

# ANNUAL ACCOUNTS

## 2016 / 2017



## INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF GOVERNORS OF CITY HOSPITALS SUNDERLAND NHS FOUNDATION TRUST

### Certificate

We certify that we have completed the audit of the financial statements of City Hospitals Sunderland NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General ("C&AG").

### Our opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of City Hospitals Sunderland NHS Foundation Trust and Group's affairs as at 31 March 2017 and of its income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the Department of Health Group Accounting Manual 2016/17 and the directions under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006.

### What we have audited

City Hospitals Sunderland NHS Foundation Trust's financial statements comprise:

- the Foundation Trust and Group's Statement of Comprehensive Income;
- the Foundation Trust and Group's Statement of Financial Position;
- the Foundation Trust and Group's Statement of Changes in Taxpayers' Equity;
- the Foundation Trust and Group's Statement of Cash Flows; and
- the related notes 1 to 30.

The financial statements have been prepared in accordance with the Department of Health ("DH") Group Accounting Manual ("GAM") 2016/17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards

("IFRS"), as adopted by the European Union and HM Treasury's Financial Reporting Manual ("FRM") to the extent that they are meaningful and appropriate to NHS foundation trusts.

### Overview of our audit approach

#### Risks of material misstatement

- Risk of fraud in revenue and expenditure recognition, including consideration of the risk of management override of control
- Accounting for the new fully managed and operated healthcare facility arrangement provided by City Hospitals Independent Commercial Enterprises Limited ("CHOICE")
- Exclusion of VAT from the valuation of the Foundation Trust land and buildings

#### Audit scope

- We have performed a full audit on the Trust and Group's financial statements, including the relevant elements of the City Hospitals Sunderland NHS Foundation Trust Charitable Funds ("the Charitable Funds") and CHOICE for Group consolidation purposes

#### Materiality

- Overall Group materiality of £7.1m which represents 2% of operating expenditure

## CITY HOSPITALS SUNDERLAND NHS FOUNDATION TRUST ANNUAL ACCOUNTS 2016/2017

Presented to Parliament pursuant to Schedule 7,  
paragraph 25(4) (a) of the National Health Service Act 2006.



Our assessment of risks of material misstatement

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Notes 1.3 to 1.5, Note 3 and Note 4 of the Accounts.</p> <p>The Foundation Trust was set a control total of a £2.2m deficit for the year by NHS Improvement. The pressure of meeting this financial target, as well as the significant financial pressures that are prevalent in clinical commissioning groups (“CCGs”) as the Trust’s main commissioners of services, lead to a risk of inappropriate revenue and expenditure recognition.</p> <p>We evaluated the income and expenditure streams of the Trust and identified that those areas where management are more likely to be able to override existing controls is where the risk of inappropriate revenue and expenditure recognition lies, specifically:</p> <ul style="list-style-type: none"> <li>• year-end income accruals for contracts with the CCGs;</li> <li>• accounting estimates including accruals and provisions; and</li> <li>• through omission of expenditure from the financial statements.</li> </ul>	<p>We reconciled income recognised from CCGs to contracts for £305m of income from protected service activities (out of a total of £318m) and agreed year-end contract accruals to supporting evidence.</p> <p>We obtained the NHS Agreement of Balances mismatch report from NHS Improvement, which identifies income, expenditure, debtors and creditors balances not agreed by the counterparty. We investigated all variances over the reporting threshold of £250,000, set by the National Audit Office, by discussing with management and agreeing to corroborating evidence.</p> <p>We considered management estimates in the financial statements, agreeing to corroborative evidence where available and did not identify any indicators of management bias.</p> <p>We selected a sample of invoices received, and payments made, in the month of April 2017 and checked back to supporting documentation to confirm that the expenditure was recognised in the correct period.</p> <p>We used data analytics to select a sample of journal entries based on specific risk criteria. We agreed these journal entries back to supporting documentation.</p>	<p>There were no findings arising from our work to report to the Audit Committee.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Accounting for the new fully managed and operated healthcare facility arrangement provided by CHOICE</b></p> <p>Notes 1.6 and 1.21 of the Accounts.</p> <p>On 1 February 2017, a new fully managed and operated healthcare facility arrangement was established by CHOICE through lease of the Trust’s estate for a period of 10 years, sale of stock and TUPE transfer of 303 relevant staff to CHOICE. In return, the Trust received settlement through cash (funded by an inter-company loan of £27.5m) and a share of equity in the CHOICE balance sheet totalling £11.9m.</p> <p>The value and complexity of the transactions led to this being identified as a significant risk of material misstatement to our audit opinion.</p>	<p>We obtained a copy of the tax and accounting advice that the Trust received from its advisors on the transaction. We involved EV VAT specialists to verify that there were no material implications for our audit.</p> <p>We obtained copies of the leases and contracts signed by both the Trust and CHOICE and evaluated the journal entries processed in the Trust and CHOICE accounts to check that they were consistent with the legal documentation.</p> <p>We tested the consolidation adjustments in the Group accounts to confirm that intra-group transactions were correctly eliminated.</p> <p>We compared the value of equity share in CHOICE to the latest management accounts for CHOICE to obtain assurance that the investment in the Trust financial statements was not materially misstated.</p>	<p>We recommended that some of the disclosures in the draft accounts were expanded to include more narrative on the new arrangements.</p> <p>We reported that an adjustment of £7.9m had been made in the financial statements to reflect the fact that the sale to CHOICE, and subsequent finance lease back to the Trust for the same value, of items of equipment had not been recognised in the financial statements. There was no income or expenditure impact of this adjustment.</p> <p>We proposed an adjustment of £1.4m to reverse the release of a VAT creditor posted by the Trust. This was reported as an unadjusted audit difference to the Audit Committee.</p>
<p><b>Exclusion of VAT from the valuation of the Trust’s land and buildings</b></p> <p>Note 1.6 and Note 12 of the Accounts.</p> <p>The valuation of the land and buildings of the Foundation Trust at 31 March 2017 was £170.1m (2016: £193.3m). The fall in valuation primarily relates to the exclusion of VAT from the valuation for the first time in 2016/17. The rationale for the change is that renewal of any estate would fall to CHOICE under the new fully managed and operated healthcare facility arrangement and hence the Trust would be able to reclaim VAT on costs incurred.</p> <p>Per the DH GAM, exclusion of VAT from the valuation of estate is only permissible where there is a clear indication that the VAT would be recoverable. We identified the use of this valuation assumption as a significant risk of material misstatement.</p>	<p>We obtained a copy of the lease agreement between the Trust and CHOICE to confirm that CHOICE would be responsible for the renewal of the buildings as part of the fully managed and operated healthcare facility arrangement.</p> <p>We confirmed to the DH GAM that the exclusion of VAT from the valuation of estate is allowable under specific circumstances.</p> <p>We involved our EY property valuation experts to confirm that, in these circumstances, it is acceptable to value assets excluding VAT, providing that the VAT was recoverable.</p> <p>We involved our EY VAT experts to verify that, given the nature of the lease agreement and structure of the Group, VAT is potentially recoverable under current tax legislation.</p>	<p>We reported to the Audit Committee that we were satisfied that the assumptions used in the valuation of the Foundation Trust land and buildings were reasonable.</p> <p>We also reported that we had worked with management to improve the clarity of the disclosures around the valuation basis in the accounts.</p>

**The scope of our audit**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit strategy and scope. In assessing the risk of material misstatement to the financial statements, we focus audit effort towards higher risk areas, such as management judgements and estimates and balances that are considered significant accounts identified.

The audit team follows a programme of work to ensure we have obtained an understanding of the entity-level controls of the Trust and the Trust's systems, including documentation and walking through key financial systems which assisted us in identifying and assessing risks of material misstatement due to fraud and error, as well as assisting us in determining the most appropriate audit strategy.

The Trust prepares Group financial statements, consolidating CHoICE and the Charitable Funds accounts, which we also audit and issue an opinion on. We have audited the Group financial statements, including the relevant elements of CHoICE and the Charitable Funds for Group consolidation purposes.

We were provided with sufficient access to the Trust to ensure appropriate audit procedures could be completed.

**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £7.1m, which is 2% of operating expenditure. We believe that operating expenditure provides us with a reasonable basis for determining materiality as it is the key driver of the Group's financial position.

During the course of our audit, we reassessed initial materiality and updated it based on the draft financial statements submitted for audit.

**Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £3.5m. We have set performance materiality at this percentage due to this being our first year as auditors to the Group.

**Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.25m, which is the level at which we are required to report unadjusted differences to the National Audit Office as part of their group instructions, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Trust and Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Accounting Officer; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Auditor's work on Value for Money arrangements**

We are required to consider whether the Trust has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is based on the overall criterion that "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

Proper arrangements are defined by statutory guidance issued by the National Audit Office and comprise the arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we draw on the requirements of the guidance issued by NHS Improvement to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your Annual Governance Statement.

We are only required to determine whether there are any risks that we consider significant within the Code

of Audit Practice which is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects".

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risk, there is no requirement to carry out further work. Our risk assessment considers both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.

We report by exception if we conclude that we are not satisfied that the audited body has in place proper arrangements to secure value for money in the use of its resources.

The table below presents the findings of our work in response to the risk areas identified.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<b>Ensuring financial sustainability</b>	<p>We obtained correspondence from NHS Improvement ("NHSI") to confirm that the conditions imposed on the Trust's license had been removed.</p> <p>We obtained a copy of the 2017 /18 and 2018/19 planning return submitted to NHSI and noted that the Foundation Trust plans to remain within its control total for both years. We considered the assumptions used in developing the plans and agreed to supporting documentation where possible, including obtaining correspondence with CCGs and copies of cost improvement plans ("CIPs"). CIPs for 2017/18 are planned at £13m which is consistent with prior year performance.</p>	<p>There were no findings arising from our work to report to the Audit Committee.</p>

**Respective responsibilities of Accounting Officer and auditors**

As explained more fully in the Statement of Accounting Officer’s Responsibilities, set out on page 158, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report is made solely to the members of the Council of Governors of City Hospitals Sunderland NHS Foundation Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act and the National Health Service Act 2006. Our audit work will be undertaken so that we might state to the Council of Governors of the Foundation Trust, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Foundation Trust and the Foundation Trust’s Governors as a body, for our audit work, for the audit report, or for the opinions we form.

**Opinion on other matters prescribed by the Code of Audit Practice issued by the NAO**

In our opinion:

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the parts of the Remuneration and Staff Report identified as subject to audit has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2016/17.

**Matters on which we report by exception**

The Code of Audit Practice requires us to report to you if:

<p>We issue a report in the public interest under schedule 10(3) of the National Health Service Act 2006.</p>	<p>We have no exceptions to report.</p>
<p>We refer the matter to the regulator under schedule 10(6) of the National Health Service Act 2006 because we have reason to believe that the Trust, or a director or officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.</p>	<p>We have no exceptions to report.</p>
<p>We are not satisfied that the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources as required by schedule 10(1)(d) of the National Health Service Act 2006.</p>	<p>We have no exceptions to report.</p>

**Other matters on which we report by exception**

<p><b>NHS Foundation Trust Annual Reporting Manual 2016/17 and ISAs (UK and Ireland) reporting</b></p>	<p>We are required to report to you if, in our opinion, information in the Annual Report is:</p> <ul style="list-style-type: none"> <li>• materially inconsistent with the information in the audited financial statements; or</li> <li>• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the NHS Foundation Trust acquired in the course of performing our audit; or</li> <li>• otherwise misleading.</li> </ul> <p>In particular, we consider if:</p> <ul style="list-style-type: none"> <li>• we have identified any inconsistencies between our knowledge acquired during the audit and the directors’ statement that they consider the Annual Report is fair, balanced and understandable; or</li> <li>• whether the Annual Report appropriately discloses those matters that were communicated to the Audit Committee which we consider should have been disclosed.</li> </ul>	<p>We have no exceptions to report.</p>
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<p><b>Code of Audit Practice issued by the NAO</b></p>	<p>We are required to report to you if we have been unable to satisfy ourselves that:</p> <ul style="list-style-type: none"> <li>• the Annual Governance Statement, and other information published with the financial statements meets the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2016/17 and is not misleading or inconsistent with other information forthcoming from the audit; and</li> <li>• proper practices have been observed in the compilation of the financial statements.</li> </ul>	<p>We have no exceptions to report.</p>
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**Who we are reporting to**

This report is made solely to the Council of Governors of City Hospitals Sunderland NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors, for our audit work, for this report, or for the opinions we have formed.

**Nicola Wright**

for and on behalf of Ernst & Young LLP  
Newcastle upon Tyne

**Date: 26 May 2017**

The maintenance and integrity of the City Hospitals Sunderland NHS Foundation Trust web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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**FOREWORD TO THE ACCOUNTS****City Hospitals Sunderland NHS Foundation Trust**

These financial statements for the year ended 31 March 2017 have been prepared by City Hospitals Sunderland NHS Foundation Trust under Schedule 7 of the National Health Service Act 2006, paragraphs 24 and 25 and in accordance with directions given by NHS Improvement, the sector regulator for health services in England.



**K W Bremner**  
Chief Executive

**Date: 18 May 2017**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2017

		Group 2016/17	Foundation Trust 2016/17	Group 2015/16	Foundation Trust 2015/16
	NOTE	£000	£000	£000	£000
<b>Revenue</b>					
Operating income from patient care activities	2 – 3	319,611	319,611	313,278	313,278
Other operating income	3	43,204	43,054	29,737	30,085
Operating expenses	4 – 6	(353,457)	(354,176)	(345,173)	(345,737)
<b>Operating surplus / (deficit)</b>		<b>9,358</b>	<b>8,489</b>	<b>(2,158)</b>	<b>(2,374)</b>
<b>Finance Costs</b>					
Finance income	8	82	280	119	91
Finance expenses – financial liabilities	9	(1,931)	(1,966)	(1,840)	(1,840)
Finance expenses – unwinding of discount on provisions	20	(13)	(13)	(14)	(14)
PDC dividends payable	29	(4,771)	(4,771)	(4,937)	(4,937)
<b>Net finance costs</b>		<b>(6,633)</b>	<b>(6,470)</b>	<b>(6,672)</b>	<b>(6,700)</b>
Losses on disposal of assets	7	(42)	(55)	(80)	(64)
Movement in fair value of other investments	14.2	299	0	(74)	0
Corporation tax expense	10	(101)	0	(42)	0
<b>Surplus / (deficit)</b>		<b>2,881</b>	<b>1,964</b>	<b>(9,026)</b>	<b>(9,138)</b>
Revaluation (deficit) / surplus – property, plant & machinery		(14,287)	(14,287)	7,008	7,008
<b>Total Comprehensive (Expense) / Income for the year</b>		<b>(11,406)</b>	<b>(12,323)</b>	<b>(2,018)</b>	<b>(2,130)</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 March 2017

		Group 31 March 2017	Foundation Trust 31 March 2017	Group 31 March 2016	Foundation Trust 31 March 2016
	NOTE	£000	£000	£000	£000
<b>Non-current assets</b>					
Intangible assets	11	4,952	4,948	5,469	5,464
Property, plant and equipment	12	201,433	201,428	216,065	216,058
Investment in subsidiary	13	0	11,893	0	0
Long term debt with subsidiary	13	0	23,196	0	0
Loan to subsidiary	13	0	700	0	800
Other investments	14.1	2,374	0	2,051	0
Trade and other receivables	15.1	1,145	1,145	918	918
<b>Total non-current assets</b>		<b>209,904</b>	<b>243,310</b>	<b>224,503</b>	<b>223,240</b>
<b>Current assets</b>					
Current debt with subsidiary	13	0	4,198	0	0
Loan to subsidiary	13	0	100	0	100
Inventories	16.1	6,109	5,255	6,097	5,519
Trade and other receivables	15.1	20,732	25,619	10,941	10,771
Cash and cash equivalents	17	6,981	2,081	16,234	14,184
<b>Total current assets</b>		<b>33,822</b>	<b>37,253</b>	<b>33,272</b>	<b>30,574</b>
<b>Current liabilities</b>					
Finance lease	19.3	0	(701)	0	0
Trade and other payables	18	(31,456)	(33,769)	(29,314)	(28,912)
Borrowings	19	(3,729)	(3,729)	(3,768)	(3,768)
Provisions	20	(240)	(240)	(260)	(260)
Other liabilities	21	(1,638)	(4,810)	(1,556)	(1,556)
<b>Total current liabilities</b>		<b>(37,063)</b>	<b>(43,249)</b>	<b>(34,898)</b>	<b>(34,496)</b>
<b>Total assets less current liabilities</b>		<b>206,663</b>	<b>237,314</b>	<b>222,877</b>	<b>219,318</b>
<b>Non-current liabilities</b>					
Finance lease	19.3	0	(7,111)	0	0
Trade and other payables	18	0	0	(1,460)	(1,460)
Borrowings	19	(53,086)	(53,086)	(56,359)	(56,359)
Provisions	20	(794)	(794)	(869)	(869)
Other liabilities	21	0	(28,016)	0	0
<b>Total non-current liabilities</b>		<b>(53,880)</b>	<b>(89,007)</b>	<b>(58,688)</b>	<b>(58,688)</b>
<b>Total assets employed</b>		<b>152,783</b>	<b>148,307</b>	<b>164,189</b>	<b>160,630</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 March 2017

	Group 31 March 2017	Foundation Trust 31 March 2017	Group 31 March 2016	Foundation Trust 31 March 2016
	£000	£000	£000	£000
<b>Financed by taxpayers' equity</b>				
Public Dividend Capital	99,542	99,542	99,542	99,542
Revaluation reserve	60,796	59,355	75,083	75,083
Income and expenditure reserve	(11,731)	(10,590)	(13,894)	(13,995)
<b>Others' equity</b>				
Charitable Fund reserve	4,176	0	3,458	0
<b>Total taxpayers' equity</b>	<b>152,783</b>	<b>148,307</b>	164,189	160,630

The financial statements on pages 12 to 61 were approved by the Board on 18 May 2017 and signed on its behalf by:



**K W Bremner**  
Chief Executive

Date: 18 May 2017

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Group				Foundation Trust				
	Total Taxpayers' Equity £000	Public Dividend Capital £000	Revaluation Reserve £000	Charitable Fund Reserve £000	Income and Expenditure Reserve £000	Total Taxpayers' Equity £000	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000
<b>Taxpayers' Equity at 1 April 2016</b>	164,189	99,542	75,083	3,458	(13,894)	160,630	99,542	75,083	(13,995)
<b>Changes in taxpayers' equity for 2016-17</b>									
Total Comprehensive Income / (Expense) for the year:	(14,287)	0	(14,287)	0	0	(14,287)	0	(14,287)	0
Revaluations – property, plant & machinery	0	0	0	0	0	0	0	(1,441)	1,441
Transfers between reserves	2,881	0	0	718	2,163	1,964	0	0	1,964
Surplus for the year	152,783	99,542	60,796	4,176	(11,731)	148,307	99,542	59,355	(10,590)
<b>Taxpayers' Equity at 31 March 2017</b>									
Taxpayers' Equity at 1 April 2015	166,207	99,542	68,075	3,530	(4,940)	162,760	99,542	68,075	(4,857)
Changes in taxpayers' equity for 2015-16									
Total Comprehensive Income / (Expense) for the year:	7,008	0	7,008	0	0	7,008	0	7,008	0
Revaluations – property	(9,026)	0	0	(72)	(8,954)	(9,138)	0	0	(9,138)
(Deficit) / Surplus for the year	164,189	99,542	75,083	3,458	(13,894)	160,630	99,542	75,083	(13,995)
<b>Taxpayers' Equity at 31 March 2016</b>									



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2017

		Foundation		Foundation
	Group	Trust	Group	Trust
NOTE	2016/17	2016/17	2015/16	2015/16
	£000	£000	£000	£000
<b>Cash flows from operating activities</b>				
Operating surplus / (deficit) from continuing operations	9,358	8,489	(2,158)	(2,374)
<b>Non-cash income and expense:</b>				
Depreciation and amortisation	8,246	8,243	7,959	7,956
Net impairments	3,254	3,254	(3,362)	(3,362)
Non cash donations	(71)	(71)	(136)	(136)
(Increase) / decrease in trade and other receivables	(9,622)	(14,824)	1,623	1,040
(Increase) / decrease in inventories	(12)	264	(1,387)	(1,493)
Increase in trade and other payables	277	3,002	904	1,193
Decrease in provisions	(108)	(108)	(111)	(111)
Tax paid	(47)	0	(8)	0
NHS Charitable Funds – working capital adjustments	72	0	(4)	0
Increase/(decrease) in other liabilities	82	82	(66)	(66)
Other movements in operating cash flows	(261)	0	0	0
<b>Net cash generated from operating activities</b>	<b>11,168</b>	<b>8,331</b>	3,254	2,647
<b>Cash flows from investing activities</b>				
Interest received	26	280	66	91
Purchase of intangible assets	(598)	(598)	(1,440)	(1,440)
Purchase of property, plant and equipment	(9,525)	(9,525)	(13,768)	(13,768)
Sales of property, plant and equipment	157	157	0	0
NHS Charitable Funds – net cash flow from investing	45	0	(429)	0
<b>Net cash used in investing activities</b>	<b>(9,895)</b>	<b>(9,686)</b>	(15,571)	(15,117)
<b>Net cash inflows / (outflows) before financing</b>	<b>1,273</b>	<b>(1,355)</b>	(12,317)	(12,470)
<b>Cash flows from financing activities</b>				
Loans received	0	0	16,300	16,300
Loans repaid	(3,273)	(3,273)	(3,073)	(3,073)
Interest paid	(1,970)	(2,005)	(1,836)	(1,836)
Loan paid by subsidiary	0	455	0	100
Loan repaid to subsidiary	0	(113)	0	0
PDC dividend paid	(5,283)	(5,283)	(4,679)	(4,679)
Cash flows from (used in) other financing activities	0	(529)	0	0
NHS charitable funds – net cash flows from financing activities	0	0	0	0
<b>Net cash (used) / generated from financing activities</b>	<b>(10,526)</b>	<b>(10,748)</b>	6,712	6,812
<b>Decrease in cash and cash equivalents</b>	<b>(9,253)</b>	<b>(12,103)</b>	(5,605)	(5,658)
<b>Cash and cash equivalents at 1 April</b>	<b>16,234</b>	<b>14,184</b>	21,839	19,842
<b>Cash and cash equivalents at 31 March</b>	<b>6,981</b>	<b>2,081</b>	16,234	14,184

## NOTES TO THE ACCOUNTS

## 1. Accounting Policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006. NHS Improvement has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual (DH GAM) which shall be agreed with the Secretary of State. Consequently, the following financial statements have been prepared in accordance with the DH GAM 2016/17 issued by the Department of Health. The accounting policies contained in that manual follow IFRS and HM Treasury's FReM to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

## 1.1 Estimation Techniques

These are methods adopted by the Group to arrive at monetary amounts, corresponding to the measurement basis selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied.

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 1.2 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the annual report and accounts.

The day to day operations of the Group are funded from agreed fixed term contracts with Clinical Commissioning Groups (CCGs). These payments provide a reliable stream of funding minimising the Foundation Trust's exposure to liquidity and financing problems. The Group's budgets and expenditure plans are based on the agreed level of commissioned service and indicate that it has sufficient resource to meet ongoing commitments.

Trade receivables mainly arise from transactions with CCGs under contractual terms that require settlement of the obligation within a time frame established by the Department of Health.

During 2017 a revaluation was conducted by Cushman and Wakefield (a member of RICS) to revalue the Group's land and buildings property. The main change in the approach to this valuation from previous valuations was not to include VAT in the cost of buildings. This is disclosed in greater detail at note 1.6.

## 1.3 Income

Income is accounted for applying the accruals convention. The main source of income for the Group is under contracts from commissioners in respect of healthcare services. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The Foundation Trust contracts with NHS commissioners on a Payment by Results basis and follows pertinent guidance published by NHS England and NHS improvement for example in setting local tariffs, agreeing risk shares or block arrangements.

The Foundation Trust records and accounts for Clinical Work in Progress. Clinical Work in Progress represents partially completed spells of patient treatment that remain un-invoiced at the end of the financial year. The value of Clinical Work in Progress for 2016/17 amounted to £2,062k compared to £2,339k in 2015/16.

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

The Foundation Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Foundation Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a

compensation claim. The income is measured at the agreed tariff for the treatment provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

#### 1.4 Expenditure on Employee Benefits

##### *Short-term Employee Benefits*

Salaries, wages and employment related payments 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 annual report and accounts to the extent that employees are permitted to carry forward leave into the following period.

##### **Pension costs**

##### *NHS Pension Scheme*

Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. It is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.

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

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

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](http://www.nhsbsa.nhs.uk/pensions).

Both schemes are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period

In order that the defined benefit obligations recognised in the accounts 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 the scheme liability is carried out annually by the scheme actuary 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 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 scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension 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 their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay.

Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

Estimated employer contributions for 2017/18 are £29,562k this is based upon the contribution rate of 14.38% (including an uplift of 0.08% to cover administration of the scheme).

##### **c) Scheme provisions**

The NHS Pension Scheme provides defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

The 1995 and 2008 Schemes are "final salary" schemes. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

With effect from 1 April 2015 a pension scheme was introduced based on career average revalued earning (CARE) with benefits based on a proportion of pensionable earnings during an employee's career. There is a build-up rate of 1/54 of each year's pensionable earnings. The annual increase in this scheme is based on CPI plus 1.5%.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the

scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVCs run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

##### **National Employment Savings Trust (NEST)**

The Pensions Act 2008 (the Act) introduced a new requirement for employers to automatically enrol any eligible job holders working for them into a workplace pension scheme that meets certain requirements and provide a minimum employer contribution. The Foundation Trust implemented auto-enrolment on 1 May 2013.

Where an employee is eligible to join the NHS Pension Scheme then they will be automatically enrolled into this scheme, even if they have previously opted out. However, where an employee is not eligible to join the NHS Pension Scheme (e.g. flexible retiree employees) then an alternative scheme must be made available by the Group.

The Group has chosen NEST as an alternative scheme for the Foundation Trust and as the main scheme for CHOICE (as new CHOICE employees are not eligible to join the NHS Pension Scheme). NEST is a defined contribution pension scheme that was created as part of the government's workplace pensions reforms under the Pensions Act 2008.

Employers' pension cost contributions for both schemes are charged to operating expenses as and when they become due.

#### 1.5 Expenditure on other goods and services

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

#### 1.6 Property, Plant and Equipment

##### *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 Group;
- it is expected to be used for more than one financial year;

- the cost of the item can be measured reliably;
- individually they have a cost of at least £5,000; or
- they form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- they form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

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

#### Measurement

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. The carrying values of property, plant and equipment are reviewed for impairment in years if events, or changes in circumstances, indicate the carrying value may not be recoverable. The costs arising from financing the construction of the property, plant and equipment asset are not capitalised but are charged to the Statement of Comprehensive Income in the year to which they relate.

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

All assets are measured subsequently at fair value.

All land and buildings are restated to current value using professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Valuations are carried out every 5 years with an interim review every 3 years. These valuations may be carried out annually where economic conditions cause fluctuations in building cost indices. During 2017 a revaluation was conducted by Cushman and Wakefield (a member of RICS) to revalue the Group's land and buildings property. The main change in the approach to this valuation from previous valuations was not to include VAT in the cost of

buildings. This is because any new, replacement or alterations to existing buildings would be provided with CHOICE, being the main contractor, charging the Foundation Trust for a fully managed estates service; consequently VAT would be recovered by the Foundation Trust under Contracted out Services regulations. Overall the valuation resulted in a downward revaluation of £15,728k being taken to the revaluation reserve and an impairment of £3,254k being charged to operating expenses.

Land and buildings used for the Group's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the 5 or 3 yearly valuation or when they are brought into use.

Plant and equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

#### Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost

incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

#### Depreciation

Items of Property, Plant and Equipment are depreciated on a straight line basis over their remaining useful

economic lives. No depreciation is provided on freehold land. Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Group.

Buildings, installations and fitting are depreciation based on their current value over the estimated remaining life of the asset as assessed by the Group's professional valuers. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated based on current cost over the estimated life.

#### Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income. Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

#### Impairments

In accordance with the DH GAM, impairments that are due to a loss of economic benefits or 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 arising from a loss of economic benefit or 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 income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of "other impairments" are treated as revaluation gains.

#### De-recognition

Assets intended for disposal are reclassified as 'Held for

Sale' once all of the following criteria are met:

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

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met. Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

#### Donated assets

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

### 1.7 Intangible assets

#### Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Group'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 Group and where the cost of the asset can be measured reliably.

#### *Internally generated intangible assets*

**Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets. Expenditure on research is not capitalised. Expenditure on development is capitalised only where all of the following can be demonstrated:**

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

#### *Software*

Software which is integral to the operation of hardware e.g. 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 e.g. application software, is capitalised as an intangible asset.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred and amortised over the shorter of the terms of the licences and their useful economic lives.

#### *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 historic cost. Revaluations gains and losses and impairments are treated in the same manner as for Property, Plant and Equipment. Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

#### *Amortisation*

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

### **1.8 Inventories**

Inventories are valued at the lower of cost and net realisable value. Pharmacy Stocks are valued at weighted average cost, all other stocks are valued on a 'First In First Out' basis.

### **1.9 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

### **1.10 Financial instruments and financial liabilities**

#### *Recognition*

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Group's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made. Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below. All other financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

#### *De-recognition*

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

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

Financial assets are categorised as 'Loans and receivables'. Financial liabilities are classified as 'Financial liabilities at amortised cost'.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise: current investments, cash and cash equivalents, NHS receivables, accrued income and 'other receivables'. Loans and receivables are

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

#### *Financial liabilities at amortised cost*

All financial liabilities at amortised cost are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

#### *Impairment of financial assets*

At the Statement of Financial Position date, the Group assesses whether any financial assets impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

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

### **1.11 Leases**

#### **The Trust as lessee**

##### *Operating leases*

Leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the

lease.

##### *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.

##### *Finance leases*

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

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

The annual rental is split between the repayment of the liability and a finance cost by apportioning each rental payment between a finance charge and a reduction of the lease obligation using the sum of digits method. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

##### *The Trust as lessor*

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 charged to income and expenditure as incurred.

### **1.12 Provisions**

The Group 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 rate which varies from -2.70% to -0.80% in real terms dependent upon the time base of the cash outflow (2015-16, -1.55% to 0.80%). The only exception to this is early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of 0.24% (2015-16 - 1.37%) in real terms.

##### *Clinical negligence costs*

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Foundation Trust pays an annual contribution to the NHSLA, which, in return,

settles all clinical negligence claims. The NHSLA is financially responsible for all clinical negligence cases and the liability for all potential and outstanding claims is provided in their Accounts. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Foundation Trust is disclosed at Note 18 but is not recognised in the Foundation Trust's accounts.

#### Non-clinical risk pooling

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

#### 1.13 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 Group's control) are not recognised as assets, but are disclosed in Note 21 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 21, 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 Group's control; or
- Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

#### 1.14 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 trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

An annual charge, reflecting the cost of capital utilised by the Foundation 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 Group during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) average daily cash balances held with the Government Banking Services (GBS), excluding cash balances held in GBS accounts that relate to a short-term working

capital facility, and (ii) donated assets (including lottery funded assets), and (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

#### 1.15 Value Added Tax

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

#### 1.16 Corporation Tax

City Hospitals Independent Commercial Enterprises Limited (CHOICE) is a wholly owned subsidiary of City Hospitals Sunderland NHS Foundation Trust and is subject to corporation tax on profits. Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the individual profit and loss accounts of the two organisations except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities, for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted on the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The main rate of UK Corporation Tax changed from 21% to 20% with effect from 1 April 2015.

The main rate of Corporation tax will reduce further on 1 April 2017 and again to 19% on 1 April 2020.

#### 1.17 Foreign exchange

The functional and presentational currencies of the Group are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the

transaction.

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

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

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

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

#### 1.18 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Group has no beneficial interest in them. However, they are disclosed separately in Note 24 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

#### 1.19 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, Note 27 on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

#### 1.20 Recent standards issued but not yet adopted in the NHS

The following table presents a list of recently issued accounting standards and amendments which have not yet been adopted within the FReM, and are therefore not applicable to DH group accounts in 2016-17.

IFRS (IASB)	
IFRS 9 Financial Instruments	Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted.
IFRS 14 Regulatory Deferral Accounts	Not yet EU-endorsed.* Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable to DH group bodies.
IFRS 15 Revenue from contracts with customers	Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted.
IFRS 16 Leases	Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted. pension schemes

\* This reflects the EU-adopted effective date rather than the effective date in the standard.

## 1.21 Consolidation of Charitable Funds and Subsidiary Companies

### NHS Charitable Fund

City Hospitals Sunderland NHS Foundation Trust is the corporate trustee to The City Hospitals Sunderland NHS Foundation Trust Charitable Funds. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable fund and has the ability to affect those returns and other benefits through its power over the fund.

The Trust is required to consolidate any material charitable funds which it determines to be subsidiaries. Since the requirement was introduced the Trust has not previously consolidated the charitable fund in the financial statements on the grounds of the fund not being material. From this financial year the Trust has elected to consolidate the charitable funds to be consistent with the consolidation of its other subsidiary.

The City Hospitals Sunderland NHS Foundation Trust Charitable Funds is registered with the Charity Commission (registered number 1052366). As at the 31 March 2016, the value of the funds was £3,458k. As at 31 March 2017 the value of the funds is estimated as £4,176k. This represents an estimated net increase in value of £718k.

City Hospitals Sunderland Nhs Foundation Trust Charitable Funds principal office is based at The Children's Centre, Durham Road, Sunderland, SR3 4AD.

### Other Subsidiaries

Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial

Position.

The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year. Where subsidiaries' accounting policies are not aligned with those of the Trust (including where they report under UK GAAP) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

City Hospitals Sunderland NHS Foundation Trust is the sole shareholder of City Hospitals Independent Commercial Enterprises Limited (CHoICE). The financial statements of CHoICE have been consolidated into these group financial statements. Previously these financial statements were not consolidated on the grounds of them not being material.

## 1.22 Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who make strategic decisions.

## 1.23 Going Concern

The Board of Directors has a reasonable expectation that the Trust will have adequate financial resources to continue in operational existence for the foreseeable future. This is based on the fact that the Group achieved its revised plan for 2016/17 which was an operational deficit of £12.767m (excluding STF funding). The group's cash position was £4.865m (excluding Charitable Funds) below plan. Looking forward the Group is planning to deliver an operational deficit of £5.744m in 2017/18 reducing to £1.670m in 2018/19 with cash remaining positive throughout that period. The Group has therefore prepared these financial statements on a going concern basis.

## 2. Segmental Analysis

The Foundation Trust operates within a single reportable segment i.e. healthcare. This primarily covers the provision of a wide range of healthcare related services to the community of the City of Sunderland and additionally, the provision of an increasing range of more specialised services to patients outside of the area.

The Board of Directors act as the Chief Operating Decision Maker for the Foundation Trust and the monthly financial position of the Foundation Trust is presented/reported to them as a single segment.

	Group 2016/17 Healthcare £000	Foundation Trust 2016/17 Healthcare £000	Group 2015/16 Healthcare £000	Foundation Trust 2015/16 Healthcare £000
<b>Income</b>				
Income from activities	319,611	319,611	313,278	313,27
Other operating income	43,204	43,054	26,332	26,680
<b>Total Income as per SoCI</b>	<b>362,815</b>	<b>362,665</b>	339,610	339,958
Charitable Funds income	(933)	0	(530)	0
<b>Total income as reported to the Board of Directors</b>	<b>361,882</b>	<b>362,665</b>	339,080	339,958
<b>Deficit by segment</b>				
Operating surplus / (deficit) as reported to the Board of Directors	2,163	1,964	(12,500)	(12,500)
CHoICE*	0	0	184	0
Charitable Funds surplus / (deficit)	718	0	(72)	0
<b>Surplus / (deficit) per Statement of Comprehensive Income</b>	<b>2,881</b>	<b>1,964</b>	(12,388)	(12,500)
<b>Segment net assets</b>	<b>152,783</b>	<b>148,307</b>	164,189	160,630

\*CHoICE was reported separately to the Board in 2015/16 and then combined with the Foundation Trust in 2016/17.

The majority of the Foundation Trust's total operating income is received from NHS England and CCGs. Of the £361,882k total operating income reported in 2016/17, an amount of £332,793k (92%) was attributable to NHS England and CCGs (£310,225k (90%) 2015/16).

Customers generating more than 10% of the Foundation Trust's income for both 2016/17 and 2015/16 were as follows:

	2016/17 £000	2015/16 £000
NHS Sunderland CCG	182,798	183,300
NHS England	61,660	42,424
NHS Durham Dales, Easington and Sedgfield CCG	37,206	36,114
NHS England – North East Specialised Commissioning Hub	37,101*	

\*Less than 10% in 2015/16

There was £nil income in 2016/17 (£nil 2015/16) generated by external customers outside of England.

### 3. Operating income

#### 3.1 Income from activities by classification

	Group £000 2016/17	Foundation Trust £000 2016/17	Group £000 2015/16	Foundation Trust £000 2015/16
Elective income	68,349	68,349	75,106	75,106
Non elective income	73,967	73,967	71,006	71,006
Outpatient income	56,356	56,356	50,613	50,613
A & E income	15,236	15,236	14,309	14,309
Other income from activities	104,340	104,340	101,221	101,221
<b>Total income from protected services activities*</b>	<b>318,248</b>	<b>318,248</b>	<b>312,255</b>	<b>312,255</b>
NHS Injury Benefit Scheme**	965	965	621	621
Private patient income	398	398	402	402
<b>Total income from activities</b>	<b>319,611</b>	<b>319,611</b>	<b>313,278</b>	<b>313,278</b>
Sustainability and Transformation Fund income	15,085	15,085	0	0
Research and Development	1,485	1,485	1,652	1,652
Education and training***	11,429	11,429	10,429	10,429
Charitable and other contributions to expenditure	71	71	136	136
Non-patient care services to other bodies	439	439	494	494
NHS Charitable Funds incoming resources excluding investment income	893	0	437	0
Other income	13,802	14,545	13,184	13,969
<b>Total other operating income</b>	<b>43,204</b>	<b>43,054</b>	<b>26,332</b>	<b>26,680</b>
<b>Total operating income before reversal of impairments</b>	<b>362,815</b>	<b>362,665</b>	<b>339,610</b>	<b>339,958</b>
Reversal of impairments of property	0	0	3,405	3,405
<b>Total operating income after reversal of impairments</b>	<b>362,815</b>	<b>362,665</b>	<b>343,015</b>	<b>343,363</b>

\* The Terms of Authorisation set out the mandatory goods and services that the Foundation Trust is required to provide (protected services).

\*\* Injury cost recovery income is subject to a provision for impairment of receivables of 22.94% (2015/16: 21.99%) to reflect expected rates of collection.

\*\*\*The Terms of Authorisation set out the mandatory education and training that the Foundation Trust is required to provide (protected education and training). All of the income from education and training shown above is derived from the provision of protected education and training. All other categories of operating income are un-protected.

#### 3.2 Income from activities by source – Group & Foundation Trust

	2016/17 £000	Restated 2015/16 £000
NHS:		
Commissioner requested services		
– CCGs	314,620	308,911
Non Commissioner requested services		
– Local Authorities	2,605	2,411
– Other	885	883
– NHS Trusts	138	50
	<b>318,248</b>	<b>312,255</b>
Non NHS:		
– NHS Injury Benefit Scheme**	965	621
– Private Patients	398	402
<b>Total income from activities</b>	<b>319,611</b>	<b>313,278</b>

#### 3.2 Income from activities by source (continued)

The main components of 'Other Income' within note 3.1 include:

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Consultant work offsite	2,033	2,033	2,080	2,080
SLAs with other Trusts	2,657	2,657	1,913	1,913
Car parking	2,060	2,060	1,845	1,845
NHSLA funding re: Sign up for safety	0	0	775	775
SLA with CHoICE	0	639	0	631
Clinical Excellence Awards	371	371	354	354
Catering income	291	291	379	379
Vanguard Funding from Sunderland CCG	245	245	380	380
Premises lease income from Sunderland CCG	213	213	0	0
Mortuary	208	208	256	256
Trauma Network funding	185	185	220	220
Rental of hospital premises	175	175	227	227
Offender Health funding	87	87	254	254
Matrix recharges	38	38	443	443
Additional teaching/research related income	0	0	155	155
	<b>8,563</b>	<b>9,202</b>	<b>9,281</b>	<b>9,912</b>
Other	5,239	5,343	3,903	4,057
	<b>13,802</b>	<b>14,545</b>	<b>13,184</b>	<b>13,969</b>

#### 3.3 Income generation activities

The Foundation Trust undertakes a number of income generation activities with the aim of achieving profit which is then used in patient care.



## 4. Operating expenses

### 4.1/1 Operating expenses comprise:

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Services from NHS Foundation Trusts	13,736	13,736	13,374	13,374
Services from NHS Trusts	18	18	22	22
Services from other NHS Bodies	1,277	1,277	849	849
Purchase of healthcare from non NHS Bodies	3,181	3,181	4,519	4,519
Employee Expenses – Executive directors	1,477	1,456	1,324	1,324
Employee Expenses – Non-executive directors	148	140	156	148
Employee Expenses – Staff	209,888	208,653	206,032	205,896
Employee Expenses – Internal Audit and LCFS	84	84	313	313
Drug Costs	38,439	39,812	36,609	37,719
Supplies and services – clinical	33,461	33,427	34,917	34,917
Supplies and services – general	8,878	7,535	8,899	8,899
Establishment	2,952	2,791	2,807	2,807
Transport	281	240	338	338
Premises	11,732	14,716	12,450	12,450
(Decrease) / increase in provision for impairment of receivables	(7)	(7)	18	18
Depreciation of property, plant and equipment	7,329	7,329	7,067	7,065
Amortisation of intangible assets	917	916	892	891
Net impairments of property, plant and equipment	3,254	3,254	0	0
Internal Audit and LCFS	140	140	12	12
Audit fees				
Audit services – statutory audit	64	43	67	53
Other auditors remuneration				
Assurance services	0	0	13	13
Audit fees in relation to Charitable Funds statutory audit	6	0	4	0
Taxation services	113	0	75	0
Clinical negligence – insurance premium	12,908	12,908	11,781	11,781
NHS Charitable funds other resources expended	340	0	334	0
Other expenditure	2,841	2,527	2,302	2,329
	<b>353,457</b>	<b>354,176</b>	<b>345,173</b>	<b>345,737</b>
The main components of 'Other Expenditure' include:				
	2016/17 £000	2016/17 £000	2015/16 £000	2015/16 £000
Training, courses and conferences	510	510	680	713
Legal fees	442	442	221	221
Consultancy fees	825	825	876	876
Insurance	305	305	295	290
Other	759	445	230	229
	<b>2,841</b>	<b>2,527</b>	<b>2,302</b>	<b>2,329</b>

### 4.1/2 Limitation of auditors liability

On 10th May 2017, the Foundation Trust approved the principal terms of engagement with its auditors, Ernst & Young LLP, covering the period of Ernst & Young LLP engagement as auditors. The terms include a limitation on their liability to pay damages for losses arising as a direct result of breach of contract or negligence, of £2m (2015/16: PricewaterhouseCoopers LLP £1m).

### 4.2 Operating leases – as a lessee

#### 4.2/1 Analysis of operating lease expenditure

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Land and buildings	230	735	573	573
Hire of plant and machinery	4,839	4,839	3,042	3,042
Total Minimum Lease Payments	<b>5,069</b>	<b>5,574</b>	<b>3,615</b>	<b>3,615</b>

Group – Hire of plant and machinery includes:

#### Staff leased vehicles:

Staff vehicles are leased for a minimum period of 3 years with an option to extend if required. Vehicles returned to the lessor prior to the end of the 3 year lease are subject to an early termination penalty, which is borne by the employee. All leased vehicles are subject to an annual prepayment and an amount of £550k is included above (£528k 2015/16).

#### 4.2/2 Arrangements containing an operating lease

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Future minimum lease payments due:				
– Within 1 year	1,713	4,885	1,379	1,379
– Between 1 and 5 years	4,476	17,164	2,209	2,209
– After five years	0	15,351	0	0
	<b>6,189</b>	<b>37,400</b>	<b>3,588</b>	<b>3,588</b>

### 4.3 Operating leases – as a lessor

#### 4.3/1 Analysis of operating lease income

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Land and buildings	<b>213</b>	<b>213</b>	167	167



## 5. Employee expenses and numbers

### 5.1 Employee expenses (excluding non-Executive Directors' costs)

	Group			Foundation Trust		
	2016/17 Total £000	Permanently Employed £000	Other £000	2016/17 Total £000	Permanently Employed £000	Other £000
Salaries and wages	171,055	161,608	9,447	169,987	160,540	9,447
Social Security Costs	15,417	14,113	1,304	15,329	14,025	1,304
Pension costs – defined contribution plans employers contributions to NHS Pensions	20,188	18,865	1,323	20,088	18,765	1,323
Other pension costs	36	0	36	36	0	36
Agency/contract staff	4,867	0	4,867	4,867	0	4,867
Employee benefits expense	<u>211,563</u>	<u>194,586</u>	<u>16,977</u>	<u>210,307</u>	<u>193,330</u>	<u>16,977</u>
Amounts included within above charged to capital schemes	<u>114</u>			<u>114</u>		

Total pension costs with respect to the 6 Directors in 2016/17 amounted to £135k (2015/16: 5 Directors – £138k).  
The banded remuneration of the highest paid Director in the Foundation Trust in the financial year 2016/17 was £255k to £260k (2015/16: £220k to £225k).

Further details in respect of Directors' emoluments can be found within the Remuneration Report which forms part of the Annual Report.

	Group			Foundation Trust		
	2015/16 Total £000	Permanently Employed £000	Other £000	2015/16 Total £000	Permanently Employed £000	Other £000
Salaries and wages	168,360	159,754	8,606	168,247	159,641	8,606
Social Security Costs	13,166	11,978	1,188	13,143	11,955	1,188
Pension costs – defined contribution plans employers contributions to NHS Pensions	19,989	18,784	1,205	19,989	18,784	1,205
Other pension costs	32	0	32	32	0	32
Agency/contract staff	6,308	0	6,308	6,308	0	6,308
Employee benefits expense	<u>207,855</u>	<u>190,516</u>	<u>17,339</u>	<u>207,719</u>	<u>190,380</u>	<u>17,339</u>
Amounts included within above charged to capital schemes	<u>186</u>			<u>186</u>		

## 5. Employee expenses and numbers (Continued)

### 5.2 Monthly average number of persons employed (The figures shown represent the Whole Time Equivalent (WTE) as opposed to the number of employees)

	Group			Foundation Trust		
	2016/17 WTE Number	Permanently Employed WTE Number	Other WTE Number	2016/17 WTE Number	Permanently Employed WTE Number	Other WTE Number
Medical and dental	561	398	163	561	398	163
Administration and estates	1,180	1,180	0	1,140	1,140	0
Healthcare assistants and other support staff	885	885	0	884	884	0
Nursing, midwifery and health visiting staff	1,471	1,471	0	1,470	1,470	0
Scientific, therapeutic and technical staff	560	560	0	558	558	0
Bank and agency staff	91	0	91	91	0	91
Total	<u>4,748</u>	<u>4,494</u>	<u>254</u>	<u>4,704</u>	<u>4,450</u>	<u>254</u>

	Group			Foundation Trust		
	2015/16 WTE Number	Permanently Employed WTE Number	Other WTE Number	2015/16 WTE Number	Permanently Employed WTE Number	Other WTE Number
Medical and dental	552	412	140	552	412	140
Administration and estates	1,201	1,201	0	1,200	1,200	0
Healthcare assistants and other support staff	861	861	0	861	861	0
Nursing, midwifery and health visiting staff	1,507	1,507	0	1,507	1,507	0
Scientific, therapeutic and technical staff	564	564	0	564	564	0
Bank and agency staff	105	0	105	105	0	105
Total	<u>4,790</u>	<u>4,545</u>	<u>245</u>	<u>4,789</u>	<u>4,544</u>	<u>245</u>

### 5.3 Employee benefits

There were no employee benefits authorised during 2016/17 (2015/16 £nil).

### 5.4 Retirements due to ill-health

During 2016/17 (prior year 2015/16) there were 2 (3) early retirements from the Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £86,660 (2015/16 £165,867). Their cost will be borne by the NHS Business Services Authority – Pensions Agency.

## 5. Employee expenses and numbers (Continued)

### 5.5a: Exit Packages : Group and Foundation Trust

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Packages by Cost Band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
<£10,000	0	0	0	20	0	20
<b>Total Number of Exit Packages by Type</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total Resource Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>44</b>

### Note 5.5b: Exit Packages: Non-compulsory Departure Payments

	Agreements		Total Value of Agreements	
	2016/17 Number	2015/16 Number	2016/17 £'000	2015/16 £'000
Contractual payments in lieu of notice	0	20	0	44
<b>Total</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>44</b>
Of which:				
non-contractual payments requiring HM Treasury approval made to individuals where the payment value was more than 12 months of their annual salary	0	0	0	0

As a single exit package can be made up of several components, each of which will be counted separately in this note, the total number above will not necessarily match the total numbers in Note 5.5a which will be the number of individuals.

The Remuneration Report provides the detail of any exit payments payable to the individuals named in that report.

## 6. The Late Payment of Commercial Debts (Interest) Act 1998 – Group and Foundation Trust

	2016/17 £000	2015/16 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

## 7. Gains/(losses) of disposal of assets

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Loss on disposal of other property, plant and equipment	(55)	(55)	(64)	(64)
Gains/(losses) on disposal of charitable fund assets	13	0	(16)	0
	<b>(42)</b>	<b>(55)</b>	<b>(80)</b>	<b>(64)</b>

## 8. Finance income

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Interest received on commercial bank accounts	16	16	15	15
Interest received from short term deposits	10	10	51	51
NHS Charitable Funds Investment income	56	0	53	0
Loan interest received from subsidiary	0	254	0	25
	<b>82</b>	<b>280</b>	<b>119</b>	<b>91</b>

## 9. Finance expenses – financial liabilities

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
Interest on loans from the Foundation Trust Financing Facility:				
Tranches A-B – Day case theatres and new Mortuary	129	129	143	143
Tranches C-E – C Block extension	886	886	933	933
Tranches F-G – Multi Storey Car Park	167	167	181	181
Tranches H-J – Emergency Department rebuild	543	543	487	487
Tranches K-L – Endoscopy Scheme – refurbishment	37	37	21	21
Tranches M-N – ABP Pathology Integration	169	169	75	75
	<b>1,931</b>	<b>1,931</b>	<b>1,840</b>	<b>1,840</b>
Finance Leases – Intra group	0	35	0	0
	<b>1,931</b>	<b>1,966</b>	<b>1,840</b>	<b>1,840</b>

Further detail in respect of loans can be found at Note 19.2.

## 10. Corporation Tax

The UK Corporation Tax relates to the Foundation Trust's subsidiary CHOICE. The Foundation Trust has no Corporation Tax expense (2015/16 £nil).

	Group 2016/17 £000	Group 2015/16 £000
UK Corporation Tax expense	101	47
Adjustments in respect of prior years	0	(4)
Current tax expense	<u>101</u>	<u>43</u>
Origination and reversal of temporary differences	<u>0</u>	<u>(1)</u>
Deferred tax expense	<u>0</u>	<u>(1)</u>
Effective tax charge percentage	<u>20%</u>	<u>19%</u>

## 11. Intangible assets

### 11.1 Intangible assets

	Group Software licences £000	Foundation Trust Software licences £000
Cost at 1 April 2016	11,744	11,738
Additions purchased	400	400
<b>Cost at 31 March 2017</b>	<b><u>12,144</u></b>	<b><u>12,138</u></b>
Accumulated amortisation at 1 April 2016	6,275	6,274
Provided during the year	917	916
<b>Accumulated amortisation at 31 March 2017</b>	<b><u>7,192</u></b>	<b><u>7,190</u></b>
<b>Net book value</b>		
– Purchased at 1 April 2016	5,469	5,464
– Donated at 1 April 2016	0	0
<b>– Total at 1 April 2016</b>	<b><u>5,469</u></b>	<b><u>5,464</u></b>
– Purchased at 31 March 2017	4,952	4,948
– Donated at 31 March 2017	0	0
<b>– Total at 31 March 2017</b>	<b><u>4,952</u></b>	<b><u>4,948</u></b>

	Software licences £000	Software licences £000
Cost at 1 April 2015	10,166	10,160
Additions purchased	1,578	1,578
<b>Cost at 31 March 2016</b>	<b><u>11,744</u></b>	<b><u>11,738</u></b>
Accumulated amortisation at 1 April 2015	5,383	5,383
Provided during the year	892	891
<b>Accumulated amortisation at 31 March 2016</b>	<b><u>6,275</u></b>	<b><u>6,274</u></b>
<b>Net book value</b>		
– Purchased at 1 April 2015	4,777	4,777
– Donated at 1 April 2015	0	0
<b>– Total at 1 April 2015</b>	<b><u>4,777</u></b>	<b><u>4,777</u></b>
– Purchased at 31 March 2016	5,469	5,464
– Donated at 31 March 2016	0	0
<b>– Total at 31 March 2016</b>	<b><u>5,469</u></b>	<b><u>5,464</u></b>

### 11.2 Economic life of intangible assets – Group & Foundation Trust

	Min life Years	Max life Years
<b>Intangible assets – purchased</b>		
Software licences	1	5

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**12. Property, plant and equipment – Group****12.1 Property, plant and equipment comprise the following elements:**

	Total £000	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000
<b>2016/17</b>									
Cost or valuation at 1 April 2016	273,124	6,642	185,338	1,346	11,025	48,456	454	18,013	1,850
Additions purchased	10,379	0	0	0	10,379	0	0	0	0
Additions donated *	71	0	0	0	0	62	0	9	0
Impairments charged to operating expenses	(3,254)	0	(3,254)	0	0	0	0	0	0
Reclassifications	0	0	616	0	(1,933)	612	12	673	20
Revaluations	(39,978)	0	(20,400)	0	0	(19,578)	0	0	0
Disposals	(2,099)	(48)	0	(112)	0	(1,876)	(10)	(53)	0
<b>At 31 March 2017</b>	<b>238,243</b>	<b>6,594</b>	<b>162,300</b>	<b>1,234</b>	<b>19,471</b>	<b>27,676</b>	<b>456</b>	<b>18,642</b>	<b>1,870</b>
Accumulated depreciation at 1 April 2016	57,059	0	0	0	0	40,402	401	14,487	1,769
Provided during the year	7,329	0	4,650	24	0	1,542	21	1,074	18
Revaluations	(25,691)	0	(4,650)	(22)	0	(21,019)	0	0	0
Disposals	(1,887)	0	0	(2)	0	(1,822)	(10)	(53)	0
<b>Accumulated depreciation at 31 March 2017</b>	<b>36,810</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,103</b>	<b>412</b>	<b>15,508</b>	<b>1,787</b>
<b>Net book value</b>									
– Purchased at 1 April 2016	214,945	6,642	184,633	1,346	11,025	7,654	53	3,511	81
– Donated at 1 April 2016	1,120	0	705	0	0	400	0	15	0
<b>Total at 1 April 2016</b>	<b>216,065</b>	<b>6,642</b>	<b>185,338</b>	<b>1,346</b>	<b>11,025</b>	<b>8,054</b>	<b>53</b>	<b>3,526</b>	<b>81</b>
– Purchased at 31 March 2017	200,441	6,594	161,659	1,234	19,471	8,241	44	3,115	83
– Donated at 31 March 2017	992	0	641	0	0	332	0	19	0
<b>Total at 31 March 2017</b>	<b>201,433</b>	<b>6,594</b>	<b>162,300</b>	<b>1,234</b>	<b>19,471</b>	<b>8,573</b>	<b>44</b>	<b>3,134</b>	<b>83</b>

\* There were no restrictions or conditions placed upon the donated assets received by the Foundation Trust from Charitable Funds.

**12. Property, plant and equipment – Foundation Trust****12.1 Property, plant and equipment comprise the following elements:**

	Total £000	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000
<b>2016/17</b>									
Cost or valuation at 1 April 2016	273,115	6,642	185,338	1,346	11,025	48,447	454	18,013	1,850
Additions purchased	18,304	0	0	0	10,379	7,925	0	0	0
Additions donated *	71	0	0	0	0	62	0	9	0
Impairments charged to operating expenses	(3,254)	0	(3,254)	0	0	0	0	0	0
Reversal of impairments credited to the revaluation reserve	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	616	0	(1,933)	612	12	673	20
Revaluations	(39,978)	0	(20,400)	0	0	(19,578)	0	0	0
Disposals	(19,456)	(48)	0	(112)	0	(19,233)	(10)	(53)	0
<b>At 31 March 2017</b>	<b>228,802</b>	<b>6,594</b>	<b>162,300</b>	<b>1,234</b>	<b>19,471</b>	<b>18,235</b>	<b>456</b>	<b>18,642</b>	<b>1,870</b>
Accumulated depreciation at 1 April 2016	57,055	0	0	0	0	40,398	401	14,487	1,769
Provided during the year	7,329	0	4,650	24	0	1,542	21	1,074	18
Impairments charged to operating expenses	0	0	0	0	0	0	0	0	0
Reversal of impairments credited to operating income	0	0	0	0	0	0	0	0	0
Revaluations	(25,691)	0	(4,650)	(22)	0	(21,019)	0	0	0
Disposals	(11,319)	0	0	(2)	0	(11,254)	(10)	(53)	0
<b>Accumulated depreciation at 31 March 2017</b>	<b>27,374</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,667</b>	<b>412</b>	<b>15,508</b>	<b>1,787</b>
<b>Net book value</b>									
– Purchased at 1 April 2016	214,938	6,642	184,633	1,346	11,025	7,647	53	3,511	81
– Donated at 1 April 2016	1,120	0	705	0	0	400	0	15	0
<b>Total at 1 April 2016</b>	<b>216,058</b>	<b>6,642</b>	<b>185,338</b>	<b>1,346</b>	<b>11,025</b>	<b>8,047</b>	<b>53</b>	<b>3,526</b>	<b>81</b>
– Purchased at 31 March 2017	200,436	6,594	161,659	1,234	19,471	8,236	44	3,115	83
– Donated at 31 March 2017	992	0	641	0	0	332	0	19	0
<b>Total at 31 March 2017</b>	<b>201,428</b>	<b>6,594</b>	<b>162,300</b>	<b>1,234</b>	<b>19,471</b>	<b>8,568</b>	<b>44</b>	<b>3,134</b>	<b>83</b>

\* There were no restrictions or conditions placed upon the donated assets received by the Foundation Trust from Charitable Funds.

## 12. Property, plant and equipment – Group

### 12.2 Property, plant and equipment comprise the following elements:

	Total £000	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000
<b>2015/16</b>									
Cost or valuation at 1 April 2015	258,386	10,871	173,514	1,375	4,372	47,653	454	18,296	1,851
Additions purchased	13,435	0	0	0	13,435	0	0	0	0
Additions donated *	136	0	9	0	0	127	0	0	0
Reclassifications	0	(26)	5,461	32	(6,782)	821	0	495	(1)
Revaluations	2,221	(4,203)	6,354	4	0	66	0	0	0
Disposals	(1,054)	0	0	(65)	0	(211)	0	(778)	0
<b>At 31 March 2016</b>	<b>273,124</b>	<b>6,642</b>	<b>185,338</b>	<b>1,346</b>	<b>11,025</b>	<b>48,456</b>	<b>454</b>	<b>18,013</b>	<b>1,850</b>
Accumulated depreciation at 1 April 2015	59,197	0	3,996	23	0	38,907	377	14,149	1,745
Provided during the year	7,067	0	4,174	23	0	1,706	24	1,116	24
Impairments charged to operating expenses	43	0	43	0	0	0	0	0	0
Reversal of impairments credited to operating income	(3,405)	0	(3,405)	0	0	0	0	0	0
Revaluations	(4,853)	0	(4,808)	(45)	0	0	0	0	0
Disposals	(990)	0	0	(1)	0	(211)	0	(778)	0
<b>Accumulated depreciation at 31 March 2016</b>	<b>57,059</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,402</b>	<b>401</b>	<b>14,487</b>	<b>1,769</b>
<b>Net book value</b>									
– Purchased at 1 April 2015	198,069	10,871	168,873	1,352	4,372	8,291	77	4,127	106
– Donated at 1 April 2015	1,120	0	645	0	0	454	0	21	0
<b>Total at 1 April 2015</b>	<b>199,189</b>	<b>10,871</b>	<b>169,518</b>	<b>1,352</b>	<b>4,372</b>	<b>8,745</b>	<b>77</b>	<b>4,148</b>	<b>106</b>
– Purchased at 31 March 2016	214,945	6,642	184,633	1,346	11,025	7,654	53	3,511	81
– Donated at 31 March 2016	1,120	0	705	0	0	400	0	15	0
<b>Total at 31 March 2016</b>	<b>216,065</b>	<b>6,642</b>	<b>185,338</b>	<b>1,346</b>	<b>11,025</b>	<b>8,054</b>	<b>53</b>	<b>3,526</b>	<b>81</b>

\* There were no restrictions or conditions placed upon the donated assets received by the Foundation Trust from Charitable Funds.

## 12. Property, plant and equipment – Foundation Trust

### 12.2 Property, plant and equipment comprise the following elements:

	Total £000	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000
<b>2015/16</b>									
Cost or valuation at 1 April 2015	258,376	10,871	173,514	1,375	4,372	47,643	454	18,296	1,851
Additions purchased	13,435	0	0	0	13,435	0	0	0	0
Additions donated *	136	0	9	0	0	127	0	0	0
Reclassifications	0	(26)	5,461	32	(6,782)	821	0	495	(1)
Revaluations	2,221	(4,203)	6,354	4	0	66	0	0	0
Disposals	(1,054)	0	0	(65)	0	(211)	0	(778)	0
<b>At 31 March 2016</b>	<b>273,114</b>	<b>6,642</b>	<b>185,338</b>	<b>1,346</b>	<b>11,025</b>	<b>48,446</b>	<b>454</b>	<b>18,013</b>	<b>1,850</b>
Accumulated depreciation at 1 April 2015	59,196	0	3,996	23	0	38,906	377	14,149	1,745
Provided during the year	7,065	0	4,174	23	0	1,704	24	1,116	24
Impairments charged to operating expenses	43	0	43	0	0	0	0	0	0
Reversal of impairments credited to operating income	(3,405)	0	(3,405)	0	0	0	0	0	0
Revaluations	(4,853)	0	(4,808)	(45)	0	0	0	0	0
Disposals	(990)	0	0	(1)	0	(211)	0	(778)	0
<b>Accumulated depreciation at 31 March 2016</b>	<b>57,056</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,399</b>	<b>401</b>	<b>14,487</b>	<b>1,769</b>
<b>Net book value</b>									
– Purchased at 1 April 2015	198,060	10,871	168,873	1,352	4,372	8,283	77	4,126	106
– Donated at 1 April 2015	1,120	0	645	0	0	454	0	21	0
<b>Total at 1 April 2015</b>	<b>199,180</b>	<b>10,871</b>	<b>169,518</b>	<b>1,352</b>	<b>4,372</b>	<b>8,737</b>	<b>77</b>	<b>4,147</b>	<b>106</b>
– Purchased at 31 March 2016	214,938	6,642	184,633	1,346	11,025	7,647	53	3,511	81
– Donated at 31 March 2016	1,120	0	705	0	0	400	0	15	0
<b>Total at 31 March 2016</b>	<b>216,058</b>	<b>6,642</b>	<b>185,338</b>	<b>1,346</b>	<b>11,025</b>	<b>8,047</b>	<b>53</b>	<b>3,526</b>	<b>81</b>

\* There were no restrictions or conditions placed upon the donated assets received by the Foundation Trust from Charitable Funds.

**12.3 Economic life of property, plant and equipment – Group & Foundation Trust**

	Min life Years	Max life Years
Buildings excluding dwellings	40	90
Dwellings	90	90
Plant and machinery	5	15
Transport equipment	7	7
Information technology	5	8
Furniture and fittings	5	10

**12.4 Property, plant and equipment**

The Foundation Trust held assets under finance leases with CHOICE to the value of £7,812k at the Statement of Financial Position date.

**13. Investment in Subsidiary Undertakings – Foundation Trust**

	31 March 2017 £000	31 March 2016 £000
Shares in subsidiary undertakings	11,893	0
Long term debt in subsidiary >1yr	23,196	0
Loans to subsidiary undertakings > 1yr	700	800
	<b>35,789</b>	<b>800</b>
Long term debt in subsidiary <1yr	4,198	0
Loans to subsidiary undertakings < 1yr	100	100
	<b>40,087</b>	<b>900</b>

The shares in the subsidiary company CHOICE Ltd comprises a 100% holding in the share capital consisting of 11,893,000 ordinary £1 shares.

The principal activity of CHOICE Ltd is to provide estate management and facility services.

**14. Other Investments****14.1 Other Investments – Market Value**

The investment portfolio of the Charitable Fund is managed by Rathbone Investment Management Ltd. Cash funds are held outside the portfolio by the fund to deal with short term cash flow issues that may arise.

	31 March 2017 £000	31 March 2016 £000
Market value brought forward	2,051	1,659
Acquisitions at cost	343	973
Disposals at carrying value	(319)	(507)
Net gain / (loss) on revaluation	299	(74)
<b>Market value at 31 March</b>	<b>2,374</b>	<b>2,051</b>

	31 March 2017 £000	31 March 2016 £000
<b>Investments held:</b>		
<u>Investments listed on a recognised Stock Exchange:</u>		
In the UK	1,015	854
Outside the UK	0	58
<u>Unlisted securities:</u>		
In the UK	1,039	1,030
Outside the UK	320	109
<b>Market value at 31 March</b>	<b>2,374</b>	<b>2,051</b>

**14.2 Other Investments – Movement in fair value**

	31 March 2017 £000	31 March 2016 £000
Net gain / (loss) on revaluation	299	(74)

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**15. Trade and other receivables****15.1 Trade and other receivables**

	-----Group-----			-----Foundation Trust-----		
	Total 31 March 2017 £000	Financial assets £000	Non- financial assets £000	Total 31 March 2017 £000	Financial assets £000	Non- financial assets £000
<b>Current</b>						
NHS receivables *	13,874	13,874	0	13,874	13,874	0
Other receivables with related parties	703	0	703	243	243	0
Provision for impaired receivables	(439)	(242)	(197)	(439)	(242)	(197)
Prepayments	3,215	0	3,215	3,025	0	3,025
PDC dividend receivable	251	0	251	251	0	251
Other receivables	2,916	1,993	923	8,665	7,742	923
NHS charitable funds: trade and other receivables	212	212	0	0	0	0
<b>Total current trade and other receivables</b>	<b>20,732</b>	<b>15,837</b>	<b>4,895</b>	<b>25,619</b>	<b>21,617</b>	<b>4,002</b>
<b>Non-Current</b>						
Provision for impaired receivables	(341)	0	(341)	(341)	0	(341)
Other receivables	1,486	0	1,486	1,486	0	1,486
<b>Total non current trade and other receivables</b>	<b>1,145</b>	<b>0</b>	<b>1,145</b>	<b>1,145</b>	<b>0</b>	<b>1,145</b>

	-----Group-----			-----Foundation Trust-----		
	Total 31 March 2016 £000	Financial assets £000	Non- financial assets £000	Total 31 March 2016 £000	Financial assets £000	Non- financial assets £000
<b>Non Current</b>						
NHS receivables *	6,457	6,457	0	6,457	6,457	0
Other receivables with related parties	52	0	52	172	120	52
Provision for impaired receivables	(527)	(369)	(158)	(527)	(369)	(158)
Prepayments	3,001	0	3,001	3,001	0	3,001
Other receivables	1,891	1,017	874	1,668	794	874
NHS charitable funds: trade and other receivables	67	67	0	0	0	0
<b>Total current trade and other receivables</b>	<b>10,941</b>	<b>7,172</b>	<b>3,769</b>	<b>10,771</b>	<b>7,002</b>	<b>3,769</b>
<b>Non-Current – Group</b>						
Provision for impaired receivables	(260)	0	(260)	(260)	0	(260)
Other receivables	1,178	0	1,178	1,178	0	1,178
<b>Total non current trade and other receivables</b>	<b>918</b>	<b>0</b>	<b>918</b>	<b>918</b>	<b>0</b>	<b>918</b>

\* The majority of NHS receivables are with Clinical Commissioning Groups, as commissioners for NHS patient care services. NHS receivables that are neither past due nor impaired are expected to be paid within their agreed terms.

**15.2 Provision for impairment of receivables – Group and Foundation Trust**

	2016/2017 £000	2015/2016 £000
At 1 April	787	828
Increase in provision	0	18
Amounts utilised	(7)	(59)
<b>At 31 March</b>	<b>780</b>	<b>787</b>

**15.3 Analysis of impaired receivables – Group and Foundation Trust**

	31 March 2017 £000	31 March 2016 £000
0-30 days	20	54
30-60 days	24	19
60-90 days	39	15
90-180 days	18	73
Over 180 days	679	626
<b>Total</b>	<b>780</b>	<b>787</b>

**15.4 Ageing of non-impaired receivables past their due date – Group and Foundation Trust**

	31 March 2017 £000	Restated 31 March 2016 £000
0-30 days	3,828	3,788
30-60 days	611	671
60-90 days	122	407
90-180 days	297	476
Over 180 days	1,568	1,233
<b>Total</b>	<b>6,426</b>	<b>6,575</b>

All receivables within their credit period are deemed to be fully recoverable. Receivable amounts are considered on a case by case basis and any impairment made is based upon information held by the Group. No information was held indicating that non impaired receivables should be subject to impairment as at 31st March 2017.

**16.1 Inventories**

	Group 31 March 2017 £000	Foundation Trust 31 March 2017 £000	Group 31 March 2016 £000	Foundation Trust 31 March 2016 £000
Raw materials and consumables	6,109	5,255	6,097	5,519

**16.2 Inventories recognised in expenses**

	31 March 2017 £000	31 March 2017 £000	31 March 2016 £000	Restated 31 March 2016 £000
Inventories recognised in expenses	45,128	41,682	43,097	39,475
Write-down of inventories recognised as an expense	80	80	120	120
<b>Inventories recognised in expenses</b>	<b>45,208</b>	<b>41,762</b>	<b>43,217</b>	<b>39,595</b>

The Foundation Trust value for 2015/16 has been restated to exclude the value of drug purchases from CHoCE as they do not flow through the Foundation Trust Inventory.

**17. Cash and cash equivalents**

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
<b>At 1 April</b>	<b>16,234</b>	<b>14,184</b>	21,839	19,842
Net change in year	(9,253)	(12,103)	(5,605)	(5,658)
<b>At 31 March</b>	<b>6,981</b>	<b>2,081</b>	16,234	14,184
Broken down into:				
Cash at commercial banks and in hand	3,468	465	917	420
Cash with Government Banking Service	1,616	1,616	13,764	13,764
NHS charitable funds: cash and cash equivalents	1,897	0	1,553	0
<b>Cash and cash equivalents as in Statement of Financial Position and Statement of Cash Flows</b>	<b>6,981</b>	<b>2,081</b>	16,234	14,184

**18. Trade and other payables**

	Group		Foundation Trust	
	Total 31 March 2017 £000	Financial liabilities £000	Total 31 March 2017 £000	Financial liabilities £000
<b>Current</b>	<b>3,908</b>	<b>3,908</b>	<b>3,908</b>	<b>3,908</b>
NHS payables – revenue	0	0	0	0
Amounts due to other related parties	0	0	5,059	5,059
Other trade payables	12,697	12,697	10,661	10,661
Other tax and social security costs	4,131	0	4,002	4,002
Trade payables - capital	1,993	1,993	1,993	1,993
Other payables	4,048	1,363	3,972	2,536
Accruals	4,615	4,615	4,174	4,174
PDC dividend payable	0	0	0	0
NHS charitable funds: Trade and other payables	64	64	0	0
<b>Total current trade and other payables</b>	<b>31,456</b>	<b>24,640</b>	<b>33,769</b>	<b>22,172</b>
<b>Non-current</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amounts due to other related parties	0	0	0	0
<b>Total non-current trade and other payables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current</b>	<b>3,252</b>	<b>3,252</b>	<b>3,252</b>	<b>3,252</b>
NHS payables – revenue	0	0	0	0
Amounts due to other related parties	0	0	512	512
Other trade payables	9,653	9,653	9,295	9,295
Other tax and social security costs	4,003	0	3,954	3,954
Trade payables - capital	1,337	1,337	1,337	1,337
Other payables	3,893	1,274	3,893	2,619
Accruals	6,822	6,822	6,408	6,408
PDC dividend payable	261	0	261	261
NHS charitable funds: Trade and other payables	93	93	0	0
<b>Total current trade and other payables</b>	<b>29,314</b>	<b>22,431</b>	<b>28,912</b>	<b>22,078</b>
<b>Non-current</b>	<b>1,460</b>	<b>1,460</b>	<b>1,460</b>	<b>1,460</b>
Amounts due to other related parties*	1,460	1,460	1,460	1,460
<b>Total non-current trade and other payables</b>	<b>1,460</b>	<b>1,460</b>	<b>1,460</b>	<b>1,460</b>

\*Relates solely to a creditor with Her Majesty's Revenue & Customs relating to Value Added Tax claims submitted under the "Lennartz" ruling.



**19. Borrowings****19.1 Long term loans**

	Group 2016/17 £000	Foundation Trust 2016/17 £000	Group 2015/16 £000	Foundation Trust 2015/16 £000
<b>Current</b>				
Loans from Independent Trust Financing Facility*	3,729	3,729	3,768	3,768
Obligations under finance lease **	0	701	0	0
<b>Total current borrowing</b>	<b>3,729</b>	<b>4,430</b>	<b>3,768</b>	<b>3,768</b>
<b>Non-current</b>				
Loans from Independent Trust Financing Facility	53,086	53,086	56,359	56,359
Obligations under finance lease **	0	7,111	0	0
<b>TOTAL</b>	<b>53,086</b>	<b>60,197</b>	<b>56,359</b>	<b>56,359</b>

Other Loans – No other loans are held by either the Foundation Trust or its subsidiary.

\* Interest amounting to £456k (£495k, 31 March 2016) is included within the above.

\*\* The £7,812k obligation under finance leases in the Trust arises from the arrangement between the Trust and its subsidiary undertaking, CHOICE Ltd, for the supply of operational healthcare facilities. This liability and the associated property have both been recognised in the Statement of Financial Position of the Trust following a detailed consideration of the lease terms and the risks and rewards of the arrangement.

The Trust finance leases have been accounted for in accordance with the DH GAM.

**19.2 Loans – payment of loan principal falling due – Independent Trust Financing Facility****Group & Foundation Trust**

	31 March 2017 £000	31 March 2016 £000
Amounts falling due:		
Within one year	3,273	3,273
Between one to two years	3,273	3,273
Between two to five years	9,821	9,821
After five years	39,992	43,265
<b>TOTAL</b>	<b>56,359</b>	<b>59,632</b>

**Independent Trust Financing Facility Loan**

	Interest rate %	£000
Tranche A: Repayable by instalments of £104,000 every 6 months commenced 31 July 2007	4.25	5,000
Tranches C-E: Repayable by instalments of £593,600 every 6 months commenced 17 October 2011	4.05	28,000
Tranches F-G: Repayable by instalments of £259,000 every 6 months commencing 18 September 2015	2.64	7,000
Tranches H-J: Repayable by instalments of £364,100 every 6 months commencing 18 September 2015	3.36	17,000
Tranches K-L: Repayable by instalments of £255,600 every 6 months commencing 18 February 2016	1.36	3,000
Tranches M-N: Repayable by instalments of £166,000 every 6 months commencing 8 February 2016	2.11	8,300

**19. Borrowings (Continued)****19.3 Finance Lease Obligations**

	Group 31 March 2017 £000	Foundation Trust 31 March 2017 £000	Group 31 March 2016 £000	Foundation Trust 31 March 2016 £000
Gross Lease Liabilities	0	9,027	0	0
<i>Of which liabilities are due:-</i>				
– Not later than one year	0	920	0	0
– Later than one year and not later than five years	0	3,676	0	0
– Later than five year	0	4,431	0	0
Finance charges allocated to future periods	0	(1,215)	0	0
<b>Net Lease Liabilities</b>	<b>0</b>	<b>7,812</b>	<b>0</b>	<b>0</b>
– Not later than one year	0	701	0	0
– Later than one year and not later than five years	0	3,003	0	0
– Later than five year	0	4,108	0	0
	<b>0</b>	<b>7,812</b>	<b>0</b>	<b>0</b>

The £7,812k obligation under finance leases in the Trust arises from the arrangement between the Trust and its subsidiary undertaking, CHOICE Ltd, for the supply of operational healthcare facilities. This liability and the associated property have both been recognised in the Statement of Financial Position of the Trust following a detailed consideration of the lease terms and the risks and rewards of the arrangement.

**20. Provisions for liabilities and charges – Group and Foundation Trust**

	Current		Non-Current		
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	
Pensions relating to other staff	60	63	247	316	
Legal claims	144	161	0	0	
Other	36	36	547	553	
	<u>240</u>	<u>260</u>	<u>794</u>	<u>869</u>	
	Pensions relating to other staff £000	Legal claims £000	Other £000	<b>Total</b> £000	
At 1 April 2015	434	195	597	<b>1,226</b>	
Change in discount rate	(2)	0	(4)	<b>(6)</b>	
Arising during the year	0	87	20	<b>107</b>	
Utilised during the year	(59)	(92)	(32)	<b>(183)</b>	
Reversed unused	0	(29)	0	<b>(29)</b>	
Unwinding of discount*	6	0	8	<b>14</b>	
At 1 April 2016	<u>379</u>	<u>161</u>	<u>589</u>	<b>1,129</b>	
Change in discount rate**	11	0	60	<b>71</b>	
Arising during the year	(30)	110	(37)	<b>43</b>	
Utilised during the year	(58)	(28)	(37)	<b>(123)</b>	
Reversed unused	0	(99)	0	<b>(99)</b>	
Unwinding of discount*	5	0	8	<b>13</b>	
<b>At 31 March 2017</b>	<b><u>307</u></b>	<b><u>144</u></b>	<b><u>583</u></b>	<b><u>1,034</u></b>	
<b>Expected timing of cash flows:</b>					
In the remainder of the spending review period to 31 March 2018:-	60	144	36	<b>240</b>	
Between 1 April 2018 and 31 March 2023	190	0	131	<b>321</b>	
From 1 April 2023 and thereafter	57	0	416	<b>473</b>	
	<u>307</u>	<u>144</u>	<u>583</u>	<b><u>1,034</u></b>	

**'Pensions Relating to Other Staff' include:**

Provisions amounting to £307k in respect of Early Retirement Pensions. The provision relates to the latest information as provided by the NHS Pensions Agency and applies to 31 ex-employees (32 ex-employees 2015/16).

**'Legal' claims include:**

Provisions amounting to £144k relating to Public Liability and Employer Liability claims. The information supporting each claim within this provision has been supplied by either the Foundation Trust's or NHSLA's solicitors.

**'Other' claims include:**

A provision of £583k in respect of Permanent Injury Benefits. The provision is based upon the latest information as supplied by the NHS Pensions Agency.

**Clinical Negligence**

The Foundation Trust is a member of the Clinical Negligence Scheme for Trusts (CNST) and pays an annual premium to the NHS Litigation Authority (NHSLA). Under the terms of the agreement, financial responsibility for claims arising from clinical negligence is transferred to the NHSLA and the liability for all potential and outstanding claims is provided in their Accounts. At the 31 March 2017, an amount of £183,026,196 was provided by the NHSLA in respect of clinical liabilities of the Foundation Trust (£164,524,825 as at 31 March 2016).

The Foundation Trust does not consider there to be any uncertainties relating to either the amounts or timing of its provisions.

\* Unwinding of discount relates to the inflation effect on existing provisions of their payment in the future.

\*\* The discount rate for Early Retirements and Injury Benefits was changed from 1.37% to 0.24% to reflect HM Treasury policy.

**21. Other liabilities**

	Group 31 March 2017 £000	Foundation Trust 31 March 2017 £000	Group 31 March 2016 £000	Foundation Trust 31 March 2016 £000
<b>Current</b>				
Sunderland CCG – Maternity Pathways funding	963	963	984	984
Commercial R&D income – various companies	209	209	0	0
Metabolic, Oncology & Haematology research funding	70	70	36	36
ENT / Urology / General Surgery Research Funding	56	56	0	0
North East Cancer Network – Nurse funding	41	41	41	41
Support funding for anaemia specialist nurse and rheumatology operational support	29	29	29	29
Sunderland University – NPF post funding	21	21	0	0
Ferring – Industry funded post	20	20	0	0
Paradigm, Trilogy & Thrive – Cardiology research funding	19	19	14	14
Rental operating lease income with subsidiary – CHoICE	0	3,172	0	0
MacMillan Funding – Prison chemotherapy service	0	0	46	46
Oxford University – Clinical Trials funding	0	0	37	37
Queen Mary University – Salvo Funding	0	0	28	28
Support funding for diabetics nurse – Outpatients Diabetics	0	0	15	15
<b>Other</b>	<b>210</b>	<b>210</b>	326	326
<b>Total other current liabilities</b>	<b><u>1,638</u></b>	<b><u>4,810</u></b>	<u>1,556</u>	<u>1,556</u>
<b>Non-Current</b>	<b>£000</b>	<b>£000</b>	£000	£000
Rental operating lease income with subsidiary – CHoICE	0	28,016	0	0
<b>Total other non-current liabilities</b>	<b><u>0</u></b>	<b><u>28,016</u></b>	<u>0</u>	<u>0</u>

**Analysis of deferred rental operating lease income with subsidiary – Foundation Trust**

	Foundation Trust 31 March 2017 £000	Foundation Trust 31 March 2016 £000
– Not later than one year	3,172	0
– Later than one year and not later than five years	12,688	0
– Later than five year	15,328	0
<b>Total deferred rental income with subsidiary</b>	<b><u>31,188</u></b>	<u>0</u>

The rental income detailed above relates to the operating lease, which the subsidiary has entered into for the provision of a fully managed healthcare facility to the Foundation Trust. The lease covers the 3 main sites of the Hospital and the lease premium was paid in full by the subsidiary at the commencement date of 1 February 2017, the Foundation Trust is deferring the income it has received over the 10 year period of the lease.

**22. Contractual capital commitments – Group and Foundation Trust**

	31 March 2017 £000	31 March 2016 £000
Intangible assets	0	0
Property, plant and equipment	140	1,953
	<u>140</u>	<u>1,953</u>
Capital commitments relate to the following schemes;		
	£000	£000
Replacement of boiler number 5	140	1,953
	<u>140</u>	<u>1,953</u>

The above are on-going schemes that have a contractual commitment as at 31 March. The uncommitted expenditure will fall into subsequent years accounts.

**23. Events after the reporting year – Group and Foundation Trust**

There were no events after the year end that have had a material effect on the accounts (£nil 2015/2016).

**24. Contingent liabilities / (assets) – Group and Foundation Trust**

	31 March 2017 £000	31 March 2016 £000
Gross estimated value of Non-Clinical Liabilities	403	324
Expected recoverable amount	(324)	(229)
Net value contingent liabilities	<u>79</u>	<u>95</u>

A provision relating to claims in respect of the above contingencies is contained within Note 20 'Provisions for liabilities and charges' under the heading "Legal claims". The net value of contingent liabilities relates to that element of the outstanding claims for which the Foundation Trust has not made provision.

**25 Related Parties****25.1 Related party transactions – Group and Foundation Trust**

	Income £000	Expenditure £000
Value of transactions with Board Members in 2016/17	0	0
Value of transactions with other related parties in 2016/17:		
Department of Health	0	0
Foundation Trusts, Trusts, Health Education England, NHS England & CCGs	349,921	28,418
Public Health England	0	0
NHS WGA bodies	0	2,027
HMRC	0	15,518
Other Public Corporations	0	3,257
NHS Pension Scheme	0	20,188
Local Government including City of Sunderland Metropolitan Borough Council	2,996	0
Charitable Funds	0	0
	<u>352,917</u>	<u>69,408</u>
Value of transactions with Board Members in 2015/16	0	1,472
Value of transactions with other related parties in 2015/16:		
Department of Health	0	0
Foundation Trusts, Trusts, Health Education England, NHS England & CCGs	328,852	13,402
SHAs	776	0
Public Health England	0	0
NHS WGA bodies	17	5,691
HMRC	0	45,926
NHS Pension Scheme	0	32,186
Local Government including City of Sunderland Metropolitan Borough Council	2,913	1,553
Scottish, Irish and Welsh NHS bodies	2	2
Charitable Funds	0	0
Department for Works and Pensions	0	0
	<u>332,560</u>	<u>100,232</u>

**25.2 Related party balances – Group and Foundation Trust**

	Receivables £000	Payables £000
Value of balances (other than salary) with related parties in relation to doubtful debts at 31 March 2017	0	0
Value of balances with other related parties at 31st March 2017:		
Department of Health	0	0
Foundation Trusts, Trusts, Health Education England, NHS England & CCGs	14,112	4,380
Public Health England	0	0
NHS WGA bodies	2	211
HMRC	703	4,131
Other Public Corporations	0	280
NHS Pension Scheme	0	2,685
Local Government including City of Sunderland Metropolitan Borough Council	0	0
Scottish, Irish and Welsh NHS bodies	0	0
Charitable Funds	0	0
	<u>14,817</u>	<u>11,687</u>

**25.2 Related party balances – Group and Foundation Trust (Continued)**

	Receivables £000	Payables £000
Value of balances (other than salary) with related parties in relation to doubtful debts at 31 March 2016	0	0
Value of balances with other related parties at 31st March 2016:		
Department of Health	0	261
Foundation Trusts, Trusts, Health Education England, NHS England & CCGs	6,449	3,285
SHAs	0	98
NHS WGA bodies	0	376
HMRC	0	5,414
NHS Pension Scheme	0	2,619
Scottish, Irish and Welsh NHS bodies	0	0
Charitable Funds	0	0
Other	150	477
	<u>6,599</u>	<u>12,530</u>

**25.3 Related party transactions:**

City Hospitals Sunderland NHS Foundation Trust is a Public Benefit Corporation established by the Health and Social Care (Community Health and Standards) 2003 Act.

The Foundation Trust has a system in place which allows for the identification of all new Related Party Transactions.

As NHS Foundation Trusts and NHS Trusts have common control through the Secretary of State, there is an assumption that Government departments and agencies of Government departments are related parties.

The Department of Health is regarded as a related party. During the year April 2016 - March 2017 the Foundation 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 entities are listed below:

Care Quality Commission  
 County Durham and Darlington NHS Foundation Trust  
 Durham, Dales, Easington and Sedgefield Clinical Commissioning Group  
 Gateshead Health NHS Foundation Trust  
 Gateshead/Newcastle Clinical Commissioning Group  
 Hartlepool and Stockton on Tees Clinical Commissioning Group  
 Health Education North East  
 National Blood Service  
 NHS Business Services Authority  
 NHS England  
 NHS Litigation Authority  
 NHS North of England Commissioning Support Unit  
 NHS Property Services  
 North Durham Clinical Commissioning Group  
 Northumberland Tyne and Wear NHS Foundation Trust  
 Northumbria Healthcare Foundation Trust  
 Prescription Pricing Authority  
 South Tees Clinical Care Commissioning Group  
 South Tyneside Clinical Commissioning Group  
 South Tyneside NHS Foundation Trust  
 Sunderland Clinical Commissioning Group  
 The Newcastle Upon Tyne Hospitals NHS Foundation Trust

In addition, the Foundation Trust has had a number of transactions with other Government Departments and other central and local Government bodies and material transactions received via the University of Newcastle in relation to the funding of medical education.

The Trust has also received revenue and capital payments from a number of charitable funds, the Trustee of which is City Hospitals Sunderland NHS Foundation Trust, approved by members of its Trust Board.

**25 Related Parties (Continued)****25.4 Related party transactions: Subsidiary Company**

City Hospitals Independent Commercial Enterprises Ltd (CHoICE) operates in the same way as a 'High Street Pharmacy', providing Outpatient Dispensing services at both Sunderland Royal Hospital and Sunderland Eye Infirmary. CHoICE invoices the Foundation Trust for the value of the drugs that it has dispensed, charging a fee for dispensing based on a fixed percentage of overheads which is contractually agreed in advance with the Foundation Trust.

On 1st February 2017 the Foundation Trust contracted out the management of its whole estate, including Hard and Soft Facilities Management Services, to CHoICE. Under formal contractual, legally binding, arrangements CHoICE then provides to the Trust a fully operational healthcare facility. These arrangements allow for VAT to be recovered on goods and services where previously the Foundation Trust was unable to make a recovery. This tax efficiency allows for funds to be reinvested in healthcare services with the ultimate aim of improving the patient experience.

In 2016/17 the Trust entered into an Alliance with South Tyneside NHS Foundation Trust. As a result of this a single Executive/Management team was introduced during the year. The joint Chief Executive and Deputy Chief Executive were appointed on 12 September 2016 with the remaining joint Director posts being appointed to from 21 November 2016. The Trust had expenditure in the year with South Tyneside NHS Foundation Trust of £1,298,955 largely related to Service Level Agreements for Urology, Oral Surgery and Vascular services. Income of £2,988,326 mainly related to charges for MSK, Medical Physics, ENT, Community Dental and Ophthalmology services along with recharges in relation to the single Executive/Management Team.

The significant transactions that are included within the Foundation Trust accounts are as follows;

	2016/17		2015/16	
	Income £000	Expenditure £000	Income £000	Expenditure £000
Invoices from CHoICE relating to the cost of drugs dispensed		3,462		3,913
Dispensing Fee		884		817
Fully operational healthcare facility unitary charge		4,312		0
Service Level Agreement	639		631	

The following balances are also included in the Foundation Trust accounts;

	Receivables £000	Payables £000	Receivables £000	Payables £000
CHoICE Ltd	40,181	40,373	0	512

**25 Related Parties (Continued)****25.5 Related party transactions: Charitable Funds**

The Trust is the corporate trustee to City Hospitals Sunderland NHS Foundation Trust Charitable Funds. The Foundation assessed its relationship to the Charitable Fund and determined it to be a subsidiary in accordance with IAS 27, as the Trust has the power to govern the financial and operating policies of the Charitable Fund so as to obtain benefits from its activities for itself, its patients or its staff. Prior to 2013/14 the Treasury had directed that IAS 27 should not be applied to NHS Charities, and therefore the FT ARM did not require to consolidate the Charitable Fund.

The main financial statements disclose the Foundation Trust's financial position alongside that of the group (which comprises the Foundation Trust, subsidiary (CHOICE Ltd) and the Charitable Fund).

**City Hospitals Sunderland NHS Foundation Charitable Funds – Summary Statement of Financial Activities**

	Year Ended 31 March 2017 £000's		Year Ended 31 March 2016 £000's	
	Intra-group eliminations £000's		Intra-group eliminations £000's	
Donated income	833	(60)	437	(60)
Income from charitable activities	91	(40)	83	(33)
Income from other trading activities	9	0	10	0
Investment income	56	0	53	0
Total income and endowments	<u>989</u>	<u>(100)</u>	<u>583</u>	<u>(93)</u>
Raising Funds	53	0	16	0
Charitable Activities	459	(166)	418	(96)
Contributions to the Foundation Trust	71	(71)	131	(131)
Total expenditure	<u>583</u>	<u>(237)</u>	<u>565</u>	<u>(227)</u>
Net (Losses) / Gains on investments	312	0	(90)	0
Net movement in funds	<u>718</u>	<u>137</u>	<u>(72)</u>	<u>134</u>

**City Hospitals Sunderland NHS Foundation Charitable Funds – Summary Statement of Financial Position**

	Year Ended 31 March 2017 £000's		Year Ended 31 March 2016 £000's	
	Intra-group eliminations £000's		Intra-group eliminations £000's	
Investments	2,374	0	2,051	0
Trade and other receivables	212	0	67	0
Cash and Cash equivalents	1,897	0	1,553	0
Trade and other payables	(307)	(243)	(213)	(120)
Total net assets	<u>4,176</u>	<u>(243)</u>	<u>3,458</u>	<u>(120)</u>
Represented by:				
Endowment funds	159	0	159	0
Restricted Income Funds	167	0	159	0
Unrestricted Income Funds	3,850	0	3,140	0
	<u>4,176</u>	<u>0</u>	<u>3,458</u>	<u>0</u>

The total funds are represented in the Group accounts as the Charitable Funds Reserve.

Restricted funds are funds donated for a specific purpose. Unrestricted funds may be designated for a particular area but are not restricted on the purpose of expenditure. Endowment funds relate to capital funds where the Charity does not hold the power to convert capital into income. The capital must generally be held indefinitely; the income generated by the investment of the funds can be used for charitable purposes at the discretion of the Trustees.

**26. Financial Instruments****26.1a Financial assets by category**

	Group		Foundation Trust	
	Total £000's	Loans and receivables £000's	Total £000's	Loans and receivables £000's
<b>Assets as per Statement of Financial Position</b>				
Trade and other receivables excluding non financial assets – Note 15	15,837	15,837	21,617	21,617
Loan to subsidiary – Note 13	0	0	800	800
Cash and cash equivalents – Note 17	5,084	5,084	2,081	2,081
Cash and cash equivalents – NHS charitable funds	1,897	1,897	0	0
NHS charitable funds: other financial assets	2,586	2,586	0	0
<b>Total at 31 March 2017</b>	<u>25,404</u>	<u>25,404</u>	<u>24,498</u>	<u>24,498</u>

Trade and other receivables excluding non financial assets – Note 15	7,172	7,172	7,002	7,002
Loan to subsidiary – Note 13	0	0	900	900
Cash and cash equivalents – Note 17	14,681	14,681	14,184	14,184
Cash and cash equivalents – NHS charitable funds	1,553	1,553	0	0
NHS charitable funds: financial assets	2,118	2,118	0	0
<b>Total at 31 March 2016</b>	<u>25,524</u>	<u>25,524</u>	<u>22,086</u>	<u>22,086</u>

**26.1b Financial liabilities by category**

	Group		Foundation Trust	
	Total £000's	Other financial liabilities £000's	Total £000's	Other financial liabilities £000's
<b>Liabilities as per Statement of Financial Position</b>				
Borrowings (excluding finance leases) – Note 19	56,815	56,815	56,815	56,815
NHS charitable funds: financial liabilities	64	64	0	0
Trade and other payables excluding non financial liabilities – Note 18	24,576	24,576	22,172	22,172
<b>Total at 31 March 2017</b>	<u>81,455</u>	<u>81,455</u>	<u>78,987</u>	<u>78,987</u>

Borrowings (excluding finance leases) – Note 19	60,127	60,127	60,127	60,127
NHS charitable funds: financial liabilities	73	73	0	0
Trade and other payables excluding non financial liabilities – Note 18	22,431	22,431	22,078	22,078
<b>Total at 31 March 2016</b>	<u>82,631</u>	<u>82,631</u>	<u>82,205</u>	<u>82,205</u>

**26. Financial Instruments (Continued)****26.2a Fair values of financial assets**

	Group			
	31 March 2017 Book Value £000	31 March 2017 Fair Value £000	31 March 2016 Book Value £000	31 March 2016 Fair Value £000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Foundation Trust			
	31 March 2017 Book Value £000	31 March 2017 Fair Value £000	31 March 2016 Book Value £000	31 March 2016 Fair Value £000
Loan to subsidiary	700	700	800	800
<b>Total</b>	<b>700</b>	<b>700</b>	<b>800</b>	<b>800</b>

Current financial assets are excluded as the fair values are matched equally by the book values.

**26.2b Fair values of financial liabilities**

	Group			
	31 March 2017 Book Value £000	31 March 2017 Fair Value £000	31 March 2016 Book Value £000	31 March 2016 Fair Value £000
Borrowings	53,086	53,086	56,359	56,359
Obligations under finance leases	0	0	0	0
<b>Total</b>	<b>53,086</b>	<b>53,086</b>	<b>56,359</b>	<b>56,359</b>
	Foundation Trust			
	31 March 2017 Book Value £000	31 March 2017 Fair Value £000	31 March 2016 Book Value £000	31 March 2016 Fair Value £000
Borrowings	53,086	53,086	56,359	56,359
Obligations under finance leases	7,111	7,111	0	0
<b>Total</b>	<b>60,197</b>	<b>60,197</b>	<b>56,359</b>	<b>56,359</b>

Current financial liabilities are excluded as the fair values are matched equally by the book values.

**26.3 Maturity of financial liabilities**

	Group		Foundation Trust	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Less than one year	28,369	26,199	25,901	25,846
In more than one year but not more than two years	3,273	3,273	3,273	3,273
In more than two years but not more than five years	9,821	9,821	9,821	9,821
In more than five years	39,992	43,265	39,992	43,265
<b>Total</b>	<b>81,455</b>	<b>82,558</b>	<b>78,987</b>	<b>82,205</b>

The Foundation Trust does not deem the maturity of its financial liabilities to be subject to significant liquidity risk.

**26. Financial Instruments (Continued)****26.4 Financial risk management****Liquidity Risk**

Financial reporting standard IFRS 7 requires the 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. The Group's main net operating costs are incurred under annual service contracts with local Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Group receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Group receives cash each month based on the agreed level of contract activity and there are quarterly payments/deductions made to adjust for the actual income due under PBR.

The Group presently finances its capital expenditure from internally generated funds. In addition, the Foundation Trust can borrow, both from the Independent Trust Financing Facility and commercially to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the Group is not, therefore, exposed to significant liquidity risks in this area.

**Interest Rate Risk**

All of the Group's financial assets and financial liabilities carry nil or fixed rates of interest. The Group is not, therefore, exposed to significant interest-rate risk. The only risk is therefore regarding the level of interest generated on the Group's surplus cash balances and investments which may be higher or lower than planned at the start of the year due to fluctuating interest rates. The value of interest generated in 2016/17 was £82k (£280k 2015/16) and the exposure is therefore limited.

Finance Lease arrangements are subject to a fixed rate of interest.

**Foreign Currency Exchange Rate Risk**

The Group has negligible foreign currency income or expenditure.

**Credit Risk**

Credit risk is the possibility that other parties might fail to pay amounts due to the Group. Credit risk arises from deposits with banks as well as credit exposures to the Group's commissioners and other debtors. Surplus operating cash is only invested with the National Loans Fund. The Group's cash assets are held only with Lloyds Banking Group and NatWest, the latter of which forms part of the Government Banking Service. The majority of the Group's net operating costs are incurred in the delivery of annual service agreements with local clinical commissioning groups, which are financed from resources voted annually by Parliament. An analysis of the ageing of receivables and provision for impairment can be found at Note 15.

## 27. Third party assets

The Foundation Trust held £961 cash and cash equivalents at 31 March 2017 (£1,040 at 31 March 2016) which relates to monies held by the Foundation Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

## 28. Intra-Government and other balances – Group and Foundation Trust

	Receivables amounts falling due within one year £000	Receivables amounts falling due after more than one year £000	Payables amounts falling due within one year £000	Payables amounts falling due after more than one year £000
Balances with other Central Government Bodies	14,376	0	9,839	0
Balances with NHS Trusts and Foundation Trusts	684	0	1,848	0
Balances with bodies external to government	5,672	1,145	25,136	53,086
<b>At 31 March 2017</b>	<b>20,732</b>	<b>1,145</b>	<b>36,823</b>	<b>53,086</b>
Balances with other Central Government Bodies	5,268	0	10,321	1,460
Balances with NHS Trusts and Foundation Trusts	1,339	0	2,219	0
Balances with bodies external to government	4,330	918	22,094	56,359
<b>At 31 March 2016</b>	<b>10,937</b>	<b>918</b>	<b>34,634</b>	<b>57,819</b>

## 29. Public Dividend Capital Dividend

The Foundation Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The dividend of £4,771,000 is calculated by applying the 3.5% Treasury rate to the average relevant net assets of £136,304,000.

Dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

## 30. Losses and special payments – Group and Foundation Trust

NHS Foundation Trusts are required to follow the guidance issued by the Department of Health in accounting for losses and special payments:

- These 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 divided into different categories, which govern the way each individual case is handled.

### The number and value of losses and special payment cases:

Ref.	Category of loss / special payment	1 April 2016 – 31 March 2017		1 April 2015 – 31 March 2016	
		Number of cases	Value of cases (£)	Number of cases	Value of cases (£)
1c	Losses of cash due to other causes	0	0	4	34
3a	Bad debts and claims abandoned – private patients	9	607	14	2,221
3b	Bad debts and claims abandoned – overseas visitors	4	656	5	12,552
3c	Bad debts and claims abandoned – other	110	10,552	474	12,425
4a	Damage to buildings, loss of equipment and property due to theft, fraud etc	1	1,048	0	0
4b	Damage to buildings, loss of equipment and property – stores losses	1	79,506	1	120,834
4c	Damage to buildings, loss of equipment and property due to other causes	21	3,468	5	437
7a	Ex-gratia payments for loss of personal effects	16	1,837	23	2,832
7c	Ex-gratia payments for personal injury with advice	21	30,104	10	55,400
7e	Ex-gratia payments for other employment payments	1	1,000	1	1,109
7g	Other	19	1,387	22	9,676
	<b>Total Losses and Special Payments</b>	<b>203</b>	<b>130,165</b>	<b>559</b>	<b>217,520</b>

The above values have been calculated on an accruals basis but excluding provisions for future losses, whereby expenditure is recognised in the year in which the associated liability was incurred.



**SUNDERLAND ROYAL HOSPITAL**

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