The Mid Yorkshire Hospitals
NHS Trust

Mid Yorkshire Hospitals NHS Trust

Annual accounts for the period

1 April 2017 to 31 March 2018

Chairman - **Jules Preston MBE**

Chief Executive - **Martin Barkley**

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF THE MID YORKSHIRE HOSPITALS NHS TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Mid Yorkshire Hospitals NHS Trust ("the Trust") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to NHS Trusts in England and included in the Department of Health Group Accounting Manual 2017/18.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Trust has incurred a significant deficit in year of £15.854m (2016/17: £19.888m). Loan borrowing has increased at the Trust, with loans from the Department of Health now totalling £73.674m (2016/17: £55.013m), with £19.650m due for repayment in the 2018/19 period. The Trust delivered £17.3m of Cost Improvement Programme (CIP) savings in 2017/18 against a plan of £24.7m. The Trust has submitted a financial plan for 2018/19 that forecasts a deficit of £5.41m with a CIP delivery of £24.0m required in order to meet this target.

These events and conditions, along with the other matters explained in note 2 constitute a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other information in the Annual Report

The Accountable Officer is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements

Annual Governance Statement

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the Department of Health Group Accounting Manual 2017/18. We have nothing to report in this respect.

KPMG

Remuneration and Staff Report

In our opinion the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Department of Health Group Accounting Manual 2017/18.

Directors' and Accountable Officer's responsibilities

As explained more fully in the Statement of Directors' Responsibilities the directors are responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity . As explained more fully in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for ensuring that annual statutory accounts are prepared in a format directed by the Secretary of State.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in its use of resources.

Adverse conclusion

As a result of the matters outlined in the basis for adverse conclusion paragraph below, we are unable to satisfy ourselves that, in all significant respects Mid Yorkshire Hospitals NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2018.

Basis for adverse conclusion

In considering the Trust's arrangements for securing financial resilience and its arrangements for challenging how it secures economy, efficiency and effectiveness in the use of its resources we identified the following:

- the Trust incurred a deficit of £15.854m in 2017/18 and has a cumulative deficit against its breakeven duty of £140.3m as at 31 March 2018;
- the Trust has set a deficit budget of £5.4m for 2018/19, which includes cost improvement programme target of £24.0m;
- the Trust does not have sufficient cash to meet its commitments without receiving further external funding;

- current borrowing (over and above PFI related borrowing) totals £73.7m at 31 March 2018 (£55.0m at 31 March 2017), with £19.7m of this falling due prior to 31 March 2019; and

- the Trust received two Care Quality Commission inspection reports in the year to 31 March 2018 both of which reached an overall conclusion that the Trust 'requires improvement' including around the 'Well Led' strand of their inspection. These reports noted ongoing concern with regards the 'pace of change' and whether this was occurring quickly enough to fully address the issues identified within their report.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

As explained in the statement of the Chief Executive's responsibilities, the Chief Executive, as the Accountable Officer, is responsible for ensuring that value for money is achieved from the resources available to the Trust. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

Statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or

- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014.

On 18 May 2017 a referral was made to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 in respect of the Trust's failure to achieve its statutory break even duty.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

KPMG

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Mid Yorkshire Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Clare Partridge
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square,
Leeds
LS1 4DA

25 May 2018

Statement of directors' responsibilities in respect of the accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- assess the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

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

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

By order of the Board

24/5/18 ....Date Martin Bagley ....Chief Executive

24/5/18 ....Date J Hazelgrave ....Finance Director

Statement of Comprehensive Income

	Note	2017/18 £000	2016/17 £000
Operating income from patient care activities	4	464,543	458,158
Income in respect of legacy financial support	4	2,520	3,900
Other operating income	5	38,521	42,396
Employee Benefits	6, 8	(332,982)	(323,953)
Other Operating expenses	6	(179,595)	(177,366)
Reversal of impairments/(impairments)	6	2,503	(11,963)
Operating surplus/(deficit) from continuing operations		(4,490)	(8,828)
Finance income	11	46	56
Finance expenses	12	(11,385)	(11,399)
PDC dividends payable		-	-
Net finance costs		(11,339)	(11,343)
Other gains / (losses)	13	(25)	283
Surplus / (deficit) for the year from continuing operations		(15,854)	(19,888)
Surplus / (deficit) for the year		(15,854)	(19,888)
Other comprehensive income			
Reversal of impairments/(impairments)	7	265	(38,544)
Revaluations	17	-	17,005
Total comprehensive income / (expense) for the period		(15,589)	(41,427)

A NHS Trust's reported financial performance is assessed on its retained surplus/deficit adjusted for items that the Department of Health and Social Care does not consider to be part of the organisation's performance and is included in note 38.

The notes on pages 5 to 44 form part of this account.

Statement of Financial Position

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Intangible assets	14	1,910	2,402
Property, plant and equipment	15	379,649	381,956
Total non-current assets		**381,559**	**384,358**
Current assets			
Inventories	19	7,654	8,229
Trade and other receivables	20	22,148	19,985
Non-current assets held for sale	21	-	1,250
Cash and cash equivalents	22	8,194	11,286
Total current assets		**37,996**	**40,750**
Current liabilities			
	23	(34,228)	(34,507)
Borrowings	25	(28,973)	(9,971)
Provisions	27	(1,586)	(1,608)
Other liabilities	24	(2,013)	(1,623)
Total current liabilities		**(66,800)**	**(47,709)**
Total assets less current liabilities		**352,755**	**377,399**
Non-current liabilities			
Borrowings	25	(330,974)	(340,110)
Provisions	27	(6,691)	(7,030)
Total non-current liabilities		**(337,665)**	**(347,140)**
Total assets employed		**15,090**	**30,259**
Financed by			
Public dividend capital		203,139	202,719
Revaluation reserve		35,481	37,107
Other reserves		2,685	2,685
Income and expenditure reserve		(226,215)	(212,252)
Total taxpayers' equity		**15,090**	**30,259**

The notes on pages 5 to 44 form part of these accounts.

The financial statements were approved by the Board on 24th May 2018 and signed on its behalf by

Chief Executive

Date: 24/5/18

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

	Public dividend capital £000	Revaluation reserve £000	Other reserves £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2017 - brought forward	**202,719**	**37,107**	**2,685**	**(212,252)**	**30,259**
Surplus/(deficit) for the year	-	-	-	(15,854)	**(15,854)**
Other transfers between reserves	-	(654)	-	654	-
Reversal of impairments/(impairments)	-	265	-	-	**265**
Transfer to retained earnings on disposal of assets	-	(1,237)	-	1,237	-
Public dividend capital received	420	-	-	-	**420**
Taxpayers' equity at 31 March 2018	**203,139**	**35,481**	**2,685**	**(226,215)**	**15,090**

In 2017/18, the Trust received £220k of permanent Public Dividend Capital (PDC) for cyber security and £200k for West Yorkshire and Humber Cancer Alliance digital pathology scheme.

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

	Public dividend capital £000	Revaluation reserve £000	Other reserves £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2016 - brought forward	**196,144**	**59,569**	**2,685**	**(193,287)**	**65,111**
Surplus/(deficit) for the year	-	-	-	(19,888)	**(19,888)**
Other transfers between reserves	-	(923)	-	923	-
Impairments	-	(38,544)	-	-	**(38,544)**
Revaluations	-	17,005	-	-	**17,005**
Public dividend capital received	6,575	-	-	-	**6,575**
Taxpayers' equity at 31 March 2017	**202,719**	**37,107**	**2,685**	**(212,252)**	**30,259**

In 2016/17, the Trust received £5,000k of permanent Public Dividend Capital (PDC) in return for the revenue to capital transfer in 2015/16, £975k for the acute hospital reconfiguration and £600k for West Yorkshire Acceleration Zone.

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 (DHSC). A charge, reflecting the cost of capital utilised by the Trust, is payable to the DHSC as the PDC dividend.

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

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

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

Statement of Cash Flows

	Note	2017/18 £000	2016/17 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(4,490)	(8,828)
Non-cash income and expense:			
Depreciation and amortisation	6	14,079	13,729
Net impairments	7	(2,503)	11,963
Income recognised in respect of capital donations	5	(263)	(146)
(Increase) / decrease in receivables and other assets		(2,178)	(3,386)
(Increase) / decrease in inventories		575	662
Increase / (decrease) in payables and other liabilties		(949)	(6,640)
Increase / (decrease) in provisions		(379)	1,051
Net cash generated from / (used in) operating activities		3,892	8,405
Cash flows from investing activities			
Interest received		61	56
Purchase of intangible assets		(619)	(786)
Purchase of property, plant, equipment and investment property		(6,599)	(12,469)
Sales of property, plant, equipment and investment property		1,226	712
Receipt of cash donations to purchase capital assets		263	146
Net cash generated from / (used in) investing activities		(5,668)	(12,341)
Cash flows from financing activities			
Public dividend capital received		420	6,575
Movement on loans from the Department of Health and Social Care		18,661	26,863
Capital element of finance lease rental payments		(422)	(328)
Capital element of PFI		(8,633)	(9,031)
Interest paid on finance lease liabilities		(24)	(30)
Interest paid on PFI		(9,664)	(9,954)
Other interest paid		(1,654)	(1,390)
PDC dividend (paid) / refunded		-	1,435
Net cash generated from / (used in) financing activities		(1,316)	14,140
Increase / (decrease) in cash and cash equivalents		(3,092)	10,204
Cash and cash equivalents at 1 April - brought forward		11,286	1,082
Cash and cash equivalents at 31 March	22	8,194	11,286

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

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.

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

Pinderfields and Pontefact Hospitals, constructed under the 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 paragraphs 1.13 Leases and 1.7.5 PFI transactions.

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

- Plant, Property and Equipment - Paragraph 1.7 and Note 15.1
- PFI - Paragraph 1.7.5 and Note 30.2
- Provision for Impairment of Receivables - Note 20.2
- Provisions - Paragraph 1.14 and Note 27.1

1.3 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.

1.4 Income

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

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred. Maternity pathways and incomplete spells are recognised in the year of receipt.

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

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

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

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

1.5 Expenditure on employee benefits

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

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

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

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

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.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

1.6 Expenditure on other goods and services

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

1.7 Property, plant and equipment

1.7.1 Recognition
Property, plant and equipment is capitalised where:

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

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

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

Land and buildings used for the Trust's services or for administrative purposes are stated in the Statement of Financial Position (SoFP) at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.
Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:
• land and non-specialised buildings – market value for existing use
• specialised buildings – depreciated replacement cost, modern equivalent asset basis

PFI assets are valued net of VAT and in accordance with the Trust's approach for each relevant asset class.

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

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary, the payment for the:

- fair value of services received
- PFI asset, including finance costs
- replacement of components of the asset during the contract 'lifecycle replacement'

Services received

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

PFI Asset

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

PFI liability

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

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

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

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

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are not expected to meet the Trust's criteria for capital expenditure. Lifecycle replacement costs 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 NHS trust's Statement of Financial Position.

Other assets contributed by the Trust to the operator

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

1.7.6 Useful economic lives of property, plant and equipment

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

	Min life Years	Max life Years
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 economic life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

1.8 Intangible assets

1.8.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

Software

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

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

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

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

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

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

	Min life Years	Max life Years
Software licences	2	10

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

1.10 Cash and cash equivalents

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

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

1.11 Carbon Reduction Commitment scheme (CRC)
The CRC scheme is a mandatory cap and trade scheme for non-transport CO_2 emissions. The Trust is registered with the CRC scheme and is required to surrender to the Government an allowance for every tonne of CO_2 emitted during the financial year. A liability and a related expense are recognised in respect of this obligation as CO_2 emissions are made.

1.12 Financial instruments and financial liabilities

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

Financial liabilities in respect of assets acquired through finance leases are recognised and measured in accordance with the accounting policy for leases described above

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

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

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

Classification and measurement

Financial Assets
Financial assets are categorised receivables. Receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

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

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

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

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

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

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

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

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

Trade receivables are reviewed for impairment on an individual basis, depending on the size of the receivable and the period for which it is overdue. Where trade receivables are estimated to be less than their carrying values, provisions have been made to write them down to their estimated recoverable amounts.

1.13 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.

1.13.1 The Trust as lessee

Finance leases

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

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

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

Operating leases

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

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

Leases of land and buildings

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

1.14 Provisions

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

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 27.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

1.15 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 28 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 28, 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.

1.16 Public dividend capital

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

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

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

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

1.17 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.

1.18 Foreign exchange

The functional and presentational currency of the Trust is sterling.

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

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

• monetary items (other than financial instruments measured at "fair value through income and expenditure") are translated at the spot exchange rate on 31 March
• non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
• non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

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

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

1.19 Third party assets

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

1.20 Losses and special payments

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

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

1.21 Early adoption of standards, amendments and interpretations
No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

1.22 Standards, amendments and interpretations in issue but not yet effective or adopted
The following standards have been issued but are not yet effective or adopted for the public sector:

• IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted

• IFRS 15 Revenue from Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted. Most contract income is for commisioned services with the Trusts local CCGs, Wakefeld CCG and North Kirklees CCG. Due to the fixed nature of these contracts and the fact the relate to the same financial year, it is not anticipated this standard will have a material effect

• IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted

2 Going concern
The accounting concept of Going Concern refers to the basis on which an organisations 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. DH group bodies must prepare their accounts on a going concern basis unless informed by the relevant national body or DH 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 overall financial position and expectations of future financial support. The Trust is in regular dialogue with NHS Improvement, the Board receives and reviews financial reports in respect of the financial position, cashflow and statement of financial position.

The Trust closed the year with a cash balance of £8.2m and positive net assets of £10.2m. The classifications of borrowings are stated within current and non-current liabilities based on the contractual terms of the current agreements and not the expected dates of repayment.

Further areas considered by the Trust in demonstrating it is a going concern were:

• NHS Improvement's support in the Trust's financial plan for 2018/19 to deliver a deficit of £5.4m.
• the continuation of services included within aligned incentive contracts agreed with the lead commissioners including, Wakefield CCG and North Kirklees CCG.
• the Trust's commitment to deliver cost improvement savings of £24.0m, a Programme Management Office is established to support the delivery of this target.
• cash support from the Department of Health and Social Care in 2018/19 to maintain in-year liquidity included within the plan.

The matters referred to above represent a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate. Based on these indications the directors believe that it remains 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 by the Board contains summary figures for the whole Trust together with divisional budgets and their cost improvement plans. The statement of financial position, statement of comprehensive income and cash flow statement are considered for the Trust as a whole. Therefore one segment of healthcare is considered in its 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

4.1 Income from patient care activities (by nature)

	2017/18	2016/17
	£000	£000
Acute services		
Elective income	68,658	66,100
Non elective income	146,453	144,057
First outpatient income	29,281	28,858
Follow up outpatient income	38,536	38,567
A & E income	28,899	26,303
High cost drugs income from commissioners (excluding pass-through costs)	26,823	28,859
Other NHS clinical income	96,202	100,381
Community services		
Community services income from CCGs and NHS England	25,500	23,071
Income from other sources (e.g. local authorities)	172	542
All services		
Private patient income	16	85
Other clinical income	6,523	5,235
Total income from activities	**467,063**	**462,058**

4.2 Income from patient care activities (by source)

Income from patient care activities received from:	2017/18	2016/17
	£000	£000
NHS England	50,116	44,472
Clinical commissioning groups	409,419	399,939
Department of Health and Social Care	-	-
Other NHS providers	754	628
NHS other	-	104
Local authorities	482	8,321
Non-NHS: private patients	16	85
Non-NHS: overseas patients (chargeable to patient)	103	187
NHS injury scheme	2,485	2,409
Non NHS: other	1,168	2,013
Total income from activities before support	464,543	458,158
Income in respect of legacy financial support	2,520	3,900
Total income from activities	**467,063**	**462,058**
Of which:		
Related to continuing operations	467,063	462,058
Related to discontinued operations	-	-

Revenue from patient care activities includes £2,520k (2016/17: £3,900k) of legacy financial support from local commissioners.

Injury cost recovery income is subject to a provision for impairment of receivables of 22.8% (2016/17: 22.9%) to reflect expected rates of collection.

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

	2017/18	2016/17
	£000	£000
Income recognised this year	103	187
Cash payments received in-year	50	51
Amounts added to provision for impairment of receivables	47	100
Amounts written off in-year	3	29

5 Other operating income

	2017/18	2016/17
	£000	£000
Research and development	1,678	1,845
Education and training	13,602	13,105
Receipt of capital grants and donations	263	146
Charitable and other contributions to expenditure	287	315
Non-patient care services to other bodies	5,034	4,110
Sustainability and transformation fund income	7,441	11,864
Rental revenue from operating leases	607	505
Income in respect of staff costs where accounted on gross basis	353	258
	9,256	10,248
Total other operating income	**38,521**	**42,396**
Of which:		
Related to continuing operations	38,521	42,396
Related to discontinued operations	-	-

Sustainability and Transformation Fund was available in 2017/18 and 2016/17 for the NHS. These funds were linked to the achievement of financial and performance targets. The Trust failed to meet its financial target and some elements of the performance fund and did not receive its full allocation of £13,515k (2016/17: £16,700k)

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. Income generation activities are not considered to be material and no one activity had a full cost over £1m.

6 Operating expenditure

	2017/18	2016/17
	£000	£000
6.1 Operating expenses - other		
Purchase of healthcare from NHS and DHSC bodies	402	257
Purchase of healthcare from non-NHS and non-DHSC bodies	4,450	1,896
Remuneration of non-executive directors	85	84
Supplies and services - clinical (excluding drugs costs)	37,076	37,324
Supplies and services - general	4,048	4,112
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	43,201	44,549
Inventories written down	70	37
Consultancy costs	433	1,841
Establishment	4,252	4,570
	16,671	18,339
Transport (including patient travel)	378	257
Depreciation on property, plant and equipment	13,245	12,804
Amortisation on intangible assets	834	925
Increase/(decrease) in provision for impairment of receivables	817	731
Change in provisions discount rate(s)	81	585
Audit fees payable to the external auditor- statutory audit	85	85
Internal audit costs	137	138
Clinical negligence	19,065	17,332
Legal fees	515	779
Insurance	499	491
Education and training	889	904
Rentals under operating leases	495	399
Charges to operating expenditure for on-SoFP IFRIC 12 schemes - PFI	30,395	27,676
Hospitality	37	49
Other	1,435	1,202
Other Operating Expenses	**179,595**	**177,366**
Employee Benefits	**332,982**	**323,953**
Net impairments	**(2,503)**	**11,963**
Total	**510,074**	**513,282**
Of which:		
Related to continuing operations	510,074	513,282
Related to discontinued operations	-	-

In 2017/18 Trust revalued its land and buildings as at 31 March (2016/17: at 1 April 2016 and 31 March 2017). The valuations are on a modern equivalent asset basis with the revalued assets having the same service potential as the existing ones. The valuations resulted in a net reversal of impairments of £2,503k in 2017/18 and an impairment in 2016/17 of £11,963k, see note 7.

6.2 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2017/18 or 2016/17.

7 Impairment of assets

7.1 Analysis of impairments and reversal of impairments

	2017/18	2016/17
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	4	23
Changes in market price	(2,507)	11,940
Total net impairments charged to operating surplus / deficit	**(2,503)**	**11,963**
(Reversal of impairments)/impairments charged to the revaluation reserve	(265)	38,544
Total net impairments	**(2,768)**	**50,507**

7.2 Events and circumstances giving rise to impairments and reversal of impairments

2017/18	Total	(Reversed) /Charged to revaluation	(Reversed) /Charged to expenditure
	£000s	£000s	£000s
Land, buildings and dwellings were revalued by a professional valuer as at 31 March 2018	(2,772)	(265)	(2,507)
Impairment resulted from evidence of physical damage to an asset - this affected an asset classified as plant and machinery	4		4
Total	(2,768)	(265)	(2,503)

2016/17	Total	(Reversed) /Charged to revaluation	(Reversed) /Charged to expenditure
	£000s	£000s	£000s
Land, buildings and dwellings were revalued by a professional valuer as at 1 April 2016 and 31 March 2017	50,484	38,544	11,940
Impairment resulted from evidence of physical damage to an asset - this affected an asset classified as plant and machinery	23	0	23
Total	50,507	38,544	11,963

8 Employee benefits

	2017/18	2016/17
	£000	£000
Salaries and wages	244,582	238,486
Social security costs	22,166	21,349
Apprenticeship levy	1,198	-
Employer's contributions to NHS pensions	28,310	27,768
Pension cost - other	35	742
Termination benefits	-	60
Temporary staff (including agency)	36,890	35,933
Total gross staff costs	**333,181**	**324,338**
Recoveries in respect of seconded staff	-	-
Total staff costs	**333,181**	**324,338**
Of which		
Costs capitalised as part of assets	(199)	(385)
Total employee benefits charge to SOCI	**332,982**	**323,953**

8.1 Retirements due to ill-health

During 2017/18 there were 9 early retirements from the Trust agreed on the grounds of ill-health (8 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £773k (£485k in 2016/17).

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

9 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

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 actuarial gain or loss to theTrust and there are no financial liabilities other than payment of the 2% employers contribution of qualifying earnings. This contribution will increase to 3% in 2018/19. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly.

10 Operating leases

10.1 Mid Yorkshire Hospitals NHS Trust as a lessor

This note discloses income generated in operating lease agreements where Mid Yorkshire Hospitals NHS Trust is the lessor.

	2017/18	2016/17
	£000	£000
Operating lease revenue		
Minimum lease receipts	507	413
Contingent rent	100	92
Other	-	-
Total	607	505

	31 March 2018	31 March 2017
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	200	204
- later than one year and not later than five years;	399	399
Total	599	603

10.2 Mid Yorkshire Hospitals NHS Trust as a lessee

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

	2017/18	2016/17
	£000	£000
Operating lease expense		
Minimum lease payments	495	399

	31 March 2018	31 March 2017
	£000	£000
Future minimum lease payments due:		
- not later than one year;	645	685
- later than one year and not later than five years;	599	-
Total	1,244	685

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

11 Finance income

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

	2017/18	2016/17
	£000	£000
Interest on bank accounts	46	56

12 Finance expenditure

12.1 Finance expenditure

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

	2017/18	2016/17
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	1,678	1,328
Finance leases	25	30
Main finance costs on PFI and LIFT schemes obligations	9,664	9,954
Total interest expense	**11,367**	**11,312**
Unwinding of discount on provisions	18	87
Total finance costs	**11,385**	**11,399**

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

Interest of £68 (2016/17: £523) was paid for late payments under The Late Payments of Commercial Debts (interest) Act 1998.

13 Other gains / (losses)

	2017/18	2016/17
	£000	£000
Gains on disposal of assets	5	304
Losses on disposal of assets	(30)	(21)
Total gains / (losses) on disposal of assets	(25)	283
Gains / (losses) on foreign exchange	-	-
Total other gains / (losses)	(25)	283

14 Intangible assets

14.1 Intangible assets - 2017/18

	Software licences	Development expenditure	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2017 - brought forward	7,478	-	7,478
Additions	342	-	342
Gross cost at 31 March 2018	7,820	-	7,820
Amortisation at 1 April 2017 - brought forward	5,076	-	5,076
Provided during the year	834	-	834
Amortisation at 31 March 2018	5,910	-	5,910
Net book value at 31 March 2018	1,910	-	1,910
Net book value at 1 April 2017	2,402	-	2,402

14.2 Intangible assets - 2016/17

	Software licences	Development expenditure	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2016 - as previously stated	6,620	83	6,703
Prior period adjustments	87	(83)	4
Valuation / gross cost at 1 April 2016 - restated	6,707	-	6,707
Additions	771	-	771
Valuation / gross cost at 31 March 2017	7,478	-	7,478
Amortisation at 1 April 2016 - as previously stated	4,064	83	4,147
Prior period adjustments	87	(83)	4
Amortisation at 1 April 2016 - restated	4,151	-	4,151
Provided during the year	925	-	925
Amortisation at 31 March 2017	5,076	-	5,076
Net book value at 31 March 2017	2,402	-	2,402
Net book value at 1 April 2016	2,556	-	2,556

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 and 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.

The Trust has no internally generated intangible assets or intangible assets acquired through Government grants.

15 Property, plant and equipment

15.1 Property, plant and equipment - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2017 - brought forward	18,386	333,040	2,653	1,473	62,236	24	26,467	3,696	447,975
Additions	-	1,610	-	853	4,105	-	1,603	-	8,171
Impairments	-	(4,126)	-	-	-	-	-	-	(4,126)
Reversals of impairments	-	2,971	-	-	-	-	-	-	2,971
Revaluations	-	(1,440)	(2)	-	-	-	-	-	(1,442)
Reclassifications	-	688	(1)	(948)	261	-	-	-	-
Disposals / derecognition	-	-	-	-	(2,139)	-	-	-	(2,139)
Valuation/gross cost at 31 March 2018	18,386	332,743	2,650	1,378	64,463	24	28,070	3,696	451,410
Accumulated depreciation at 1 April 2017 - brought forward	-	-	-	-	43,759	22	20,029	2,209	66,019
Provided during the year	-	5,315	54	-	5,363	2	2,155	356	13,245
	-	-	-	-	4	-	-	-	4
Reversals of impairments	-	(3,875)	(52)	-	-	-	-	-	(3,927)
Revaluations	-	(1,440)	(2)	-	-	-	-	-	(1,442)
Disposals / derecognition	-	-	-	-	(2,138)	-	-	-	(2,138)
Accumulated depreciation at 31 March 2018	-	-	-	-	46,988	24	22,184	2,565	71,761
Net book value at 31 March 2018	18,386	332,743	2,650	1,378	17,475	-	5,886	1,131	379,649
Net book value at 1 April 2017	18,386	333,040	2,653	1,473	18,477	2	6,438	1,487	381,956

Impairments and reversal of impairments on land and buildings relate specifically to a revaluation as at 31 March 2018. Note 7.2 and 17 provide further information.

15.2 Property, plant and equipment - restated - 2016/17

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2016 - restated	53,702	330,337	2,405	1,707	61,319	27	24,145	3,564	477,206
Additions	-	4,474	31	1,312	2,923	-	2,520	144	11,404
Impairments	(35,371)	(19,789)	(152)	(62)	-	-	-	-	(55,374)
Reversals of impairments	-	4,552	-	-	-	-	-	-	4,552
Revaluations	57	11,989	369	-	-	-	-	-	12,415
Reclassifications	-	1,477	-	(1,478)	15	(3)	1	(12)	-
Disposals / derecognition	(2)	-	-	(6)	(2,021)	-	(199)	-	(2,228)
Valuation/gross cost at 31 March 2017	18,386	333,040	2,653	1,473	62,236	24	26,467	3,696	447,975
Accumulated depreciation at 1 April 2016 - restated	-	-	-	-	40,504	20	17,945	1,856	60,325
Provided during the year	-	4,876	52	-	5,238	2	2,283	353	12,804
Impairments	-	-	-	-	23	-	-	-	23
Reversals of impairments	-	(338)	-	-	-	-	-	-	(338)
Revaluations	-	(4,538)	(52)	-	-	-	-	-	(4,590)
Disposals/ derecognition	-	-	-	-	(2,006)	-	(199)	-	(2,205)
Accumulated depreciation at 31 March 2017	-	-	-	-	43,759	22	20,029	2,209	66,019
Net book value at 31 March 2017	18,386	333,040	2,653	1,473	18,477	2	6,438	1,487	381,956
Net book value at 1 April 2016	53,702	330,337	2,405	1,707	20,815	7	6,200	1,708	416,881

Property plant and equipment has been restated to clear the cummulative depreciation on formal revalutation as at 31 March 2017. There has been no change to the net book value.

15.3 Property, plant and equipment financing - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2018									
Owned - purchased	18,386	109,536	2,650	1,378	17,011	-	4,647	1,063	**154,671**
Finance leased	-	-	-	-	105	-	1,042	23	**1,170**
On-SoFP PFI contracts	-	220,917	-	-	-	-	-	-	**220,917**
Owned - government granted	-	138	-	-	-	-	-	-	**138**
Owned - donated	-	2,152	-	-	359	-	197	45	**2,753**
NBV total at 31 March 2018	**18,386**	**332,743**	**2,650**	**1,378**	**17,475**	**-**	**5,886**	**1,131**	**379,649**

15.4 Property, plant and equipment financing - 2016/17

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2017									
Owned - purchased	18,386	108,559	2,653	1,473	17,887	2	5,093	1,407	**155,460**
Finance leased	-	-	-	-	200	-	1,113	27	**1,340**
On-SoFP PFI contracts	-	222,399	-	-	-	-	-	-	**222,399**
	-	2,082	-	-	390	-	232	53	**2,757**
NBV total at 31 March 2017	**18,386**	**333,040**	**2,653**	**1,473**	**18,477**	**2**	**6,438**	**1,487**	**381,956**

16 Donations and Grants of property, plant and equipment

Donated assets are from grants provided by the Trust's related charity 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 £138k 2017-18 from the City of Wakefield Metropolitan District Council to extend the childcare facility to support the provison of 30 hours free nursery childcare. There is seven year claw back period. There is a reducing percentage of capital funds repayable should there be change in use of the facilities or a disposal of the property.

17 Revaluations of property, plant and equipment

In 2017/18 and 2016/17, land and buildings were revalued by a professional independent valuer as at 31 March (and at 1 April 2016/17). 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 upon 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 the PFI Operator. All other valuations are at replacement cost inclusive of VAT.

The valuers advised changes to asset lives. Building lives vary between 1 to 86 years (2016/17 2 to 90 years). Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Trust.

Buildings, installations and fittings are depreciated on their 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) are depreciated over 1 to 86 years. Dwellings are depreciated over 33 to 73 years.

Equipment is depreciated on current cost evenly 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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset held for sale, an impairment is charged to bring the value of the asset to its value at the point of sale.

No property is currently held at existing use value with an open market value which is materially different to its existing use value.

The nature and value of impairments and reversal of impairments are in note 7.

18 Disclosure of interests in other entities

From 2013-14, the Trust has been required to consolidate 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. However, the transactions are immaterial in the context of the group and the transactions have not been consolidated. Details of the transactions with the Charity are included in note 33, the related party note.

19 Inventories

	31 March 2018	31 March 2017
	£000	£000
Drugs	2,269	2,489
Consumables	5,302	5,634
Energy	83	106
Total inventories	**7,654**	**8,229**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £69,097k (2016/17: £73,239k). Write-down of inventories recognised as expenses for the year were £70k (2016/17: £37k).

20.1 Trade receivables and other receivables

	2018	2017
	£000	£000
Current		
Trade receivables	6,171	7,229
Accrued income	6,068	2,114
Provision for impaired receivables	(1,663)	(1,518)
Prepayments (non-PFI)	3,152	3,698
Interest receivable	(11)	4
VAT receivable	2,733	2,626
Other receivables	5,698	5,832
Total current trade and other receivables	**22,148**	**19,985**

Of which receivables from NHS and DHSC group bodies:		
Current	8,427	6,407
Non-current	-	-

£2,739k (2016/17: £5,017k) of receivables are with Clinical Commissioning Groups and NHS England. These organisations are the main commissioners for NHS patient services and as they are funded by Government no credit scoring is deemed necessary.

20.2 Provision for impairment of receivables

	2017/18	2016/17
	£000	£000
At 1 April	1,518	1,559
Transfers by absorption	-	-
Increase in provision	959	841
Amounts utilised	(672)	(772)
Unused amounts reversed	(142)	(110)
At 31 March	1,663	1,518

Trade receivables are reviewed for impairment on an individual basis, depending on the size of the receivable and the period for which it is overdue. Where trade receivables are estimated to be less than their carrying values, provisions have been made to write them down to their estimated recoverable amounts.

20.3 Credit quality of financial assets

	31 March 2018 Trade and other receivables	31 March 2017 Trade and other receivables
Ageing of impaired financial assets	£000	£000
	1	25
30-60 Days	22	41
60-90 days	10	24
90- 180 days	35	77
Over 180 days	828	413
Total	896	580

	31 March 2018 Trade and other receivables	31 March 2017 Trade and other receivables
Ageing of non-impaired financial assets past their due date	£000	£000
0 - 30 days	-	-
30-60 Days	616	2,130
60-90 days	604	453
90- 180 days	451	1,340
Over 180 days	839	2,099
Total	2,510	6,022

This represents balances past their due date but not impaired within other trade receivables. These balances have been assessed for recoverability and the Trust believes that their credit quality remains intact. The Trust does not hold collateral over these balances.

21 Non-current assets held for sale and assets in disposal groups

	2017/18	2016/17
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	1,250	1,657
	(1,250)	(407)
NBV of non-current assets for sale and assets in disposal groups at 31 March	-	1,250

In 2017/18 and 2016/17 land at non-operational sites were sold.

22 Cash and cash equivalents

22.1 Cash and cash equivalents movements

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

	2017/18	2016/17
	£000	£000
At 1 April	11,286	1,082
Net change in year	(3,092)	10,204
At 31 March	8,194	11,286
Broken down into:		
Cash at commercial banks and in hand	219	50
Cash with the Government Banking Service	7,975	11,236
Total cash and cash equivalents as in SoFP and SoCF	8,194	11,286

22.2 Third party assets held by the Trust

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

	2018	2017
	£000	£000
Bank balances	-	-
Monies on deposit	2	-
Total third party assets	2	-

23 Payables

23.1 Trade and other payables

	31 March 2018 £000	31 March 2017 £000
Current		
Trade payables	8,381	9,401
Capital payables	4,490	3,455
Accruals	10,836	11,790
Receipts in advance (including payments on account)	-	-
Social security costs	3,329	3,134
VAT payables	-	2
Other taxes payable	2,783	2,719
Accrued interest on loans	66	41
Other payables	4,343	3,965
Total current trade and other payables	**34,228**	**34,507**
Of which payables from NHS and DHSC group bodies:		
Current	2,046	2,295

Trade payables are generally settled on 30 day terms and are not interest bearing unless a supplier makes a claim and has grounds to under The Late Payment of Commercial Debts (Interest) Act 1998. Accruals and deferred income are not interest bearing.

23.2 Early retirements in NHS payables above

The payables note above includes amounts in relation to early retirements as set out below:

	31 March 2018 £000	31 March 2017 £000
Outstanding pension contributions	3,967	3,829

24 Other liabilities

	31 March 2018 £000	31 March 2017 £000
Current		
Deferred income	2,013	1,623
Total other current liabilities	2,013	1,623

25 Borrowings

	31 March 2018 £000	31 March 2017 £000
Loans from the Department of Health and Social Care	19,650	1,000
Obligations under finance leases	436	338
Obligations under PFI	8,887	8,633
Total current borrowings	28,973	9,971
Non-current		
Loans from the Department of Health and Social Care	54,024	54,013
Obligations under finance leases	356	615
Obligations under PFI	276,594	285,482
Total non-current borrowings	330,974	340,110

26 Finance leases

26.1 Mid Yorkshire Hospitals NHS Trust as a lessee

Obligations under finance leases where Mid Yorkshire Hospitals NHS Trust is the lessee

	2018 £000	2017 £000
Gross lease liabilities	803	980
of which liabilities are due:		
- not later than one year	447	356
- later than one year and not later than five years	356	624
Finance charges allocated to future periods	(11)	(27)
Net lease liabilities	792	953
of which payable:		
- not later than one year	436	338
- later than one year and not later than five years	356	615
	792	953
Contingent rent recognised as an expense in the period	(406)	(443)

Details of the PFI basis of accounting are excluded from this note and included in note 30.

The Trust uses finance leases or arrangements containing finance leases to acquire plant and equipment. Where the implicit rate of interest cannot be determined the long term real rate of interest, at the date of inception of the contract, has been applied. The long term real rate of interest has been sourced from Treasury interest rate tables.

27 Provisions for liabilities and charges

27.1 Provisions for liabilities and charges analysis

	Pensions - early departure costs	Legal claims	Re-structuring	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2017	**4,557**	**785**	**60**	**3,236**	**8,638**
Change in the discount rate	30	-	-	51	**81**
Arising during the year	270	234	-	80	**584**
Utilised during the year	(407)	(50)	(60)	(198)	**(715)**
Reversed unused	(235)	(55)	-	(39)	**(329)**
Unwinding of discount	11	-	-	7	**18**
At 31 March 2018	**4,226**	**914**	**-**	**3,137**	**8,277**
Expected timing of cash flows:					
- not later than one year	408	914	-	264	**1,586**
- later than one year and not later than five years	1,633	-	-	514	**2,147**
- later than five years	2,185	-	-	2,359	**4,544**
Total	**4,226**	**914**	**-**	**3,137**	**8,277**

Amount included in the provisions of the NHS Resolution in respect of clinical negligence liabilities:

	£
As at 31 March 2018	234,335
As at 31 March 2017	187,294

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

A redundancy provision was recognised in 2016/17 and paid in 2017/18.

Other provisions include injury benefits paid by NHS Pensions £2,960k (2016/17: £3,022k) and pay costs associated with current rebanding claims £176k (2016/17: £213k).

27.2 Clinical negligence liabilities

At 31 March 2018, £234,335k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Mid Yorkshire Hospitals NHS Trust (31 March 2017: £187,294k).

28 Contingent assets and liabilities

	31 March 2018	31 March 2017
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	(165)	(128)
Other	-	(250)
Gross value of contingent liabilities	**(165)**	**(378)**

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.

29 Contractual capital commitments

	31 March 2018	31 March 2017
	£000	£000
Property, plant and equipment	243	165
Intangible assets	6	68
Total	**249**	**233**

30 On-SoFP PFI

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.

30.1 Imputed finance lease obligations

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

	31 March 2018 £000	31 March 2017 £000
Gross PFI	**418,040**	**436,470**
Of which liabilities are due		
- not later than one year	18,396	18,429
- later than one year and not later than five years	75,835	74,761
- later than five years	323,809	343,280
Finance charges allocated to future periods	(132,559)	(142,355)
Net PFI	**285,481**	**294,115**
- not later than one year;	8,887	8,633
- later than one year and not later than five years;	40,909	38,551
- later than five years.	235,685	246,931
	285,481	294,115

30.2 Total on-SoFP PFI

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

	31 March 2018 £000	31 March 2017 £000
Total future payments committed in respect of the PFI	**1,490,971**	**1,534,667**
Of which liabilities are due:		
- not later than one year	45,277	43,697
- later than one year and not later than five years	192,723	188,021
- later than five years	1,252,971	1,302,949
	1,490,971	1,534,667

The commitment assumes inflation at 2.5% (2016/17: 2.5%) for the remaining life of the contract. This is the rate used in the contractors model.

30.3 Analysis of amounts payable to service concession operator

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

	2017/18 £000	2016/17 £000
Unitary payment payable to service concession operator	**48,692**	**46,355**
Consisting of:		
- Interest charge	9,664	9,954
- Repayment of finance lease liability	8,633	8,725
- Service element and other charges to operating expenditure	27,944	25,779
- Revenue lifecycle maintenance	2,451	1,897
Total amount paid to service concession operator	**48,692**	**46,355**

31 Financial Instruments

31.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

The Trust drew down a £15m capital loan on 15 December 2010, repayable over 14 years and 9 months. The interest rate is fixed at the National Loans Fund rate applicable on the issue date of the loan documents by the Department of Health and Social Care. The interest rate charged is 2.98%. The Trust received a capital loan of £2.5m in 2017/18 with a fixed interest rate of 1.25% and repayable from 18th September 2019 in six monthly instalments with the last payment due 18th March 2028.

The Trust accessed interim revenue loans from the Department of Health and Social Care. The loans are interest bearing, fixed at 1.5% and are repayable on or before the specified repayment

The Trust has a working capital facility with the Department of Health and Social Care. It is a fixed rate (3.5%) interest bearing facility based on the daily outstanding balance.

The Trust invests cash in other liquid resources at the National Loans Fund rate. The Trust is therefore 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 2018 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with Clinicial Commisioning 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.

31.2 Carrying values of financial assets

	31 March 2018	31 March 2017
	Loans and receivables	Loans and receivables
	£000	£000
Assets as per SoFP		
Trade and other receivables excluding non financial assets	12,788	10,165
Cash and cash equivalents at bank and in hand	8,194	11,286
Total	**20,982**	**21,451**

31.3 Carrying value of financial liabilities

	31 March 2018	31 March 2017
Other financial liabilities	£000	£000
Liabilities as per SoFP		
Borrowings excluding finance lease and PFI liabilities	73,674	55,013
Obligations under finance leases	792	953
Obligations under PFI, LIFT and other service concession contracts	285,481	294,115
Trade and other payables excluding non financial liabilities	30,129	30,275
Total	**390,076**	**380,356**

31.4 Fair values of financial assets and liabilities

Comparison of PFI liabitiy at book value (carrying value) to estimate of fair value

	31 March 2018	31 March 2017
Implicit Interest rate	3.33%	3.33%
Interest rate at 31 March	1.7%	1.57%
	£000	£000
Carrying value at 31 March	285,481	294,115
Fair value 31 March	335,542	359,158
Difference between carrying and fair value	(50,061)	(65,043)

The fair value has been obtained by applying the National Loans Fund interest rate at 31 March 2018 assuming a fixed repayment amount over 25 years (2016/17: 26 years).

31.5 Maturity of financial liabilities

	31 March 2018	31 March 2017
	£000	£000
In one year or less	59,102	40,246
In more than one year but not more than two years	10,522	29,152
In more than two years but not more than five years	80,705	60,527
In more than five years	239,747	250,431
Total	**390,076**	**380,356**

32 Losses and special payments

	2017/18		2016/17	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	1	-	1	0
Fruitless payments	-	-	2	3
Bad debts and claims abandoned	4,459	672	3,858	802
Stores losses and damage to property	4	70	287	37
Total losses	**4,464**	**742**	**4,148**	**842**
Special payments				
Compensation under court order or legally binding arbitration award	-	-	3	140
Ex-gratia payments	76	167	104	192
Total special payments	**76**	**167**	**107**	**332**
Total losses and special payments	**4,540**	**909**	**4,255**	**1,174**

There are no cases individually over £300k.

33 Related parties

The Department of Health and Social Care is regarded as a related party. During the year, Mid Yorkshire Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The main entities are NHS England, Wakefield CCG, North Kirklees CCG, Leeds South & East CCG and Leeds West CCG.

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

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Wakefield Metropolitan District 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 previous table and the audited accounts of The Mid Yorkshire Hospitals NHS Trust Charitable fund are included in the Trust's Annual Report.

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

2017/18	Payments to Related Party £000s	Receipts from Related £000s	Amounts owed to Related £000s	Amounts due from Related £000s
Julie Charge, Non-Executive Director, Director of Finance to Salford University	1	0	0	0
Mike Smith, Associate Non-Executive Director to 31 March 2018, Chair and NED to Medipex Ltd	8	0	0	0
Mike Smith, Associate Non-Executive Director to 31 March 2018, Fellowship with and Advisor at Sheffield	5	0	0	0
David Melia, Director of Nursing and Quality, Trustee of Wakefield Hospice	14	194	5	0
Board Members, Corporate Trustee to the Mid Yorkshire Hospitals NHS Trust Charitable Fund	0	550	0	105
Matt England, Interim Director of Planning and Partnerships to 31 July 2018, partner works at Leeds Teaching Hospital	3,559	1,833	920	806
	3,587	2,577	920	916

2016/17	Payments to Related Party £000s	Receipts from Related Party £000s	Amounts owed to Related Party £000s	Amounts due from Related Party £000s
Dr David Hicks, Associate Non-Executive Director to 31 December 2016, specialist advisor to the Care Quality Commission Nisreen Booya, Associate Non-Executive Director, specialist advisor to the Care Quality Commission	196	0	0	0
Nisreen Booya, Associate Non-Executive Director, Associate Consultant to Grant Thornton	4	0	0	0
Nisreen Booya, Associate Non-Executive Director, Husband is a Consultant Surgeon to the Calderdale and	875	340	39	112
Julie Bolus, Interim Director of Staff and Patient Engagement to 28 July 2016, Director to Bolus Consulting Limited	37	0	0	0
Sally Napper, Chief Nurse, sister is an associate at Hempsons Solicitors	6	0	0	0
Julie Charge, Non-Executive Director, Director of Finance to Salford University	5	0	0	0
Mike Smith, Associate Non-Executive Director from 1 October 2016, Managing Partner to Harper Keeley LLP	3	0	0	0
Mike Smith, Associate Non-Executive Director from 1 October 2016, Chair & NED to Medipex Ltd	9	0	0	0
Mike Smith, Associate Non-Executive Director from 1 October 2016, Partner is Board Member and Trustee to UNICEF	5	0	0	0
Matt England, Interim Director of Planning and Partnerships from 1 April 2016, partner works for Leeds Teaching Hospital NHS Trust	3,595	1,578	541	326
Board Members Corporate Trustee to the Mid Yorkshire Hospitals NHS Trust Charitable Fund	0	461	0	82
	4,735	2,379	580	520

34 Better Payment Practice code

	2017/18 Number	2017/18 £000	2016/17 Number	2016/17 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	74,553	203,111	81,671	212,614
Total non-NHS trade invoices paid within target	40,425	153,469	69,873	191,018
Percentage of non-NHS trade invoices paid within target	**54.22%**	**75.56%**	**85.55%**	**89.84%**
NHS Payables				
Total NHS trade invoices paid in the year	3,083	44,745	3,449	45,550
Total NHS trade invoices paid within target	1,413	29,601	2,649	38,934
Percentage of NHS trade invoices paid within target	**45.83%**	**66.15%**	**76.80%**	**85.48%**

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.

35 Capital absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets based on the pre audited accounts and therefore the actual capital cost absorption rate is automatically 3.5%. In 2016-17 and 2017-18, the Trust had average relevant net liabilities, resulting in no dividend being payable

36 External financing

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

	2017/18	2016/17
	£000	£000
Cash flow financing	13,118	13,875
Finance leases taken out in year		831
External financing requirement	13,118	14,706
External financing limit (EFL)	19,580	14,706
Under / (over) spend against EFL	6,462	-

37 Capital Resource Limit

	2017/18	2016/17
	£000	£000
Gross capital expenditure	8,513	12,174
Less: Disposals	(1,251)	(429)
Less: Donated and granted capital additions	(263)	(146)
Plus: Loss on disposal of donated/granted assets	-	-
Charge against Capital Resource Limit	6,999	11,599
Capital Resource Limit	7,562	11,677
Under / (over) spend against CRL	563	78

38 Breakeven duty financial performance

	2017/18	2016/17
	£000	£000
Surplus / (deficit) for the year	(15,854)	(19,888)
Add back all I&E impairments / (reversals)	(2,503)	11,963
Retain impact of DEL I&E (impairments)/reversals	(1)	
Remove capital donations / grants I&E impact	(48)	52
CQUIN Risk Reserve - 1617 CT non achievement adjustment	(1,891)	
Adjusted financial performance surplus / (deficit) (control total basis)	**(20,297)**	**(7,873)**
Remove impairments scoring to Departmental Expenditure Limit in 2017/18	1	-
Add back CQUIN Risk Reserve - 1617 CT non achievement adjustment	1,891	
Breakeven duty financial performance surplus / (deficit)	**(18,405)**	**(7,873)**

In 2017/18, the Trust was required to adjust for reversal of impairments of £2,503k (2016/17: impairments of £11,963k) and the impact of donated assets of £48k net income (2016/17: £52k net expenditure).

Sustainability and Transformation Fund income of £7,441k (2016/17: £11,864k) is included in the reported financial performance.

39 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		871	983	(19,217)	(21,839)	(19,171)	(9,056)	(20,530)	(7,873)	(18,405)
Breakeven duty cumulative position	(26,110)	(25,239)	(24,256)	(43,473)	(65,312)	(84,483)	(93,539)	(114,069)	(121,942)	(140,347)
Operating income		395,875	430,417	456,954	460,792	456,810	483,428	482,792	504,454	505,584
Cumulative breakeven position as a percentage of operating income		-6.38%	-5.64%	-9.51%	-14.17%	-18.49%	-19.35%	-23.63%	-24.17%	-27.76%

The Trust entered into a Financially Challenged Trust agreement in 2008/09 receiving permanent PDC and a loan and met its in-year financial performance in 2009/10 and 2010/11. Since 2009/10 the Trust received support on a non-recurrent basis for the PFI implementation costs and to support the re-configuration of services. The Trust has been unable to meet the significant Cost Improvement Programme challenges in recent years and is currently working on a recovery plan to be agreed with NHS Improvement and the local health economy.