



Annual Accounts  
2016 - 2017

# Annual Accounts

## For the year ending 31st March 2017

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## Glossary of terms and abbreviations

<b>CCG</b>	Clinical Commissioning Group
<b>Current assets / liabilities</b>	Assets or liabilities due to be received/paid over within one year of the SOFP date
<b>FReM</b>	(Government) Financial Reporting Manual
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IAS</b>	International Accounting Standard
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>MEA</b>	Modern equivalent asset basis, a basis on which to value land and property assets
<b>Non-current assets/liabilities</b>	Assets or liabilities due to be received/paid over after one year from the SOFP date. In terms of property, plant, equipment and intangible assets this would indicate assets from which would ensue a financial benefit beyond one year
<b>Payables</b>	Amounts owed to suppliers and other organisations, etc. (creditors)
<b>PDC</b>	Public dividend capital
<b>PDC dividend</b>	Public dividend capital dividend payable by the Trust to the Department of Health, based on 3.5% of the Trust's net relevant assets
<b>PFI</b>	Private Finance Initiative
<b>PPE</b>	Property, plant and equipment
<b>Receivables</b>	Amounts owed by customers, etc. (debtors)
<b>R&amp;D</b>	Research and development
<b>Statement of Changes in Taxpayers' Equity (SOCITE)</b>	Formerly known under UK GAAP as Movements on Reserves
<b>Statement of Comprehensive Income (SOI)</b>	A combination of the Income and Expenditure Account and Statement of Total Recognised Gains and Losses shown under UK GAAP
<b>Statement of Financial Position (SOFP)</b>	Formerly known under UK GAAP as the Balance Sheet
<b>TFA</b>	Tripartite Formal Agreement
<b>UK GAAP</b>	Generally Accepted Accounting Practice in the United Kingdom

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

The Chief Executive of the NHS Trust Development Authority has designated that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers' Memorandum issued by the Chief Executive of the NHS Trust Development Authority. These include ensuring that:

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

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

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

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

*Ann Marr*

A Marr , Chief Executive Officer  
23rd May 2017

## Statement of directors' responsibilities in respect of the accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgments and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts

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

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

By order of the Board

*Ann Marr*

A Marr, Chief Executive Officer

23rd May 2017

*N. Kashu*

N Khashu, Director of Finance

23rd May 2017

## Independent auditor's report to the directors of St Helens and Knowsley Teaching Hospitals NHS Trust

We have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust (the "Trust") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health Group Accounting Manual 2016/17 (the "2016/17 GAM") and the requirements of the National Health Service Act 2006.

We have also audited the information in the Accountability Report that is subject to audit, being:

- the single total figure of remuneration for each director;
- CETV disclosures for each director;
- the analysis of staff number and costs on; and
- the table of fair pay (pay multiples) disclosures

This report is made solely to the Directors of St Helens and Knowsley Teaching Hospitals NHS Trust, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Trust's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors, the Accountable Officer and auditor

As explained more fully in the Statement of Director's Responsibilities, the Directors are 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources. We are required under Section 21 (3) (c) and Schedule 13 paragraph 10(a) of the Act to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report by exception where we are not satisfied.

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosure 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Performance Report and the Accountability 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.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017, and to report by exception where we are not satisfied.

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

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the financial position of St Helens and Knowsley Teaching Hospitals NHS Trust as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health Group Accounting Manual 2016-17 and the requirements of the National Health Service Act 2006.

### Opinion on other matters

In our opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health Group Accounting Manual 2016-17 and the requirements of the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the audited financial statements

### Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Governance Statement does not comply with the guidance issued by NHS Improvement; or
- we have referred a matter to the Secretary of State under section 30 of the Act because we had reason to believe that the Trust, or an officer of the Trust, was about to make, or had made, a decision which involved or would involve the body incurring unlawful expenditure, or was about to take, or had begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Trust under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017

We have nothing to report in respect of the above matters.

### Certificate

We certify that we have completed the audit of the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust in accordance with the requirements of the Act and the Code of Practice.

Karen Murray  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
4 Hardman Square, Spinningfields  
Manchester, M3 3EB  
26th May 2017

Foreword to the accounts  
St Helens and Knowsley Teaching Hospitals NHS Trust

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These accounts for the year ended 31 March 2017 have been prepared by the St Helens and Knowsley Teaching Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

## Statement of Comprehensive Income for year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	7.1	(207,932)	(196,534)
Other operating costs	5	(110,298)	(126,941)
Revenue from patient care activities	2	280,045	260,949
Other operating revenue	3	69,889	52,338
<b>Operating surplus/(deficit)</b>		<b>31,704</b>	(10,188)
Investment revenue	9	49	91
Finance costs	10	(16,207)	(16,401)
<b>Surplus/(deficit) for the financial year</b>		<b>15,546</b>	(26,498)
Public dividend capital dividends payable		0	0
<b>Retained surplus/(deficit) for the year</b>		<b>15,546</b>	(26,498)
<b>Other Comprehensive Income</b>			
Impairments and reversals taken to the revaluation reserve		0	(5,787)
Net gain/(loss) on revaluation of property, plant & equipment		694	0
<b>Total comprehensive income for the year</b>		<b>16,240</b>	(32,285)
<b>Financial performance for the year</b>			
Retained surplus/(deficit) for the year		15,546	(26,498)
IFRIC 12 adjustment (including IFRIC 12 impairments)		(10,233)	14,259
Impairments (excluding IFRIC 12 impairments)		(530)	2,494
Adjustments in respect of donated gov't grant asset reserve elimination		78	194
<b>Adjusted retained surplus/(deficit)</b>		<b>4,861</b>	(9,551)

Due to the introduction of International Financial Reporting Standards (IFRS) in 2009-10, the Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring breakeven performance. Other adjustments are made in respect of accounting policy changes (property impairments and the removal of the donated asset and government reserves) to maintain comparability year to year.

Note that prior year performance is not re-assessed following accounting restatements.

Notes 1 to 29 form part of this account.

## Statement of Financial Position as at 31 March 2017

	NOTE	31 March 2017 £000s	31 March 2016 £000s
<b>Non-current assets:</b>			
Property, plant and equipment	11	250,851	243,748
Intangible assets	12	1,528	2,026
Trade and other receivables	15.1	1,318	1,043
<b>Total non-current assets</b>		<b>253,697</b>	246,817
<b>Current assets:</b>			
Inventories	14	3,988	3,840
Trade and other receivables	15.1	21,570	14,460
Cash and cash equivalents	16	1,777	1,563
<b>Total current assets</b>		<b>27,335</b>	19,863
<b>Total assets</b>		<b>281,032</b>	266,680
<b>Current liabilities</b>			
Trade and other payables	17	(33,678)	(31,336)
Provisions	21	(596)	(493)
Borrowings	18	(5,900)	(6,307)
<b>Total current liabilities</b>		<b>(40,174)</b>	(38,136)
<b>Net current assets/(liabilities)</b>		<b>(12,839)</b>	(18,273)
<b>Total assets less current liabilities</b>		<b>240,858</b>	228,544
<b>Non-current liabilities</b>			
Trade and other payables	17	(32)	(52)
Provisions	21	(2,481)	(2,347)
Borrowings	18	(248,922)	(254,555)
DH revenue support loan	18	(5,050)	(3,457)
<b>Total non-current liabilities</b>		<b>(256,485)</b>	(260,411)
<b>Total assets employed:</b>		<b>(15,627)</b>	(31,867)
<b>FINANCED BY:</b>			
Public Dividend Capital		64,437	64,437
Retained earnings		(85,393)	(100,951)
Revaluation reserve		5,329	4,647
<b>Total Taxpayers' Equity:</b>		<b>(15,627)</b>	(31,867)

Notes 1 to 29 form part of this account.

The financial statements on pages 12 to 15 were approved by the Board on 23rd May 2017 and signed on its behalf by:

Chief Executive: A Marr

Date: 23rd May 2017

## Statement of Changes in Taxpayers' Equity for the year ending 31 March 2017

	Public Dividend capital	Retained earnings	Revaluation reserve	Total reserves
	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2016</b>	<b>64,437</b>	<b>(100,951)</b>	<b>4,647</b>	<b>(31,867)</b>
<b>Changes in taxpayers' equity for 2016-17</b>				
Retained surplus/(deficit) for the year		15,546		<b>15,546</b>
Net gain / (loss) on revaluation of property, plant, equipment			694	<b>694</b>
Transfers between reserves		12	(12)	<b>0</b>
<b>Reclassification Adjustments</b>				
<b>Net recognised revenue/(expense) for the year</b>	<b>0</b>	<b>15,558</b>	<b>682</b>	<b>16,240</b>
<b>Balance at 31 March 2017</b>	<b>64,437</b>	<b>(85,393)</b>	<b>5,329</b>	<b>(15,627)</b>
<b>Balance at 1 April 2015</b>	<b>64,537</b>	<b>(74,468)</b>	<b>10,449</b>	<b>518</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2016</b>				
Retained surplus/(deficit) for the year		(26,498)		<b>(26,498)</b>
Impairments and reversals			(5,787)	<b>(5,787)</b>
Transfers between reserves		15	(15)	<b>0</b>
<b>Reclassification Adjustments</b>				
PDC repaid in year	(100)			<b>(100)</b>
<b>Net recognised revenue/(expense) for the year</b>	<b>(100)</b>	<b>(26,483)</b>	<b>(5,802)</b>	<b>(32,385)</b>
<b>Balance at 31 March 2016</b>	<b>64,437</b>	<b>(100,951)</b>	<b>4,647</b>	<b>(31,867)</b>

## Information on reserves:

**1. Public dividend capital**

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

**2. Retained earnings (Income and expenditure) reserve**

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

**3. Revaluation Reserve**

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

## Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
<b>Cash Flows from Operating Activities</b>			
Operating surplus/(deficit)		<b>31,704</b>	(10,188)
Depreciation and amortisation	5	<b>8,371</b>	8,109
Impairments and reversals	13	<b>(10,763)</b>	16,753
Donated Assets received credited to revenue but non-cash	3	<b>(126)</b>	(13)
Release of PFI/deferred credit		<b>0</b>	(67)
(Increase)/Decrease in Inventories		<b>(148)</b>	(728)
(Increase)/Decrease in Trade and Other Receivables		<b>(7,386)</b>	(393)
Increase/(Decrease) in Trade and Other Payables		<b>2,864</b>	5,095
Provisions utilised		<b>(309)</b>	(337)
Increase/(Decrease) in movement in non cash provisions		<b>513</b>	(30)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>24,720</b>	18,201
<b>Cash Flows from Investing Activities</b>			
Interest Received		<b>50</b>	91
(Payments) for Property, Plant and Equipment		<b>(3,594)</b>	(3,679)
(Payments) for Intangible Assets		<b>(183)</b>	(1,094)
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>(3,727)</b>	(4,682)
<b>Net Cash Inflow / (Outflow) before Financing</b>		<b>20,993</b>	13,519
<b>Cash Flows from Financing Activities</b>			
Gross Temporary and Permanent PDC Repaid		<b>0</b>	(100)
Loans received from DH - New Revenue Support Loans		<b>7,575</b>	3,457
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		<b>(5,982)</b>	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI		<b>(6,327)</b>	(6,924)
Interest paid		<b>(16,171)</b>	(16,363)
PDC Dividend (paid)/refunded		<b>0</b>	173
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		<b>126</b>	13
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(20,779)</b>	(19,744)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>214</b>	(6,225)
<b>Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period</b>		<b>1,563</b>	7,788
<b>Cash and Cash Equivalents (and Bank Overdraft) at year end</b>	16	<b>1,777</b>	1,563



## Notes to the accounts

### 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2016-17 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### Going Concern

In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern although the Trust does require a working capital loan to meet its operational cash obligations.

Although these factors represent material uncertainties that may cast significant doubt about the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the 2016-17 Department of Health Group Accounting Manual the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the financial statements and has not included the adjustments that would result if it was unable to continue as a going concern.

#### 1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the NHS Trust'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.

#### 1.2.1 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 NHS trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- The Trust's PFI scheme (including the main PFI and Managed Equipment Service) is deemed to fall on the statement of financial position as assessed independently under IFRIC 12.

#### 1.2.2 Key sources of estimation uncertainty

The only key areas of uncertainty, as at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to provisions, ie. early retirement costs, permanent injury benefit awards, public and employer's liability claims; and the indices and estimated asset lives used in the valuation of the Trust buildings as at 31 March 2017.

### 1.3 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end is not presently accounted for on the basis of materiality.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

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

### 1.4 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 leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

#### Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes 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, the schemes are accounted for as though they

were defined contribution schemes: the cost to the NHS body of participating in a scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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 expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

Some employees are members of the National Employment Savings Trust (NEST) which is a defined contribution scheme and as such the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. (See also Note 7.)

### 1.5 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

### 1.6 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

- 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 will be supplied to the NHS Trust
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- Collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, 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 items that form part of the initial equipping of a new building, ward or unit, irrespective of their individual or collective cost

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

#### Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are

measured at fair value where there are no restrictions preventing access to the market at the reporting date.

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

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost, modern equivalent asset basis
- PFI assets – depreciated replacement cost (valued net of VAT)

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

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

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

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

#### Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

### 1.7 Intangible assets

#### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust's business or which arise from contractual or other legal rights.

They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

### Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### 1.8 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, and assets held for sale are not depreciated.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives.

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### 1.9 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

### 1.10 Leases

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

#### The Trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's surplus/deficit.

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

**The Trust as lessor**

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

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

**1.11 Private Finance Initiative (PFI) transactions**

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The NHS trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

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

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

**Services received**

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'

**PFI Asset**

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

**PFI liability**

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

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

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

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

**Lifecycle replacement**

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively. However, taking into account the Trust's valuer's approach to assessing asset lives of building assets (which assumes assets are being maintained to original standards), then it is more appropriate for the Trust to treat such expenditure on property assets as a charge to revenue as and when charged through the unitary payment. With regard to the managed equipment service element of the PFI scheme, major lifecycle costs are capitalised.

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

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

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

**Other assets contributed by the Trust to the operator**

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

**1.12 Inventories**

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

**1.13 Cash and cash equivalents**

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

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

**1.14 Provisions**

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement and permanent injury benefit provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

**1.15 Clinical negligence costs**

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at Note 21.

**1.16 Non-clinical risk pooling**

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the NHS 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 as and when they become due.

**1.17 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

**1.18 Value Added Tax**

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

**1.19 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 29 to the accounts.

**1.20 Public Dividend Capital (PDC) and PDC dividend**

Public dividend capital represents taxpayers' equity in the Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

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 the audit of the annual accounts.

### 1.21 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

### 1.22 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

### 1.23 Accounting Standards that have been issued but have not yet been adopted

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

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

## 2. Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS England	18,783	17,014
Clinical Commissioning Groups	252,036	235,013
Foundation Trusts	768	1,377
Additional income for delivery of healthcare services	0	100
Non-NHS:		
Local Authorities	2,386	2,494
Private patients	638	375
Overseas patients (non-reciprocal)	19	25
Injury costs recovery*	1,321	1,278
Other Non-NHS patient care income**	4,094	3,273
<b>Total Revenue from patient care activities</b>	<b>280,045</b>	<b>260,949</b>

\* Injury cost recovery income is subject to a provision for impairment of receivables of 22.94% to reflect expected rates of collection.

\*\* The main component of this is patient care contracts with non-English NHS bodies.

## 3. Other operating revenue

	2016-17 £000s	2015-16 £000s
Education, training and research	11,425	11,264
Receipt of charitable donations for capital acquisitions	126	13
Non-patient care services to other bodies*	26,406	22,661
Sustainability and Transformation Fund Income	11,610	0
Income generation (Other fees and charges)	2,471	2,223
Other revenue**	17,851	16,177
<b>Total Other Operating Revenue</b>	<b>69,889</b>	<b>52,338</b>
<b>Total operating revenue</b>	<b>349,934</b>	<b>313,287</b>

\* These services also include clinical services provided by the Trust to other organisations for their patients.

\*\* The principal item here is income relating to the Trust's PFI development (£13.6m) received from the Department of Health via NHS England.

Note re operating segments: The activities of the Trust are all healthcare-related and treated as a single segment for the purposes of the accounts. The Trust's total revenue for 2016-17 was £349,934m of which 80% related to patient care activities for which clinical commissioning groups and NHS England account for 97% of the revenue.

## 4. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	19	25
Cash payments received in-year (re receivables at 31 March 2016)	4	4
Cash payments received in-year (iro invoices issued 2016-17)	4	19
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	2	5
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	6	0

## 5. Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	893	1,328
Services from CCGs/NHS England	31	34
Services from other NHS bodies	0	7
Services from NHS Foundation Trusts	3,138	2,614
<b>Total Services from NHS bodies*</b>	<b>4,062</b>	<b>3,983</b>
Purchase of healthcare from non-NHS bodies	2,464	1,985
Trust Chair and Non-executive Directors	64	62
Supplies and services - clinical	49,788	44,762
Supplies and services - general	1,896	1,777
Consultancy services	117	200
Establishment	3,731	3,619
Transport	330	269
Service charges - ON-SOFP PFIs and other service concession arrangements	24,757	23,563
Business rates paid to local authorities	1,682	2,380
Premises	10,849	9,699
Hospitality	131	106
Insurance	220	224
Legal Fees	187	50
Impairments and Reversals of Receivables	126	130
Depreciation	7,685	7,403
Amortisation	686	706
Impairments and reversals of property, plant and equipment	(10,763)	16,753
Internal Audit Fees	123	103
Audit fees	54	66
Other auditor's remuneration**	7	0
Clinical negligence	5,189	4,435
Education and Training	693	565
Change in Discount Rate	376	(15)
Other	5,844	4,116
<b>Total Operating expenses (excluding employee benefits)</b>	<b>110,298</b>	<b>126,941</b>
<b>Employee Benefits</b>		
Employee benefits excluding Board members	206,984	195,593
Board members	948	941
<b>Total Employee Benefits</b>	<b>207,932</b>	<b>196,534</b>
<b>Total Operating Expenses</b>	<b>318,230</b>	<b>323,475</b>

\*Services from NHS bodies does not include expenditure which falls into a category below.

\*\*Relates to fees for the Trust's Quality Account audit less refund from Public Sector Audit Appointments following closure of the Audit Commission.

## 6. Operating Leases

## 6.1 St Helens and Knowsley Teaching Hospitals NHS Trust as lessee

	Land £000s	Buildings £000s	2016-17 Total £000s	2015-16 £000s
<b>Payments recognised as an expense</b>				
Minimum lease payments	44	168	212	86
<b>Total</b>	<b>44</b>	<b>168</b>	<b>212</b>	<b>86</b>
<b>Payable:</b>				
No later than one year	7	168	175	3
Between one and five years	0	336	336	0
After five years	0	0	0	0
<b>Total</b>	<b>7</b>	<b>504</b>	<b>511</b>	<b>3</b>

## 7. Employee benefits

## 7.1 Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
<b>Employee Benefits - Gross Expenditure</b>		
Salaries and wages	175,467	168,328
Social security costs	14,714	11,368
Employer Contributions to NHS BSA - Pensions Division	17,798	16,832
Other pension costs	10	6
<b>Total employee benefits</b>	<b>207,989</b>	<b>196,534</b>
<b>Employee costs capitalised</b>	<b>57</b>	<b>0</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>207,932</b>	<b>196,534</b>

## 7.1 Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	3	4
	£000s	£000s
Total additional pensions liabilities accrued in the year	144	233

### 7.3 Pension costs

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

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

#### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and 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 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.

#### National Employment Savings Trust

The Pensions Act 2008 introduced new duties on employers to provide access to a workplace pension scheme that meets certain legal requirements. As from 1st April 2013 the Trust chose the National Employment Savings Trust (NEST) to fulfil this role for employees who are unable to join the NHS Pension Scheme due to its restrictions. There are currently 146 employees in the NEST scheme which is a defined contribution pension scheme. A defined contribution pension scheme is where the retirement income a member gets depends on how much has been contributed, investment returns and the amount of charges over time.

## 8. Better Payment Practice Code

### 8.1 Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	<b>49,674</b>	<b>153,574</b>	49,465	150,079
Total Non-NHS Trade Invoices Paid Within Target	<b>46,828</b>	<b>149,842</b>	46,617	143,854
Percentage of NHS Trade Invoices Paid Within Target	<b>94.3%</b>	<b>97.6%</b>	94.2%	95.9%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	<b>3,063</b>	<b>11,962</b>	3,019	10,696
Total NHS Trade Invoices Paid Within Target	<b>2,895</b>	<b>11,290</b>	2,898	9,816
Percentage of NHS Trade Invoices Paid Within Target	<b>94.5%</b>	<b>94.4%</b>	96.0%	91.8%

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

### 8.2. The Late Payment of Commercial Debts (Interest) Act 1998

	2016-17 £000s	2015-16 £000s
Amounts included in finance costs from claims made under this legislation	<b>0</b>	1
<b>Total</b>	<b>0</b>	1



## 9. Investment Revenue

	2016-17 £000s	2015-16 £000s
<b>Interest revenue</b>		
Bank interest	49	91
<b>Total investment revenue</b>	<b>49</b>	<b>91</b>

## 10. Finance Costs

	2016-17 £000s	2015-16 £000s
<b>Interest</b>		
Interest on loans and overdrafts	53	4
Interest on obligations under finance leases	20	13
<b>Interest on obligations under PFI contracts:</b>		
- main finance cost	9,181	9,436
- contingent finance cost	6,920	6,913
Interest on late payment of commercial debt	0	1
<b>Total interest expense</b>	<b>16,174</b>	<b>16,367</b>
Provisions - unwinding of discount	33	34
<b>Total</b>	<b>16,207</b>	<b>16,401</b>

## 11.1. Property, plant and equipment

	Land £000's	Buildings excluding dwellings £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
<b>2016-17</b>							
<b>Cost or valuation:</b>							
<b>At 1 April 2016</b>	6,500	222,705	42,321	112	3,482	6,227	<b>281,347</b>
Additions Purchased	0	202	2,151	0	480	101	<b>2,934</b>
Additions - Donations	0	0	102	0	8	0	<b>110</b>
Additions Leased	0	0	217	0	70	0	<b>287</b>
Disposals other than for sale	0	0	(1,155)	0	(105)	0	<b>(1,260)</b>
Revaluation	0	694	0	0	0	0	<b>694</b>
Impairments/reversals charged to operating expenses	0	10,763	0	0	0	0	<b>10,763</b>
<b>At 31 March 2017</b>	<b>6,500</b>	<b>234,364</b>	<b>43,636</b>	<b>112</b>	<b>3,935</b>	<b>6,328</b>	<b>294,875</b>
<b>Depreciation</b>							
<b>At 1 April 2016</b>	0	0	30,818	81	1,485	5,215	<b>37,599</b>
Disposals other than for sale	0	0	(1,155)	0	(105)	0	<b>(1,260)</b>
Charged During the Year	0	3,157	3,493	5	698	332	<b>7,685</b>
<b>At 31 March 2017</b>	<b>0</b>	<b>3,157</b>	<b>33,156</b>	<b>86</b>	<b>2,078</b>	<b>5,547</b>	<b>44,024</b>
<b>Net Book Value at 31 March 2017</b>	<b>6,500</b>	<b>231,207</b>	<b>10,480</b>	<b>26</b>	<b>1,857</b>	<b>781</b>	<b>250,851</b>
<b>Asset financing:</b>							
Owned - Purchased	6,500	15,148	6,852	26	1,717	781	<b>31,024</b>
Owned - Donated	0	0	480	0	7	0	<b>487</b>
Held on finance lease	0	0	222	0	133	0	<b>355</b>
On-SOFP PFI contracts	0	216,059	2,926	0	0	0	<b>218,985</b>
PFI residual interests	0	0	0	0	0	0	<b>0</b>
<b>Total at 31 March 2017</b>	<b>6,500</b>	<b>231,207</b>	<b>10,480</b>	<b>26</b>	<b>1,857</b>	<b>781</b>	<b>250,851</b>
<b>Revaluation Reserve Balance for Property, Plant &amp; Equipment</b>							
	Land £000's	Buildings £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
<b>At 1 April 2016</b>	683	3,549	358	2	0	55	<b>4,647</b>
Movements*	0	694	(12)	0	0	0	<b>682</b>
<b>At 31 March 2017</b>	<b>683</b>	<b>4,243</b>	<b>346</b>	<b>2</b>	<b>0</b>	<b>55</b>	<b>5,329</b>

**Revaluation Reserve Balance for Property, Plant & Equipment**

	Land £000's	Buildings £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
<b>At 1 April 2016</b>	683	3,549	358	2	0	55	<b>4,647</b>
Movements*	0	694	(12)	0	0	0	<b>682</b>
<b>At 31 March 2017</b>	<b>683</b>	<b>4,243</b>	<b>346</b>	<b>2</b>	<b>0</b>	<b>55</b>	<b>5,329</b>

\*Movements relate mainly to a revaluation estimate of the Trust estate. A small amount relate to asset disposals.



## 11.2. Property, plant and equipment prior-year

	Land £000's	Buildings excluding dwellings £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
<b>2015-16</b>							
<b>Cost or valuation:</b>							
At 1 April 2015	11,777	242,459	41,103	112	8,381	6,208	<b>310,040</b>
Additions Purchased	0	668	2,859	0	526	19	<b>4,072</b>
Additions - Donations	0	0	13	0	0	0	<b>13</b>
Disposals other than for sale	0	0	(1,654)	0	(5,425)	0	<b>(7,079)</b>
Revaluation	0	(19,907)	0	0	0	0	<b>(19,907)</b>
Impairments/reversals charged to operating expenses	(5)	0	0	0	0	0	<b>(5)</b>
Impairment/reversals charged to reserves	(5,272)	(515)	0	0	0	0	<b>(5,787)</b>
<b>At 31 March 2016</b>	<b>6,500</b>	<b>222,705</b>	<b>42,321</b>	<b>112</b>	<b>3,482</b>	<b>6,227</b>	<b>281,347</b>
<b>Depreciation</b>							
At 1 April 2015	0	0	29,366	75	6,126	4,867	<b>40,434</b>
Disposals other than for sale	0	0	(1,654)	0	(5,425)	0	<b>(7,079)</b>
Revaluation	0	(19,907)	0	0	0	0	<b>(19,907)</b>
Impairments/reversals charged to operating expenses	0	16,748	0	0	0	0	<b>16,748</b>
Charged During the Year	0	3,159	3,106	6	784	348	<b>7,403</b>
At 31 March 2016	<b>0</b>	<b>0</b>	<b>30,818</b>	<b>81</b>	<b>1,485</b>	<b>5,215</b>	<b>37,599</b>
<b>Net Book Value at 31 March 2016</b>	<b>6,500</b>	<b>222,705</b>	<b>11,503</b>	<b>31</b>	<b>1,997</b>	<b>1,012</b>	<b>243,748</b>
<b>Asset financing:</b>							
Owned - Purchased	6,500	14,409	8,085	31	1,887	1,012	<b>31,924</b>
Owned - Donated	0	0	512	0	0	0	<b>512</b>
Held on finance lease	0	0	23	0	110	0	<b>133</b>
On-SOFP PFI contracts	0	208,296	2,883	0	0	0	<b>211,179</b>
<b>Total at 31 March 2016</b>	<b>6,500</b>	<b>222,705</b>	<b>11,503</b>	<b>31</b>	<b>1,997</b>	<b>1,012</b>	<b>243,748</b>

## 11.3. Property, plant and equipment

Equipment is depreciated evenly over the estimated life of the asset. The ranges of asset lives used for different categories of plant and equipment are shown below:

- Plant and equipment 4 to 15 years
- Transport equipment 7 years
- Information Technology 5 to 8 years
- Furniture and fittings 7 to 10 years

Building asset lives will vary according to their latest valuation. At the end of March 2017 the range of lives for these assets fell between 9 and 73 years.

Assets at a cost of £126,000 were donated by other non-NHS organisations or financed by donations from the Trust's Charitable Funds.

The Trust's last formal valuation of its land and buildings was as at 31 March 2016 and was undertaken by its valuer, Cushman and Wakefield. For year-ending March 2017 the Trust estimated its land and buildings values based on indices provided by its valuer. In 2017-18 the Trust will be undertaking a formal valuation of the Trust's estate as at March 2018.

## 12. Intangible non-current assets

## 12.1 Intangible non-current assets

	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Total £000's
<b>2016-17</b>			
<b>At 1 April 2016</b>	2,773	467	<b>3,240</b>
Additions - purchased	124	48	<b>172</b>
Additions - donations	16	0	<b>16</b>
<b>Disposals other than by sale</b>	<b>(89)</b>	<b>(35)</b>	<b>(124)</b>
<b>At 31 March 2017</b>	<b>2,824</b>	<b>480</b>	<b>3,304</b>
<b>Amortisation</b>			
<b>At 1 April 2016</b>	1,034	180	<b>1,214</b>
Disposals other than by sale	(89)	(35)	<b>(124)</b>
Charged during the year	595	91	<b>686</b>
<b>At 31 March 2017</b>	<b>1,540</b>	<b>236</b>	<b>1,776</b>
<b>Net Book Value at 31 March 2017</b>	<b>1,284</b>	<b>244</b>	<b>1,528</b>
<b>Asset Financing: Net book value at 31 March 2017 comprises:</b>			
Purchased	1,130	244	<b>1,374</b>
Donated	154	0	<b>154</b>
<b>Total at 31 March 2017</b>	<b>1,284</b>	<b>244</b>	<b>1,528</b>

## 12.2 Intangible non-current assets prior year

	IT - in-house & 3rd party software	Computer Licenses	Total
	£000's	£000's	£000's
<b>2015-16</b>			
<b>Cost or valuation:</b>			
At 1 April 2015	3,894	668	<b>4,562</b>
Additions - purchased	26	58	<b>84</b>
Disposals other than by sale	(1,147)	(259)	<b>(1,406)</b>
<b>At 31 March 2016</b>	<b>2,773</b>	<b>467</b>	<b>3,240</b>
<b>Amortisation</b>			
At 1 April 2015	1,577	337	<b>1,914</b>
Disposals other than by sale	(1,147)	(259)	<b>(1,406)</b>
Charged during the year	604	102	<b>706</b>
<b>At 31 March 2016</b>	<b>1,034</b>	<b>180</b>	<b>1,214</b>
<b>Net book value at 31 March 2016</b>	<b>1,739</b>	<b>287</b>	<b>2,026</b>
<b>Net book value at 31 March 2016 comprises:</b>			
Purchased	1,532	287	<b>1,819</b>
Donated	207	0	<b>207</b>
<b>Total at 31 March 2016</b>	<b>1,739</b>	<b>287</b>	<b>2,026</b>

## 12.3 Intangible non-current assets

All the Trust's intangible assets are amortised over 5 years. Cost is deemed to be a fair reflection of value.

## 13. Analysis of impairments and reversals recognised in 2016-17

	2016-17 Total £000s
<b>Property, Plant and Equipment impairments and reversals taken to SoCI</b>	
Changes in market price	(10,763)
<b>Total charged to Annually Managed Expenditure</b>	<b>(10,763)</b>
<b>Total Impairments of Property, Plant and Equipment changed to SoCI</b>	<b>(10,763)</b>

The above impairment reversals arose as a result of a revaluation of the Trust's buildings in 2016-17 using indices. (See also Note 11.3.) In 2015-16 there were impairment charges of £16,753,000.

## 14. Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Total £000s
<b>Balance at 1 April 2016</b>	<b>1,768</b>	<b>2,025</b>	<b>47</b>	<b>3,840</b>
Additions	21,557	19,901	667	42,125
Inventories recognised as an expense in the period	(21,516)	(19,812)	(649)	(41,977)
<b>Balance at 31 March 2017</b>	<b>1,809</b>	<b>2,114</b>	<b>65</b>	<b>3,988</b>

Note: None of the above inventories are held at net realisable value (NRV).

## 15.1 Trade and other receivables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
NHS receivables - revenue	<b>7,123</b>	5,851	<b>0</b>	0
NHS prepayments and accrued income	<b>7,083</b>	2,618	<b>0</b>	0
Non-NHS receivables - revenue	<b>1,312</b>	1,011	<b>0</b>	0
Non-NHS prepayments and accrued income	<b>3,278</b>	3,589	<b>0</b>	0
Provision for the impairment of receivables	<b>(591)</b>	(570)	<b>(377)</b>	(281)
VAT	<b>838</b>	549	<b>0</b>	0
Interest receivables	<b>3</b>	4	<b>0</b>	0
Other receivables	<b>2,524</b>	1,408	<b>1,695</b>	1,324
<b>Total</b>	<b>21,570</b>	14,460	<b>1,318</b>	1,043
<b>Total current and non current</b>	<b>22,888</b>	15,503		
Included in NHS receivables are prepaid pension contributions:	<b>0</b>			

The great majority of trade is with clinical commissioning groups as commissioners (CCGs) for NHS patient care services. As CCGs are funded by Government to buy NHS patient care services no credit scoring of them is considered necessary.

## 15.2 Receivables past their due date but not impaired

	31 March 2017 £000s	31 March 2016 £000s
By up to three months	445	460
By three to six months	40	114
By more than six months	193	106
<b>Total</b>	<b>678</b>	<b>680</b>

## 15.3 Provision for impairment of receivables\*

	2016-17 £000s	2015-16 £000s
<b>Balance at 1 April 2016</b>	<b>(851)</b>	(723)
Amount written off during the year	9	2
(Increase)/decrease in receivables impaired	(126)	(130)
<b>Balance at 31 March 2017</b>	<b>(968)</b>	(851)

\*Note that the above also includes a provision in respect of injury cost recovery income.

## 16. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
<b>Opening balance</b>	<b>1,563</b>	7,788
Net change in year	214	(6,225)
<b>Closing balance</b>	<b>1,777</b>	1,563
<b>Made up of</b>		
Cash with Government Banking Service	1,743	1,531
Commercial banks	11	12
Cash in hand	23	20
<b>Cash and cash equivalents as in statement of financial position</b>	<b>1,777</b>	1,563
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>1,777</b>	1,563
Third Party Assets - Bank balance (not included above)	27	11

## 17. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
NHS payables - revenue	1,120	1,058	0	0
NHS accruals and deferred income	1,946	1,887	0	0
Non-NHS payables - revenue	3,846	3,173	0	0
Non-NHS payables - capital	111	640	0	16
Non-NHS accruals and deferred income	14,988	14,352	32	36
Social security costs	3,859	3,006		
Accrued Interest on DH Loans	7	4		
Tax	3,683	3,410		
Other	4,118	3,806	0	0
<b>Total</b>	<b>33,678</b>	31,336	<b>32</b>	52
<b>Total payables (current and non-current)</b>	<b>33,710</b>	31,388		

## Included above:

Outstanding Pension Contributions at the year end	3,913	3,698
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## 18. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Loans from Department of Health	0	0	5,050	3,457
PFI liabilities - main liability	5,792	6,253	248,683	254,475
Finance lease liabilities	108	54	239	80
<b>Total</b>	<b>5,900</b>	6,307	<b>253,972</b>	258,012
<b>Total other liabilities (current and non-current)</b>	<b>259,872</b>	264,319		

Note: further information on the Trust's borrowings can be found in Note 20 (finance lease obligations) and in Note 23 (PFI additional information).

## Borrowings / Loans - repayment of principal falling due in:

	31 March 2017		
	DH £000s	Other £000s	Total £000s
0-1 Years	0	5,900	5,900
1 - 2 Years	0	5,774	5,774
2 - 5 Years	5,050	17,262	22,312
Over 5 Years	0	225,886	225,886
<b>TOTAL</b>	<b>5,050</b>	<b>254,822</b>	<b>259,872</b>

## 19. Deferred income

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Opening balance at 1 April 2016	743	896	36	41
Deferred revenue addition	546	743	0	0
Transfer of deferred revenue	(743)	(896)	(4)	(5)
<b>Current deferred income at 31 March 2017</b>	<b>546</b>	<b>743</b>	<b>32</b>	<b>36</b>
Total deferred income (current and non-current)	<b>578</b>	<b>779</b>		

## 20. Finance lease obligations as lessee

These relate to medical equipment and IT leases implicit and managed service contracts.

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum lease payments	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Within one year	133	62	108	54
Between one and five years	274	84	239	80
Less future finance charges	(60)	(12)		
<b>Minimum Lease Payments / Present value of minimum lease payments</b>	<b>347</b>	<b>134</b>	<b>347</b>	<b>134</b>
Included in:				
Current borrowings			108	54
Non-current borrowings			239	80
			<b>347</b>	<b>134</b>

## 21. Provisions

	Total £000s	Early Departure Costs £000s	Legal Claims £000s	Other £000s
<b>Balance at 1 April 2016</b>	<b>2,840</b>	890	310	1,640
Arising during the year	298	3	260	35
Utilised during the year	(309)	(75)	(121)	(113)
Reversed unused	(161)	(38)	(43)	(80)
Unwinding of discount	33	12	0	21
Change in discount rate	376	125	0	251
<b>Balance at 31 March 2017</b>	<b>3,077</b>	<b>917</b>	<b>406</b>	<b>1,754</b>

## Expected Timing of Cash Flows\*:

No Later than One Year	596	76	406	114
Later than One Year and not later than Five Years	755	301	0	454
Later than Five Years	1,726	540	0	1,186

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities £000s:

<b>As at 31 March 2017</b>	<b>101,176</b>
As at 31 March 2016	94,652

The provisions classified under "other" include amounts for permanent injury benefit awards.

\* The timing of cash flows is based on the expected payments (pensions/permanent injury benefits) and expected settlement date of claims (all other). The latter, due to the nature of legal claims, is particularly subject to change.

## 22. Contingencies

	31 March 2017 £000s	31 March 2016 £000s
<b>Contingent liabilities</b>		
NHS Litigation Authority legal claims	(53)	(61)
Other *	(105)	(32)
<b>Net value of contingent liabilities</b>	<b>(158)</b>	<b>(93)</b>

\* Legal claims dealt with locally.

### 23. PFI - additional information

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

	2016-17	2015-16
	£000s	£000s
<b>Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI</b>		
Service element of on SOFP PFI charged to operating expenses in year	<b>24,757</b>	23,563
<b>Total</b>	<b>24,757</b>	23,563
<b>Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI</b>		
No Later than One Year	<b>25,328</b>	24,917
Later than One Year, No Later than Five Years	<b>106,913</b>	102,422
Later than Five Years	<b>688,346</b>	712,719
<b>Total</b>	<b>820,587</b>	840,058
<b>Imputed "finance lease" obligations for on SOFP PFI contracts due</b>		
	2016-17	2015-16
	£000s	£000s
No Later than One Year	<b>21,968</b>	22,354
Later than One Year, No Later than Five Years	<b>84,745</b>	84,893
Later than Five Years	<b>518,787</b>	525,215
<b>Subtotal</b>	<b>625,500</b>	632,462
Less: Interest Element	<b>(371,025)</b>	(371,734)
<b>Total</b>	<b>254,475</b>	260,728
<b>Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due</b>		
	2016-17	2015-16
	£000s	£000s
No Later than One Year	<b>5,792</b>	6,253
Later than One Year, No Later than Five Years	<b>22,797</b>	23,612
Later than Five Years	<b>225,886</b>	230,863
<b>Total</b>	<b>254,475</b>	260,728

Please note that the future commitment figures above exclude inflation that may impact on the figures from 2017-18 onwards.

#### Number of on SOFP PFI Contracts:

Total Number of on PFI contracts	<b>1</b>
Number of on PFI contracts which individually have a total commitments value in excess of £500m	<b>1</b>

The PFI arrangement is between the Trust and New Hospitals, the latter being the special purpose vehicle currently acting for Medirest and Vinci. The main scheme is to build two new hospitals at the Trust's two sites in St Helens and Whiston. All construction was complete in November 2012. The contract term runs to August 2047, the price base being uplifted annually by the Retail Price Index, the base RPI having been set in December 2002. For the duration of the arrangement Vinci will provide hard facilities management (FM) services while soft FM services are currently provided by Medirest and are subject to market testing every five years. A benchmarking exercise for soft FM has resulted in Medirest being awarded a further five year contract commencing June 2013.

At the end of the arrangement the ownership of the buildings will pass to the Trust. Under IFRIC 12 as interpreted for the public sector, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges.

The PFI arrangement also incorporates a managed equipment service (MES) provided by GE which expires in 2026. In the contract the legal title of equipment remains that of GE for the duration of the contract with the legal title passing to the Trust upon expiry of the MES Contract term when the Trust shall purchase all functioning MES Equipment at a price equivalent to the current net book value.



## 24. Impact of IFRS treatment - current year

The information below is required by the Department of Health for budget reconciliation purposes

	2016-17 Expenditure £000s	2015-16 Expenditure £000s
<b>Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12</b>		
Depreciation charges	3,990	3,867
Interest Expense	9,181	9,436
Impairment charge - AME	(10,233)	14,259
Other Expenditure	31,672	30,471
Impact on PDC dividend payable	(1,481)	(1,549)
<b>Total IFRS Expenditure (IFRIC12)</b>	<b>33,129</b>	56,484
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	47,811	46,272
<b>Net IFRS change (IFRIC12)</b>	<b>(14,682)</b>	10,212
<b>Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12</b>		538
Capital expenditure 2015-16	1,107	538
UK GAAP capital expenditure 2015-16 (Reversionary Interest)	1,821	1,814

	2016-17 Income/ Expenditure IFRIC12 YTD £000s	2016-17 Income/ Expenditure ESA10 YTD £000s	2015-16 Income/ Expenditure IFRIC12 YTD £000s	2015-16 Income/ Expenditure ESA10 YTD £000s
<b>Revenue costs of IFRS12 compared with ESA10</b>				
Depreciation charges	3,990		3,867	
Interest Expense	9,181		9,436	
Impairment charge - AME	(10,233)		14,259	
<b>Other Expenditure</b>				
Service Charge	24,752	47,811	23,558	46,272
Contingent Rent	6,920		6,913	
Impact on PDC Dividend Payable	(1,481)		(1,549)	
<b>Total Revenue Cost under IFRIC12 vs ESA10</b>	<b>33,129</b>	<b>47,811</b>	56,484	46,272
<b>Net Revenue Cost/(income) under IFRIC12 vs ESA10</b>	<b>33,129</b>	<b>47,811</b>	56,484	46,272

## 25. Financial Instruments

## 25.1 Financial risk management

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

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

**Currency risk**

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

**Interest rate risk**

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

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

**Credit risk**

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in the trade and other receivables note.

**Liquidity risk**

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

## 25.2. Financial Assets

	Loans and receivables £000s	Total £000s
Receivables - NHS	7,123	<b>7,123</b>
Receivables - non-NHS	1,312	<b>1,312</b>
Cash at bank and in hand	1,777	<b>1,777</b>
<b>Total at 31 March 2017</b>	<b>10,212</b>	<b>10,212</b>
Receivables - NHS	5,851	5,851
Receivables - non-NHS	1,011	1,011
Cash at bank and in hand	1,563	1,563
Total at 31 March 2016	8,425	8,425

## 25.3. Financial Liabilities

	Other £000s	Total £000s
NHS payables	1,120	<b>1,120</b>
Non-NHS payables	3,957	<b>3,957</b>
Other borrowings	5,050	<b>5,050</b>
PFI & finance lease obligations	254,822	<b>254,822</b>
<b>Total at 31 March 2017</b>	<b>264,949</b>	<b>264,949</b>
NHS payables	1,058	1,058
Non-NHS payables	3,813	3,813
Other borrowings	3,457	3,457
PFI & finance lease obligations	260,862	260,862
Total at 31 March 2016	269,190	269,190

## 26. Related party transactions

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with St Helens and Knowsley Teaching Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year St Helens and Knowsley Teaching Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The principal entities are:

St Helens CCG  
Knowsley CCG  
Halton CCG  
Liverpool CCG  
NHS England  
Health Education England  
NHS Business Services Authority  
NHS Litigation Authority

The Trust has also received revenue and capital payments from the Trust's related NHS charity, the St Helens and Knowsley Hospitals Charitable Fund, the trustees for which are also members of the NHS Trust board. Please refer to the separate Trustees Report and Accounts for this charity.

## 27. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	41,692	80
Special payments	124,381	64
<b>Total losses and special payments</b>	<b>166,073</b>	<b>144</b>

The total number of losses cases in 2015-16 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	5,222	96
Special payments	178,412	71
Total losses and special payments	183,634	167

Note that there were no cases exceeding £300,000 in either year.



## 28. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

### 28.1. Breakeven performance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Turnover	197,085	268,405	214,116	236,411	252,944	263,864	278,572	288,448	301,674	313,287	349,934
Retained surplus/(deficit) for the year	257	219	(22,687)	(44,653)	(25,613)	(25,456)	10,691	816	(734)	(26,498)	15,546
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	22,904	37,155	21,939	25,017	(9,427)	0	(1,918)	16,753	(10,763)
Adjustments for impact of policy change re donated/government grants assets						40	(564)	(323)	101	194	78
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC 12*				7,723	3,970	704	0	657	0	0	0
Absorption accounting adjustment							0	0	0	0	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0	0
Breakeven in year position	<b>257</b>	<b>219</b>	<b>217</b>	<b>225</b>	<b>296</b>	<b>305</b>	<b>700</b>	<b>1,150</b>	<b>(2,551)</b>	<b>(9,551)</b>	<b>4,861</b>
Breakeven cumulative position	<b>2,371</b>	<b>2,590</b>	<b>2,807</b>	<b>3,032</b>	<b>3,328</b>	<b>3,633</b>	<b>4,333</b>	<b>5,483</b>	<b>2,932</b>	<b>(6,619)</b>	<b>(1,758)</b>

\*Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	%	%	%	%	%	%	%	%	%	%	%
Materiality test (i.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	0.13	0.08	0.10	0.10	0.12	0.12	0.25	0.40	-0.85	-3.05	1.39
Break-even cumulative position as a percentage of turnover	1.20	0.96	1.31	1.28	1.32	1.38	1.56	1.90	0.97	-2.11	-0.50

The amounts in the above tables in respect of financial years 2006/07 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

## 28.2. Capital cost absorption rate

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

## 28.3. External financing

The Trust is given an external financing limit which it is permitted to undershoot.

	<b>2016-17</b>	2015-16
	<b>£000s</b>	£000s
External financing limit (EFL)	<b>(4,494)</b>	3,224
Cash flow financing	(4,822)	2,671
Finance leases taken out in the year	287	0
Other capital receipts	(126)	(13)
<b>External financing requirement</b>	<b>(4,661)</b>	2,658
<b>Undershoot against EFL</b>	<b>167</b>	566

## 28.4. Capital resource limit

The Trust is given a capital resource limit which it is not permitted to exceed.

	<b>2016-17</b>	2015-16
	<b>£000s</b>	£000s
Gross capital expenditure	3,519	4,169
Less: donations towards the acquisition of non-current assets	(126)	(13)
<b>Charge against the capital resource limit</b>	<b>3,393</b>	4,156
Capital resource limit	3,394	4,158
<b>Underspend against the capital resource limit</b>	<b>1</b>	2

## 29. Third party assets

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

	<b>31 March 2017</b>	31 March 2016
	<b>£000s</b>	£000s
Third party assets held by the Trust	27	11



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