)
Revaluations	-	(5,298)	-	-	-	-	-	-	(5,298)
Reclassifications	-	490	-	-	(474)	-	(16)	-	-
Disposals/ derecognition	-	-	-	-	(1,051)	(10)	(15)	-	(1,076)
Accumulated depreciation at 31 March 2017	-	-	-	-	78,228	742	17,510	5,994	102,474
Net book value at 31 March 2017	19,235	398,514	1,955	908	54,612	-	6,276	3,518	485,018
Net book value at 1 April 2016	38,710	437,428	2,150	12,312	52,246	1	7,745	3,734	554,326

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2018									
Owned - purchased	19,235	224,103	-	1,277	36,414	-	5,224	3,138	**289,391**
Finance leased	-	-	2,030	-	1,129	-	-	-	**3,159**
On-SoFP PFI contracts	-	221,965	-	1,892	8,507	-	5	-	**232,369**
Owned - government granted	-	-	-	4	223	-	6	13	**246**
Owned - donated	-	3,184	-	134	3,818	-	25	-	**7,161**
NBV total at 31 March 2018	**19,235**	**449,252**	**2,030**	**3,307**	**50,091**	**-**	**5,260**	**3,151**	**532,326**

Note 15.4 Property, plant and equipment financing - 2016/17

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2017									
Owned - purchased	19,235	200,484	-	908	37,591	-	6,219	3,504	**267,941**
Finance leased	-	-	1,955	-	1,333	-	-	-	**3,288**
On-SoFP PFI contracts	-	195,189	-	-	11,250	-	7	-	**206,446**
Owned - government granted	-	408	-	-	239	-	27	-	**674**
Owned - donated	-	2,433	-	-	4,199	-	23	14	**6,669**
NBV total at 31 March 2017	**19,235**	**398,514**	**1,955**	**908**	**54,612**	**-**	**6,276**	**3,518**	**485,018**

The UHNM Charity donated £391,000 (£421,000 in 2016/17) of assets to the Trust in 2017-18 in respect of assets acquired in the financial year. The Trust has also acquired £203,000 (£32,000 in 2016/17) in respect of Government Granted assets.

Note 16 Revaluations of property, plant and equipment

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuation information in 2017/18 was carried out by a qualified independent from the District Valuation Service.

As set out in the accounting policies the Department of Health has adopted the Modern Equivalent Asset (MEA) approach for its DRC valuations rather than the previous identical replacement method. The MEA approach used to value the property will normally be based on the cost of a modern equivalent asset that has the same service potential as the existing asset and then adjusted to take account of obsolescence. In the past, functional obsolescence has not been reflected in asset valuations for the NHS.

Functional obsolescence examines a building's design or specification and whether it may no longer fulfil the function for which it was originally designed or whether it may be much more basic than the MEA. The asset will still be capable of use but at a lower level of efficiency than the MEA, or may be capable of modification to bring it up to a current specification. Other common causes of functional obsolescence include advances in technology or legislative change. The obsolescence adjustment will reflect either the cost of upgrading, or if this is not possible, the financial consequences of the reduced efficiency compared with the modern equivalent.

The MEA approach incorporates the Building Cost Information Service Index to determine an increase or decrease in building costs which impact on the asset valuation. The Trust's land and building valuation was carried out by the Trust's current valuer DVS, on a MEA "Optimised Alternative Site" method valuation.

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance.

All land and buildings are restated to current value using independent professional valuations in accordance with IAS16 at least every five years, with interim revaluations carried out annually also by independent professional valuers. The full asset valuation includes a full site inspection by the professional valuer whilst interim valuations only include a site inspection where deemed necessary due to significant changes in the year. The last full asset valuations were undertaken at the prospective valuation date at 1st April 2016 which included a site visit in early 2016. An interim valuation was carried out at 31 March 2018 which included a review of capital expenditure, market conditions and asset lives.

The value of land, buildings and dwelling assets provided by the valuer at 31 March 2018 was £470,517,320 and is reflected in note 15.1. This reflects an increase of £50.8m from the previous desk top valuation at 31 March 2017 and reflects and increase in buildings costs during the year and increases in the location factor applied relating to the Staffordshire area.

The useful economic life of an asset is determined individually for each asset, but generally falls within the following range:

	Min Life Years	Max Life Years
Buildings	15	80
Dwellings	20	80
Plant & Machinery	5	15
Transport Equipment	4	7
Information Technology	3	10
Furniture & Fittings	5	15

The asset lifes relating to buildings and dwellings are provide as part of the independent valution of the Trusts assets by the external valuer.

The Trust leases two buildings which are used for medical education to Keele University. The following values within the property, plant and equipment and expense disclosures relate to these buildings:

	2017-18 £000	2016-17 £000
Gross carrying amount	14,002	14,128
Additions	0	9
Depreciation in period	(415)	(391)
Revaluation/(impairment)	2,208	256
Net Book Value	**15,795**	**14,002**

Note 17 Inventories

	31 March 2018 £000	31 March 2017 £000
Drugs	4,514	4,231
Work In progress	-	-
Consumables	8,047	8,973
Energy	121	94
Other	-	-
Total inventories	**12,682**	**13,298**

Inventories recognised in expenses for the year were £157,111k (2016/17: £151,963k). Write-down of inventories recognised as expenses for the year were £541k (2016/17: £47k).

Note 18.1 Trade receivables and other receivables

	31 March 2018 £000	31 March 2017 £000
Current		
Trade receivables	36,143	22,655
Accrued income	26,169	10,795
Provision for impaired receivables	(3,003)	(2,706)
Prepayments (non-PFI)	2,992	3,839
PDC dividend receivable	452	1,443
VAT receivable	3,187	1,791
Total current trade and other receivables	**65,940**	**37,817**
Non-current		
Accrued income	-	3,032
Total non-current trade and other receivables	**-**	**3,032**
Of which receivables from NHS and DHSC group bodies:		
Current	48,225	25,873
Non-current	-	-

Note 18.2 Provision for impairment of receivables

	2017/18	2016/17
	£000	£000
At 1 April as previously stated	**2,706**	**4,355**
Increase in provision	647	2,123
Amounts utilised	(93)	(30)
Unused amounts reversed	(257)	(3,742)
At 31 March	**3,003**	**2,706**

The Trust reviews and provides where necessary for income invoices more than 180 days past the due date, for RTA accruals at the prescribed rate of 22.84% (21.99% in 2016/17) and individually for any other debts which Trust management has reason to believe the Trust may not receive. The Trust's management considers that this is a reasonable estimate of the value of asset.

The increase or decrease in impairment of receivables is reviewed on a monthly basis and increased or decreased dependent upon the value of receivables deemed to be potentially at risk of being collected in full by the Trust. The Trust may go on to recover balances provided for at a future date and this is reflected within the amount recovered during the year.

Note 18.3 Credit quality of financial assets

	31 March 2018		31 March 2017	
	Trade and other receivables	Investments & Other financial assets	Trade and other receivables	Investments & Other financial assets
Ageing of impaired financial assets	£000	£000	£000	£000
0 - 30 days	64	-	73	-
30-60 Days	61	-	62	-
60-90 days	98	-	99	-
90- 180 days	77	-	48	-
Over 180 days	2,703	-	2,424	-
Total	**3,003**	**-**	**2,706**	**-**
Ageing of non-impaired financial assets past their due date				
0 - 30 days	-	-	-	-
30-60 Days	1,480	-	-	-
60-90 days	4,801	-	4,596	-
90- 180 days	4,477	-	4,368	-
Over 180 days	3,099	-	343	-
Total	**13,857**	**-**	**9,307**	**-**

The great majority of trade is with CCGs. As CCGs are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Note 19 Other assets

	31 March 2018	31 March 2017
Current	**£000**	**£000**
EU emissions trading scheme allowance	-	247
Total other current assets	**-**	**247**

Note 20.1 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.

	2017/18	2016/17
	£000	£000
At 1 April	**13,566**	**10,043**
Net change in year	(920)	3,523
At 31 March	**12,646**	**13,566**
Broken down into:		
Cash at commercial banks and in hand	6	6
Cash with the Government Banking Service	12,640	13,560
Total cash and cash equivalents as in SoFP	**12,646**	**13,566**
Total cash and cash equivalents as in SoCF	**12,646**	**13,566**

Note 20.2 Third party assets held by the trust

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

	31 March 2018	31 March 2017
	£000	£000
Bank balances	5	12
Total third party assets	**5**	**12**

Note 21 Trade and other payables

	31 March 2018 £000	31 March 2017 £000
Current		
Trade payables	21,284	18,831
Capital payables	3,446	13,642
Accruals	32,757	25,844
VAT payables	-	121
Other taxes payable	222	9,220
Accrued interest on loans	1,364	20
Other payables	6,750	5,292
Total current trade and other payables	**65,823**	**72,970**

Included within other payables is £5,826,000 (£5,668,000 in 2016/17) in relation to outstanding pension contributions at the year end.

Of which payables from NHS and DHSC group bodies:		
Current	17,797	4,017
Non-current	-	-

Note 22 Other liabilities

	31 March 2018 £000	31 March 2017 £000
Current		
Deferred income	5,988	5,267
Total other current liabilities	**5,988**	**5,267**
Non-current		
Deferred income	8	217
Total other non-current liabilities	**8**	**217**

Note 23 Borrowings

	31 March 2018 £000	31 March 2017 £000
Current		
Loans from the Department of Health and Social Care	12,450	12,450
Other loans (SALIX)	258	258
Obligations under finance leases	456	470
Obligations under PFI contracts	5,656	8,772
Total current borrowings	**18,820**	**21,950**
Non-current		
Loans from the Department of Health and Social Care	131,122	29,362
Other loans (SALIX)	345	638
Obligations under finance leases	2,188	2,004
Obligations under PFI contracts	295,007	301,028
Total non-current borrowings	**428,662**	**333,032**

Note 24 Finance leases

Note 24.1 University Hospitals of North Midlands NHS Trust as a lessor

The Trust has no finance leases where it acts as lessor.

Note 24.2 University Hospitals of North Midlands NHS Trust as a lessee

Obligations under finance leases where University Hospitals of North Midlands NHS Trust is the lessee.

	31 March 2018	31 March 2017
	£000	£000
Gross lease liabilities	**3,254**	**3,849**
of which liabilities are due:		
- not later than one year;	601	595
- later than one year and not later than five years;	2,151	2,417
- later than five years.	502	837
Finance charges allocated to future periods	(610)	(1,375)
Net lease liabilities	**2,644**	**2,474**
of which payable:		
- not later than one year;	456	470
- later than one year and not later than five years;	1,710	1,216
- later than five years.	478	788

The Trust has a finance lease for one building. The final repayment will be made in 2025.

The lease liability in the Trust's Statement of Financial Position is £1,153,000 split between £117,000 due in less than one year and £1,036,000 due in more than one year. This liability represents the sum of the rental payments due in respect of the property (£1,318,000) less the element deemed to be interest (£165,000) which is recognised as an expense in the year that the payment is made.

The Trust has finance leases for pathology equipment and printers. The final repayments will be made in 2022.

The lease liability in the Trust's Statement of Financial Position is £1,491,000 split between £339,000 due in less than one year and £1,152,000 due in more than one year. This liability represents the sum of the rental payments due in respect of the equipment (£1,936,000) less the element deemed to be interest (£445,000) which is recognised as an expense in the year that the payment is made.

Note 25.1 Provisions for liabilities and charges analysis

	Pensions - early departure costs	Legal claims	Equal Pay (including Agenda for Change)	Redundancy	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2017	**1,124**	**204**	**1,198**	**1,655**	**2,515**	**6,696**
Transfers by absorption	-	-	-	-	-	-
Change in the discount rate	-	-	-	-	-	-
Arising during the year	40	304	-	445	180	**969**
Utilised during the year	(75)	(40)	-	(176)	-	**(291)**
Reclassified to liabilities held in disposal groups	-	-	-	-	-	-
Reversed unused	-	(74)	(363)	(567)	(1,789)	**(2,793)**
Unwinding of discount	-	-	-	-	-	-
At 31 March 2018	**1,089**	**394**	**835**	**1,357**	**906**	**4,581**
Expected timing of cash flows:						
- not later than one year;	109	394	835	1,357	906	**3,601**
- later than one year and not later than five years;	355	-	-	-	-	**355**
- later than five years.	625	-	-	-	-	**625**
Total	**1,089**	**394**	**835**	**1,357**	**906**	**4,581**

The Trust has provided £1,089,000 (2016-17: £1,124,000) in respect of post employment pension obligations for twenty three former employees. The value of the liability is an estimate which has been recalculated during the year based on actuarial assumptions regarding life expectancy.

The Trust has provided £394,000 (2016-17: £204,000) in respect of legal cases. Of this £185,000 relates to current employment legal cases and £209,000 relates to the insurance excess on public and employer liability cases being administered by the NHS Litigation Authority. In all cases the timing and the value of the payments are uncertain and the Trust has provided based on the advice provided by legal advisors and the NHS Litigation Authority.

The Trust has provided £1,741,000 (2016-17: £3,713,000) in respect of additional costs in relation to income, pay and operating costs where the Trust has deemed there to be a risk and a qualifying providing event which is likely to result in the Trust incurring future cash outflows as a result of past events. These are classified under Equal pay and Other.

The Trust has provided £1,357,000 (2016-17: £1,655,000) in respect of redundancy costs.

Note 25.2 Clinical negligence liabilities

At 31 March 2018, £206,167k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of University Hospitals of North Midlands NHS Trust (31 March 2017: £190,748k).

Note 26 Contingent assets and liabilities

	31 March 2018	31 March 2017
	£000	£000
Value of contingent liabilities		
Other	(131)	(102)
Gross value of contingent liabilities	**(131)**	**(102)**
Net value of contingent liabilities	**(131)**	**(102)**

The amount above relates to to the member contingent liability relating to the excess due on clinical negligence cases covered by the NHS Litigation Authority.

Note 27 Contractual capital commitments

	31 March 2018	31 March 2017
	£000	£000
Property, plant and equipment	480	1,738
Intangible assets	1,831	198
Total	**2,311**	**1,936**

Note 28 On-SoFP PFI

The information below is required by the Department of Heath for inclusion in national statutory accounts

The Trust has commitments to two PFI schemes:

- The main scheme covering the redevelopment of the City General site, facilities management services, PACS equipment, a managed equipment service and network and communications equipment

- A second scheme covering radiotherapy equipment

The Trust retains its existing estate at the City General site in addition to new buildings covered by the PFI scheme.

The main PFI contract ends in August 2044. A monthly unitary payment will be paid up to that point. Historically, bullet payments have been made to reduce the monthly unitary payment. The unitary payment is subject to annual increases in line with RPI. Services are subject to market testing every 7 years. The arrangement requires the operator to deliver services to the Trust in accordance with the service delivery specification. Non delivery of quality or performance can lead to a reduction in the service charge being paid by the Trust. The Trust retains step in rights should the contractor fail to meet minimum standards as set out within the contract. Under IFRIC 12 the asset is treated as an asset of the trust. The substance of the contract is that the trust has a financial lease and payments comprise 2 elements – imputed finance lease charges and service charges. Details of the imputed finance lease charges are included within the table below.

The radiotherapy contract commenced in May 2010 and runs for 10 years. A bullet payment was made at the beginning of the scheme. Monthly service payments are made to cover the cost of the equipment, maintenance and lifecycle costs.

Note 28.1 Imputed finance lease obligations

University Hospitals of North Midlands NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI schemes:

	31 March 2018	31 March 2017
	£000	£000
Gross PFI liabilities	419,120	436,279
Of which liabilities are due		
- not later than one year;	13,474	16,826
- later than one year and not later than five years;	67,813	64,417
- later than five years.	337,833	355,036
Finance charges allocated to future periods	(118,457)	(126,479)
Net PFI obligation	300,663	309,800
- not later than one year;	5,656	8,772
- later than one year and not later than five years;	38,837	34,492
- later than five years.	256,170	266,536

Note 28.2 Total on-SoFP PFI commitments

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

	31 March 2018	31 March 2017
	£000	£000
Total future payments committed in respect of the PFI arrangements	2,085,866	2,095,583
Of which liabilities are due:		
- not later than one year;	58,207	56,770
- later than one year and not later than five years;	242,497	238,165
- later than five years.	1,785,162	1,800,648

Of the total future committments £142,804,000 (2016/17 £145,979,000) are in relation to the lifecycle and equipment elements of PFI schemes.

The future obligations discloses the total payments the Trust is committed to paying in respect of the on SOFP PFI, the future payments are inflated at the inflation rate included within the operators model. The actual payments may change based on actual inflation.

Note 28.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the trust's payments in 2017/18:

	2017/18	2016/17
	£000	£000
Unitary payment payable to service concession operator	58,331	58,279
Consisting of:		
- Interest charge	8,068	8,834
- Repayment of finance lease liability	9,254	9,392
- Service element and other charges to operating expenditure	31,237	31,813
- Capital lifecycle maintenance	2,923	2,322
- Contingent rent	6,849	5,918
Total amount paid to service concession operator	**58,331**	**58,279**

Note 29 Financial instruments

Note 29.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with CCG's and the way those CCG's are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The NHS 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 NHS Trust in undertaking its activities.

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

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

Interest rate risk
The Trust may borrow from government for revenue financing subject to approval by NHS Improvement at rates set by the Department of Health (the lender).

Credit risk
Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2018 are in receivables from customers, as disclosed in the trade and other receivables note

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

Note 29.2 Carrying values of financial assets

	Loans and receivables	Assets at fair value through the I&E	Held to maturity at	Available-for-sale	Total book value
	£000	£000	£000	£000	£000
Assets as per SoFP as at 31 March 2018					
Trade and other receivables excluding non financial assets	44,649	-	-	-	**44,649**
Cash and cash equivalents at bank and in hand	12,646	-	-	-	**12,646**
Total at 31 March 2018	**57,295**	**-**	**-**	**-**	**57,295**

	Loans and receivables	Assets at fair value through the I&E	Held to maturity	Available-for-sale	Total book value
	£000	£000	£000	£000	£000
Assets as per SoFP as at 31 March 2017					
Trade and other receivables excluding non financial assets	28,655	-	-	-	**28,655**
Cash and cash equivalents at bank and in hand	13,566	-	-	-	**13,566**
Total at 31 March 2017	**42,221**	**-**	**-**	**-**	**42,221**

Note 29.3 Carrying value of financial liabilities

	Other financial liabilities	Liabilities at fair value through the I&E	Total book value
	£000	£000	£000
Liabilities as per SoFP as at 31 March 2018			
Borrowings excluding finance lease and PFI liabilities	144,175	-	**144,175**
Obligations under finance leases	2,644	-	**2,644**
Obligations under PFI, LIFT and other service concession contracts	300,663	-	**300,663**
Trade and other payables excluding non financial liabilities	65,601	-	**65,601**
Total at 31 March 2018	**513,083**	**-**	**513,083**

	Other financial liabilities	Liabilities at fair value through the I&E	Total book value
	£000	£000	£000
Liabilities as per SoFP as at 31 March 2017			
Borrowings excluding finance lease and PFI liabilities	42,708	-	**42,708**
Obligations under finance leases	2,474	-	**2,474**
Obligations under PFI, LIFT and other service concession contracts	309,800	-	**309,800**
Trade and other payables excluding non financial liabilities	63,447	-	**63,447**
Total at 31 March 2017	**418,429**	**-**	**418,429**

Note 29.4 Fair values of financial assets and liabilities

IFRS 7 requires the Trust to disclose the fair value of financial liabilities. The PFI scheme is a non-current Financial Liability where the fair value is likely to differ from the carrying value. The trust have reviewed the current interest rates available on the market and if these were used as the implicit interest rate for the scheme the fair value of the liability would be £299,389,000 (£308,555,000 in 2016/17).

Note 29.5 Maturity of financial liabilities

	31 March 2018	31 March 2017
	£000	£000
In one year or less	84,421	85,690
In more than one year but not more than two years	10,469	8,927
In more than two years but not more than five years	161,545	56,488
In more than five years	256,648	267,324
Total	**513,083**	**418,429**

Note 30 Losses and special payments

	2017/18		2016/17	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	115	63	13	14
Bad debts and claims abandoned	129	43	62	17
Stores losses and damage to property	2	318	-	-
Total losses	**246**	**424**	**75**	**31**
Special payments				
Compensation under court order or legally binding arbitration award	-	-	9	9
Ex-gratia payments	46	24	49	14
Total special payments	**46**	**24**	**58**	**23**
Total losses and special payments	**292**	**448**	**133**	**54**
Compensation payments received		-		-

Note 31 Related parties

The Trust's Register of Interests shows that a number of individuals employed or contracted by the Trust in roles of significant influence are also employed or contracted in roles of significant influence by other organisations. The income received relates mainly to the purchase by the UHNM Charity of equipment that enhances the service provided by the Trust. For practical purposes these purchases are administered via the Trust's established ordering and payment procedures with the UHNM Charity reimbursing the cost to the Trust. The charitable and other contributions to revenue expenditure income disclosed in Note 4 relates to services provided by the Trust to the UHNM charity, i.e. the running of the Appeals Dept. Details of related party transactions with such parties are detailed below:

	2017-18			
	Payments to Related Party	**Receipts from Related Party**	**Payables**	**Receivables**
	£'000	**£'000**	**£'000**	**£'000**
NHS Providers	19	-	-	-
Keele University	3,433	1,683	338	415
Stoke on Trent College	48	-	-	-
Bolton Foundation NHS Trust	58	-	-	-

	2016-17			
	Payments to Related Party	**Receipts from Related Party**	**Payables**	**Receivables**
	£'000	**£'000**	**£'000**	**£'000**
Alliance Medical	347	884	1	147
King's College	1	0	0	0
NHS Providers	13	0	0	0
Staffordshire University	267	1	3	0
Keele University	4,347	2,129	756	374
Nuffield Hospital	299	75	13	19
Mid Staffordshire Postgraduate Medical Centre (Education)	85	58	1	0
Capsticks Solicitors HR Advisory Practice	1	0	0	0
Stoke on Trent College	426	0	48	0

The Department of Health is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, these are detailed below.

2017-18	**2016-17**
Betsi Cadwaladr Uhb	Betsi Cadwaladr Uhb
Cheshire, Warrington And Wirral Area Team Dental Services	Cheshire, Warrington And Wirral Area Team Dental Services
Cheshire, Warrington And Wirral Area Team Screening Services	Cheshire, Warrington And Wirral Area Team Screening Services
Department of Health	Department of Health
Health Commission Wales	Health Commission Wales
NHS Birmingham Cross City CCG	NHS Birmingham Cross City CCG
NHS Business Services Authority	NHS Business Services Authority
NHS Cannock Chase CCG	NHS Cannock Chase CCG
NHS Dudley CCG	NHS Dudley CCG
NHS East Staffordshire CCG	NHS East Staffordshire CCG
NHS Eastern Cheshire CCG	NHS Eastern Cheshire CCG

NHS England Specialised	NHS England Specialised
NHS Litigation Authority	NHS Litigation Authority
NHS North Derbyshire CCG	NHS North Derbyshire CCG
NHS North Staffordshire CCG	NHS North Staffordshire CCG
NHS Redditch And Bromsgrove CCG	NHS Redditch And Bromsgrove CCG
NHS Sandwell And West Birmingham CCG	NHS Sandwell And West Birmingham CCG
NHS Shropshire CCG	NHS Shropshire CCG
NHS Solihull CCG	NHS Solihull CCG
NHS South Cheshire CCG	NHS South Cheshire CCG
NHS South East Staffs And Seisdon Peninsular CCG	NHS South East Staffs & Seisdon Peninsular CCG
NHS South Worcestershire CCG	NHS South Worcestershire CCG
NHS Southern Derbyshire CCG	NHS Southern Derbyshire CCG
NHS Stafford And Surrounds CCG	NHS Stafford And Surrounds CCG
NHS Stoke On Trent CCG	NHS Stoke On Trent CCG
NHS Telford And Wrekin CCG	NHS Telford And Wrekin CCG
NHS Vale Royal CCG	NHS Vale Royal CCG
NHS Walsall CCG	NHS Walsall CCG
NHS West Cheshire CCG	NHS West Cheshire CCG
NHS Wolverhampton CCG	NHS Wolverhampton CCG
NHS Wyre Forest CCG	NHS Wyre Forest CCG
North Staffordshire Combined Healthcare NHS Trust	North Staffordshire Combined Healthcare NHS Trust
Shrewsbury and Telford Hospital NHS Trust	Shrewsbury and Telford Hospital NHS Trust
Shropshire And Staffordshire Area Team Dental Services	Shropshire And Staffordshire Area Team Dental Services
Shropshire And Staffordshire Area Team Screening Services	Shropshire And Staffordshire Area Team Screening Services
Staffordshire and Stoke on Trent Partnership NHS Trust	Staffordshire and Stoke on Trent Partnership NHS Trust
The Mid Cheshire NHS Foundation Trust	The Mid Cheshire NHS Foundation Trust
Virgin Care - East Staffs	Virgin Care - East Staffs

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. The majority of these transactions have been with HM Revenue and Customs, National Insurance Fund and the NHS Pension scheme.

The Trust has also received revenue and capital payments from the UHNM Charity and all of the Trustees are also members of the Trust board. In 2017-18 the total amount received from the UHNM Charity was £1,936,970 (2016-17: £2,205,821). At the end of the year £1,165,922 (2016-17: £562,425) was outstanding and is included within trade and other receivables.

Note 32 Events after the reporting date

The Trust has not identified any major events that required disclosure.

Note 33 Better Payment Practice code

	2017/18 Number	2017/18 £000	2016/17 Number	2016/17 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	128,930	383,834	154,781	385,988
Total non-NHS trade invoices paid within target	104,319	332,834	134,607	345,092
Percentage of non-NHS trade invoices paid within target	80.9%	86.7%	87.0%	89.4%
NHS Payables				
Total NHS trade invoices paid in the year	2,766	30,457	3,674	41,369
Total NHS trade invoices paid within target	1,619	22,417	2,215	26,623
Percentage of NHS trade invoices paid within target	58.5%	73.6%	60.3%	64.4%

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

Note 34 External financing

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

	2017/18 £000	2016/17 £000
External financing limit (EFL)	103,245	45,894
Cash flow financing (from SoCF)	93,730	42,783
Finance leases taken out in year	-	1,915
Other capital receipts	-	(7)
External financing requirement	**93,730**	**44,691**
Under / (over) spend against EFL	9,515	1,203

Note 35 Capital Resource Limit

	2017/18 £000	2016/17 £000
Gross capital expenditure	18,934	50,923
Less: Disposals	(64)	(86)
Less: Donated and granted capital additions	(594)	(452)
Plus: Loss on disposal of donated/granted assets	-	-
Charge against Capital Resource Limit	18,276	50,385
Capital Resource Limit	20,132	51,861
Under / (over) spend against CRL	1,856	1,476

Note 36 Breakeven duty financial performance

	2017/18 £000
Adjusted financial performance surplus / (deficit) (control total basis)	(71,325)
CQUIN Risk Reserve - 1617 CT non achievement adjustment	1,608
Breakeven duty financial performance surplus / (deficit)	(69,717)

Note 37 Breakeven duty rolling assessment

	2008/09	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Breakeven duty in-year financial performance		5,312	4,141	1,050	235	(19,301)	3,782	(26,936)	(27,773)	(69,717)
Breakeven duty cumulative position	(7,625)	(2,313)	1,828	2,878	3,113	(16,188)	(12,406)	(39,342)	(67,115)	(136,832)
Operating income		408,938	418,078	426,319	473,558	475,330	623,835	702,917	739,279	696,630
Cumulative breakeven position as a percentage of operating income		-0.57%	0.44%	0.68%	0.66%	-3.41%	-1.99%	-5.60%	-9.08%	-19.64%

The Trust has a statutory duty to break even on a cumulative basis. The Trust had previously developed a 5 year Financial Recovery Plan (FRP) in 2006 which was agreed with the Strategic Health Authority and the Department of Health to achieve cumulative break even by the end of 2010/11. During the 5 years to March 2011 the Trust generated a surplus and was able to repay the cumulative deficit. In 2011/12 and 2012/13 the Trust achieved surplus positions which gave a cumulative surplus as at March 2013 of £3,113,000. The Trust submitted a deficit plan of £31,673,000 for 2013/14 and achieved a deficit of £19,301,000 against this plan, following receipt of £17,000,000 non-recurrent funding. In 2014/15 the Trust approved a financial plan with a planned deficit of £16,944,000 and achieved an in year breakeven position of a surplus £3,782,000 giving a cumulative deficit position at March 2015 of £12,406,000.

In 2015/16 the Trust submitted a deficit plan of £16,823,000 and achieved a deficit of £26,936,000. Due to the cumulative deficit forecast the Trust's external auditors were required to refer the Trust in accordance with section 30 of the Local Audit and Accountability Act 2014 to the Secretary of State for Health informing him that the Trust was not expected to meet its statutory duty to break-even over a 3 year period. This referral was made on 12 May 2015.

In 2017/18 the Trust prepared a budget with a deficit position of £68,933,000, the control total was not agreed with NHS Improvement. In 2017/18 the Trust has reported a deficit of £69,717,000. As at 31 March 2018, the Trust has received cash support for its revenue position of £101,760,000 in 2017/18 and £41,812,000 over the preceding two years. The Trust's financial plan for 2018/19 forecasts the delivery of a deficit of £44,800,000 necessitating further revenue cash borrowing. As a result of the Trust delivering a significant negative variance against the planned control total in 2016/17 and planning a deficit for 2017/18 the Trust was placed in Financial Special Measures which required the Trust to develop a robust high-level recovery plan which is service quality assured. The recovery was agreed by the Trust Board and NHS Improvement. Financial Special Measures for the Trust became effective on 24 March 2017 and remains in place until NHS Improvement determines that the trust has met agreed criteria to exit Financial Special Measures.

Due to the significant deterioration in the Trust's financial performance and forecast position, the Trust's auditors issued a further section 30 referral to the Secretary of State for Health on 22 May 2017 reporting that the Trust's expenditure is likely to continue to exceed income for the foreseeable future.

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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.

Signed.......Paula Clark.......Paula Clark - Chief Executive

Date..25..5..18..

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of 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.

By order of the Board

..............................Date. 25.5.18 ......Paula Clark - Chief Executive

..............................Date. 25.5.18 ......Helen Ashley Chief Officer for Finance & Performance

Independent auditor's report to the Directors of University Hospitals of North Midlands NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of University Hospitals of North Midlands NHS Trust (the 'Trust') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Accounts, including Accounting policies and other information. The financial reporting framework that has been applied in their preparation is applicable law and the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006.

In our opinion the financial statements:

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

Basis for opinion

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

Who we are reporting to

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

Material uncertainty related to going concern

We draw attention to note 1.1.2 in the financial statements, which indicates that the Trust's financial performance in 2017/18 was a deficit of £69.717 million during the year ended 31 March 2018 against a budgeted deficit of £68.933 million. This is made up of the adjusted financial performance deficit of £71.325 million less the CQUIN Risk Reserve of £1.608 million. The Trust also received cash support for its revenue position of £143.6 million. As stated in note 1.1.2, the Trust's financial plan for 2018/19 forecasts the delivery of a further deficit of £44.8 million necessitating further revenue cash borrowing using the Department of Health and Social Care's Uncommitted Single Currency Interim Revenue Support Facility Agreement. The Directors are seeking additional support from NHS Improvement in 2018/19 of £44.8 million. NHS Improvement has not, at this point, confirmed this support for the full amount, These events or conditions, along with the other matters explained in note 1.1.2, indicate that a material uncertainty exists that may cast significant doubt about the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 1 to 58, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice
In our opinion:

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

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:

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

We have nothing to report in respect of the above matters except on 22 May 2017 we referred a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 in relation to the Trust's breach of its three year break-even duty for the three year period ending 31 March 2016 and its ongoing breach for subsequent years including the year ended 31 March 2018.

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 64, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Adverse conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, because of the significance of the matters described in the basis for adverse conclusion section of our report we are not satisfied that, in all significant respects, University Hospitals of North Midlands NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for adverse conclusion

Our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:

- The Trust delivered a deficit of £69.717 million in 2017/18, made up of the adjusted financial performance deficit of £71.325 million less the CQUIN Risk Reserve of £1.608 million, against a budgeted deficit of £68.933 million.
- The Trust's cumulative financial deficit has increased from £67.115 million at 31 March 2017 to £136.832 million at 31 March 2018.
- The Trust has set a deficit budget of £44.800 million for 2018/19 and, at the date of our report, has not agreed a control total for 2018/19 with NHS Improvement.
- The Trust is seeking revenue support from the Department of Health and Social Care in 2018/19 to fund its ongoing deficits.

These matters identify weaknesses in the Trust's arrangements for setting a sustainable budget with sufficient capacity to absorb emerging cost pressures due to the current configuration of services.

These issues are evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Accountable Officer

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

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

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

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

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of University Hospitals of North Midlands NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

J D Roberts

Jon Roberts
Partner
for and on behalf of Grant Thornton UK LLP

2 Glass Wharf
Bristol
BS2 0EL

25 May 2018

2017-18 Annual Accounts of University Hospitals of North Midlands NHS Trust

Year ended 31 March 2018

TRUST ACCOUNTS CONSOLIDATION (TAC) SUMMARISATION SCHEDULES FOR THE UNIVERSITY HOSPITALS OF NORTH MIDLANDS NHS TRUST

Summarisation schedules numbers TAC01 to TAC34 and accompanying WGA sheets for 2017/18 have been completed and this certificate accompanies them.

Finance Director Certificate

1. I certify that the attached TAC schedules have been compiled and are in accordance with:
   - the financial records maintained by the NHS trust
   - accounting standards and policies which comply with the Department of Health and Social Care's Group Accounting Manual and
   - the template accounting policies for NHS trusts issued by NHS Improvement, or any deviation from these policies has been fully explained in the Confirmation questions in the TAC schedules.

2. I certify that the TAC schedules are internally consistent and that there are no validation errors.

3. I certify that the information in the TAC schedules is consistent with the financial statements of the NHS Trust.

.... Date 25.5.18 Helen Ashley Chief Officer for Finance & Performance

Chief Executive Certificate

1. I acknowledge the attached TAC schedules, which have been prepared and certified by the Finance Director, as the TAC schedules which the Trust is required to submit to NHS Improvement.

2. I have reviewed the schedules and agree the statements made by the Director of Finance above.

.... Date 25.5.18 Paula Clark - Chief Executive

INDEPENDENT AUDITOR'S STATEMENT TO THE DIRECTORS OF UNIVERSITY HOSPITALS OF NORTH MIDLANDS NHS TRUST ON THE NHS TRUST CONSOLIDATION SCHEDULES

We have examined the consolidation schedules designated TAC02 to TAC29 for tables outlined in red, excluding TAC05A and TAC23 of University Hospitals of North Midlands NHS Trust for the year ended 31 March 2018, which have been prepared by the Director of Finance and acknowledged by the Chief Executive.

This statement is made solely to the Board of Directors of University Hospitals of North Midlands NHS Trust in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and paragraph 4.2 of the Code of Audit Practice. Our work has been undertaken so that we might state to the Accountable Officer those matters we are required to state to them in a consistency statement 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 Accountable Officer as a body, for our audit work, for this statement, or for the opinions we have formed.

For the purpose of this statement, reviewing the consistency of figures between the audited financial statements and the consoldiation schedules extends only to those figures within the consolidation schedules which are also included in the audited financial statements. Auditors are required to report on any differences over £300,000 between the audited financial statements and the consolidation schedules.

Unqualified audit opinion on the audited financial statements; no differences identified:

The figures reported in the consolidation schedules are consistent with the audited financial statements, on which we have issued an unqualified opinion.

Jon Roberts
Partner
For and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

25 May 2018