The Leeds Teaching Hospitals
NHS Trust

Annual Accounts

2019/2020

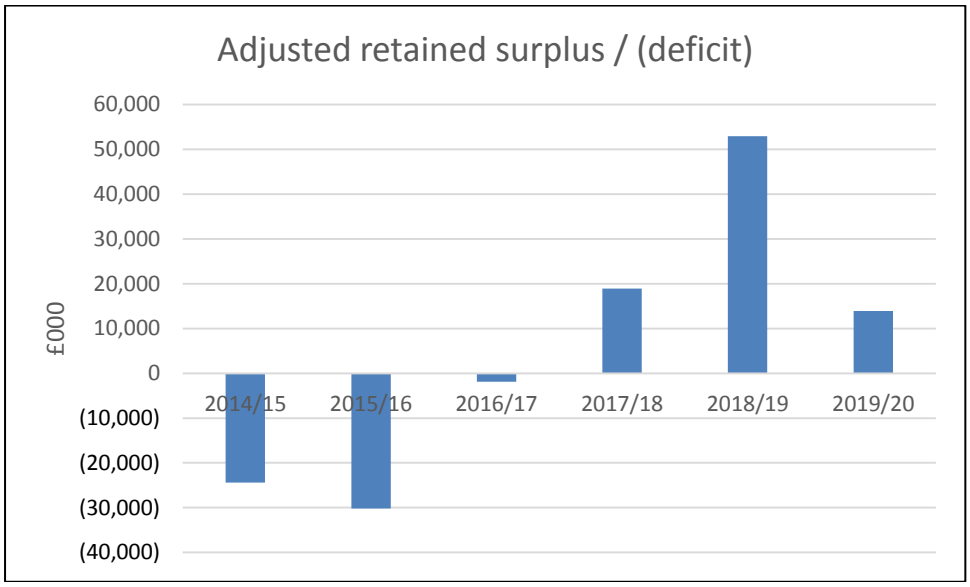
Financial Review 2019/20

The financial year which ended on 31st March 2020 did so in the most challenging and uncertain circumstances ever faced by the NHS. However, despite these circumstances, 2019-20 was another year of financial success and achievement for the Trust

Highlights of 2019/20 from a financial point of view are:

- A revenue surplus, after technical adjustments, of £13.9m. The third consecutive year of surplus (see table 1 below)
- A record level of capital investment of £66.2m
- Delivery of a Waste Reduction Programme of £54.5m
- The announcement of £600m to fund re-development of LGI
- Finance achieved accreditation at Level 3 of the Future Focused Finance staff development programme. The highest level that can be awarded.

Table 1



Income and Expenditure Summary

Achieving a sustainable revenue surplus is important because the cash generated can be invested in subsequent years as capital expenditure to maintain and improve our estate, purchase medical equipment or develop our digital infrastructure.

The surplus of £13.9m includes £0.9m of “bonus” Provider Sustainability Funding (PSF) which relates to our 2018/19 financial performance but was notified as a post audit adjustment. The surplus also includes a gain on the disposal of some property of £0.5m. Taking these items out as technical adjustments brings the surplus to £12.5m for measurement against the control total of £12m agreed with NHS England/ Improvement.

Once again, the Trust benefitted from PSF income in 2019/20 but at a greatly reduced level to previous years (£17.1m compared to £62.6m in 2018/19) reflecting national changes to the PSF mechanism.

During the year we have continued to work closely with our commissioners to develop and extend services. This is reflected in the increased income levels from NHS England, who commission specialist services, and Clinical Commissioning Groups as shown in Table 2.

Table 2

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
NHS England	460,543	476,132	498,293	515,025	589,857
Clinical Commissioning Groups	462,945	486,784	522,806	543,232	588,855
Non-NHS: Private Patients	4,715	5,593	5,857	4,907	5,535
Other income from patient care activities	15,180	7,039	7,266	20,448	8,739
Other operating income	172,337	197,379	204,045	252,235	221,754
Total operating income	1,115,720	1,172,927	1,238,267	1,335,847	1,414,740

Included in “Other Operating” income above is £4.3m in respect of donations from a number of charities who generously support our services by funding equipment purchases, research activity, specialist staffing or environmental enhancements. The Trust is grateful to all the charities from which it receives support.

Leeds Cares is the official charity partner of the Trust. During the year it has tirelessly raised funds on our behalf and worked closely with our staff to raise the profile of our services. During the Covid-19 emergency the Charity has managed the receipt and distribution of the very many donations of goods and funds which have flowed from the public outpouring of affection and admiration for our staff.

During 2019/20 Leeds Cares made donations totalling £3.5m to the Trust including a grant of £2m which helped to support specific services we provide, including:

- Play Specialists in the Children’s Hospital
- Youth Workers to support teenage patients
- Chaplaincy
- Bereavement Liaison
- Robert Ogden Centre

Table 3 below gives a summarised breakdown of expenditure during 2019/20.

Table 3

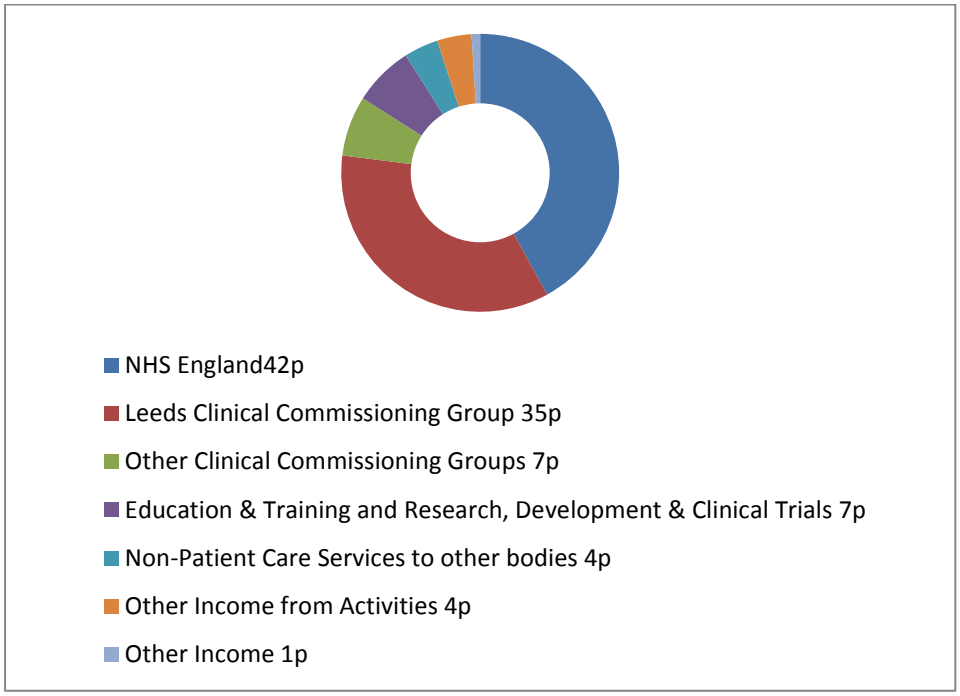
	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Employment related costs	651,993	679,552	702,958	745,032	830,372
Drug costs	152,410	173,284	178,445	188,170	200,947
Clinical supplies and services	156,673	152,001	155,889	153,668	156,404
Premises	34,310	38,975	42,348	54,594	68,597
Other operating expenses	125,079	156,450	172,962	117,297	113,883
Total operating expenses	1,120,465	1,200,262	1,252,602	1,258,761	1,370,203

- Employment costs are the most significant area of increase. In part this can be explained by national pay awards and an increase of 6.3% in employer pension contributions. The latter added £32.5m to employment costs but income to match that cost was received via NHS England and Improvement.
- There has been an increase of 633 in the number of permanent staff employed by the Trust. Of these, 113 are nurses or midwives.
- Expenditure does include £7.8m of costs incurred towards the end of the year which are directly attributable to Covid-19. Of that sum £4.9m was spent on the establishment of the NHS Nightingale, Yorkshire and the Humber, hospital in Harrogate. All this additional expenditure is offset by income made available through NHS England and Improvement. A further £0.2m was funded through this route in late March to offset income lost when elective services were suspended to facilitate Covid-19 preparations.

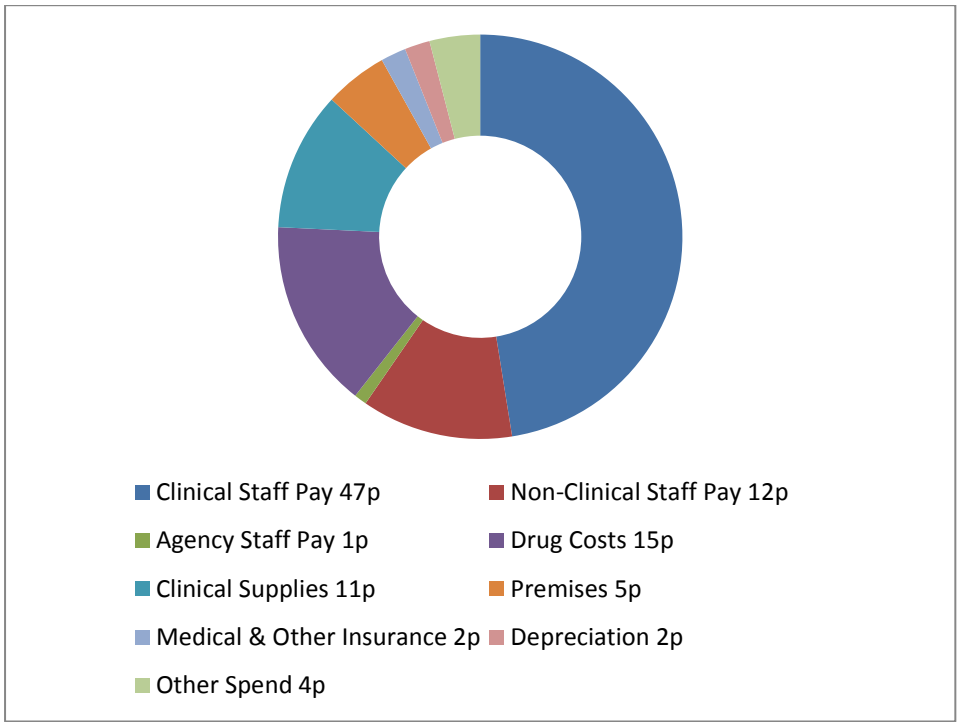
To achieve its surplus the Trust delivered a waste reduction programme of £54.5m, of which £42m came from programmes across our Clinical Services Units. These programmes were and continue to be, built on the principles of our Leeds Improvement Method. The Leeds Improvement Method seeks to identify and remove wasteful practices, procedures or delays which impede great patient experience. Financial savings are in fact a by-product of introducing improvements in the way we communicate with and treat patients in our care. Each year, more and more of our staff are receiving training in the Leeds Improvement Method.

The two charts below give some further information on where our income comes from and how we use it to deliver our full range of services to patients

Where Each £1 Comes From



How Each £1 is Spent



Capital Investment

In 2019/20, capital investment, underpinned by our surplus the previous year, increased to £66.1m. This level of expenditure on our estate, medical equipment and IT is a record for the Trust. The table below shows how, with an improving revenue position we have been able to build our level of capital expenditure in the last five years.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Building and Engineering	14,506	17,776	10,633	28,440	29,061
Medical and Surgical Equipment	7,308	8,698	7,286	8,963	22,978
Information Technology	6,261	6,212	5,210	6,746	14,110
Total	**28,075**	**32,686**	**23,129**	**44,149**	**66,149**

Capital expenditure during the year included the following higher value schemes:

	£000
✓ Leeds Clinical Research Facility – Bexley Wing	3,085
✓ Refurbishment of wards J44/J45 – Lincoln Wing	2,967
✓ Building the Leeds Way – LGI Development	1,182
✓ 2x Linear Accelerators	2,400
✓ CT Scanner	1,546
✓ Blood Track Courier System/On Demand System	1,188
✓ BRC MR Scanner (with University of Leeds)	1,000
✓ Electronic Health Record System	2,599
✓ Data Centre Migration	1,796

Looking to the Future

It is of course impossible to look to the future without reference to the huge uncertainties arising from the Covid-19 pandemic. Much of 2020/21 will now see very different national funding arrangements in place with commissioner contracts suspended and direct payments from NHS England and Improvement in their place. The Trust's financial plan for 2020/21, which itself is part of a five-year plan, will inevitably be affected by this change. Funding is being provided to enable the Trust to maintain, at the least, a break-even position and the result achieved in 2019/20 puts us in a very good place to deliver that.

Capital investment for 2020/21 is planned at £80m. While some risk to delivery of the full programme arising from the Covid-19 uncertainty must be acknowledged, there is every reason to be confident of another high level of expenditure on our infrastructure. Building the Leeds Way development work is continuing despite Covid-19 and work on the LGI site is due to start in earnest this year with £17.5m of the overall capital programme assigned for that purpose. Other capital schemes such as our new energy generating station at LGI will complete this year.

The Leeds Teaching Hospitals NHS Trust

ANNUAL GOVERNANCE STATEMENT 2019-2020
(and up to 15 June 2020)

1. Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Trust Accountable Officer Memorandum*.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of The Leeds Teaching Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Leeds Teaching Hospitals NHS Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

(Noting that this was extended to a submission date of 25 June 2020, and therefore aims to reflect the preparation and operational management of the COVID-19 pandemic within our systems of internal control, up to the 15 June 2020. During this exceptional time for the NHS and the Trust we have responded to the guidance and instructions issued by NHSE along with hosting the regional surge capacity at the NHS Nightingale Yorkshire and the Humber).

3. Capacity to Handle Risk

3.1 The Board of Directors provides leadership on the overall governance agenda. The Board of Directors is supported by a range of Committees that scrutinise and review assurances on internal control; such Committees include: the Audit, Quality Assurance, Finance & Performance and the Digital

& IT Committees. The Risk Management Committee and Research, Education & Training Committees are executive Committees reporting to the Board of Directors. These committees have all provided an annual report with attendance of the respective Committee Chair at the Audit Committee meeting on 5 March 2020. In addition, the Trust has recently established a Workforce Committee and a Building & Development Committee. The Risk Management Committee focuses on all high or significant risk exposures and oversees risk treatment to ensure: (a) the correct strategy is adopted for managing risk; (b) controls are present and effective: and (c) action plans are robust for those risks that remain intolerant. The Risk Management Committee is Chaired by me, as Chief Executive and comprises all Executive Directors. Senior Managers and specialist advisors routinely attend each meeting. The Trust has kept under review and updated risk management policies during the year. Whilst the Risk Management Committee reports directly to the Board through me, it also works closely with front line Clinical Service Units (CSUs) and all Committees of the Board in order to anticipate, triangulate and prioritise risk, working together to continuously enhance risk treatment. Chairs of Board Committee can and do escalate as appropriate issues to the Risk Management Committee.

3.2 In line with NHS England and NHS Improvement (NHS E/I) guidance, issued on 28 March 2020 (Reducing the burden and releasing management capacity) in response to COVID-19, the Trust's governance structures, including Board Committees, have been temporarily streamlined. The Audit and Building Development Committees have continued to meet, along with the Risk Management Committee, however this has been supported by weekly reviews of the Corporate Risk Register. The Board during this period has moved from bi-monthly formal meetings to monthly, and acting on legal advice, quality and safety issues are addressed by the full Board and not delegated to the Quality Assurance Committee of the Board. Following our Board meeting at the end of April we have reconvened the Workforce Committee to seek assurance on the many emerging issues relating to COVID-19 and the impact to our workforce. We are currently planning for the Board and our Committee structures to recommence normal activity from 1 July 2020.

3.3 Training and support are provided to relevant staff on risk assessment, incident reporting and incident investigation. In addition, the Board has set out the minimum requirements for staff training required to control key risks. A training need analysis informs the Trust's mandatory training requirements and has been kept under review; this sets out the training requirements for all members of staff and includes the frequency of training in each case.

3.4 Incidents, complaints and patient feedback are routinely analysed to identify for learning opportunities and improve control. Lessons for learning are disseminated to staff using a variety of methods including Quality and Safety briefings, Learning Points Bulletin and personal feedback where required. The Trust is leading a network with WYAAT partners to share learning from serious incidents, including Never Events and it is an early adopter of the Patient Safety Incident Response Framework 2020. The Quality Assurance Committee provides oversight on this process, with an annual report to the Board of Directors each July and a six-month update in January.

3.5 I have ensured that all significant risks of which I have become aware are reported to Board of Directors and Risk Management Committee at each formal meeting. All new significant risks are escalated to me as Chief Executive and subject to validation by the Executive Team and Risk Management Committee. The residual risk score determines the escalation of risk.

3.6 The Board of Directors regularly scans the horizon for emergent opportunities or threats and considers the nature and timing of the response required in order to ensure risk is kept under prudent control at all times. Collectively the Board reviews the Board Assurance Framework (BAF) and our risk management appetite statement in year.

4. The Risk and Control Framework

4.1 The risk management process is set out in six key steps as follows:

(i) Determine priorities

The Board of Directors determines corporate objectives annually and these establish the priorities for executive Directors and clinical services.

(ii) Risk Identification

Risk is identified in many ways. We identify risk proactively by assessing corporate objectives, work related activities, analysing adverse event trends and outcomes, and anticipating external possibilities or scenarios that may require mitigation by the Trust.

(iii) Risk Assessment

Risk Assessment involves the analysis of individual risks, including analysis of potential risk aggregation where relevant. The assessment evaluates the severity and likelihood of each risk and determines the priority based on the overall level of risk exposure.

(iv) Risk Response (Risk Treatment)

For each risk, controls are ascertained (or where necessary developed), understood and documented. Controls are implemented to *avoid risk; seek risk* (take opportunity); *modify risk; transfer risk* or *accept risk*. Gaps in control are subject to action plans which are implemented to reduce residual risk. The Board of Directors has considered its appetite for taking risk and reviewed its risk appetite to guide the management of risk throughout the Trust.

(v) Risk Reporting

Significant risks are reported at each formal meeting of the Board of Directors and Risk Management Committee. In addition, in the event of a significant risk arising, arrangements are in place to escalate a risk to the Chief Executive and Executive Team. The level at which risk must be escalated is clearly set out in the Risk Management Policy, which is reviewed every two years and was updated and approved by the Board in May 2020. The risk report to the Board of Directors also details what action is being taken, and by whom, to mitigate the risk and monitor delivery. The Audit Committee and Board of Directors have reviewed assurance on the effective operation of controls to manage potential significant risk as set out in the Corporate Risk Register and supporting report to each Board meeting and regular reviews of the Board Assurance Framework.

(vi) Risk Review

a. Those responsible for managing risk regularly review the output from the risk register to ensure it remains valid, reflects changes and supports decision making. In addition, risk profiles for all CSUs remain subject to detailed scrutiny as part of a rolling programme by the Risk Management Committee. The purpose of the Trust's risk review is to track how the risk profile is changing over time; evaluate the progress of actions to treat material risk; ensure controls are aligned to the risk; risk is managed in accordance with the Board's appetite; resources are reprioritised where necessary; and risk is escalated appropriately.

b. Incident reporting and investigation is openly encouraged as a key component of risk and safety management to help us learn and take action in response to patient safety incidents. An electronic incident reporting system is operational throughout the organisation and is accessible to all staff. Incident reporting is promoted through induction and training, regular communications, leadership walk rounds or other visits and inspections that take place (these have currently been suspended due to Government rules around social distancing). A programme to support staff who have been involved in an incident has been established, Leeds Incident Support Team (LIST) and a process for sharing lessons across the organisation is established, overseen by the lessons learned group. In addition,

arrangements are in place for staff to raise any concerns at work confidentially and anonymously if necessary.

4.2 As at 31 March 2020, Leeds Teaching Hospitals NHS has identified a range of significant risks, which are currently being mitigated, whose impact could have a direct bearing on requirements within the NHS Improvement Accountability Framework, CQC registration or the achievement of Trust policies, aims and objectives should the mitigation plans be ineffective. Currently, the significant risks documented on the Corporate Risk Register at 31 March 2020 relate to the following areas:

- **Performance and Regulation** 18-week RTT standard, 62-day Cancer, 6-week diagnostic wait, 28 day cancelled operations and Emergency Care target, patient flow, bed capacity and emergency admissions, unsustainable levels of medical outliers, patients waiting 52 weeks.

- **Finance** Aggregate effect of income volatility, non-delivery of the Waste Reduction Programme (was achieved for 2019/20 and moving into 2020/21 faces new challenges), insufficient liquidity and cost pressures and capital equipment replacement, delivery of GSC, IT infrastructure and the risk of cyber-attack.

- **Fundamental Standards of Safety & Quality** Nurse staffing levels, reducing supply of doctors in training, healthcare associated infection, violence due to organic, mental health or behavioural reasons, inability to deliver a cardiac surgery service, length of time patients with mental health conditions wait in ED, viral pandemic, pension regulations, radiology images (PACS), catheter laboratory service and risks arising from Britain's withdrawal from the EU.

4.3 Flu Pandemic was added to our corporate risk register in May 2018, this has been reviewed in detail within the Risk Management Committee from the start of the year, and is now a specific risk of viral pandemic (COVID-19) and from the start of April has been reviewed weekly with a revised (and maximum) rating of 25. The controls and further mitigating actions to describe the operational response to COVID-19 are reflected in the corporate risk (CRRS6).

This has been further developed in June 2020, with specific risks added relating to the phase 2 recovery plan/planned treatments for patients and staff health and wellbeing/health and safety.

The Trust became the host of the NHS Nightingale Yorkshire and the Humber (NNYH) with a governance structure similar to our CSUs reporting to the

Executive Team and the Board. The NNYH as with other CSUs have localised risk register. Prior to the formal opening, this facility was subjected to a robust 'go-live' testing process both by the Regional and National teams of NHSE/I underpinned by risk and clinical operating models, along with the required approvals by CQC as the regulator. As at 15 June 2020 and the time of writing this report, the NNYH is in hibernation for active support to COVID-19, however plans are in place to explore using the MRI facility to address the backlog for the Trust with regard to diagnostic tests for clinically appropriately patients.

4.4 Detailed risk registers are proactively used throughout the organisation. These set out arrangements for risk treatment, risk appetite thresholds and further mitigating actions planned. We have established arrangements to allow a review of significant risk exposures by the full Board at each formal meeting; the process for this is examined by the Audit Committee to underpin this Statement.

4.5 Equality impact assessments are integrated into core Trust business. All reports to Trust Board follow a standard reporting template, which includes an 'Equality Analysis' section where authors of the report are required to set out any negative equality-related impacts along with mitigation, and all Trust policies require sign off of an equality impact assessment by the Trust's Equality and Diversity Team before Executive Team approval. In organisational change projects, Senior HR Officers support Line Managers in undertaking their duty to prepare equality impact assessments on the proposed change and to then take this into consideration in implementing that change.

On the 6 April 2020 we wrote to Leeds CCG as our lead Commissioner, and shared this letter with the Board at the Extra Ordinary meeting on 29 April 2020, setting out the details of the assurance and governance of arrangements of quality impact assessments during the COVID-19 pandemic.

4.6 The Resource Management Group, chaired by the Director of HR & OD which reported into the Finance & Performance Committee was replaced during the year with the establishment of a Board Assurance Committee for Workforce, meeting bi-monthly reporting to Board. This Committee will seek assurance on the seven people priorities, support and report on activities related to resource management with a focus to develop workforce resource plans, align the developed workforce resource plans with finance and performance and initiate and oversee projects to tackle recruitment and retention hotspots.

An organisation wide view of the total workforce composition which has aligned workforce and finance plans has enabled an identification of resourcing hotspots to ensure robust plans are in place to address these. New roles are being evaluated to agree further roll-out and implementation assessing the impact on plans. Introducing a corporate workforce planning framework, ensuring recruitment processes eliminate waste, effectively deploying staff and focusing on retention learning and sharing best practice will be the priorities of this group. The HR Business Partners are engaging with CSUs to articulate the key shifts in the workforce plan and use scenario testing to check the robustness of our ambitions.

5. Care Quality Commission (CQC) Registration

5.1 Compliance with the provisions of the Health & Social Care Act 2008 (Registration Regulations) 2010 is co-ordinated by the Director of Quality. The Director of Quality oversees compliance by:

- Reporting and keeping under review matters highlighted within the Care Quality Commission's Intelligent Monitoring Report and inspections;
- Self-assessment against the Key Lines of Enquiry defined within the criteria of the Well-led review, and prepare for external review;
- Liaising with the Care Quality Commission and local Clinical Service Units to address specific concerns;
- Engaging with the Care Quality Commission on the inspection process, co-ordinating the Trust's response to inspections and recommendations/actions arising from this;
- Analysing trends from incident reporting, complaints, and patient and staff surveys to detect potential non-compliance or concerns in Clinical Service Units;
- Reviewing assurances on the effective operation of controls;
- Receiving details of assurances provided by Internal Audit, and being notified of any Clinical Audit conclusions which provide only limited assurance on the operation of controls; and
- Challenging assurances or gaps in assurance by attending meetings of Risk Management Committee, Quality Assurance Committee, and Audit Committee.

5.2 The Trust is registered with the Care Quality Commission, has no compliance actions in force and is fully compliant with the *Fundamental Standards*. There was an inspection undertaken by the Care Quality Commission in August and September 2018, focusing on 4 core services (critical care, medicine, urgent care and surgery), use of resources and well-led. Leeds Dental Institute was also inspected. The Trust received an overall Good

rating when the final report was published in February 2019, and was rated outstanding for critical care, use of resources and Leeds Dental Institute. The Board of Directors welcomed the report and the significant improvement in the ratings. Progress continues to be made in accordance with the plan, which is monitored through the Quality Assurance Committee. The Trust has developed an action plan to address the recommendations in the report; this was submitted to the CQC in March 2019 and this is followed up through the engagement process with the local CQC inspectors and Quality Assurance Committee to provide assurance that the Trust is fully compliant with the regulations set out in the report. Work continues to progress from a Good to Outstanding rating.

5.4 The CQC carried out the Use of Resources Inspection assessment during August 2018 and rated the Trust as Outstanding.

5.5 During September 2018 the CQC carried out a Well-led review with a rating of Good.

5.6 The Trust Chair holds and maintains the 'Fit and Proper Persons Test Register' for the Board. Annually checks are carried out to ensure all those listed are fit and proper against the requirements defined by the CQC.

5.7 The Trust (and the recent establishment of NHS Nightingale Yorkshire and the Humber) are fully compliant with the registration requirements of the Care Quality Commission. In light of COVID-19 we have worked with the new national guidelines regarding staffing levels and have received assurance at Board against our own nursing establishments which were fully reviewed at the start April for LTHT and for the NNYH formed part of the criteria for the 'go-live' assurance progresses by the CQC, NHSE/I Regional and National Teams.

6. Register of interests, including gifts and hospitality

6.1 The Trust publishes on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance) within the past twelve months, as required by the '*Managing Conflicts of Interest in the NHS*' guidance. The register for the Board can be found at https://leedsth.mydeclarations.co.uk/reports/GroupReport and the full staff report at https://www.leedsth.nhs.uk/about-us/freedom-of-information/publication-scheme/lists-and-registers/declarations/

7. Pensions

7.1 As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

7.2 Control measures are in place to ensure compliance with all the organisation's obligations and there is an annual reconciliation returned to the NHS Pensions Agency confirming the accuracy of all payments on a monthly basis.

8. Equality, Diversity and Human Rights

8.1 Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

9. Climate Change

9.1 The Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

10. Review of economy, efficiency and effectiveness of the use of resources

10.1 As Accounting Officer, I am responsible for ensuring that the Trust has arrangements in place for securing value for money in the use of its resources. To do this I have maintained systems to:

- Set, review and implement strategic and operational objectives;
- Engage actively with patients, staff, members and other stakeholders to ensure key messages about services are received and acted upon;
- Monitor and improve organisational performance; and
- Establish plans to deliver cost improvements.

10.2 I can report on external validation of LTHT efficiency, effectiveness and the use of resources endorsed by the CQC Outstanding rating. In addition, the Trust has recently been successful in achieving Level Three accreditation

for Future Focused Finance. The Trust has used its sound principles of financial management in the procurement of supplies to support the COVID-19 Pandemic, both for LTHT and accountability of NNYH.

10.3 The Trust submitted its Operational Plan for 2020/21 in April 2020 to NHS Improvement, incorporating a financial plan approved by the Board of Directors.

However it is to be noted that the instruction from NHSE/I on 17 March 2020 'the reduction of activity to create capacity for COVID-19' has significantly impacted the implementation and delivery of this plan. The Trust is currently working hard to define recovery plans and trajectories, which will be the focus of our Board timeout session held on 25 June 2020.

The submission included revisions to our operational, financial, workforce and strategic plans following feedback received from NHSI on our January submission. These submissions contain a variety of technical documents prepared by members within the Trust and an overall narrative which describes these submissions and their associated risks. This informs the detailed operational plans and budgets which are also approved by the Board.

The Trust actively engages Commissioners, regulators (NHS Improvement), system functions (WY&HICS and WYAAT), staff and others as necessary to develop and agree detailed financial and operational plans. Prior to approval the Board takes the views obtained from stakeholders into account. Work is currently underway working with local and regional stakeholders towards the delivery of five-year Integrated Care System for both the West Yorkshire and Harrogate 'footprint' and the City of Leeds.

10.4 The Trust is a key member of the West Yorkshire Association of Acute Trusts (WYAAT) which in the year has continued to make good progress with the Committee in Common (CiC) meeting four times per year for the governance and accountability of workstreams to support transformation across West Yorkshire and Harrogate, reporting and accountable to each sovereign Board. The CiC has membership from each provider organisation with both Executive and Non-Executive membership from each, usually by the Chief Executive and Chair.

10.5 The Board agrees annually a set of corporate objectives which are communicated to colleagues and the public via my Chief Executives report each March. This provides the basis for performance reviews at CSU level. Operational performance is kept under constant review by the Executive Team, Finance and Performance Committee and the Board of Directors. In

order to keep under review the delivery of the corporate objectives, the Board reviews at each formal meeting an Integrated Quality & Performance Report covering patient safety, quality, access and experience metrics, and a Finance Performance Report. Since my appointment as Chief Executive, the Board has approved a Quality Improvement Strategy (with a refresh at the March 2018 meeting setting out the strategy for 2017-2020) with progress reports to the Quality Assurance Committee and Board and published within the Quality Account. This Quality Strategy was to be reported to the May 2020 Board meeting, however with the impact of COVID-19, this work programme was put on hold. An update on the plan for progress is to be reported to the July 2020 Quality Assurance Committee meeting.

10.6 Assurances on the operation of controls are commissioned and reviewed by the Audit Committee and, where appropriate, other Committees of the Board of Directors as part of their annual cycle of business.

The Trust has a co-sourced internal audit function using internal and external resources working with PwC.
The implementation of recommendations made by Internal and External Audit is overseen by the Audit Committee. Due to the changes in the rules around appointment of External Auditors for NHS Trusts, the Board of Directors appointed the External Auditors for the first time from 2017/18 until 2019/20. The Auditor Panel met at the start of March to re-consider the process for the next term of appointment of the External Auditors and have subsequently rolled forward the contract for a further year in light of COVID-19.

11 Information governance

11.1 Information Governance incidents at the Trust are managed through rigorous and standardised processes with an appointed Caldicott Guardian and Deputy, qualified Senior Information Risk Owner and Data Protection Officer. In 2019/20 no incidents were record at level 2.

12. Data quality and governance

12.1 The Trust's Internal Audit (PwC) submitted their annual report in preparation for the submission of the Data Security Protection Toolkit (DSPT) version 2 on 27th March 2020 and provided guidance and recommendations for a successful submission.

Due to the COVID-19 national emergency in 2020, NHS Digital announced that the deadline for submission of the DSPTv2 for 2019/20 was being extended until 30th September 2020, with the DSPTv3 not going live until 1st

October 2020, this was to give organisations effected by COVID-19 enough time to successfully complete their DSPTv2 2019/20 submissions.

12.2 However, the Trust was able to successfully submit its Submission for DSPTv2 on 14th April with all 116 mandatory evidence items being successfully completed.

Of the 63 non mandatory evidence items the Trusts was able to complete 52 items, achieving 83% compliance, up 1% on last year's compliance.

13. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of; Internal Audit, along with Clinical Audit, and formal letters of representation from Clinical Directors of all CSUs, Executive Directors and Chairs of the Board's Committees (including the Annual Report for each of their respective Committees). My review is also informed by comments made by the External Auditor in their Annual Audit letter and other reports. I have been advised on the implications of the result of my review of internal control by the Board and its assurance Committees, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

13.1 The Board of Directors

The Board has set out the governance arrangements including the Committee structure within the Standing Orders. In summary, the Board's Committee structure comprised the following: Finance & Performance Committee; Audit Committee, Quality Assurance Committee; Digital & IT Committee and Remuneration Committee, with the new addition in year for Workforce (having met twice) and Building Development Committee having met four times; supported by the Executive Committees Research, Education & Training Committee which closed at the end of November and the establishment of a Research & innovation Committee; and Risk Management Committee. Chairs of the Board's Committees report to the Board at the first available Board meeting after each Committee meeting and urgent matters are escalated by the Committee Chair to the Board as deemed appropriate. Current practices in light of COVID-19 and guidance from NHSE/I are set out in section 3.2.

The Board commissioned an independent review into Board governance and Committee effectiveness during 2018/19 in preparation for our Well-led Review by the CQC. The review found no material concerns. During March 2020 meetings had been held with external companies to commission an external review of Well-led during the summer of 2020, however this was put on hold due to COVID-19.

In October 2019 the Trust Chair was awarded by the Institute of Directors of the Year Award for Best Practice, Governance and Board Leadership, the first time this had been awarded to the public sector, an external validation to the practices of the Board at Leeds Teaching Hospitals NHS Trust.

13.2 **Internal Audit**

With respect to the internal audits concluded during 2019/20, three out of 12 internal audit reviews issued have been categorised as High Risk, and at the time of preparing this report, there are three reviews yet to be finalised for the year ended 31st March 2020 and three have been deferred to 2020/21 in light of COVID-19. Management action plans are developed and implemented, or are in the process of being implemented to address identified weaknesses. Progress is reviewed by the Audit Committee.

Head of Internal Audit opinion states; '*we are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there* are no major weaknesses in the system of internal control'.

13.3 **External Audit**

External audit provides independent scrutiny on the accounts, annual report, Annual Governance Statement, reporting by exception if the Trust fails to comply with the guidance and as defined by NHSE/I, and under normal circumstances, limited assurance on the Annual Quality Report, however in light of COVID-19 the requirement for external audit review has been removed (and submission for the Quality Account moved to 15 December 2020).

13.4 **Clinical Audit**

Quality Assurance Committee, at the October 2019 meeting, received and were assured by the Clinical Audit Annual Report for 2018/19. This summarised clinical audit activity across the Trust, adhering to the national requirement reflected in the Trust Clinical Audit Procedure, which reflects national best practice. The report also set out the Trust's priorities for 2019/20.

In line with the national guidance published in response to the COVID-19 Pandemic, both the national and trust mandatory audit programme have been suspended for Q1 2020/21. Details of the interim governance arrangements, including the suspension of audit activity were presented to the Trust Board on 29 April 2020.

13.5 **Health & Safety**

We are one of a few Healthcare Trusts to receive a Royal Society for the Prevention of Accident (ROSPA) Safety Gold Award for its H&S Management System and this has been upheld for the past four years.

In response to the COVID-19 pandemic we have worked collaboratively to respond to evolving guidance to keep essential services in place without compromising staff safety or health.

Challenges have been experienced with the increased requirement for essential Personal Protective Clothing (PPE) due to the national demand, date expired PPE and sourcing of alternative makes/models, which has been met by risk assessment processes, communications with Government/enforcement bodies (PHE and HSE) and neighbouring NHS healthcare providers, and then ensuring these control measures are incorporated into our daily operational procedures.

One of the significant changes for many of our employees was a shift to home working and as a result we worked with HR and IT to provide clear guidance, tools and tips for managers and employees to ease this transition e.g., home/remote working DSE Assessment with associated guidance. We also provided some practical guidance, with help from Occupational Health, for those staff still at work on hospital sites in relation to social distancing.

Processes have also been in place to continue to address any national safety alerts distributed for our attention via the Central Alerting System (CAS) during this period. As outlined in the Annual Health & Safety Report (April 2020) the HSE have indicated that an Improvement Notice will be issued to the Trust in relation to 'Occupational Dermatitis', however their latest communication was to acknowledge that this is a very difficult period for the Trust during the current COVID-19 pandemic and the HSE have deferred the issue of this notice until considered appropriate by them. We had already started to put plans in place to address the concerns raised.

As Chief Executive I have signed the Annual Fire Safety Certificate of Compliance, that sets out our compliance against the Trust's statutory responsibilities under the Regulatory Reform (Fire Safety) Order, as assurance was reported to the March 2020 Risk Management Committee. During the year the Committee received a number of assurance reports that have included a strategic fire safety management plan, three-year fire safety plan and various assurance documents. The Trust continues to receive updates and learning reflecting national fire safety issues that are relevant to healthcare and there is a programme of implementation of any changes.

As the COVID-19 situation has evolved, fire safety has played a key part in planning for the Trust response, especially with regard to the changes to oxygen systems that have been installed or updated, changes to clinical environments to create surge plans and adapting training to meet social distancing requirements. The LTHT Fire Team have also provided the expert reference for fire safety at NHS Nightingale Yorkshire and the Humber. This involved putting a fire safety strategy into a conference centre being turned into a 500 bed ICU. As part of this process there was a significant work stream that involved the Team demonstrating statutory compliance was met as far as reasonably practicable and providing assurance to demonstrate this to NHSE/I.

13.6 **Promoting Safety**

During the year we have carried out an extensive review of nurse staffing and establishments for each of our wards utilising best practice guidance, including the use of Safer Nursing Care Tool (SNCT). This has been reported to the Board, providing assurance at each meeting on quality indicators in relation to wards that have reported below their planned staffing levels via the nursing and midwifery quality and safe staffing report.

The Trust has revised its internal processes for daily monitoring of patient safety and quality risks in relation to the workforce, implementing an internal reporting tool that is completed for all wards three times a day: Nurse Staffing Status Report (NSSR). Wards rate the safety of each shift in relation to available staff and patient acuity and dependency using professional judgement. An exception report is provided to the Chief Nurse and Chief Medical Officer at the weekly quality review meeting.

Throughout 2019/20 we have begun roll out Allocate Safecare, a real time acuity and dependency and deployment tool linked to eRoster. Alongside this a system of Red Flag alerts has been introduced where any nurse at any time can request help and support if required.

At the outset of the COVID-19 pandemic at the end of the 2019/20 year, all ward establishments were immediately reviewed in line with our response and the national guidance that was issued, revised temporary establishments were agreed for each ward. Multidisciplinary teams of nursing and operating theatre staff were agreed for patients requiring critical care. Throughout the pandemic we have maintained daily monitoring of patient safety in relation to the nursing and midwifery workforce, overseeing this in a daily operational staffing meeting chaired by the Directors of Nursing.

13.7 As Chief Executive I am working with the 'Freedom to Speak-Up Guardians' to embed and promote a culture of openness for staff to express concerns about patient care and safety. The Board received an update at the May and November 2019 and May 2020 meetings. Throughout our Trust wide

communications to support staff during COVID-19 we have actively encouraged staff to raise concerns via the Freedom to Speak-up Guardians.

13.8 The Chief Medical Officer works with the Guardians of Safeworking to monitor the junior doctors terms and conditions and training of junior doctors. The Board of Directors is sighted on these roles with quarterly reports to what was the Research, Education and Training Committee, (to be replaced by a Workforce Committee), the annual report received at the Board in May 2020 and information included as a statutory requirement within the Quality Account. The absolute number of exception reports has again fallen from 2019/20.

The Guardian of Safeworking team have again highlighted poor engagement with exception reporting as a concern in line with national trends. From the changes to the contract in December 2016, only 15% of trainees have used the exception reporting system. Anecdotal feedback suggests that this is not representative of the number of junior doctors regularly working beyond their contracted hours.

13.9 The Trust has put in numerous measures to ensure staff safety during the COVID-19 Pandemic. These include but are not limited to:

- facilitating staff working from home where they can
- where staff have to attend work ensuring social distancing
- ensuring appropriate PPE/training for relevant staff
- ensuring appropriate arrangements are in place for vulnerable staff for example pregnant workers, those with underlying health conditions
- undertaking positive action for BAME staff to ensure managers have a supporting conversation with BAME colleagues recognising anxiety due to disproportionate impact
- offering staff testing to reduce the risk of workplace transmission
- offering a range of health & wellbeing support including access to Clinical Psychologists
- reminder forwarded to all staff regarding their ability to raise concerns through the freedom to speak up and other avenues

Throughout the pandemic we have been working closely with recognised professional bodies and Trade Unions and have ensured mechanisms are in place for health & safety representatives to raise any concerns.

A process has been put in place to review all LTHT staff that have tested positive for COVID-19. Information from Pathology's ICE system will provide staff test positive results. Staff are to be telephoned and a checklist completed by repurposed dental nurses. These checklists are then forwarded to

Occupational Health and sifted based upon the information provided. To report under RIDDOR the following applies:-

- an unintended incident at work has led to someone's possible or actual exposure to coronavirus. This must be reported as a dangerous occurrence.
- a worker has been diagnosed as having COVID-19 and there is reasonable evidence that it was caused by exposure at work. This must be reported as a case of disease

The Occupational Health Doctor will make a more explicit enquiry into the likelihood of workplace exposure. If workplace exposure is found and RIDDOR reporting necessary these details are to be forwarded to Head of Health & Safety to work with CSU's to report to the HSE. All Health & Safety decisions are guided by National Guidance.

14 Significant In-Year Matters

14.1 The Board and its Committee structures receive reports on the performance of the organisation against its duties set out in the provider licence. Reporting information is supplied to provide insight to the actual performance position against constitutional standards, full year to date position displayed by Statistical Process Charts (SPC) charts, and where appropriate agreed trajectories, to enable actual comparisons to be made year on year.

At Leeds Teaching Hospitals NHS Trust I believe with my Executive colleagues and the Board we have robust governance structures and systems in place. Under my tenure we have worked hard at establishing an open, honest, fair, accountable way of working with mutual respect that are the heart of the core values that underpin how our organisation works. As a result we drive transparency in an open and honest way of reporting incidents, risk management and mitigation.

During Quarter 4 of 2019/20, and up until the time of submission of this Annual Governance Statement, we are experiencing the biggest challenge that has ever faced the NHS, in preparing for and managing the COVID-19 pandemic, and latterly recovery.

14.2 Following the declaration of a Level 4 National Incident on 30 January 2020, the Trust received national guidance from NHS England/Improvement on 17 March 2020 which outlined the required interventions from the NHS in response to COVID-19. Trusts were asked to undertake a specific set of actions in order to redirect staff and resources as follows:

- Free up the maximum possible inpatient and critical care capacity.
- Prepare for and respond to the anticipated large number of COVID-19 patients who would need respiratory support.
- Support staff and maximise their availability.
- Play our part in the wider population measures announced by government.
- Stress test operational readiness.
- Remove routine burdens to facilitate the above.

In response to this national guidance, the Trust cancelled all routine elective operating procedures, all routine outpatient clinics and all routine diagnostics from week commencing 23rd March 2020. As a result, there has been a significant impact on the Trusts ability to deliver against constitutional standards and whilst some standards were making a marked improvement in delivery throughout 2019/20, there has been a reduction in compliance as a result of steps taken to manage the Level 4 National Incident.

14.3 The Trust did not meet the national requirement to treat a minimum of 92% of patients within 18 weeks of referral to treatment in 2019/20, delivering an overall performance of 85.3%. Whilst the Trust faced significant challenges throughout the year, from October 2019 there was a month on month improvement in the Trusts RTT performance. However, in line with national guidance the Trust cancelled all routine elective operating procedures and all routine outpatient face to face clinics from 23 March 2020 and as a result the Trust saw a reduction in RTT performance in March 2020.

14.4 The Trust carried a significant backlog of over 52 week breaches from 2018/19 into 2019/20 and through robust recovery planning, there was a 43% reduction in the over 52 week wait breach position throughout the year. The Trust were on track to deliver the end of year trajectory, however as a result of cancellations in response to the COVID-19 pandemic, a number of over 52 week wait breaches who were scheduled for treatment were cancelled in March 2020 resulting in the Trust delivering a year end position of 51 over 52 week breaches.

14.5 The Trust made a significant reduction in Total Waiting List size achieving 11% better than the year end trajectory.

14.6 The Emergency Care Standard (ECS) national target of 95% of patients to be seen treated, admitted or discharged within 4 hours of presenting in A&E was not achieved delivering a position of 85.01% in 2019/20 with pressures at both sides of the city throughout the year. This does however demonstrate a slight improvement on the previous year.

14.7 During 2019/20 the Trust demonstrated resilience and we were able to achieve:

- Caring for zero patients in non-designated areas.
- Zero patient breaches against the 12-hour A&E standard.
- Improve ECS performance ranking when compared to other organisations nationally.

14.8 Continued challenges with bed pressures resulted in the Trust not meeting the national requirement for all last minute cancelled operations to be rebooked within 28 days. However we did make significant improvements across all four quarters of 2019/20, most considerably Quarter 3 delivered a 57% improvement when compared to the same quarter of the previous year.

14.9 The Trust achieved the national requirement to undertake 99% of diagnostic tests within 6 weeks for six months of 2019/20. The remaining six months did not achieve as a result of challenges with capacity throughout the year and a significant reduction in activity in March 2020 in response to the COVID-19 pandemic. At an aggregate level an overall performance of 98.6% was delivered.

14.10 The Trust did not achieve the national requirement to treat a minimum of 85% of patients with suspected cancer within 62 days of referral from a GP or Dentist. During 2019/20 the Trust achieved an average of 69.5% at aggregate level for the standard. This year the Trust has focussed on reducing the volume of patients who have already breached the 62 day standard, as a result of which, performance was improving and in March 2020 the backlog of 62 day breaches was at an 18 month low. We were able to demonstrate a 50.4% backlog reduction from a high point in June 2019. Overall performance in March 2020 also achieved its highest in six months, delivering 72.3%. The response to COVID-19 pandemic has resulted in the backlog increasing again.

14.11 Late referrals into the Trust from other providers continue to be a major factor in the Trust's ability to achieve the overall 62-day standard. Currently a third of all 62 day cancer patients treated are received from other providers. Over 2019/20 West Yorkshire & Harrogate Cancer Alliance have developed the infrastructure in conjunction with lead clinicians and providers to transform site specific pathways to create optimal diagnostic pathways designed to deliver a diagnosis to the patient by day 28.

14.12 The Trust did not achieve the national requirements to see a minimum of 93% of patients within 14 days for (i) urgent GP referrals for suspected cancer delivering an aggregate position of 87.3% and (ii) the breast

symptomatic target delivering an aggregate position of 74.5%. There was a marked increase in overall in 2 week wait referrals by approximately 11%.

14.13 The Trust did not meet at aggregate level the 31-day first treatment, achieving 95.7% against a target of 96%. For subsequent surgery the Trust delivered 91% against a target of 94%. Throughout the year challenges were associated with demand upon Urology, Lower GI, Skin, Head/ Neck and HPB services. In addition patient choice, patients being medically unfit or complexity of diagnostic pathways also impacted on our ability to deliver against these standards.

14.14 The Trust delivered against both 31 day subsequent drugs, achieving 99.7% against the 98% standard and 31 day radiotherapy treatments achieving 98% against a standard of 94%.

14.15 At the end of May 2020, the Trust has commenced its phase 1 recovery planning and we have already started to bring some services back online (some cancer and clinically urgent activity has already been reinstated) whilst appropriately adjusting the level of response to COVID-19. It is recognised that there will be a requirement for changes in service delivery and models of care as well as estate utilisation to ensure we can deliver the best quality and safest care to our patients, as well as striving to recover our overall performance.

14.16 There were 119 reported events during the year that met the criteria for a Serious Incident (SI). Each case has been thoroughly investigated and reported to local commissioners. Detailed action plans have been developed and implemented in response to specific case.

14.17 There were six incidents which qualified for reporting as a Never Event; Incorrect implant used, wrong site surgery (two), retained object following procedure, overdose of insulin due to use of incorrect device and administration of medical air instead of oxygen (a new Never Event added to the list in February 2018). These incidents have been subject to a Serious Incident investigation; the findings and actions have been discussed with commissioners and shared with staff across the organisation.

14.18 There were three formal *Prevention of Future Death Reports* (formerly known as *Rule 43 and now known as Regulation 28 Reports*) issued by the Coroner. The Trust had addressed the concerns raised by the Coroner in these cases.

14.19 There were 60 (53 of those relating to staff) events that met the criteria for reporting to the Health & Safety Executive under the provisions of the

Reporting *of Injuries, Diseases or Dangerous Occurrences* (RIDDOR) Regulations for the period 2019/20. The largest number of RIDDOR reports result from high risk inoculation incidents. Injuries from used disposable medical devices, especially hollow bore needles that may be contaminated with blood and bodily fluids, is an infection risk to healthcare employees and continues to be an area which is closely monitored & managed when incidents arise i.e., a process of care commences for the affected staff member, an investigation is completed by the local manager with assistance from one of the Health & Safety team, investigations are discussed at the Inoculation Incident & Safer Sharps Group and in turn the incidents are discussed at the Infection Prevention & Control Committee Meeting. The aim is to understand why these types of incident occur and what more can be done to reduce the risk further.

14.20 The reduction of Healthcare associated Infections (HCAI) and ensuring that infection prevention and control practices are effective remain key priorities for the Leeds Teaching Hospitals Trust.

From the 1st April 2019, NHS Improvement introduced a change in the allocation for cases of *Clostridium difficile* infection (CDI) and our objective for 2019/20 was increased proportionately from 118 to 259 cases to reflect this change. In 2019/20, 150 patients developed CDI whilst in our care against our objective of no more than 259 cases. The final year-end figures were significantly different to the projected case numbers and whilst there is cause to celebrate this overachievement of our baseline objective, it is too early to determine the causative factors. All cases have been investigated and we continue to identify a proportion of cases, in conjunction with our commissioners, as having no "lapse in care" whilst in our Trust. For 2019/20, we have had 32 cases agreed so far with cases for Quarter 4 still outstanding for review whilst the system responds to the COVID-19 pandemic.

In 2019/20 we made progressive improvements in the number of patients diagnosed with MRSA bloodstream infection; three cases were recorded this year, an improvement of 57% on the number of cases recorded in 2018/19. The Trust also achieved the longest period between MRSA bloodstream infection cases of 204 days against 175 days in 2018/19. Improvement was also seen in the number of recorded cases of MSSA bloodstream infection of 78 cases against an internally set target of 84 cases. It is of note that this is the first reduction seen in the number of MSSA cases in the last years.

Quality Improvement methodology continues to be embraced within the Infection Prevention and Control Team. In 2019/20 our HCAI Collaborative successfully implemented key components of the HCAI interventions bundle

Trust wide and increased awareness of antimicrobial stewardship as a key driver in reducing HCAI.

The “national ambition” to reduce healthcare associated bloodstream infections with certain Gram-negative bacteria, namely Escherichia coli (E. coli), Klebsiella species and Pseudomonas aeruginosa, by 50%was revised in 2019/20 from 2021 to 2024 to reflect the work still required to identify root causes and those infections that can be deemed avoidable. We continue to undertake focussed targeted investigations with the clinical teams to further understand the most effective interventions to prevent future cases. For 2019/20 we recorded 312 Gram-negative bloodstream infections against an internally set target of no more than 286 cases. The following details breakdown by GNBSI with last year’s figure in brackets. For E. coli we recorded 217 (222); Klebsiella species 61 (85) and Pseudomonas aeruginosa 34 (29).

Quarter 4 of 2019/20 saw the Infection Prevention & Control Team become central to the Trust’s response to the emerging High Consequence Infectious Disease subsequently named as COVID-19 disease and declaration as a pandemic. The move into a system wide incident response required prioritisation of IPC services whilst ensuring a focus on quality and safety was maintained.

14.21 The Trust is mitigating on-going challenges associated with the historic legacy of lack of basic capital and infrastructure investment. Hence the high-level risks within the Corporate Risk Register described as; insufficient capital resources, unserviceable critical IT infrastructure and resilience issues, power failure lack of IPS/UPS resilience due to electrical infrastructure and inability to provide a cardiac catheter laboratory service. In 19/20 the Trust Board approved the five year financial plan including capital expenditure. In 19/20 the Trust delivered a capital programme of £66.3m and in 20/21 this will increase to £85m including investment in new catheter laboratory facilities. Following confirmed funding for Building the Leeds Way the 20/21 capital programme also includes the enabling works for Hospitals of the Future and the centralised pathology laboratory at St James’s University Hospital.

The COVID-19 outbreak presented significant clinical and operational challenges and the Trust had to rapidly innovate to address these, including adaptations to our estate and infrastructure. As the NHS moves into recovery and reset, alongside planning for on-going care of patients with COVID-19 our estate, infrastructure and capital programme will need to continue to adapt and respond to meet patient needs.

14.22 Compliance to other regulatory bodies – The Medicines and Healthcare Products Regulatory Agency (MHRA) carried out a Good Clinical Practice (GCP) system inspection of the Trust and University of Leeds in December 2018. There was only one major finding relating to the compliance of PPM+ with MHRA guidance, which remains in place. An interim solution has been put in place and work is on-going to provide a full solution before the next anticipated MHRA inspection in late 2021.

14.23 It is a legal requirement of all organisations sponsoring and hosting Clinical Trials of an Investigational Medicinal Products (CTIMPs) to comply with UK medicines for human use (clinical trials) regulations (2004). The move in the NHS from paper to electronic health records systems has led to significant compliance issues in relation to GCP in NHS organisations. The Joint Research Governance Committee (JRGC) recognised that this is a complex issue, but it is essential for the Trust to address and resolve non-compliance. A solution to one of the key issues identified by the MHRA, that of gated analysis to only those health records that need to be seen by inspectors for specific trials, has been developed and implemented. Work to address other issues identified has been identified and a working group is looking at how that can be taken forwards.

14.24 The previously reported Urgent Risk Review in Trauma and Orthopaedics reached a successful conclusion. Both the GMC and Health Education England were satisfied with the improvements put in place and Trauma & Orthopaedics were subsequently taken off enhanced monitoring. The medical education team continues to monitor the situation. The team is also monitoring the feedback contained in the National Trainee Survey, and in particular those specialties where issues are reported year on year. These are discussed in detail at quarterly Monitoring the Learning Environment (MLE) meetings led by Health Education England.

There continue to be significant workforce gaps that threaten service delivery and that require additional spend. A considerable amount of work has been undertaken to address this - e.g. in paediatrics, where new rotas have created a more fluid workforce model, resulting in a reduction in exception reports and better feedback in the annual trainee survey. The Trust has also developed improved pathways for the recruitment of locally employed doctors to supplement our workforce. We have expanded our international recruitment into these posts, supporting medical training initiatives such as the College of Physicians and Surgeons of Pakistan joint-fellowship program.

Education and Training estate remains at risk, with a requirement to reconvert training estate for clinical use. In the past year, wards J32 and J34 have been taken away from educational use, and X34 was temporarily repurposed for clinical use as part of the COVID-19 response. Social distancing is going

to place a greater pressure on educational estate, which was already stretched to capacity. We are however actively exploring how to embrace new technologies to mitigate these pressures whilst at the same time also enhancing the learner experience.

14.25 The Board of Leeds Teaching Hospitals and myself as Accountable Officer have agreed to hosting the NHS Nightingale Yorkshire and the Humber as a surge resource to the wider region as preparation to accommodate 500 more in patients should this be required. Future phases of the pandemic are yet to be understood by the scientific leaders advising Government and therefore this resource may be required in to the winter period. The Board meeting on 29th April 2020 agreed to the hibernation of this facility, retaining its readiness to be operational until further notice. As from the week commencing 8 June 2020 NHS Nightingale Hospital Yorkshire and the Humber has begun offering clinical CT scans to some patients from LTHT and across the region.

15. Conclusion

My review confirms that Leeds Teaching Hospitals NHS Trust has a system of internal control in operation, and progress has been made, but further improvement is required across a range of priorities to better support the achievement of the Trust's policies, aims and objectives going forward. Those control issues highlighted in this statement have been or are currently being addressed.

I confirm that there are no other significant breaches of internal control that have been brought to my attention in respect of the financial year ended 31 March 2020 and this statement aims to capture the priorities of risks and controls relating to our management and recovery, to the date of approval of the annual report and accounts from COVID-19 a truly exceptional challenge for the NHS.

Julian Hartley
Chief Executive
25 June 2020

Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

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

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

As far as I am aware, there is no relevant audit information of which the Trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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

Julian Hartley Chief Executive 25th June 2020

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, other items of comprehensive income 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 and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

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

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

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

By order of the Board

Julian Hartley	**Chief Executive**	**25th June 2020**
Simon Worthington	**Director of Finance**	**25th June 2020**

Independent auditor's report to the Directors of The Leeds Teaching Hospitals NHS Trust

Report on the financial statements

Opinion on the financial statements

We have audited the financial statements of The Leeds Teaching Hospitals NHS Trust ('the Trust') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by HM Treasury's Financial Reporting Manual 2019/20 as contained in the Department of Health and Social Care Group Accounting Manual 2019/20, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to NHS Trusts in England.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

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

Material uncertainty relating to valuation to land and property

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 17 to the financial statements concerning the material valuation uncertainty statement made by the Trust's valuer.

Conclusions relating to going concern

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

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

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

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

We have nothing to report in this regard.

Responsibilities of the Directors and the Accountable Officer for the financial statements
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are required to comply with the Department of Health and Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Directors are responsible for assessing each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

As explained in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust, the Accountable Officer is responsible for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is responsible for ensuring that the financial statements are prepared in a format directed by the Secretary of State.

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

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

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance issued by NHS Improvement; or
- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 and schedule 7(1) of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 and schedule 7(2) of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We have nothing to report in this respect.

Responsibilities of the Accountable Officer

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

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

We are required by section 21(3)(c) and schedule 13(10)(a) of the Local Audit and Accountability Act 2014 to satisfy ourselves 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 its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

Use of the audit report

This report is made solely to the Board of Directors of The Leeds Teaching 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 Directors of the Trust 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 Directors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

Mark Dalton, Key Audit Partner
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

25 June 2020

Leeds Teaching Hospitals NHS Trust

Annual Accounts for the year ended 31 March 2020

Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	1,192,986	1,083,612
Other operating income	4	221,754	252,235
Operating expenses	6, 8	(1,370,203)	(1,258,761)
Operating surplus from continuing operations		**44,537**	**77,086**
Finance income	11	421	260
Finance expenses	12	(15,192)	(15,043)
PDC dividends payable		(6,298)	(5,929)
Net finance costs		**(21,069)**	**(20,712)**
Other gains / (losses)	13	309	(109)
Surplus for the year		**23,777**	**56,265**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(38,844)	-
Total comprehensive income / (expense) for the year		**(15,067)**	**56,265**

Financial Performance for the year

Adjusted financial performance (control total basis):		
Surplus for the year	23,777	56,265
Remove net impairments not scoring to the Departmental Expenditure Limit	(9,215)	-
Remove I&E impact of capital grants and donations	(606)	(3,340)
Remove 2018/19 post audit PSF reallocation (2019/20 only)	(917)	-
Adjusted financial performance surplus	**13,039**	**52,925**

Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	14	9,518	7,493
Property, plant and equipment	15	545,099	532,906
Receivables	19	5,244	10,565
Total non-current assets		**559,861**	**550,964**
Current assets			
Inventories	18	19,093	16,895
Receivables	19	102,095	106,950
Non-current assets for sale	20	914	-
Cash and cash equivalents	21	27,594	30,213
Total current assets		**149,696**	**154,058**
Current liabilities			
Trade and other payables	22	(161,441)	(133,410)
Borrowings	24	(74,095)	(52,184)
Provisions	26	(778)	(881)
Other liabilities	23	(10,302)	(10,596)
Total current liabilities		**(246,616)**	**(197,071)**
Total assets less current liabilities		**462,941**	**507,951**
Non-current liabilities			
Borrowings	24	(175,962)	(209,961)
Provisions	26	(6,127)	(5,194)
Other liabilities	23	(62)	(94)
Total non-current liabilities		**(182,151)**	**(215,249)**
Total assets employed		**280,790**	**292,702**
Financed by			
Public dividend capital		342,261	339,106
Revaluation reserve		4,182	43,026
Income and expenditure reserve		(65,653)	(89,430)
Total taxpayers' equity		**280,790**	**292,702**

The notes on pages 5 to 46 form part of these accounts.

The accounts on pages 1 to 46 were approved by the Board of Directors on 25th June 2020 and were signed on its behalf by:

Name	**Julian Hartley**	**Simon Worthington**
Position	**Chief Executive**	**Director of Finance**
Date	**25 June 2020**	

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**339,106**	**43,026**	**(89,430)**	**292,702**
Surplus for the year	-	-	23,777	**23,777**
Impairments	-	(38,844)	-	**(38,844)**
Public dividend capital received	3,155	-	-	**3,155**
Taxpayers' and others' equity at 31 March 2020	**342,261**	**4,182**	**(65,653)**	**280,790**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**335,986**	**43,026**	**(145,695)**	**233,317**
Surplus for the year	-	-	56,265	**56,265**
Public dividend capital received	3,120	-	-	**3,120**
Taxpayers' and others' equity at 31 March 2019	**339,106**	**43,026**	**(89,430)**	**292,702**

Information on reserves

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

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

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

Statement of Cash Flows for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus		44,537	77,086
Non-cash income and expense:			
Depreciation and amortisation	6.1	20,622	15,890
Net impairments	7	(9,215)	-
Income recognised in respect of capital donations	4	(1,695)	(4,049)
Decrease / (Increase) in receivables and other assets		5,011	(31,881)
(Increase) in inventories		(2,198)	(168)
Increase in payables and other liabilities		23,112	24,190
Increase / (decrease) in provisions		823	(294)
Net cash flows from operating activities		**80,997**	**80,774**
Cash flows from investing activities			
Interest received		421	260
Purchase of intangible assets		(2,090)	(980)
Purchase of PPE		(53,403)	(33,912)
Sales of PPE		1,074	92
Receipt of cash donations to purchase assets		1,860	4,686
Net cash flows (used in) investing activities		**(52,138)**	**(29,854)**
Cash flows from financing activities			
Public Dividend Capital received		3,155	3,120
Movement on loans from DHSC		(3,492)	(7,713)
Capital element of finance lease rental payments		(40)	(39)
Capital element of PFI payments		(8,554)	(8,275)
Interest on loans		(1,633)	(1,815)
Interest paid on finance lease liabilities		(5)	(6)
Interest paid on PFI obligations		(13,549)	(13,217)
PDC dividend (paid)		(7,360)	(7,791)
Net cash flows (used in) financing activities		**(31,478)**	**(35,736)**
(Decrease) / increase in cash and cash equivalents		**(2,619)**	**15,184**
Cash and cash equivalents at 1 April 2019 - brought forward		**30,213**	**15,029**
Cash and cash equivalents at 31 March 2020	21.1	**27,594**	**30,213**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

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

Accounting convention

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

Note 1.2 Going concern

These accounts have been prepared on a going concern basis. Non-trading entities in the public sector are assumed to be going concerns where the continued provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

Note 1.3 Interests in other entities

The Trust has no interests in other entities.

Note 1.4 Revenue from contracts with customers

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

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

Revenue from NHS contracts

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

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

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

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

Note 1.4 Revenue from contracts with customers (continued)

Revenue from research contracts

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

NHS injury cost recovery scheme

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

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

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

Note 1.5 Other forms of income

Grants and donations

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure, it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.6 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 two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the Trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The 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.

National Employment Savings Trust ("NEST") Pension Scheme
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.

Note 1.7 Expenditure on other goods and services
Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.8 Discontinued operations
Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are ‘machinery of government changes’ and treated as continuing operations.

Note 1.9 Property, plant and equipment

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 a cost of at least £5,000, or
• collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

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.

Note 1.9 Property, plant and equipment (continued)

Measurement

Valuation

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

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

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

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

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

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

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

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

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Assets under construction and assets held for sale are not depreciated/amortised. Otherwise depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible assets, less any residual value, on a straight-line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life, unless the Trust expects to acquire the asset at the end of the lease term, in which case the asset is depreciated in the same manner as for owned assets.

At each financial year end, the Trust checks whether there is any indication that its property, plant and equipment or intangible assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.

Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure.

Property, plant and equipment which has been reclassified as 'held for sale' cease to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI

Revaluation gains and losses

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

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

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

Impairments

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

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

De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met; the sale must be highly probable and the asset available for immediate sale in its present condition.

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

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

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 described above.

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

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

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

PFI assets, liabilities and finance costs
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.

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 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

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

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

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

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

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

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

	Min life Yrs	Max life Yrs
Land	-	-
Buildings, excluding dwellings	2	80
Dwellings	2	80
Plant & machinery	5	18
Transport equipment	5	10
Information technology	5	13
Furniture & fittings	5	10

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

Note 1.10 Intangible assets

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

Internally generated intangible assets

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

Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

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.

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

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

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

	Min life Yrs	Max life Yrs
Information technology	5	12
Software licences	5	12

Note 1.11 Inventories
Inventories are valued at the lower of cost and net realisable value, using the weighted average cost formula.

Note 1.12 Investment properties
The Trust does not hold any investment properties.

Note 1.13 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.

Note 1.14 Carbon Reduction Commitment scheme (CRC)
The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Note 1.15 Financial assets and financial liabilities

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

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

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

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

Financial assets are classified as subsequently measured at amortised cost. The Trust has no financial assets at fair value through profit and loss or fair value through other comprehensive income.

Financial liabilities classified as subsequently measured at amortised cost. The Trust has no financial liabilities at fair value through profit and loss.

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

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

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

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to profit and loss, except where the Trust elected to measure an equity instrument in this category on initial recognition. The Trust has no financial assets measured at fair value through other comprehensive income.

Financial assets and financial liabilities at fair value through profit and loss

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract, are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income. The Trust has no financial assets or liabilities measured at fair value through profit and loss.

Impairment of financial assets

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

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

HM Treasury has ruled that central government bodies may not recognise stage 1 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. The Trust therefore does not recognise loss allowances for stage 1 and stage 2 impairments against these bodies. Additionally, the Department of Health and Social Care provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and the Trust does not recognise loss allowances for stage 1 impairments against these bodies.

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

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

Derecognition

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

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

Note 1.16 Leases

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

The Trust as a lessee

Finance leases

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

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

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

Operating leases

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

Leases of land and buildings

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

The Trust as a lessor

Finance leases

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

Operating leases

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

Note 1.17 Provisions

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

		Nominal rate
Short-term	Up to 5 years	0.51%
Medium-term	After 5 years up to 10 years	0.55%
Long-term	Exceeding 10 years	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

	Inflation rate
Year 1	1.90%
Year 2	2.00%
Into perpetuity	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms.

Note 1.17 Provisions (continued)

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

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

Note 1.18 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 27 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 27, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

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

Note 1.19 Public dividend capital

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

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

A charge, reflecting the cost of capital utilised by the Trust, is payable as Public Dividend Capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated and grant funded assets,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the 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 calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.20 Value added tax
Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.21 Corporation tax
The Trust does not have any Corporation Tax liaibility.

Note 1.22 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.

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.

Note 1.23 Third party assets

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

Note 1.24 Losses and special payments

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

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

Note 1.25 Gifts

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

Note 1.26 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

Note 1.27 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease" and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the Statement of Financial Position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the Statement of Financial Position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

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

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

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

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts - Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted. It is not anticipated that adoption of this standard will have a material impact on the financial statements of the Trust.

Note 1.28 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's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Bexley Wing and Wharfedale Hospital, 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 notes 1.9 and note 29 PFI transactions.

Note 1.29 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:

- Valuation of Plant, Property and Equipment - Note 1.9 and Note 17

The Trust's estate has been independently valued as at 31 March 2020. The valuation report contains an endorsement warning of material uncertainty in the values as a result of the Covid-19 pandemic. Further details are given in note 17.

- Provision for Impairment of Receivables - Note 1.15 and Note 19.2
- Provisions - Note 1.17 and Note 26

Note 2 Operating Segments

The Trust has determined that the Chief Operating Decision Maker (as defined by IFRS 8) is the Board of Directors on the basis that all strategic decisions are made by the Board.

The Trust engages in its activity as a single operating segment i.e. the provision of healthcare. Financial results are reported to the Board under the single segment of healthcare. Whilst the Trust operates a number of different clinical services via its clinical service units, they each provide essentially the same service (patient care), have the same customers (commissioners), use similar processes and services and face fundamentally the same risks. Therefore the Trust believes that there is only one segment and has reported under IFRS 8 on this basis.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

Note 3.1 Income from patient care activities (by nature)	**2019/20**	**2018/19**
	£000	**£000**
Elective income	187,591	171,639
Non elective income	257,728	226,625
First outpatient income	54,251	50,808
Follow up outpatient income	82,773	77,507
A & E income	34,358	27,619
High cost drugs income from commissioners (excluding pass-through costs)	218,534	204,256
Other NHS clinical income	304,428	301,008
Private patient income	5,535	4,907
Agenda for Change pay award central funding*	-	12,366
Additional pension contribution central funding**	32,525	-
Other clinical income	15,263	6,877
Total income from activities	**1,192,986**	**1,083,612**

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

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

Note 3.2 Income from patient care activities (by source)

	2019/20	**2018/19**
Income from patient care activities received from:	**£000**	**£000**
NHS England	589,857	515,025
Clinical Commissioning Groups	588,855	543,232
Department of Health and Social Care	-	12,366
Other NHS providers	385	214
NHS other	1,085	963
Local authorities	750	750
Non-NHS: private patients	5,535	4,907
Non-NHS: overseas patients (chargeable to patient)	689	401
Injury cost recovery scheme	4,569	4,766
Non NHS: other	1,261	988
Total income from activities	**1,192,986**	**1,083,612**
Of which:		
Related to continuing operations	1,192,986	1,083,612

Included in the above is income from NHS England of £8m directly relating to the reimbursement of costs incurred by the Trust in responding to the Covid-19 pandemic.

Income from NHS England also includes £32.5m to cover the increase in the cost of employers contributions to the NHS Pension Scheme (see Notes 8 and 9)

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

	2019/20	2018/19
	£000	£000
Income recognised this year	689	401
Cash payments received in-year	185	208
Amounts added to provision for impairment of receivables	-	4
Amounts written off in-year	145	92

Note 4 Other operating income

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	25,703	-	**25,703**	22,107	-	**22,107**
Education and training	72,438	2,299	**74,737**	69,283	1,139	**70,422**
Non-patient care services to other bodies*	59,669	-	**59,669**	49,595	-	**49,595**
Provider sustainability fund (PSF)	17,173	-	**17,173**	62,634	-	**62,634**
Financial recovery fund (FRF)	901	-	**901**	-	-	**-**
Marginal rate emergency tariff funding (MRET)	6,169	-	**6,169**	-	-	**-**
Income in respect of employee benefits accounted on a gross basis	11,237	-	**11,237**	12,245	-	**12,245**
Receipt of capital grants and donations	-	1,695	**1,695**	-	4,049	**4,049**
Charitable and other contributions to expenditure	-	4,294	**4,294**	-	12,522	**12,522**
Rental revenue from operating leases	-	1,575	**1,575**	-	1,551	**1,551**
Other income**	18,601	-	**18,601**	17,110	-	**17,110**
Total other operating income	**211,891**	**9,863**	**221,754**	**232,974**	**19,261**	**252,235**
Of which:						
Related to continuing operations			**221,754**			**252,235**

*Non-patient care services to other bodies includes £9m of income from other NHS providers in respect of clinical waste contract charges which the Trust has hosted on behalf of a number of organisations since October 2018.

**Other income incorporates income received for goods and services which are incidental to the Trust's core activity of healthcare, for example, car parking, creche fees and catering.

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the year

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included within contract liabilities at the previous period end	4,867	1,934
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-	203

Note 5.2 Transaction price allocated to remaining performance obligations

Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	31 March 2020 £000	31 March 2019 £000
within one year	1,731	1,717
after one year, not later than five years	2,598	2,483
after five years	-	-
Total revenue allocated to remaining performance obligations	**4,329**	**4,200**

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

Note 6.1 Operating expenses

	2019/20	2018/19
	£000	£000
Purchase of healthcare from non-NHS and non-DHSC bodies	13,302	12,536
Staff and executive directors costs	811,112	729,079
Remuneration of non-executive directors	141	104
Supplies and services - clinical (excluding drugs costs)	156,404	153,668
Supplies and services - general	8,581	8,315
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	200,947	188,170
Consultancy costs	274	559
Establishment	5,398	5,248
Premises*	68,597	54,594
Transport (including patient travel)	6,490	5,222
Depreciation on property, plant and equipment	19,721	15,193
Amortisation on intangible assets	901	697
Net impairments (see note 7)	(9,215)	-
Movement in credit loss allowance: contract receivables / contract assets	132	(109)
Increase/(decrease) in other provisions	-	390
Change in provisions discount rate(s)	207	(50)
Audit fees payable to the external auditor		
audit services- statutory audit***	96	96
other auditor remuneration*** (external auditor only)	3	12
Internal audit costs	355	311
Clinical negligence	30,639	32,794
Legal fees	371	519
Insurance	715	747
Research and development	19,244	15,817
Education and training	6,295	4,781
Rentals under operating leases	1,823	6,647
Redundancy	16	216
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI)	9,520	9,465
Car parking & security	346	307
Hospitality	140	45
Losses, ex gratia & special payments	238	40
Other services	1,497	2,508
Other expenses**	15,913	10,840
Total	**1,370,203**	**1,258,761**
Of which:		
Related to continuing operations	1,370,203	1,258,761

*Premises expenditure includes the costs relating to hosted waste management contract which the Trust has hosted on behalf of a number of other provider organisations since October 2018 and costs incurred in relation to the Covid-19 pandemic

**Other expenses incorporates the costs for goods and services which are incidental to the Trust's core activity, for example, hosted services or childcare vouchers and lease cars (both recovered through income).

***Audit fees include irrecoverable VAT (see note 1.20)

Note 6.2 Other auditor remuneration

	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor*:		
Audit-related assurance services (Quality Accounts)	3	10
Other non-audit services	-	2
Total	**3**	**12**

For 2019/20, as a result of the Covid-19 pandemic, the requirement to have Quality Accounts reviewed has been suspended. Only the costs of work undertaken up to the point of suspension has been charged.

*Audit fees include irrecoverable VAT (see note 1.20)

Note 6.3 Limitation on auditor's liability

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

Note 7 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged/(credited) to operating surplus resulting from:		
Changes in market price	(9,215)	-
Total net impairments credited to operating surplus	**(9,215)**	**-**
Impairments charged to the revaluation reserve	38,844	-
Total net impairments	**29,629**	**-**

The impairment arises following the full valuation of the Trust's estate undertaken by an independent valuer. Full details can be found in note 17.

Note 8 Employee benefits

	2019/20	2018/19
	Total	Total
	£000	£000
Salaries and wages	622,463	583,131
Social security costs	58,106	52,644
Apprenticeship levy	2,990	2,820
Employer's contributions to NHS pensions	106,853	69,328
Pension cost - other	-	-
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	16	216
Temporary staff (including agency)	42,039	38,238
Total staff costs	**832,467**	**746,377**
Of which		
Costs capitalised as part of assets	2,095	1,345

Note 8.1 Retirements due to ill-health

During 2019/20 there were 8 early retirements from the Trust agreed on the grounds of ill-health (20 during the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £340k (£1,137k in 2018/19).

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

Note 9 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly

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

c) National Employment Savings Trust Pension

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 the Trust and there are no financial liabilities other than payment of the 2% employers contribution of qualifying earnings. This contribution increased to 3% in April 2019. Employer contributions are charged directly to the Statement of Comprehensive Income and paid to NEST monthly. At 31st March 2020 there were 298 employees enrolled in the scheme (236 at 31 March 2019). Further details of the scheme can be found at www.nestpensions.org.uk.

Note 10 Operating leases

Note 10.1 Leeds Teaching Hospitals NHS Trust as a lessor

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

The Generating Station Complex at Leeds General Infirmary is licenced to Engie Ltd who supply the Trust and University of Leeds with electricity. Other leases relate to various retail facilities provided across the Trust's sites.

	2019/20	2018/19
	£000	£000
Operating lease revenue		
Minimum lease receipts	1,575	1,551
Total	**1,575**	**1,551**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	1,279	1,550
- later than one year and not later than five years;	1,523	2,212
- later than five years.	2,032	2,080
Total	**4,834**	**5,842**

Note 10.2 Leeds Teaching Hospitals NHS Trust as a lessee

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

The Trust has operating leases for items of medical and non-medical equipment, vehicles and short-term property lets. None of these are individually significant. The amounts recognised in these accounts are:

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	1,823	6,647
Total	**1,823**	**6,647**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	1,113	4,389
- later than one year and not later than five years;	3,020	4,396
- later than five years.	3,107	2,433
Total	**7,240**	**11,218**

Note 11 Finance income

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	421	260
Total finance income	**421**	**260**

Note 12.1 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	1,631	1,817
Finance leases	5	6
Main finance costs on PFI scheme obligations	6,123	5,962
Contingent finance costs on PFI scheme obligations	7,426	7,255
Total interest expense	**15,185**	**15,040**
Unwinding of discount on provisions	7	3
Total finance costs	**15,192**	**15,043**

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

The Trust has not made any payments under the terms of this legislation in either the current or preceding financial year.

Note 13 Other gains / (losses)

	2019/20	2018/19
	£000	£000
Gains on disposal of assets	484	92
Losses on disposal of assets	(175)	(201)
Total gains / (losses) on disposal of assets	**309**	**(109)**

Note 14.1 Intangible assets - 2019/20

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	**1,502**	**11,557**	**13,059**
Additions	-	2,090	**2,090**
Reclassifications	-	849	**849**
Valuation / gross cost at 31 March 2020	**1,502**	**14,496**	**15,998**
Amortisation at 1 April 2019 - brought forward	**917**	**4,649**	**5,566**
Provided during the year	77	824	**901**
Reclassifications	-	13	**13**
Amortisation at 31 March 2020	**994**	**5,486**	**6,480**
Net book value at 31 March 2020	**508**	**9,010**	**9,518**
Net book value at 1 April 2019	**585**	**6,908**	**7,493**

Note 14.2 Intangible assets - 2018/19

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2018 - brought forward	**1,907**	**9,047**	**10,954**
Additions	-	980	**980**
Reclassifications	(405)	1,530	**1,125**
Valuation / gross cost at 31 March 2019	**1,502**	**11,557**	**13,059**
Amortisation at 1 April 2018 - brought forward	**839**	**4,030**	**4,869**
Provided during the year	78	619	**697**
Amortisation at 31 March 2019	**917**	**4,649**	**5,566**
Net book value at 31 March 2019	**585**	**6,908**	**7,493**
Net book value at 1 April 2018	**1,068**	**5,017**	**6,085**

Note 15.1 Property, plant and equipment - 2019/20

	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 2019 - brought forward	**9,379**	**439,114**	**1,902**	**17,821**	**191,607**	**532**	**52,703**	**1,387**	**714,445**
Additions	-	14,431	-	19,347	23,456	-	6,824	-	**64,058**
Impairments	-	(49,451)	-	-	-	-	-	-	**(49,451)**
Reversals of impairments	1,776	6,389	124	-	-	-	-	-	**8,289**
Revaluations	-	(9,139)	-	-	-	-	-	-	**(9,139)**
Reclassifications	-	6,186	-	(6,936)	-	-	(99)	-	**(849)**
Transfers to / from assets held for sale	(300)	-	(630)	-	-	-	-	-	**(930)**
Disposals / derecognition	(150)	-	(455)	-	(5,165)	-	-	-	**(5,770)**
Valuation/gross cost at 31 March 2020	**10,705**	**407,530**	**941**	**30,232**	**209,898**	**532**	**59,428**	**1,387**	**720,653**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**8,751**	**45**	**-**	**139,632**	**530**	**31,194**	**1,387**	**181,539**
Provided during the year	-	11,878	29	-	5,167	2	2,645	-	**19,721**
Impairments	-	-	-	-	-	-	-	-	**-**
Reversals of impairments	-	(11,490)	(43)	-	-	-	-	-	**(11,533)**
Revaluations	-	(9,139)	-	-	-	-	-	-	**(9,139)**
Reclassifications	-	-	-	-	-	-	(13)	-	**(13)**
Transfers to / from assets held for sale	-	-	(16)	-	-	-	-	-	**(16)**
Disposals / derecognition	-	-	(15)	-	(4,990)	-	-	-	**(5,005)**
Accumulated depreciation at 31 March 2020	**-**	**-**	**(0)**	**-**	**139,809**	**532**	**33,826**	**1,387**	**175,554**
Net book value at 31 March 2020	**10,705**	**407,530**	**941**	**30,232**	**70,089**	**-**	**25,602**	**-**	**545,099**
Net book value at 1 April 2019	**9,379**	**430,363**	**1,857**	**17,821**	**51,975**	**2**	**21,509**	**-**	**532,906**

Note 15.2 Property, plant and equipment - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - brought forward	**9,379**	**423,697**	**1,902**	**11,222**	**185,429**	**532**	**46,086**	**1,387**	**679,634**
Additions	-	12,297	-	12,520	13,336	-	5,016	-	**43,169**
Reclassifications	-	3,120	-	(5,861)	-	-	1,616	-	**(1,125)**
Transfers to / from assets held for sale	-	-	-	(60)	(7,158)	-	(15)	-	**(7,233)**
Valuation/gross cost at 31 March 2019	**9,379**	**439,114**	**1,902**	**17,821**	**191,607**	**532**	**52,703**	**1,387**	**714,445**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**-**	**-**	**-**	**142,382**	**523**	**29,086**	**1,387**	**173,378**
Provided during the year	-	8,751	45	-	4,267	7	2,123	-	**15,193**
Transfers to / from assets held for sale	-	-	-	-	(7,017)	-	(15)	-	**(7,032)**
Accumulated depreciation at 31 March 2019	**-**	**8,751**	**45**	**-**	**139,632**	**530**	**31,194**	**1,387**	**181,539**
Net book value at 31 March 2019	**9,379**	**430,363**	**1,857**	**17,821**	**51,975**	**2**	**21,509**	**-**	**532,906**
Net book value at 1 April 2018	**9,379**	**423,697**	**1,902**	**11,222**	**43,047**	**9**	**17,000**	**-**	**506,256**

Note 15.3 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	10,705	279,491	941	30,232	48,776	-	25,446	-	**395,592**
Finance leased	-	550	-	-	-	-	-	-	**550**
On-SoFP PFI contracts	-	119,605	-	-	12,474	-	-	-	**132,079**
Owned - donated	-	7,884	-	-	8,839	-	155	-	**16,878**
NBV total at 31 March 2020	**10,705**	**407,530**	**941**	**30,232**	**70,089**	**-**	**25,602**	**-**	**545,099**

Note 15.4 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	9,379	307,302	1,857	17,821	35,034	2	21,328	-	**392,723**
Finance leased	-	572	-	-	-	-	-	-	**572**
On-SoFP PFI contracts	-	111,705	-	-	9,134	-	-	-	**120,839**
Owned - donated	-	10,784	-	-	7,807	-	181	-	**18,772**
NBV total at 31 March 2019	**9,379**	**430,363**	**1,857**	**17,821**	**51,975**	**2**	**21,509**	**-**	**532,906**

Note 16 Donations of property, plant and equipment

During the year the Trust received grants and donations to fund capital assets from the following:

	2019/20 £000	2018/19 £000
Leeds Cares	1,181	2,040
Children's Heart Surgery Fund	12	1,842
Health Education England	120	109
Take Heart	15	10
Others	367	48
Total donations for property, plant and equipment	**1,695**	**4,049**

Note 17 Revaluations of property, plant and equipment

A full 5 yearly cyclical valuation of the Trust's entire estate was carried out during 2019/20. Following a full site inspection and review, the Trust's independent qualified valuer, Cushman and Wakefield, issued their report with a valuation date of 31 March 2020. The report took account of changes in buildings cost indices, location factors and the effect of capital expenditure during the year. The report was completed in accordance with guidance issued by the Royal Institution of Chartered Surveyors ("RICS") and gave an overall valuation of the Trust's estate of £419m. Across the estate there were increases in the value of most sites, reversing previous impairments, but an impairment at the Leeds General Infirmary site due to a change in the anticipated lives of certain buildings that are expected to be disposed of as part of the major redevelopment of the site approved by the government during 2019/20.

In the light of the Covid-19 pandemic and in accordance with RCIS guidance, the independent valuer has included the following in the report: "*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case"

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

Note 18 Inventories

	31 March 2020 £000	31 March 2019 £000
Drugs	7,499	6,468
Work In progress	-	-
Consumables	11,073	10,024
Energy	521	403
Other	-	-
Total inventories	**19,093**	**16,895**

Inventories recognised in expenses for the year were £305,503k (2018/19: £294,674k). Write-down of inventories recognised as expenses for the year were £0k (2018/19: £0k).

Note 19.1 Receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	87,026	97,906
Capital receivables	95	260
Allowance for impaired contract receivables / assets	(2,490)	(2,515)
Prepayments (non-PFI)	8,604	5,964
PFI lifecycle prepayments	2,640	3,000
PDC dividend receivable	1,496	434
VAT receivable	4,258	1,495
Other receivables	466	406
Total current receivables	**102,095**	**106,950**
Non-current		
Contract assets	4,767	4,713
Allowance for other impaired receivables	(1,039)	(1,032)
PFI lifecycle prepayments	546	6,884
Other receivables	970	-
Total non-current receivables	**5,244**	**10,565**
Of which receivable from NHS and DHSC group bodies:		
Current	60,202	69,807
Non-current	970	-

The majority of trade is with NHS England and Clinical Commissioning Groups . As NHS bodies are funded by Government to buy NHS patient care services, credit scoring of them is not considered necessary.

Non-current other receivables represent costs to be reimbursed by NHS England in relation to the Clinicians' Pension Tax provision (note 26)

Note 19.2 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April - brought forward	**3,547**	**-**	**-**	**3,664**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			3,664	(3,664)
New allowances arising	132	-	(109)	-
Utilisation of allowances (write offs)	(150)	-	(8)	-
Allowances as at 31 Mar 2020	**3,529**	**-**	**3,547**	**-**

Note 19.3 Exposure to credit risk

Since 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 31st March 2020 are in receivables from customers, as disclosed in the contracts receivables note (Note 19.1).

Note 20.1 Non-current assets held for sale

	2019/20	2018/19
	£000	£000
NBV of non-current assets for sale at 1 April 2019	**-**	**-**
Assets classified as available for sale in the year	914	201
Assets sold in year	-	(201)
NBV of non-current assets for sale at 31 March 2020	**914**	**-**

During the year the Trust undertook to dispose of two property assets. The sale of one property was completed during the year and the other remained on the market at the year end. Obsolete and surplus items of equipment were also sold during the current and preceding financial year. The disposals resulted in an overall surplus on disposal of £309k (2018/19 loss of £110k)

Note 21.1 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.

	2019/20	2018/19
	£000	£000
At 1 April	**30,213**	**15,029**
Net change in year	(2,619)	15,184
At 31 March	**27,594**	**30,213**
Broken down into:		
Cash at commercial banks and in hand	20	20
Cash with the Government Banking Service	27,574	30,193
Total cash and cash equivalents as in SoFP and SoCF	**27,594**	**30,213**

Note 21.2 Third party assets held by the Trust

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

	31 March 2020	31 March 2019
	£000	£000
Bank balances	11	3
Total third party assets	**11**	**3**

Note 22.1 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	67,686	57,705
Capital payables	16,976	12,383
Accruals	49,060	36,990
Social security costs	8,820	8,130
Other taxes payable	7,521	7,267
Other payables	11,378	10,935
Total current trade and other payables	**161,441**	**133,410**
Of which payables from NHS and DHSC group bodies:		
Current	5,811	5,753

Note 23 Other liabilities

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	10,302	10,596
Total other current liabilities	**10,302**	**10,596**
Non-current		
Deferred income: contract liabilities	62	94
Total other non-current liabilities	**62**	**94**

Deferred income: Contract Liabilities includes Maternity Pathways and research projects. In line with IFRS 15 where income is received that relates to a performance obligation that is to be satisfied in a future period the income is deferred and recognised as a contract liability until the performance obligation is delivered.

Note 24.1 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Loans from DHSC	65,198	43,590
Obligations under finance leases	40	40
Obligations under PFI contracts	8,857	8,554
Total current borrowings	**74,095**	**52,184**
Non-current		
Loans from DHSC	20,006	45,108
Obligations under finance leases	254	294
Obligations under PFI contracts	155,702	164,559
Total non-current borrowings	**175,962**	**209,961**

Interim Capital Investment Loans of £21,451k have been reclassified from Non-current to Current following the Department of Health and Social Care's announcement that interim loans will be converted into Public Dividend Capital during 2020/21 (Note 33)

Note 24.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Finance leases	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	**88,698**	**334**	**173,113**	**262,145**
Cash movements:				
Financing cash flows - payments and receipts of principal	(3,492)	(40)	(8,554)	**(12,086)**
Financing cash flows - payments of interest	(1,633)	(5)	(6,123)	**(7,761)**
Non-cash movements:				
Application of effective interest rate	1,631	5	6,123	**7,759**
Carrying value at 31 March 2020	**85,204**	**294**	**164,559**	**250,057**

Note 24.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Finance leases	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	**96,283**	**373**	**181,388**	**278,044**
Cash movements:				
Financing cash flows - payments and receipts of principal	(7,713)	(39)	(8,275)	**(16,027)**
Financing cash flows - payments of interest	(1,815)	(6)	(5,962)	**(7,783)**
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	126	-	-	**126**
Application of effective interest rate	1,817	6	5,962	**7,785**
Carrying value at 31 March 2019	**88,698**	**334**	**173,113**	**262,145**

Note 25 Finance leases

Note 25.1 Leeds Teaching Hospitals NHS Trust as a lessee

Obligations under finance leases where the Leeds Teaching Hospitals NHS Trust is the lessee.

	31 March 2020 £000	31 March 2019 £000
Gross lease liabilities	**313**	**358**
of which liabilities are due:		
- not later than one year;	45	45
- later than one year and not later than five years;	177	179
- later than five years.	91	134
Finance charges allocated to future periods	(19)	(24)
Net lease liabilities	**294**	**334**
of which payable:		
- not later than one year;	40	40
- later than one year and not later than five years;	167	164
- later than five years.	87	130
	294	**334**

Finance lease obligations relate to the Catering Receipt and Distribution Unit (RADU) at Seacroft Hospital. The unit was constructed in 2002 by a private partner and will revert to Trust ownership upon expiry of the lease in 2027. The arrangement has been determined as a finance lease on the grounds that the Trust has the substantive risks and rewards associated with control of the facility. Accounting treatment is in line with the policy described in note 1.16.

Note 26.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Other	Clinician's Pension Tax Reimbursement	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	**3,098**	**2,466**	**406**	**105**	**-**	**6,075**
Change in the discount rate	**-**	**207**	**-**	**-**	**-**	**207**
Arising during the year	**94**	**94**	**16**	**271**	**970**	**1,445**
Utilised during the year	(247)	(133)	(60)	(269)	-	**(709)**
Reversed unused	**(19)**	**(30)**	**(71)**	**-**	**-**	**(120)**
Unwinding of discount	**-**	**7**	**-**	**-**	**-**	**7**
At 31 March 2020	**2,926**	**2,611**	**291**	**107**	**970**	**6,905**
Expected timing of cash flows:						
- not later than one year;	240	140	291	**107**	**-**	**778**
- later than one year and not later than five years;	960	560	-	**-**	**-**	**1,520**
- later than five years.	1,726	1,911	-	**-**	**970**	**4,607**
Total	**2,926**	**2,611**	**291**	**107**	**970**	**6,905**

Pensions related provisions represent amounts payable to the NHS Business Services Authority - Pensions Division to meet the costs of early retirements and industrial injury benefits. Amounts are determined by the NHS Business Services Authority - Pensions Division based on actuarial estimates of life expectancy and there is therefore, a degree of uncertainty regarding the value of future payments.

Legal claims relate to personal injury and other claims where the Trust has received advice that settlement is probable. The final amounts and timings of payments remain subject to negotiation or legal judgement. Included are claims with a value of £161k (£272k in 2018/19) which are being handled on behalf of the Trust by NHS Resolution who have advised on their status. The value represents amounts which the Trust may bear as its share of any settlement. The balance of claims are being dealt with directly by the Trust as they represent settlement values likely to fall below NHS Resolution's excess level.

Other provisions include those for employment related claims where the Trust disputes liability but recognises some probability of payment.

During 2019/20 a national decision was made to resolve a taxation issue linked to pensions relating to senior clinical staff. Under this interim arrangement, the NHS Trust incurs the additional tax charge which is then reimbursed by NHS England. A provision is recognised in the Trust's accounts with a corresponding receivable from NHS England (Note 19.1)

Note 26.2 Clinical negligence liabilities

At 31 March 2020, £574,148k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Leeds Teaching Hospitals NHS Trust (31 March 2019: £514,645k).

Note 27 Contingent assets and liabilities

	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
NHS Resolution legal claims	(82)	(141)
Employment tribunal and other employee related litigation	(3,400)	-
Other	(319)	(300)
Gross value of contingent liabilities	**(3,801)**	**(441)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(3,801)**	**(441)**
Net value of contingent assets	**-**	**-**

NHS Resolution contingent liabilities consist entirely of claims for personal injury where the probability of settlement is very low. The NHS Resolution have advised on their status. In all cases, quantum has been assessed on a "worst case scenario" and represents the maximum of any payment which may be made. Employment tribunal and other employee related contingent liabilities pertain to the potential financial implications arising from legal cases which remain subject to judgement. These cases do not involve the Trust but there is the possibility that claims will be received or payments made depending on the courts' judgements. The potential liability has numerous ranges of values that could be between £nil and £3.4m. "Other" contingencies relate to personal injury claims which are being managed internally by the Trust. In all cases, the potential payment values have been assessed on a "worst case scenario" basis by reference to independent advice. Settlement of these claims is considered highly improbable but the values quoted represent the Trust's maximum exposure to loss.

Note 28 Contractual capital commitments

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	18,747	20,887
Intangible assets	4,048	2,857
Total	**22,795**	**23,744**

Note 29 On-SoFP PFI arrangements

Institute of Oncology at St James's Hospitals - Bexley Wing

This is a 30 year contract which expires in 2037. It provides for the construction, maintenance and partial equipping of Bexley Wing by the PFI partner in return for an annual charge to the Trust. The Trust has full use of the facilities to provide healthcare services and will take ownership of the building and equipment at the end of the contract period. The PFI partner is responsible for providing a managed maintenance service for the length of the contract after which the responsibilities revert to the Trust. The contract contains payment mechanisms providing for deductions from the annual charge for any poor performance or unavailability. Future charges to the Trust will be determined by reference to the Retail Price Index. In 2022 the annual charge will reduce significantly to reflect the fact that the contractual commitment to meet equipment costs will be complete although the contractor is obliged to continue to provide equipment that is fit for purpose.

Wharfedale Hospital

This is a 30 year contract which expires in 2034. It provides for the construction and maintenance of Wharfedale Hospital by the PFI partner in return for an annual unitary charge to the Trust. The Trust has full use of the Wharfedale Hospital to provide healthcare services and will take ownership of the building at the end of the contract period. The PFI partner is responsible for providing a managed maintenance service for the length of the contract after which the responsibilities revert to the Trust. The contract contains payment mechanisms providing for deductions from the annual charge for any poor performance or unavailability. The unitary charge is subject for an annual uplift for future price increases determined by reference to the Retail Price Index.

Note 29.1 On-SoFP PFI arrangement obligations

The following obligations in respect of the PFI arrangements are recognised in the Statement of Financial Position:

	31 March 2020 £000	31 March 2019 £000
Gross PFI liabilities	**238,301**	**254,395**
Of which liabilities are due		
- not later than one year;	16,094	16,094
- later than one year and not later than five years;	58,144	60,863
- later than five years.	164,063	177,438
Finance charges allocated to future periods	(73,742)	(81,282)
Net PFI obligation	**164,559**	**173,113**
- not later than one year;	8,857	8,554
- later than one year and not later than five years;	32,425	33,848
- later than five years.	123,277	130,711
	164,559	**173,113**

Note 29.2 Total on-SoFP PFI commitments

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

	31 March 2020 £000	31 March 2019 £000
Total future payments committed in respect of the PFI arrangements	**552,587**	**583,407**
Of which payments are due:		
- not later than one year;	34,741	34,295
- later than one year and not later than five years;	129,182	133,154
- later than five years.	388,664	415,958
	552,587	**583,407**

Note 29.3 Analysis of amounts payable to service concession operator

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

	2019/20	2018/19
	£000	£000
Unitary payment payable to service concession operator	**32,732**	**32,070**
Consisting of:		
- Interest charge	6,123	5,962
- Repayment of balance sheet obligation	8,547	8,275
- Service element and other charges to operating expenditure	9,520	9,465
- Capital lifecycle maintenance	1,116	1,113
- Contingent rent	7,426	7,255
Total amount paid to service concession operator	**32,732**	**32,070**

Note 30 Financial instruments

Note 30.1 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. Due to the continuing service provider relationship that the NHS Trust has with commissioners and the way those commissioners are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The 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. The Trust's treasury activity is subject to review by its 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 approval by NHS England/Improvement. The borrowings are for 1 – 25 years, in line with the life of the associated assets. 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.

Credit Risk

Since 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 2020 are in receivables from customers, as disclosed in the contracts receivables note (Note 19.1).

Liquidity risk

The Trust's operating costs are incurred under contracts with NHS commissioning organisations, 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.

Note 30.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	88,805	**88,805**
Cash and cash equivalents	27,594	**27,594**
Total at 31 March 2020	**116,399**	**116,399**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	99,738	**99,738**
Cash and cash equivalents	30,213	**30,213**
Total at 31 March 2019	**129,951**	**129,951**

Note 30.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	85,204	**85,204**
Obligations under finance leases	294	**294**
Obligations under PFI contracts	164,559	**164,559**
Trade and other payables excluding non financial liabilities	145,100	**145,100**
Total at 31 March 2020	**395,157**	**395,157**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	88,698	**88,698**
Obligations under finance leases	334	**334**
Obligations under PFI contracts	173,113	**173,113**
Trade and other payables excluding non financial liabilities	118,013	**118,013**
Total at 31 March 2019	**380,158**	**380,158**

Note 30.4 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	219,195	170,197
In more than one year but not more than two years	12,266	15,029
In more than two years but not more than five years	31,050	38,884
In more than five years	132,646	156,048
Total	**395,157**	**380,158**

Note 30.5 Fair values of financial assets and liabilities

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

Note 31 Losses and special payments

	2019/20		2018/19	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	7	1	-	-
Bad debts and claims abandoned	101	245	77	183
Stores losses and damage to property	2	14	4	138
Total losses	**110**	**260**	**81**	**321**
Special payments				
Ex-gratia payments	129	256	135	192
Total special payments	**129**	**256**	**135**	**192**
Total losses and special payments	**239**	**516**	**216**	**513**

Losses and Special payments relate to cases not specifically funded and which, ideally should not arise. They cover bad debts written off, losses from theft or accidental damage and claims for personal loss or injury which are not reimbursed from insurance arrangements.

Note 32 Related parties

During the year none of the Department of Health and Social Care Ministers, Trust board members or members of the key management staff, or parties related to any of them, have undertaken any material transactions with the Leeds Teaching Hospitals NHS Trust.

The Department of Health and Social Care is regarded as a related party. During the year the Leeds Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These include NHS England and Leeds CCG. In addition, the Trust has had a number of material transactions with other government departments, central and local government bodies (including Leeds City Council) and the University of Leeds.

The Trust has also received revenue and capital payments from a number of charitable funds, including Leeds Cares (formerly the Leeds Hospital Charitable Foundation). Leeds Cares have given £4.5m in revenue (18/19 - £13.6m) and £1.2m in capital donations (18/19 - £2.0m). At 31 March 2020 £3.4m of these donations were still to be received (at 31st March 19 - £5.9m). The Trust's Chair, Dr Linda Pollard and Chris Schofield, a Non Executive Director are both Trustees of Leeds Cares. Leeds Cares is independently managed but raises funds for, manages donations received on behalf of, and makes grants to the Trust.

Professor Paul Stewart, Non Executive Director, is Dean of the School of Medicine, University of Leeds and a Director of Northern Health Science Alliance ("NHSA"). During the year the Trust's income from the University was £7.2m (18/19 - £5.6m) of which £0.9m remained to be paid at 31 March 2020 (31 March 2019 - £1.4m). Expenditure with the University was £13.6m (18/19 - £15.5m) of which £1.6m remained to be paid at 31 March 2020 (31 March 2019 - £1.8m). Expenditure with the NHSA was £18k (18/19 - £nil). Mark Chamberlain, Non Executive Director and Chair of the Quality Committee is an Associate of Capsticks LLP and a member of the Court of Leeds University. Yvette Oade, Chief Medical Officer is a Lay Council Member of Leeds University and a Trustee of Yorkshire Cancer Research. During the year the Trust purchased £57k of legal services from Capsticks LLP (18/19 - £49k) and received income of £65k from Yorkshire Cancer Research (18/19 - £3k).

In addition Gillian Taylor, Non Executive Director, is a board member of Beyond Housing, a housing association, Professor Moria Livingston, Non Executive Director, is the Chair of the charity Dementia Matters and a Non Executive Director of Caretech Holdings plc and Lisa Grant, Chief Nurse, has a registered interest in Marave Ltd. The Trust has not made any payments to these organisations during either 2019/20 or 2018/19.

Note 33 Events after the reporting date

On 2 April 2020 the Department of Health and Social Care ("DHSC") and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital ("PDC") to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise that this is considered an adjusting event after the reporting period for providers such as the Trust. Outstanding interim loans totaling £62m as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Note 34 Better Payment Practice code

	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	235,448	637,736	238,495	547,738
Total non-NHS trade invoices paid within target	165,076	468,816	151,785	344,809
Percentage of non-NHS trade invoices paid within target	70.1%	73.5%	63.6%	63.0%
NHS Payables				
Total NHS trade invoices paid in the year	16,928	90,667	12,432	89,077
Total NHS trade invoices paid within target	9,485	60,422	5,448	60,399
Percentage of NHS trade invoices paid within target	56.0%	66.6%	43.8%	67.8%

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

Note 35 External Financing Limit

The Trust is given an External Financing Limit against which it is permitted to underspend

	2019/20 £000	2018/19 £000
Cash flow financing	(6,312)	(28,091)
External financing requirement	**(6,312)**	**(28,091)**
External Financing Limit (EFL)	11,591	(10,869)
Underspend against EFL	**17,903**	**17,222**

Note 36 Capital Resource Limit

The Trust is given a Capital Resource Limit against which it is not permitted to overshoot

	2019/20 £000	2018/19 £000
Gross capital expenditure	66,148	44,149
Less: Disposals	(765)	(201)
Less: Donated and granted capital additions	(1,695)	(4,049)
Charge against Capital Resource Limit	**63,688**	**39,899**
Capital Resource Limit	63,939	40,036
Underspend against CRL	**251**	**137**

Note 37 Breakeven duty financial performance

	2019/20 £000	2018/19 £000
Adjusted financial performance surplus (control total basis)	13,039	52,925
Add back income for impact of 2018/19 post-accounts PSF reallocation	917	-
Breakeven duty financial performance surplus	**13,956**	**52,925**

Note 38 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		963	2,051	4,207	3,089	1,615
Breakeven duty cumulative position	3,868	4,831	6,882	11,089	14,178	15,793
Operating income		910,556	934,527	970,709	1,002,444	1,044,916
Cumulative breakeven position as a percentage of operating income		0.5%	0.7%	1.1%	1.4%	1.5%

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(24,386)	(30,194)	(1,901)	18,880	52,925	13,956
Breakeven duty cumulative position	(8,593)	(38,787)	(40,688)	(21,808)	31,117	45,073
Operating income	1,086,638	1,115,720	1,172,927	1,238,267	1,335,847	1,414,740
Cumulative breakeven position as a percentage of operating income	(0.8%)	(3.5%)	(3.5%)	(1.8%)	2.3%	3.2%

Going Concern

The Trust has delivered a surplus in 2019-20 inclusive of Provider Sustainability Funding. Following the significant surplus recorded in 2018-19 it returned to cumulative breakeven in compliance with its statutory duty. Plans have been put in place to continue to deliver surpluses in future years in line with agreed control totals.

Following the Covid-19 pandemic, the Department of Health & Social Care has put in place a revised cash regime for 2020/21. Under the revised regime, the Trust will receive block funding, supplemented by monthly top ups, which have been calculated to meet the Trust's on going obligations. Revenue support funding is also available if required although the Trust's long term cash forecast indicates no requirement for such funding.

There is no indication that the services provided by the Trust are unlikely to continue for the foreseeable future. The Trust has a reasonable expectation of access to adequate cash support mechanisms should they be required. In light of this, the directors consider it appropriate that the Trust remains a going concern and the accounts have been prepared on that basis.

Glossary

Accruals basis of accounting
Under the accruals concept, expenses are recognised when incurred, not when the cash is actually paid out, and revenue is recognised when it is earned, not when the cash is actually received.

Amortisation
The term used for depreciation of intangible assets such as the annual charge in respect of some computer licences the NHS trust has purchased.

Asset
An asset is something the NHS trust owns such as buildings, equipment, consumables, cash or monies owed to it.

Assets held for sale
Assets are held for sale if their value will be recovered through a sale transaction rather than through continuing use.

Auto enrolment
Following the Pensions Act 2008 UK employers have to automatically enroll their staff into a workplace pension if they meet certain criteria as part of the government's aim to help people save more for their retirement.

Break even
A statutory duty of NHS trusts to achieve, taking one year with the next. Break even is deemed to be achieved if revenue is greater than or equal to expenditure.

Capital resource limit
A limit on capital expenditure set for the NHS trust by the Department of Health.and Social Care

Cash and cash equivalents
Cash includes cash held in bank accounts and cash in hand. Cash equivalents are assets that can be readily converted into cash such as deposits and short-term investments.

Clinical commissioning group
Organisations set up under the Health and Social Care Act 2012 covering GP practices within their local area. They are responsible for agreeing commissioning and monitoring the care that patients registered with their component GP practices require. CCGs formally came into existence on 1 April 2013.

Commissioners
Organisations that contract with the NHS trust to purchase healthcare. In the main these are NHS Clinical Commissioning Groups and NHS England.

Contingent asset or liability
An asset or liability that is not recognised in the accounts due to the level of uncertainty surrounding it but is disclosed as it is possible that it may result in a future inflow or outflow of resources.

Current asset or liability
An asset or liability that the NHS trust expects to hold or discharge for a period of less that one year from the balance sheet date.

Depreciation
The accounting charge representing the use of property, plant and equipment assets which spreads the cost or value of the asset over its useful life.

Employee benefits
All forms of consideration given to employees for services rendered. These are salaries and wages, social security costs (national insurance), superannuation contributions, paid sick leave, paid annual and long service leave and termination payments.

External financing limit
A limit on cash movements and borrowings set for the NHS trust by the Department of Health and Social Care

Going concern basis
The underlying assumption used in producing the accounts that the NHS trust will continue to operate for at least 12 months from the balance sheet date.

Group Accounting Manual
The annual Department of Health and Social Care publication which sets out the detailed requirements for NHS trust accounts.

Health Education England
Organisation set up under the Health and Social Care Act 2012 which provides national leadership, oversight and funding in support of the planning and development of the NHS workforce.

Impairment
A fall in the value of an asset.

Inventories
Stocks held by the NHS trust such as drugs, consumables etc.

Lease
An agreement where one party conveys the use of an asset for a specified period of time in return for a payment or series of payments.

Liability
An amount owing to a third party such as a loan or unpaid invoice from a supplier.

Net assets
Total assets less total liabilities.

NHS England
Organisation set up under the Health and Social Care Act 2012 which oversees the planning, delivery and day to day operation of the NHS in England. It also commissions specialised clinical services on behalf of the clinical commissioning groups and their patients.

NHS Improvement
The body responsible for overseeing foundation trusts and NHS trusts along with any independent sector providers that provide NHS-funded care. NHS England and NHS Improvement have been operating as a single body in 2019-20

Non Current asset/liability
An asset or liability that the NHS trust expects to hold or discharge for a period of more that one year from the balance sheet date.

Payables
An amount that the NHS trust owes to another party such as suppliers (previously known as creditors under UK GAAP).

Payment by results
This refers to the flow of money in the NHS. Under payment by results the money received by the NHS trust directly relates to the number of operations and other activity undertaken by it.

Private finance initiative
A partnership with private sector organisations to fund major investments without immediate recourse to public funds. Under PFI, the private sector will design, build and often manage major projects and lease them to the NHS trust over a long period, typically 30 years.

Provider Sustainability Fund
A central allocation of funding which is available to NHS providers linked to achievement of performance and financial targets as set out by NHS Improvement

Provision
A liability which is probable but uncertain in terms of the timing and amount of its final settlement.

Public dividend capital
The taxpayers' stake in the NHS trust representing the government's initial investment in the Trust when it was established along with subsequent investments made by the Department of Health and Social Care such as central funding for capital expenditure.

Receivables
An amount that is owed to the NHS trust by another party such as primary care trusts (previously known as debtors under UK GAAP)

Reserves
Reserves represent the overall increase in the value of the net assets of the NHS trust since it was established.

Statement of cash flows
A primary financial statement which shows the flows of cash in and out of the NHS trust during the financial year (previously known as Cash Flow Statement under UK GAAP).

Statement of change in taxpayers equity
A primary financial statement showing the movements in public dividend capital and reserves during the financial year.

Statement of comprehensive income
A primary financial statement showing the revenue earned and expenditure in the financial year (previously known as the income and expenditure account under UK GAAP).

Statement of financial position
A primary statement showing the assets and liabilities of the NHS trust at a particular date, along with how these have been funded (previously known as the balance sheet under UK GAAP).

Sustainability and transformation partnerships
Partnerships established between NHS bodies and local authorities in 44 areas across England to develop proposals and plans to improve health and care for the whole of the population of the area they serve

Tariff
The national price published annually by the Department of Health and Social Care which the NHS trust receives as income from its commissioners under the Payment by Results system for healthcare provided to its patients.

Unrealised gains and losses
Unrealised gains and losses are those which have been recognised by the NHS trust in its accounts but are only potential gains as they have yet to be realised such as rises and falls in the value of land and buildings due to changes in the property market. The gain or loss only becomes realised when the property is sold.

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