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The Mid Yorkshire Hospitals NHS Trust

Mid Yorkshire Hospitals NHS Trust

Annual accounts for the year ended 31 March 2020

Chairman – **Keith Ramsay**

Chief Executive – **Martin Barkley**

Striving for excellence

An Associated Teaching Trust

Statement of Comprehensive Income

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	4	518,536	480,452
Other operating income	5	65,857	46,570
Operating expenses	7, 10	(572,655)	(534,172)
Operating surplus/(deficit) from continuing operations		**11,738**	**(7,150)**
Finance income	13	201	212
Finance expenses	14	(11,439)	(11,526)
Net finance costs		**(11,238)**	**(11,314)**
Other gains / (losses)	15	114	126
Surplus / (deficit) for the year from continuing operations		**614**	**(18,338)**
Surplus / (deficit) for the year		**614**	**(18,338)**
Other comprehensive income			
Impairments	9	-	3,355
Total comprehensive income / (expense) for the period		**614**	**(14,983)**

Statement of Financial Position

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	16	1,047	1,245
Property, plant and equipment	17	389,654	387,031
Receivables	22	1,191	-
Total non-current assets		**391,892**	**388,276**
Current assets			
Inventories	21	7,109	6,820
Receivables	22	31,176	25,745
Cash and cash equivalents	23	13,679	7,115
Total current assets		**51,964**	**39,680**
Current liabilities			
Trade and other payables	24	(37,575)	(38,327)
Borrowings	26	(125,604)	(29,592)
Provisions	28	(864)	(902)
Other liabilities	25	(2,438)	(2,389)
Total current liabilities		**(166,481)**	**(71,210)**
Total assets less current liabilities		**277,375**	**356,746**
Non-current liabilities			
Borrowings	26	(262,104)	(346,363)
Provisions	28	(8,059)	(6,806)
Total non-current liabilities		**(270,163)**	**(353,169)**
Total assets employed		**7,212**	**3,577**
Financed by			
Public dividend capital		209,630	206,609
Revaluation reserve		37,513	38,174
Other reserves		2,685	2,685
Income and expenditure reserve		(242,616)	(243,891)
Total taxpayers' equity		**7,212**	**3,577**

The notes on pages 6 to 41 form part of these accounts.

The financial statements were approved by the Board on 18 June 2020 and signed on its behalf by

Chief Executive　　　　Date:

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**206,609**	**38,174**	**2,685**	**(243,891)**	**3,577**
Surplus/(deficit) for the year	-	-	-	614	**614**
Other transfers between reserves	-	(661)	-	661	**-**
Public dividend capital received	3,021	-	-	-	**3,021**
Taxpayers' and others' equity at 31 March 2020	**209,630**	**37,513**	**2,685**	**(242,616)**	**7,212**

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

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**203,139**	**35,481**	**2,685**	**(226,215)**	**15,090**
Surplus/(deficit) for the year	-	-	-	(18,338)	**(18,338)**
Other transfers between reserves	-	(662)	-	662	**-**
Impairments	-	3,355	-	-	**3,355**
Public dividend capital received	3,470	-	-	-	**3,470**
Taxpayers' and others' equity at 31 March 2019	**206,609**	**38,174**	**2,685**	**(243,891)**	**3,577**

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Other reserves

This represents the net value of assets transferred from the reconfiguration of healthcare trusts in 2002/2003.

Income and expenditure reserve

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

Statement of Cash Flows

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		11,738	(7,150)
Non-cash income and expense:			
Depreciation and amortisation	7	13,333	13,522
Net impairments	9	89	17
Income recognised in respect of capital donations	5	(182)	(225)
(Increase) / decrease in receivables and other assets		(6,632)	(3,567)
(Increase) / decrease in inventories		(289)	834
Increase / (decrease) in payables and other liabilities		819	2,861
Increase / (decrease) in provisions		1,193	(576)
Net cash flows from / (used in) operating activities		**20,069**	**5,716**
Cash flows from investing activities			
Interest received		211	182
Purchase of intangible assets		(286)	(51)
Purchase of PPE and investment property		(17,101)	(14,616)
Sales of PPE and investment property		132	126
Receipt of cash donations to purchase assets		182	225
Net cash flows from / (used in) investing activities		**(16,862)**	**(14,134)**
Cash flows from financing activities			
Public dividend capital received		3,021	3,470
Movement on loans from DHSC		21,477	24,910
Capital element of finance lease rental payments		(637)	(709)
Capital element of PFI, LIFT and other service concession payments		(9,166)	(8,887)
Interest on loans		(2,253)	(2,050)
Interest paid on finance lease liabilities		-	(20)
Interest paid on PFI, LIFT and other service concession obligations		(9,085)	(9,375)
Net cash flows from / (used in) financing activities		**3,357**	**7,339**
Increase / (decrease) in cash and cash equivalents		**6,564**	**(1,079)**
Cash and cash equivalents at 1 April - brought forward		**7,115**	**8,194**
Cash and cash equivalents at 31 March	23	**13,679**	**7,115**

Notes to the Accounts

1 Accounting policies and other information

1.1 Basis of preparation

The Department of Health and Social Care (DHSC) has directed that the financial statements of the Trust shall meet the accounting requirements of the DHSC Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the DHSC. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

1.1.1 Accounting convention

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

1.1.2 Going concern

These accounts have been prepared on a going concern basis. See note 2 Going concern.

1.2 Interests in other entities

Joint operations

Joint operations are arrangements in which the Trust has joint control with one or more other parties and has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Trust includes within its financial statements its share of the assets, liabilities, income and expenses.

1.3 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

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

Typically, timing of payments, are 30 days from satisfaction of performance obligations in line with NHS standard terms and conditions. Revenue from the Trust's main commissioners is received monthly as agreed within the contracts. Lifetime expected credit allowances are applied to contract assets based on expected recovery rates for each asset type.

1.3.1 Revenue from NHS contracts

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

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

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

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at the year end, this portion of revenue is deferred as a contract liability.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

1.3.2 Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

1.3.3 NHS injury cost recovery scheme

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

1.3.4 Provider sustainability fund (PSF) and Financial recovery fund (FRF)

The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

1.3.5 Other forms of income

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

1.3.6 Grants and donations

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. Where the grant is used to fund capital expenditure, it is credited to the Statement of Comprehensive Income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

1.3.7 Apprenticeship service income
The value of the benefit received when accessing funds from 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 from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

1.4 Expenditure on employee benefits

Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

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

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

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

The Trust provides certain employees, who are not enrolled into the NHS Pensions Scheme, with cover from the defined contributions scheme which is managed by the National Employment Savings Trust (NEST). The cost to the Trust is taken as equal to the contributions payable to the scheme for the accounting period.

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

1.6 Property, plant and equipment

1.6.1 Recognition

Property, plant and equipment is capitalised where:

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

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

1.6.2 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.

1.6.3 Measurement

Valuation

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

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

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

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

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided.

For assets held at depreciated replacement cost, where there is no practical requirement for healthcare delivery to be at the same site, an alternative site valuation has been considered.

Valuation guidance issued by the Royal Institution of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the Trust's Private Finance Initiative (PFI) scheme where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the Trust.

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 the assets are brought into use.

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

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

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

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.

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.

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

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

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

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

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

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

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

1.6.5 Private Finance Initiative (PFI)

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 HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment.

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

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

Services received

The cost to the Trust of services received in the year is recorded within 'operating expenses'.

PFI Asset

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

PFI liability

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

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

The element of the annual unitary payment apportioned to finance lease rental is split between an annual finance cost and repayment of 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 replacements) are not expected to meet the Trust's criteria for capital expenditure. For such lifecycle replacement costs these are recognised as an expense, as a proxy to depreciation.

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

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

Other assets contributed by the Trust to the operator

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

1.6.6 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	2	90
Dwellings	30	80
Plant & machinery	3	25
Transport equipment	5	10
Information technology	2	10
Furniture & fittings	5	15

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

1.7 Intangible assets

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.

Software

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

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 where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

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

1.7.1 Useful lives of intangible assets

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

	Min life	**Max life**
	Years	**Years**
Software licences	2	10

1.8 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 or the weighted average cost method. This is considered to be a reasonable approximation to fair value due to the high turnover of stock.

1.9 Cash and cash equivalents

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

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

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

1.11 Financial assets and financial liabilities

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

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

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

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

Financial assets are classified as subsequently measured at amortised cost.
Financial liabilities classified as subsequently measured at amortised cost.

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

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

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

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

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

Expected credit losses are determined based on the performance of asset categories. For contract trade receivables, less than 12-months overdue, the non-performance of this debt is used to calculate any likely loss when the debt is incurred. Any contract trade receivable overdue for more than a year is expected to be unrecoverable.

Receivables with NHS bodies are assumed to be collectable. If a receivable is deemed uncollectable, ordinarily a reversal of the receivable is made.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

Derecognition

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

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

1.12 Leases

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

1.12.1 The Trust as lessee

Finance leases

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

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

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings

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

1.12.2 The Trust as lessor

Operating leases

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

1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020.

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 28.1 but is not recognised in the Trust's accounts.

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

1.14 Contingencies
Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 29 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 29, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

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

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 and grant 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 DHSC (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 calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

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

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

1.18 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.

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

1.19 Early adoption of standards, amendments and interpretations
No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

1.20 Standards, amendments and interpretations in issue but not yet effective or adopted
IFRS 16 Leases
IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

1.21 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:

Pinderfields and Pontefract Hospitals, constructed under Private Finance Initiative (PFI), meet the criteria for inclusion in the financial statements as finance leases as the Trust bears the risks and rewards of ownership. See note 1.12 Leases and paragraph 1.6.5 PFI transactions.

As part of the Private Finance Initiative the Trust is required to pay the operator for lifecycle replacement assets. A judgement was made at the time leading up to Financial Close of the payment for these assets and this is accounted for annually as a revenue expense. The lifecycle is not charged to revenue on a smoothed basis, but is charged based on the judgement regarding replacement at the time the financial model was developed.

1.22 Sources of estimation uncertainty
The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:
Property, Plant and Equipment - paragraph 1.6 and note 17
PFI - paragraph 1.6.5 and note 31
Allowances for credit losses - note 22.1
Provisions - paragraph 1.13 and note 28

2 Going Concern

The accounting concept of Going Concern refers to the basis on which an organisation's assets and liabilities are recorded and included in the accounts. If an organisation is a going concern, it is expected to operate indefinitely and not go out of business or liquidate its assets in the foreseeable future.

Under International Financial Reporting Standards, management are required to assess, as part of the accounts process, the Trust's ability to continue as a going concern. For public sector entities, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents is normally sufficient evidence of going concern. DHSC group bodies must prepare their accounts on a going concern basis unless informed by the relevant national body or DHSC sponsor of the intention for dissolution without transfer of services or function to another entity.

In preparing the financial statements on a going concern basis the directors have considered the Trust's improved financial position short, medium and longer term.

The Trust delivered its financial plan and savings target in 2019/20 and achieved an in year surplus of £614k for the year ended 31 March 2020. In addition the Trust closed the year with a cash balance of £13,679k (2018/19 £7,115k) and net assets of £7,212k (2018/19 £3577k) - a marked improvement on previous years and a better financial basis on which to enter 2020/21.

The Trust has an agreed balanced plan for 2020/21 and is expecting to meet the statutory break even duty by 2021/22. The Trust has sufficient working capital and a balanced plan going forward therefore future external support in terms of cash loans will not be required.

On 2 April 2020, the DHSC and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21, existing DHSC interim revenue and emergency capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £114,780k are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

Also as a result of the conversion of these loans to PDC, the Trust will not need to repay as originally planned. This will make a significant contribution to the improvement of the Trusts future finances.

Based on these indications and much improved financial position the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

3 Operating Segments

All of the Trust's activities are in the provision of healthcare, which is an aggregate of the individual specialty components included therein. The majority of the Trust's revenue originates from the UK Government and expenditure mainly relates to staff costs, supplies and overheads. The activities which earn revenue and incur expenses are of one broad, combined nature to deliver healthcare.

The Trust's chief operating decision maker is deemed to be the Board. The finance report considered monthly contains summary figures for the whole Trust and includes the statement of financial position, statement of comprehensive income and cash flow statement. Therefore one segment of healthcare is considered in the Board's decision making process.

The single segment of 'healthcare' is deemed appropriate and is consistent with the core principles of IFRS8 to enable users of financial statements to evaluate the nature and financial effects of business activities and economic environments.

4 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.3.

4.1 Income from patient care activities (by nature)

	2019/20	2018/19
	£000	£000
Acute services		
Elective income	68,268	66,865
Non elective income	164,172	151,281
First outpatient income	32,554	31,043
Follow up outpatient income	40,926	39,462
A & E income	36,207	30,771
High cost drugs income from commissioners (excluding pass-through costs)	27,976	27,407
Other NHS clinical income	87,217	85,856
Community services income from CCGs and NHS England	33,086	31,969
Income from other sources (e.g. local authorities)	72	24
All services		
Private patient income	75	44
Agenda for Change pay award central funding*	-	5,573
Additional pension contribution central funding**	13,983	-
Other clinical income***	14,000	10,157
Total income from activities	**518,536**	**480,452**

Other NHS clinical income is activity that is out of scope of Payments by Results and includes such items as direct access, elements of critical care and income from quality and innovation schemes.

*Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

**The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

*** Other clinical income includes income received from the Injury Costs Recovery Scheme and £1,191k (£0k 2018/19) of central funding for a provision relating to consultants' tax on pension liabilities, this is disclosed at note 28.

4.2 Income from patient care activities (by source)

	2019/20	2018/19
Income from patient care activities received from:	£000	£000
NHS England**	69,026	49,833
Clinical commissioning groups	440,489	418,260
Department of Health and Social Care	-	5,573
Other NHS providers	3,158	2,434
Local authorities	710	535
Non-NHS: private patients	75	44
Non-NHS: overseas patients (chargeable to patient)	255	233
Injury cost recovery scheme	2,766	3,006
Non NHS: other*	2,057	534
Total income from activities	**518,536**	**480,452**
Of which:		
Related to continuing operations	518,536	480,452

Injury cost recovery income is subject to an allowance for expected credit losses of 21.79% (2018/19: 21.89%) to reflect expected rates of collection.

*Non NHS: other includes £1,191k (£0k 2018/19) of central funding for a provision relating consultants' tax on pension liabilities, this is disclosed at note 28.

**The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

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

	2019/20	2018/19
	£000	£000
Income recognised this year	255	233
Cash payments received in-year	71	59
Amounts added to provision for impairment of receivables	221	87
Amounts written off in-year	402	-

5 Other operating income

	2019/20	2018/19
	£000	£000
Research and development	1,625	1,707
Education and training	20,416	18,068
Non-patient care services to other bodies	731	603
Provider sustainability fund (PSF)*	7,336	12,959
Financial recovery fund (FRF)*	16,865	-
Marginal rate emergency tariff funding (MRET)*	5,471	-
Income in respect of employee benefits accounted on a gross basis	2,603	2,402
Receipt of capital grants and donations	182	225
Charitable and other contributions to expenditure	240	290
Rental revenue from operating leases	614	614
Other income	9,774	9,702
Total other operating income	**65,857**	**46,570**
Of which:		
Related to continuing operations	65,857	46,570

*These funds were linked to the achievement of financial and performance targets.

Other contract income includes income from car parking of £3,853k (2018/19: £3,950k). Income generating activities are not considered to be material and any surplus is used in patient care.

6 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	530	624

6.1 Transaction price allocated to remaining performance obligations

The Trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the Trust recognises revenue directly corresponding to work done to date is not disclosed.

7 Operating expenses

	2019/20	2018/19
	£000	£000
Staff and executive directors costs	377,053	345,301
Purchase of healthcare from NHS and DHSC bodies	334	180
Purchase of healthcare from non-NHS and non-DHSC bodies	6,611	5,739
Remuneration of non-executive directors	96	83
Supplies and services - clinical (excluding drugs costs)	40,995	41,362
Supplies and services - general	2,147	2,352
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	42,676	42,041
Inventories written down	79	53
Consultancy costs	167	231
Establishment	3,568	4,632
Premises	20,607	18,014
Transport (including patient travel)	1,841	338
Depreciation on property, plant and equipment	12,761	12,806
Amortisation on intangible assets	572	716
Net impairments	89	17
Movement in credit loss allowance: contract receivables / contract assets	869	790
Movement in credit loss allowance: all other receivables and investments	49	22
Change in provisions discount rate(s)	440	(118)
Statutory Audit*	65	65
Other external auditor remuneration - audit related assurance services**	6	10
Internal audit costs	140	137
Clinical negligence	18,027	18,927
Legal fees	108	205
Insurance	465	543
Research and development	34	30
Education and training	1,766	1,287
Rentals under operating leases	686	471
Charges to operating expenditure for on-SoFP IFRIC 12 schemes	35,162	33,027
Car parking & security	394	334
Hospitality	58	34
Other	4,790	4,543
Total	**572,655**	**534,172**
Of which:		
Related to continuing operations	572,655	534,172

*The external auditor of trust is Mazars LLP. The audit fee for 2019/20 was £65k (including VAT).

**Non-audit services are in respect of the Quality Account assurance. The fee for this work in 2019-20 was £6k(including VAT). The fee billed in 2018-19 was £10k (including VAT).

8 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2019/20 or 2018/19.

9 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	89	17
Total net impairments charged to operating surplus / deficit	**89**	**17**
Impairments charged to the revaluation reserve	-	(3,355)
Total net impairments	**89**	**(3,338)**

10 Employee benefits

	2019/20	2018/19
	Total	Total
	£000	£000
Salaries and wages	274,724	262,965
Social security costs	24,721	21,239
Apprenticeship levy	1,378	1,194
Employer's contributions to NHS pensions	45,408	29,904
Pension cost - other*	1,334	78
Termination benefits	-	86
Temporary staff (including agency)	31,214	30,248
Total gross staff costs	**378,779**	**345,714**
Recoveries in respect of seconded staff	-	-
Total staff costs	**378,779**	**345,714**
less costs capitalised as part of assets	(1,726)	(413)
Total staffing costs in Operating Expenditure - note 7	**377,053**	**345,301**

*Pension cost - other includes expenditure of £1,191k (£0k 2018/19) for a provision relating to consultants' tax on pension liabilities, this is disclosed at note 28.

Additional analysis of staff numbers and costs are included in the annual report.

10.1 Retirements due to ill-health

During 2019/20 there were 3 early retirements from the Trust agreed on the grounds of ill-health (9 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £107k (£474k in 2018/19).

These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

11 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 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The employer contribution rate for 2019/20 is 20.6%.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

c) Pension Costs Other Schemes

Under the terms of the Pensions Act 2008 the Trust is required to provide a pension scheme for employees who are not eligible for membership of the NHS Pension Scheme. Qualifying employees are enrolled in the National Employment Savings Trust (NEST) managed scheme.

NEST is a defined contribution scheme managed by a third party organisation. It carries no possibility of an actuarial gain or loss to the Trust and there are no financial liabilities other than payment of employer's contribution of qualifying earnings. The contribution rate increased to 3% in 2018/19. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly.

12 Operating leases

12.1 The Trust as a lessor

This note discloses income generated in operating lease agreements where the Trust is the lessor.

	2019/20	2018/19
	£000	£000
Operating lease revenue		
Minimum lease receipts	514	515
Contingent rent	100	99
Total	**614**	**614**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	200	200
- later than one year and not later than five years;	-	200
Total	**200**	**400**

12.2 The Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where the Trust is the lessee.

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	686	471
Total	**686**	**471**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	940	698
- later than one year and not later than five years;	4,022	1,281
- later than five years.	2,169	150
Total	**7,131**	**2,129**

The Trust leases equipment, vehicles and short term property lets. None of these are individually significant.

13 Finance income

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	201	212
Total finance income	**201**	**212**

14 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	2,332	2,124
Finance leases	-	20
Main finance costs on PFI and LIFT schemes obligations	9,085	9,375
Total interest expense	**11,417**	**11,519**
Unwinding of discount on provisions	22	7
Total finance costs	**11,439**	**11,526**

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

Interest of £0 (2018/19 £160) was paid for late payments under The Late Payments of Comercial Debts (interest) Act 1998.

15 Other gains / (losses)

	2019/20	2018/19
	£000	£000
Gains on disposal of assets	132	126
Losses on disposal of assets	(18)	-
Total other gains / (losses)	**114**	**126**

16 Intangible assets - 2019/20

	Software licences £000
Valuation / gross cost at 1 April 2019 - brought forward	**7,871**
Additions	374
Valuation / gross cost at 31 March 2020	**8,245**
Amortisation at 1 April 2019 - brought forward	**6,626**
Provided during the year	572
Amortisation at 31 March 2020	**7,198**
Net book value at 31 March 2020	**1,047**
Net book value at 1 April 2019	**1,245**

16.1 Intangible assets - 2018/19

	Software licences £000
Valuation / gross cost at 1 April 2018 - as previously stated	**7,820**
Additions	51
Valuation / gross cost at 31 March 2019	**7,871**
Amortisation at 1 April 2018 - as previously stated	**5,910**
Provided during the year	716
Amortisation at 31 March 2019	**6,626**
Net book value at 31 March 2019	**1,245**
Net book value at 1 April 2018	**1,910**

Purchased computer software is amortised and charged to the income statement on a straight line basis over the shorter of the term of the licence or their useful lives.

The remaining lives for purchased computer software are 2 to 10 years. Amortisation periods and methods are reviewed annually and adjusted if appropriate to reflect fair value.

17 Property, plant and equipment - 2019/20

	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 2019 - brought forward	**21,741**	**335,513**	**2,650**	**7,469**	**66,816**	**24**	**30,796**	**3,707**	**468,716**
Additions	-	5,693	31	3,210	4,002	-	2,400	155	**15,491**
Reclassifications	-	3,431	-	(7,895)	8	-	4,449	7	**-**
Disposals / derecognition	-	-	-	-	(1,218)	-	-	-	**(1,218)**
Valuation/gross cost at 31 March 2020	**21,741**	**344,637**	**2,681**	**2,784**	**69,608**	**24**	**37,645**	**3,869**	**482,989**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**5,671**	**55**	**-**	**49,082**	**24**	**23,942**	**2,911**	**81,685**
Provided during the year	-	5,482	55	-	4,748	-	2,136	340	**12,761**
Impairments	-	-	-	-	89	-	-	-	**89**
Disposals / derecognition	-	-	-	-	(1,200)	-	-	-	**(1,200)**
Accumulated depreciation at 31 March 2020	**-**	**11,153**	**110**	**-**	**52,719**	**24**	**26,078**	**3,251**	**93,335**
Net book value at 31 March 2020	**21,741**	**333,484**	**2,571**	**2,784**	**16,889**	**-**	**11,567**	**618**	**389,654**
Net book value at 1 April 2019	**21,741**	**329,842**	**2,595**	**7,469**	**17,734**	**-**	**6,854**	**796**	**387,031**

17.1 Property, plant and equipment - 2018/19

	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 2018 - brought forward	**18,386**	**332,743**	**2,650**	**1,378**	**64,463**	**24**	**28,070**	**3,696**	**451,410**
Additions	-	2,770	-	6,091	5,252	-	2,726	11	**16,850**
Reversals of impairments	3,355	-	-	-	-	-	-	-	**3,355**
Disposals / derecognition	-	-	-	-	(2,899)	-	-	-	**(2,899)**
Valuation/gross cost at 31 March 2019	**21,741**	**335,513**	**2,650**	**7,469**	**66,816**	**24**	**30,796**	**3,707**	**468,716**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**-**	**-**	**-**	**46,988**	**24**	**22,184**	**2,565**	**71,761**
Provided during the year	-	5,671	55	-	4,976	-	1,758	346	**12,806**
Impairments	-	-	-	-	17	-	-	-	**17**
Disposals / derecognition	-	-	-	-	(2,899)	-	-	-	**(2,899)**
Accumulated depreciation at 31 March 2019	**-**	**5,671**	**55**	**-**	**49,082**	**24**	**23,942**	**2,911**	**81,685**
Net book value at 31 March 2019	**21,741**	**329,842**	**2,595**	**7,469**	**17,734**	**-**	**6,854**	**796**	**387,031**
Net book value at 1 April 2018	**18,386**	**332,743**	**2,650**	**1,378**	**17,475**	**-**	**5,886**	**1,131**	**379,649**

17.2 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020								
Owned - purchased	21,741	116,385	2,571	2,784	16,592	10,492	568	**171,133**
Finance leased	-	-	-	-	1	932	16	**949**
On-SoFP PFI contracts and other service concession arrangements	-	214,684	-	-	-	-	-	**214,684**
Owned - donated	-	2,415	-	-	296	143	34	**2,888**
NBV total at 31 March 2020	**21,741**	**333,484**	**2,571**	**2,784**	**16,889**	**11,567**	**618**	**389,654**

17.3 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019								
Owned - purchased	21,741	109,710	2,595	7,469	17,329	5,389	734	**164,967**
Finance leased	-	-	-	-	11	1,311	20	**1,342**
On-SoFP PFI contracts and other service concession arrangements	-	217,800	-	-	-	-	-	**217,800**
Owned - donated	-	2,332	-	-	394	154	42	**2,922**
NBV total at 31 March 2019	**21,741**	**329,842**	**2,595**	**7,469**	**17,734**	**6,854**	**796**	**387,031**

18 Donations of property, plant and equipment

Donated assets are from grants provided by the Trust's related charity The Mid Yorkshire Hospitals NHS Trust Charitable Fund and other local charities. No conditions or restrictions are imposed by the donors.

The Trust received a grant of £138k in 2017-18 from the City of Wakefield Metropolitan District Council to extend the childcare facility to support the provision of 30 hours free nursery childcare. There is a seven year claw back period and a reducing percentage of capital funds is repayable should there be change in use of the facilities or a disposal of the property.

19 Revaluations of property, plant and equipment

In 2019/20 the Trust assessed the value of its land and buildings, which included using information from its valuers. The Trust's has concluded that the value of land and buildings are not materially misstated and no formal revaluation was required. As part of this assessment the Trust has considered a 'material valuation uncertainty' disclosure relating to the CV-19 outbreak in the valuer's correspondence as follows:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a 'Global Pandemic' on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.
Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty –and a higher degree of caution –should be attached to our valuation than would normally be the case"

The Trust is not in a position to quantify the degree of uncertainty but will keep the valuation of its estate under review during 2020/21.

At the PFI sites, Wakefield and Pontefract, the Trust has reverted to current site land valuation rather than alternative site, this change in estimate is included from 2018/19.

In 2017/18 land and buildings were revalued by a professional independent valuer as at 31 March. The Valuer used the independent index issued by the Building Cost Information Service (BCIS) of the Royal Institute of Chartered Surveyors (RICS). Valuations are at depreciated replacement cost using the Modern Equivalent Asset (MEA) approach (Note 1.7). The MEA valuation is based on maintaining three hospitals within the current localities, not necessarily on the existing sites.

The PFI buildings are valued net of VAT, reflecting the cost at which the service potential would be replaced by a PFI Operator. All other valuations are at replacement cost inclusive of VAT.

The Valuer advises changes to asset lives when they undertake a full valuation. Building lives vary between 1 to 86 years and assets in
Buildings, installations and fittings are depreciated at current value over the estimated remaining life of the asset as advised by the Valuer. Leaseholds are depreciated over the primary lease term, buildings (excluding dwellings) over 1 to 86 years and dwellings over 33 to 73 years.

Equipment is depreciated on current cost over the estimated life of the asset using the following lives:

Software licences	2 to 10
Plant and machinery	3 to 25
Transport equipment	5 to 10
Information technology	2 to 10
Furniture and fittings	5 to 15

Values of properties held at existing use are not materially different to market values.

The nature and value of impairments are detailed in note 9

20 Disclosure of interests in other entities

From 2013-14, the Trust has been required to consider consolidating the results of The Mid Yorkshire Hospitals NHS Trust Charitable Fund over which it considers it has the power to exercise control in accordance with IFRS10 requirements. The transactions are immaterial in the context of the group and have not been consolidated. Details of the transactions with the Charity are included in note 34, the related party note.

21 Inventories

	31 March 2020	31 March 2019
	£000	£000
Drugs	2,104	1,853
Consumables	4,859	4,793
Energy	146	174
Total inventories	**7,109**	**6,820**

Inventories recognised in expenses for the year were £81,505k (2018/19: £81,688k). Write-down of inventories recognised as expenses for the year were £79k (2018/19: £53k).

22 Receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	26,145	21,106
Allowance for impaired contract receivables / assets	(1,633)	(1,728)
Allowance for other impaired receivables	(95)	(105)
Prepayments (non-PFI)	3,372	2,929
Interest receivable	9	19
VAT receivable	2,740	2,666
Other receivables	638	858
Total current receivables	**31,176**	**25,745**
Non-current		
Other receivables	1,191	-
Total non-current receivables	**1,191**	**-**
Of which receivable from NHS and DHSC group bodies:		
Current	17,814	13,093
Non-current	1,191	-

Other receivables (non current) includes income of £1,191k (£0k 2018/19) relating to central funding of a provision for consultants' tax on pension liabilities, this is disclosed at note 28.

22.1 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April - brought forward	**1,728**	**105**	**-**	**1,663**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			1,572	(1,572)
New allowances arising	1,098	75	974	53
Reversals of allowances	(229)	(26)	(184)	(31)
Utilisation of allowances (write offs)	(964)	(59)	(634)	(8)
Allowances as at 31 Mar 2020	**1,633**	**95**	**1,728**	**105**

Amounts written off in the year are still subject to enforcement activity.

22.2 Exposure to credit risk

In 2019/20 allowances for expected credit losses were calculated on a general provision basis. This was by category of contract receivable less than 12 months overdue for payment; these range from 10% to 62% for non NHS contract receivables. Items over 12 months past due for payment are deemed non-collectable.

For 50% of the overseas visitor receivable the local CCG is liable for any credit loss, therefore only 50% is at risk and assessed for expected credit losses.

NHS contract receivables have been assessed for recoverability, no provision has been made against these receivables.

23 Cash and cash equivalents movements

Cash and cash equivalents comprise of 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.

	2019/20	2018/19
	£000	£000
At 1 April	**7,115**	**8,194**
Net change in year	6,564	(1,079)
At 31 March	**13,679**	**7,115**
Broken down into:		
Cash at commercial banks and in hand	41	57
Cash with the Government Banking Service	13,638	7,058
Total cash and cash equivalents as in SoFP	**13,679**	**7,115**

23.1 Third party assets held by the trust

Mid Yorkshire Hospitals NHS Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the trust has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2020	31 March 2019
	£000	£000
Monies on deposit	1	-
Total third party assets	**1**	**-**

24 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	9,168	11,175
Capital payables	4,647	6,169
Accruals	12,081	10,066
Social security costs	3,703	3,491
Other taxes payable	3,264	3,120
Other payables	4,712	4,306
Total current trade and other payables	**37,575**	**38,327**
Of which payables from NHS and DHSC group bodies:		
Current	1,684	2,297

25 Other liabilities

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	2,041	1,865
Deferred grants	67	100
Other deferred income	330	424
Total other current liabilities	**2,438**	**2,389**

26 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Loans from DHSC	115,780	19,789
Obligations under finance leases	-	637
Obligations under PFI, LIFT or other service concession contracts	9,824	9,166
Total current borrowings	**125,604**	**29,592**
Non-current		
Loans from DHSC	4,500	78,935
Obligations under PFI, LIFT or other service concession contracts	257,604	267,428
Total non-current borrowings	**262,104**	**346,363**

On 2 April 2020, the DHSC and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £114,780k are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

26.1 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	**98,724**	**637**	**276,594**	**375,955**
Cash movements:				
Financing cash flows - payments and receipts of principal	21,477	(637)	(9,166)	**11,674**
Financing cash flows - payments of interest	(2,253)	-	(9,085)	**(11,338)**
Non-cash movements:				
Application of effective interest rate	2,332	-	9,085	**11,417**
Carrying value at 31 March 2020	**120,280**	**-**	**267,428**	**387,708**

26.2 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	**73,674**	**792**	**285,481**	**359,947**
Cash movements:				
Financing cash flows - payments and receipts of principal	24,910	(709)	(8,887)	**15,314**
Financing cash flows - payments of interest	(2,050)	(20)	(9,375)	**(11,445)**
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	66	-	-	**66**
Additions	-	554	-	**554**
Application of effective interest rate	2,124	20	9,375	**11,519**
Carrying value at 31 March 2019	**98,724**	**637**	**276,594**	**375,955**

27 Finance leases

The Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	31 March 2020	31 March 2019
	£000	£000
Gross lease liabilities	**-**	**637**
of which liabilities are due:		
- not later than one year;	-	637
Net lease liabilities	**-**	**637**
of which payable:		
- not later than one year;	-	637
Contingent rent recognised as expense in the period	-	(449)

The finance lease refered to above has come to an end at 31 Mar 2020, therefore there is no carry forward finance lease obligation.

28 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2019	**4,041**	**3,321**	**241**	**105**	**7,708**
Change in the discount rate	134	306	-	-	**440**
Arising during the year	286	16	119	1,191	**1,612**
Utilised during the year	(423)	(142)	(105)	-	**(670)**
Reversed unused	(29)	(98)	(62)	-	**(189)**
Unwinding of discount	12	10	-	-	**22**
At 31 March 2020	**4,021**	**3,413**	**193**	**1,296**	**8,923**
Expected timing of cash flows:					
- not later than one year;	424	142	193	105	**864**
- later than one year and not later than five years;	1,695	569	-	-	**2,264**
- later than five years.	1,902	2,702	-	1,191	**5,795**
Total	**4,021**	**3,413**	**193**	**1,296**	**8,923**

The early departure provision relates to pension costs for certain staff taking early retirement and is determined by capitalising the cost using formula agreed by NHS Pensions. The formula assumes that the member of staff will live beyond normal retirement age.

Other contains a provision for clinician pension tax liability resulting from additional payments which exceed the annual pensions savings amount threshold.

The provision (£1,191k) is broadly equal to the tax charge owed by clinicians. NHSE and the Government have committed to fund this and as such a corresponding income accrual and receivable has been recognised.

Guidance for 2020/21 will be updated nationally.

28.1 Clinical negligence liabilities

At 31 March 2020, £315,941k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Mid Yorkshire Hospitals NHS Trust (31 March 2019: £282,592k).

29 Contingent assets and liabilities

	31 March 2020	31 March 2019
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	(116)	(98)

Clinical negligence claims are managed by NHS Resolution on behalf of the Trust. The value of contingent liabilities for legal claims is provided by NHS Resolution for cases where the amount and timing remain uncertain.

The Trust is aware of the on-going "Flowers" case which is currently referred to the Supreme Court with no date of review as at the date of the production of the Annual Accounts. The outcome of the case is not yet clear, however, there is a possible obligation for the Trust dependent upon the outcome. It should also be noted that if the outcome was in the favour of "Flowers" there is uncertainty as to whether the obligation would be statutory or contractual and therefore the potential liability cannot be accurately estimated. The potential liability has numerous outcomes and values that could range between £Nil and £970k.

30 Contractual capital commitments

	31 March 2020	31 March 2019
	£000	£000
Property, plant and equipment	843	1,845
Total	**843**	**1,845**

31 On-SoFP PFI, LIFT or other service concession arrangements

The Trust entered into a PFI contract to provide new hospital facilities and associated support services in Wakefield and Pontefract on 28 June 2007 with a 35 year term. The facilities were phased in and were fully operational from 2012/13.

31.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

The following obligations in respect of the PFI, LIFT or other service concession arrangements are recognised in the statement of financial position:

	31 March 2020	31 March 2019
	£000	£000
Gross PFI, LIFT or other service concession liabilities	**381,265**	**399,644**
Of which liabilities are due		
- not later than one year;	18,732	18,379
- later than one year and not later than five years;	76,752	76,782
- later than five years.	285,781	304,483
Finance charges allocated to future periods	(113,837)	(123,050)
Net PFI, LIFT or other service concession arrangement obligation	**267,428**	**276,594**
- not later than one year;	9,824	9,166
- later than one year and not later than five years;	44,628	43,219
- later than five years.	212,976	224,209

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

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

	31 March 2020	31 March 2019
	£000	£000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**1,419,218**	**1,466,090**
Of which payments are due:		
- not later than one year;	48,509	47,068
- later than one year and not later than five years;	206,234	200,335
- later than five years.	1,164,475	1,218,687

31.3 Analysis of amounts payable to service concession operator

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

	2019/20	2018/19
	£000	£000
Unitary payment payable to service concession operator	**53,413**	**51,289**
Consisting of:		
- Interest charge	9,085	9,375
- Repayment of balance sheet obligation	9,166	8,887
- Service element and other charges to operating expenditure	32,559	30,487
- Revenue lifecycle maintenance	2,603	2,540
Total amount paid to service concession operator	**53,413**	**51,289**

32 Financial instruments

32.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups and the way those Clinical Commissioning Groups are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the 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 borrows from government for capital expenditure, subject to affordability as confirmed by the NHS Improvement. The loans are for 1 – 25 years, in line with the life of the associated assets, and interest charged is fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

The Trust accessed interim revenue loans from the DHSC. The loans are interest bearing, fixed at 1.5%, repayable on or before the specified repayment dates.

The Trust had a working capital facility with the DHSC. It is a fixed rate (3.5%) interest bearing facility based on the daily outstanding balance.

It is Trust policy to invests surplus cash in other liquid resources at the National Loans Fund when it is financially beneficial to do so. The Trust can therefore be susceptible to movements in current interest rates.

Credit risk

As 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 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

32.2 Carrying values of financial assets

Carrying values of financial assets	Held at amortised cost 31 March 2020 £000	Held at amortised cost 31 March 2019 £000
Trade and other receivables excluding non financial assets	25,064	20,150
Cash and cash equivalents	13,679	7,115
Total	**38,743**	**27,265**

32.3 Carrying values of financial liabilities

Carrying values of financial liabilities	Held at amortised cost 31 March 2020 £000	Held at amortised cost 31 March 2019 £000
Loans from the Department of Health and Social Care	120,280	98,724
Obligations under finance leases	-	637
Obligations under PFI, LIFT and other service concession contracts	267,428	276,594
Trade and other payables excluding non financial liabilities	30,608	31,716
Total	**418,316**	**407,671**

32.4 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	156,212	61,308
In more than one year but not more than two years	11,674	55,264
In more than two years but not more than five years	37,454	59,740
In more than five years	212,976	231,359
Total	**418,316**	**407,671**

32.5 Fair values of financial assets and liabilities

Due to the nature of the Trust's financial assets and financial liabilities the book value (carrying value) is considered a reasonable approximation of fair value.

33 Losses and special payments

	2019/20		2018/19	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Bad debts and claims abandoned	2,136	1,034	1,520	607
Stores losses and damage to property	4	79	7	53
Total losses	**2,140**	**1,113**	**1,527**	**660**
Special payments				
Ex-gratia payments	57	129	62	249
Total special payments	**57**	**129**	**62**	**249**
Total losses and special payments	**2,197**	**1,242**	**1,589**	**909**
Compensation payments received				

There are no individual cases that exceed £300k

34 Related parties

The Department of Health and Social Care 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. The main entities are NHS England, Wakefield CCG, North Kirklees CCG, & Leeds CCG.

Services were also purchased from: Yorkshire Ambulance Service NHS Trust, Leeds Teaching Hospitals NHS Trust, NHS Blood and Transplant, NHS Resolution and NHS Professionals.

In addition, the Trust has had a number of transactions with other government departments and other central and local government bodies. Most of these transactions have been with Wakefield Council and Kirklees Council.

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the corporate trustee of the linked NHS Charity (The Mid Yorkshire Hospitals NHS Trust Charitable Fund), it effectively has the power to exercise control so as to obtain economic benefits. The transactions are immaterial in the context of the group and transactions have not been consolidated. The transactions with the charity are disclosed in the table below and the audited accounts of The Mid Yorkshire Hospitals NHS Trust Charitable Fund.

Transactions with related parties are disclosed below. There are no bad debt expenses or provisions in respect of these organisations.

2019/20 **Nature of Relationship**	**Related Party**	**Payments to Related Party** **£000s**	**Receipts from Related Party** **£000s**	**Amounts owed to Related Party** **£000s**	**Amounts due from Related Party** **£000s**
Julie Charge, Non-Executive Director, Director of Finance to Salford University	Salford University	1	3	-	-
David Melia, Director of Nursing and Quality, Trustee of Wakefield Hospice	Wakefield Hospice	1	179	-	21
Phillip Marshall, Director of Workforce and OD, Board member of the North LETB for Health Education England	Health Education England	-	18,365	115	295
Board Members, Corporate Trustee to the Mid Yorkshire Hospitals NHS Trust Charitable Fund	The Mid Yorkshire Hospitals NHS Trust Charitable Fund	-	589	-	65
		2	**19,136**	**115**	**381**

2018/19 Nature of Relationship	Related Party	Payments to Related Party £000s	Receipts from Related Party £000s	Amounts owed to Related Party £000s	Amounts due from Related Party £000s
Julie Charge, Non-Executive Director, Director of Finance to Salford University	Salford University	3	-	-	-
David Melia, Director of Nursing and Quality, Trustee of Wakefield Hospice	Wakefield Hospice	20	174	8	27
Board Members, Corporate Trustee to The Mid Yorkshire Hospitals NHS Trust Charitable Fund	The Mid Yorkshire Hospitals NHS Trust Charitable Fund	-	505	-	121
		23	**679**	**8**	**148**

35 Events after the reporting date

On 2 April 2020, the DHSC and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and emergency capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £114,780k as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

36 Better Payment Practice code

	2019/20	2019/20	2018/19	2018/19
Non-NHS Payables	**Number**	**£000**	**Number**	**£000**
Total non-NHS trade invoices paid in the year	78,158	317,812	69,278	270,352
Total non-NHS trade invoices paid within target	62,648	281,825	37,993	204,118
Percentage of non-NHS trade invoices paid within target	80.2%	88.7%	54.8%	75.5%
NHS Payables				
Total NHS trade invoices paid in the year	2,977	32,846	2,876	40,092
Total NHS trade invoices paid within target	2,232	28,047	1,167	27,524
Percentage of NHS trade invoices paid within target	75.0%	85.4%	40.6%	68.7%

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.

37 External financing limit

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

	2019/20	2018/19
	£000	**£000**
Cash flow financing	8,131	19,863
Finance leases taken out in year		
Other capital receipts		
External financing requirement	**8,131**	**19,863**
External financing limit (EFL)	20,810	26,427
Under / (over) spend against EFL	**12,679**	**6,564**

38 Capital Resource Limit

	2019/20	2018/19
	£000	**£000**
Gross capital expenditure	15,865	16,901
Less: Disposals	(18)	-
Less: Donated and granted capital additions	(182)	(225)
Charge against Capital Resource Limit	**15,665**	**16,676**
Capital Resource Limit	15,921	16,676
Under / (over) spend against CRL	**256**	**-**

39 Breakeven duty financial performance

	2019/20	2018/19
Adjusted financial performance (control total basis):	**£000**	**£000**
Surplus / (deficit) for the period	614	(18,338)
Remove I&E impact of capital grants and donations	21	(21)
Prior period adjustments	(585)	-
Adjusted financial performance surplus / (deficit) (control total basis)	**50**	**(18,359)**
Remove impairments scoring to Departmental Expenditure Limit - impairments	89	17
Add back income for impact of 2018/19 post-accounts PSF reallocation	585	-
Breakeven duty financial performance surplus / (deficit)	**724**	**(18,342)**

40 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		871	983	(19,217)	(21,839)	(19,171)
Breakeven duty cumulative position	(26,110)	(25,239)	(24,256)	(43,473)	(65,312)	(84,483)
Operating income		395,875	430,417	456,954	460,792	456,810
Cumulative breakeven position as a percentage of operating income		(6.4%)	(5.6%)	(9.5%)	(14.2%)	(18.5%)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(9,056)	(20,530)	(7,873)	(18,405)	(18,342)	724
Breakeven duty cumulative position	(93,539)	(114,069)	(121,942)	(140,347)	(158,689)	(157,965)
Operating income	483,428	482,792	504,454	505,584	527,022	584,393
Cumulative breakeven position as a percentage of operating income	(19.3%)	(23.6%)	(24.2%)	(27.8%)	(30.1%)	(27.0%)

The Department of Health and Social Care has determined that a trust's breakeven duty will be assumed to have been met if expenditure is covered by income over a three year period. The Trust has been unable to meet this duty. The impact of this on the Income and Expenditure reserve is referred to in note 2 "Going concern".