

**Plymouth Hospitals NHS Trust**

**Annual Accounts for the year ended 31 March 2017**

## 2016-17 Annual Accounts of Plymouth Hospitals NHS Trust

### 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 judgements required for determining that it is fair, balanced and understandable.

Signed *Ann James* Chief Executive

Date 26<sup>th</sup> May 2017

## 2016-17 Annual Accounts of Plymouth Hospitals NHS Trust

### 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, directors are required to:

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

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 James*

Chief Executive

26<sup>th</sup> May 2017

*Neil Kemsley*

Finance Director

26<sup>th</sup> May 2017

## **2016-17 Annual Accounts of Plymouth Hospitals NHS Trust**

### **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF PLYMOUTH HOSPITALS NHS TRUST**

We have audited the financial statements of Plymouth 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 numbers and costs; and
- the table of fair pay (pay multiples) disclosures

This report is made solely to the Directors of Plymouth 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 Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied

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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 Plymouth 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.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1.2 to the financial statements concerning the Trust's ability to continue as a going concern. The Trust incurred a £39.9 million deficit for the year ended 31 March 2017 and, at that date had net current liabilities of £5.65 million. The Directors are seeking additional cash funding of £16 million from the Department of Health, supported by NHS Improvement during the 2017/18 financial year. As disclosed in Note 1.2 to the financial statements, the Department of Health, supported by NHS Improvement has not, at the date of our report, confirmed this support.

This condition, along with the other matters explained in Note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

### **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

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

On 17 May 2017, we referred a matter to the Secretary of State under section 30 of the Act in relation to Plymouth Hospitals NHS Trust's breach of its statutory break-even duty for the three year period ending 31 March 2019.

We are required to report to you if we are not satisfied that the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Basis for Qualified Value for Money Conclusion**

The Trust failed to achieve its statutory break even objective requirement for 2016-17 recording a £39.9 million deficit, against an original budgeted deficit of £36.5 million reported in April 2016. In addition, the Trust's medium term financial plan shows a further deterioration in the cumulative break even position in 2017-18, with a forecast deficit of £3 million and is unable to set a sustainable financial plan that will allow it to recover its cumulative deficit in the medium term.

The deterioration in the Trust's financial outturn was due, in part, to:

- the underachievement of income targets because of lower than planned elective activity;
- a shortfall in the delivery of the Trust's cost improvement plans internal target for the financial year;
- the Trust being unable to achieve a planned reduction in temporary workforce costs as a result of continuing operational pressures; and
- additional costs arising from penalties for cancelled operations.

These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

### **Qualified Value for Money Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2015, except for the effects of the matter/(s) described in the Basis for Qualified Value for Money Conclusion paragraph, we are satisfied that, in all significant respects, Plymouth Hospitals NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

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- 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 nothing to report in respect of the above matters.

### **Certificate**

We certify that we have completed the audit of the financial statements of Plymouth Hospitals NHS Trust in accordance with the requirements of the Act and the Code of Audit Practice.

*Peter Barber*

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

Hartwell House  
Victoria Street  
Bristol  
BS1 6FT

30<sup>th</sup> May 2017

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

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	9.1	<b>(286,137)</b>	(271,718)
Other operating costs	7	<b>(196,544)</b>	(194,228)
Revenue from patient care activities	4	<b>403,258</b>	385,932
Other operating revenue	5	<b>47,090</b>	46,839
<b>Operating (deficit)</b>		<b><u>(32,333)</u></b>	<u>(33,175)</u>
Investment revenue	11	<b>27</b>	35
Other gains and (losses)	12	<b>(29)</b>	(13)
Finance costs	13	<b>(1,497)</b>	(590)
<b>(Deficit) for the financial year</b>		<b><u>(33,832)</u></b>	<u>(33,743)</u>
Public dividend capital dividends payable		<b>(4,360)</b>	(5,805)
<b>Retained (deficit) for the year</b>		<b><u>(38,192)</u></b>	<u>(39,548)</u>
<b>Other Comprehensive Income</b>			
		<b>2016-17 £000s</b>	2015-16 £000s
Net (loss) on revaluation of property, plant & equipment		<b>(863)</b>	(762)
<b>Total comprehensive income for the year</b>		<b><u>(39,055)</u></b>	<u>(40,310)</u>
<b>Financial performance for the year</b>			
Retained (deficit) for the year		<b>(38,192)</b>	(39,548)
Impairments/(reversals)		<b>(1,719)</b>	4,205
Adjustments in respect of donated asset reserve elimination		<b>11</b>	(653)
<b>Adjusted retained(deficit)</b>		<b><u>(39,900)</u></b>	<u>(35,996)</u>

The notes on pages 12 to 33 form part of this account.



**Statement of Financial Position as at  
31 March 2017**

		31 March 2017	31 March 2016
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	204,619	200,544
Intangible assets	16	1,011	1,345
Trade and other receivables	20.1	2,937	2,646
<b>Total non-current assets</b>		<b>208,567</b>	<b>204,535</b>
<b>Current assets:</b>			
Inventories	19	11,169	10,362
Trade and other receivables	20.1	20,182	18,400
Cash and cash equivalents	21	4,809	1,246
<b>Total current assets</b>		<b>36,160</b>	<b>30,008</b>
<b>Total assets</b>		<b>244,727</b>	<b>234,543</b>
<b>Current liabilities</b>			
Trade and other payables	22	(40,739)	(48,135)
Provisions	26	(317)	(380)
Borrowings	23	(58)	0
DH capital loan	23	(700)	(700)
<b>Total current liabilities</b>		<b>(41,814)</b>	<b>(49,215)</b>
<b>Net current assets/(liabilities)</b>		<b>(5,654)</b>	<b>(19,207)</b>
<b>Total assets less current liabilities</b>		<b>202,913</b>	<b>185,328</b>
<b>Non-current liabilities</b>			
Provisions	26	(1,253)	(1,222)
Borrowings	23	(741)	0
DH revenue support loan	23	(73,982)	(23,414)
DH capital loan	23	(700)	(1,400)
<b>Total non-current liabilities</b>		<b>(76,676)</b>	<b>(26,036)</b>
<b>Total assets employed:</b>		<b>126,237</b>	<b>159,292</b>
<b>FINANCED BY:</b>			
Public Dividend Capital		195,551	189,551
Retained earnings		(77,422)	(39,502)
Revaluation reserve		7,456	8,591
Other reserves		652	652
<b>Total Taxpayers' Equity:</b>		<b>126,237</b>	<b>159,292</b>

The notes on pages 12 to 33 form part of this account.

The financial statements on pages 7-33 were approved by the Board on 26th May 2017 and signed on its behalf by

**Chief Executive:**

Date:

*Ann James*

26th May 2017

**Statement of Changes in Taxpayers' Equity  
For the year ending 31 March 2017**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
<b>Balance at 1 April 2016</b>	<b>189,551</b>	<b>(39,502)</b>	<b>8,591</b>	<b>652</b>	<b>159,292</b>
<b>Changes in taxpayers' equity for 2016-17</b>					
Retained surplus/(deficit) for the year		(38,192)			(38,192)
Net gain / (loss) on revaluation of property, plant, equipment			(863)		(863)
Transfers between reserves		272	(272)	0	0
Temporary and permanent PDC received - cash	6,000				6,000
<b>Net recognised revenue/(expense) for the year</b>	<b>6,000</b>	<b>(37,920)</b>	<b>(1,135)</b>	<b>0</b>	<b>(33,055)</b>
<b>Balance at 31 March 2017</b>	<b>195,551</b>	<b>(77,422)</b>	<b>7,456</b>	<b>652</b>	<b>126,237</b>
<b>Balance at 1 April 2015</b>	<b>195,551</b>	<b>(527)</b>	<b>9,926</b>	<b>652</b>	<b>205,602</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2016</b>					
Retained surplus/(deficit) for the year		(39,548)			(39,548)
Net gain / (loss) on revaluation of property, plant, equipment			(762)		(762)
Transfers between reserves		573	(573)	0	0
PDC repaid in year	(6,000)				(6,000)
<b>Net recognised (expense) for the year</b>	<b>(6,000)</b>	<b>(38,975)</b>	<b>(1,335)</b>	<b>0</b>	<b>(46,310)</b>
<b>Balance at 31 March 2016</b>	<b>189,551</b>	<b>(39,502)</b>	<b>8,591</b>	<b>652</b>	<b>159,292</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 Trust, is payable to the Department of Health as the public dividend capital dividend.

### 2 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.

### 4 Other reserves

The balance on this reserve dates back many years and relates to the acquisition of property from a demising Community Trust.

**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 (deficit)		<b>(32,333)</b>	(33,175)
Depreciation and amortisation	7	<b>15,749</b>	15,634
Impairments and reversals	7	<b>(1,719)</b>	4,205
Donated Assets received credited to revenue but non-cash	5	<b>(422)</b>	(1,061)
(Increase) in Inventories		<b>(807)</b>	(1,459)
(Increase)/decrease in Trade and Other Receivables		<b>(2,497)</b>	3,315
Increase/(Decrease) in Trade and Other Payables		<b>(9,673)</b>	14,523
Provisions utilised		<b>(287)</b>	(215)
Increase in movement in non cash provisions		<b>142</b>	185
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>(31,847)</b>	1,952
<b>Cash Flows from Investing Activities</b>			
Interest Received		<b>27</b>	35
(Payments) for Property, Plant and Equipment		<b>(15,100)</b>	(11,037)
(Payments) for Intangible Assets		<b>(396)</b>	(935)
Proceeds of disposal of assets held for sale (PPE)		<b>0</b>	28
<b>Net Cash (Outflow) from Investing Activities</b>		<b>(15,469)</b>	(11,909)
<b>Net Cash (Outflow) before Financing</b>		<b>(47,316)</b>	(9,957)
<b>Cash Flows from Financing Activities</b>			
Gross Temporary and Permanent PDC Received		<b>6,000</b>	0
Gross Temporary and Permanent PDC Repaid		<b>0</b>	(6,000)
Loans received from DH - New Revenue Support Loans		<b>50,568</b>	46,114
Other Loans Received		<b>225</b>	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		<b>(700)</b>	(700)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		<b>0</b>	(22,700)
Interest paid		<b>(1,278)</b>	(535)
PDC Dividend (paid)		<b>(3,936)</b>	(6,094)
<b>Net Cash Inflow from Financing Activities</b>		<b>50,879</b>	10,085
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>3,563</b>	128
<b>Cash and Cash Equivalents at beginning of the period</b>		<b>1,246</b>	1,118
<b>Cash and Cash Equivalents at year end</b>	21	<b>4,809</b>	1,246

## 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 Accounting Manual, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Accounting Manual 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 and inventories.

#### 1.2 Going Concern

These accounts have been prepared on a going concern basis.

IAS 1 requires management to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative than, the dissolution of the Trust without the transfer of its services to another entity.

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.

The directors also consider that the contracts it has agreed with commissioning bodies and the application it intends to make to the Department of Health, supported by NHS Improvement, for additional cash funding in 2017/18 are also evidence that the Trust will have adequate resources to continue in operational existence for the foreseeable future. It is, however, acknowledged that the additional cash funding requested in 2017/18 (which totals £16m during the course of the year but, after in-year repayments, will be £5m at year end) has not yet formally been approved by the Department of Health. Therefore, although we are confident that this funding will be forthcoming through the monthly request and approval process, as this has not yet been confirmed for the whole year ahead it does represent a material uncertainty that may be considered to cast significant doubt about the Trust's ability to continue as a going concern. However, as stated above, as we are certain that the services currently provided by the Trust will continue to be provided in the foreseeable future, we are content with adopting the going concern status.

#### 1.3 Charitable Funds

The income, expenditure, assets and liabilities of the Plymouth Hospitals General Charity are not material in the context of the Trust's accounts, and consolidated accounts have not, therefore, been prepared. The value of charitable funds at 31.3.17 was £5m.

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

In the application of the 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.

##### 1.4.1 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 Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Judgement is required to assess whether or not there has been any impairment of assets over the period. In the case of land and buildings the advice of the District Valuer is sought annually. For plant and equipment an internal impairment review is completed annually. During the year 2016/17 a review of Information Technology assets was also carried out by the District Valuer, with no amendment to the carrying values of such assets found to be necessary.

##### 1.4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year.

Accruals for services received not yet invoiced are estimated on the basis of past experience.

## NOTES TO THE ACCOUNTS

### 1.4.3 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 are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

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.

### 1.5 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 NHS 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.

### 1.6 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.

### 1.7 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.

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.

## NOTES TO THE ACCOUNTS

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.

## 1.8 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 £5000.

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.

### Measurement

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.

## 1.9 Depreciation, amortisation and impairments

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

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible 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.

## NOTES TO THE ACCOUNTS

### 1.10 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.

### 1.11 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 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 NHS trust as lessor

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

### 1.12 Inventories

Inventories are valued at current cost. 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 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 26.

#### Non-clinical risk pooling

The NHS trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to 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.



## NOTES TO THE ACCOUNTS

### 1.16 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 NHS 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.

### 1.17 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### 1.18 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historic cost. Otherwise, financial liabilities are initially recognised at fair value.

#### Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

### 1.19 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.

### 1.20 Foreign currencies

The Trust's functional and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

### 1.21 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.

### 1.22 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS 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.

## NOTES TO THE ACCOUNTS

### 1.23 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).

### 1.24 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.

### 1.25 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 is 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 Operating segments

The Trust has no material operating segments other than healthcare.

	2016-17 £000s	2015-16 £000s
Income	<u>450,348</u>	<u>432,771</u>
Operating (deficit)	<u>(32,333)</u>	<u>(33,175)</u>
Net Assets	<u>126,237</u>	<u>159,292</u>

## 3 Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

	2016-17 £000s	2015-16 £000s
Income	2,359	2,196
Full cost	<u>2,507</u>	<u>2,441</u>
(Deficit)	<u>(148)</u>	<u>(245)</u>

The only scheme with costs exceeding £1m was car parking.

## 4 Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	0	55
NHS England	149,164	141,742
Clinical Commissioning Groups	245,887	229,633
Foundation Trusts	899	575
NHS Other (including Public Health England and Prop Co)	82	249
Additional income for delivery of healthcare services	0	6,000
Non-NHS:		
Local Authorities	2,541	2,534
Private patients	2,509	2,682
Overseas patients (non-reciprocal)	196	128
Injury costs recovery	1,715	2,154
Other Non-NHS patient care income	265	180
<b>Total Revenue from patient care activities</b>	<u>403,258</u>	<u>385,932</u>

## 5 Other operating revenue

	2016-17 £000s	2015-16 £000s
Recoveries in respect of employee benefits	369	353
Patient transport services	4	40
Education, training and research	28,963	27,424
Charitable and other contributions to revenue expenditure -non- NHS	883	1,037
Receipt of charitable donations for capital acquisitions	422	1,061
Non-patient care services to other bodies	9,232	10,608
Income generation	5,247	4,618
Rental revenue from operating leases	681	870
Other revenue	<u>1,289</u>	<u>828</u>
<b>Total Other Operating Revenue</b>	<u>47,090</u>	<u>46,839</u>
<b>Total operating revenue</b>	<u>450,348</u>	<u>432,771</u>

## 6 Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	196	128
Cash payments received in-year (re receivables at 31 March 2016)	45	51
Cash payments received in-year (iro invoices issued 2016-17)	94	60
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	1	0
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	27	30
Amounts written off in-year (irrespective of year of recognition)	11	9

## 7 Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	37	232
Services from other NHS bodies	7	0
Services from NHS Foundation Trusts	710	182
<b>Total Services from NHS bodies</b>	<b>754</b>	<b>414</b>
Purchase of healthcare from non-NHS bodies	7,651	6,142
Trust Chair and Non-executive Directors	79	60
Supplies and services - clinical	112,479	108,412
Supplies and services - general	16,568	16,881
Consultancy services	189	136
Establishment	3,324	3,652
Transport	2,407	2,273
Business rates paid to local authorities	2,153	1,916
Premises	16,126	15,831
Hospitality	20	28
Insurance	477	511
Legal fees	269	325
Impairments and reversals of Receivables	130	(529)
Inventories write down	77	42
Depreciation	15,345	15,257
Amortisation	404	377
Impairments and reversals of property, plant and equipment	(1,719)	4,205
Internal audit fees	161	149
Audit fees	74	74
Other auditor's remuneration	10	10
Clinical negligence	15,709	14,281
Research and development (excluding staff costs)	1,556	1,333
Education and Training	1,195	905
Change in discount rate	110	(7)
Other	996	1,550
<b>Total Operating expenses (excluding employee benefits)</b>	<b>196,544</b>	<b>194,228</b>

### Employee Benefits

Employee benefits excluding Board members	285,340	270,936
Board members	797	782
<b>Total Employee Benefits</b>	<b>286,137</b>	<b>271,718</b>

### Total Operating Expenses

<b>482,681</b>	<b>465,946</b>
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## 8 Operating Leases

Several items of medical equipment, some vehicles and some buildings used mainly for administrative functions but also some for service provision are held on operating leases. The Trust also leases land at the site of the haemodialysis unit and a multi-storey car park adjacent to the main Derriford site.

### 8.1 Plymouth Hospitals NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
<b>Payments recognised as an expense</b>					
Minimum lease payments				4,037	3,829
<b>Total</b>				<b>4,037</b>	<b>3,829</b>
<b>Payable:</b>					
No later than one year	100	3,065	656	3,821	3,390
Between one and five years	200	8,803	1,533	10,536	12,075
After five years	0	2,057	0	2,057	866
<b>Total</b>	<b>300</b>	<b>13,925</b>	<b>2,189</b>	<b>16,414</b>	<b>16,331</b>

## 8.2 Plymouth Hospitals NHS Trust as lessor

The Trust lets part of its estate to commercial organisations on operating leases.

	2016-17 £000s	2015-16 £000s
<b>Recognised as revenue</b>		
Contingent rents	681	870
<b>Total</b>	<b>681</b>	<b>870</b>
<b>Receivable:</b>		
No later than one year	300	458
Between one and five years	419	1,071
After five years	455	0
<b>Total</b>	<b>1,174</b>	<b>1,529</b>

## 9 Employee benefits

### 9.1 Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
<b>Employee Benefits - Gross Expenditure</b>		
Salaries and wages	239,313	230,533
Social security costs	22,110	17,264
Employer Contributions to NHS BSA - Pensions Division	26,113	24,866
Other pension costs	43	40
<b>Total employee benefits</b>	<b>287,579</b>	<b>272,703</b>
<b>Employee costs capitalised</b>	<b>1,442</b>	<b>985</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>286,137</b>	<b>271,718</b>

### 9.2 Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	5	7
	£000s	£000s
Total additional pensions liabilities accrued in the year	211	232

## 9.2 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.nhsba.nhs.uk/pensions](http://www.nhsba.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 participation 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 required 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 at 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.

## 10 Better Payment Practice Code

### 10.1 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	88,653	218,097	84,006	192,316
Total Non-NHS Trade Invoices Paid Within Target	84,382	193,672	79,665	170,879
Percentage of NHS Trade Invoices Paid Within Target	95.18%	88.80%	94.83%	88.85%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	2,824	8,847	2,483	8,604
Total NHS Trade Invoices Paid Within Target	2,451	7,069	2,225	6,828
Percentage of NHS Trade Invoices Paid Within Target	86.79%	79.90%	89.61%	79.36%

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

### 10.2 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	6	4
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>6</b>	<b>4</b>

### 11 Investment Revenue

	2016-17 £000s	2015-16 £000s
<b>Interest revenue</b>		
Bank interest	27	35
<b>Total investment revenue</b>	<b>27</b>	<b>35</b>

### 12 Other Gains and Losses

	2016-17 £000s	2015-16 £000s
(Loss) on disposal of assets other than by sale (PPE)	(29)	(13)
<b>Total</b>	<b>(29)</b>	<b>(13)</b>

### 13 Finance Costs

	2016-17 £000s	2015-16 £000s
<b>Interest</b>		
Interest on loans and overdrafts	1,466	567
Interest on obligations under finance leases	22	0
Interest on late payment of commercial debt	6	4
<b>Total interest expense</b>	<b>1,494</b>	<b>571</b>
Provisions - unwinding of discount	3	19
<b>Total</b>	<b>1,497</b>	<b>590</b>

### 14 Events after the end of the reporting period

The directors are not aware of any events after the end of the reporting period for disclosure.

**15.1 Property, plant and equipment**

	Land	Buildings excluding dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
2016-17	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost or valuation:</b>								
<b>At 1 April 2016</b>	6,002	140,927	8,214	107,494	192	27,609	5,961	<b>296,399</b>
Additions of Assets Under Construction			17,597					<b>17,597</b>
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	271	0	111	14	<b>396</b>
Additions Leased (including PFI/LIFT)	0	0		600	0	0	0	<b>600</b>
Reclassifications	0	4,679	(7,194)	3,090	0	668	(1,243)	<b>0</b>
Disposals other than for sale	0	0	0	(1,524)	0	(2,731)	(22)	<b>(4,277)</b>
Revaluation	(1,200)	337	0	0	0	0	0	<b>(863)</b>
<b>At 31 March 2017</b>	<b>4,802</b>	<b>145,943</b>	<b>18,617</b>	<b>109,931</b>	<b>192</b>	<b>25,657</b>	<b>4,710</b>	<b>309,852</b>
<b>Depreciation</b>								
<b>At 1 April 2016</b>	0	0		72,116	146	20,468	3,125	<b>95,855</b>
Reclassifications	0	849		(138)	0	(75)	(636)	<b>0</b>
Disposals other than for sale	0	0		(1,495)	0	(2,731)	(22)	<b>(4,248)</b>
Impairments/reversals charged to operating expenses	0	(1,719)		0	0	0	0	<b>(1,719)</b>
Charged During the Year	0	5,695		7,197	8	2,147	298	<b>15,345</b>
<b>At 31 March 2017</b>	<b>0</b>	<b>4,825</b>	<b>0</b>	<b>77,680</b>	<b>154</b>	<b>19,809</b>	<b>2,765</b>	<b>105,233</b>
<b>Net Book Value at 31 March 2017</b>	<b>4,802</b>	<b>141,118</b>	<b>18,617</b>	<b>32,251</b>	<b>38</b>	<b>5,848</b>	<b>1,945</b>	<b>204,619</b>
<b>Asset financing:</b>								
Owned - Purchased	4,802	139,056	18,617	30,722	38	5,725	1,825	<b>200,785</b>
Owned - Donated	0	2,062	0	945	0	123	120	<b>3,250</b>
Held on finance lease	0	0	0	584	0	0	0	<b>584</b>
<b>Total at 31 March 2017</b>	<b>4,802</b>	<b>141,118</b>	<b>18,617</b>	<b>32,251</b>	<b>38</b>	<b>5,848</b>	<b>1,945</b>	<b>204,619</b>

Land and property assets are carried at valuation on the Statement of Financial Position. All of the Trust's land and building assets are revalued annually by the District Valuer of the Valuation Office Agency, who is a Member of the Royal Institution of Chartered Surveyors. Valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury.

Building asset lives are also reassessed annually by the District Valuer. The lives determined by the 31 March 2017 exercise will be applied in 2017-18.



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

	Land	Buildings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	2,602	5,989	0	0	0	0	0	8,591
Movements (specify)	(1,200)	65	0	0	0	0	0	(1,135)
<b>At 31 March 2017</b>	<b>1,402</b>	<b>6,054</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,456</b>

**Additions to Assets Under Construction in 2016-17**

Buildings excl Dwellings	7,290
Plant & Machinery	10,307
<b>Balance as at YTD</b>	<b>17,597</b>

**15.2 Property, plant and equipment prior-year**

	Land	Buildings excluding dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>2015-16</b>								
<b>Cost or valuation:</b>								
At 1 April 2015	6,002	143,249	20,048	102,298	156	22,660	5,820	300,233
Additions of Assets Under Construction			7,885					7,885
Additions - Non Cash Donations (i.e. Physical Assets)	0	850	0	166	0	18	12	1,046
Reclassifications	0	7,387	(19,719)	7,211	36	4,956	129	0
Disposals other than for sale	0	0	0	(2,181)	0	(25)	0	(2,206)
Revaluation	0	(762)	0	0	0	0	0	(762)
<b>At 31 March 2016</b>	<b>6,002</b>	<b>150,724</b>	<b>8,214</b>	<b>107,494</b>	<b>192</b>	<b>27,609</b>	<b>5,961</b>	<b>306,196</b>
<b>Depreciation</b>								
At 1 April 2015	0	0		66,990	132	18,491	2,742	88,355
Disposals other than for sale	0	0		(2,140)	0	(25)	0	(2,165)
Impairments/reversals charged to operating expenses	0	4,205		0	0	0	0	4,205
Charged During the Year	0	5,592		7,266	14	2,002	383	15,257
At 31 March 2016	<b>0</b>	<b>9,797</b>	<b>0</b>	<b>72,116</b>	<b>146</b>	<b>20,468</b>	<b>3,125</b>	<b>105,652</b>
<b>Net Book Value at 31 March 2016</b>	<b>6,002</b>	<b>140,927</b>	<b>8,214</b>	<b>35,378</b>	<b>46</b>	<b>7,141</b>	<b>2,836</b>	<b>200,544</b>
<b>Asset financing:</b>								
Owned - Purchased	6,002	138,953	8,214	34,404	46	7,094	2,700	197,413
Owned - Donated	0	1,974	0	974	0	47	136	3,131
<b>Total at 31 March 2016</b>	<b>6,002</b>	<b>140,927</b>	<b>8,214</b>	<b>35,378</b>	<b>46</b>	<b>7,141</b>	<b>2,836</b>	<b>200,544</b>

### 15.3 Property, plant and equipment economic lives

	Min life years	Max life years
Buildings	17	47
Plant & machinery	2	30
Transport equipment	7	7
Information Technology	3	20
Furniture and fittings	5	20

## 16 Intangible non-current assets

### 16.1 Intangible non-current assets

	Licenses and Trademarks	Total
	£000's	£000's
<b>2016-17</b>		
<b>At 1 April 2016</b>	<b>2,269</b>	<b>2,269</b>
Additions of Assets Under Construction		0
Additions Purchased	44	44
Additions - Non Cash Donations (i.e. physical assets)	26	26
<b>At 31 March 2017</b>	<b>2,339</b>	<b>2,339</b>
<b>Amortisation</b>		
<b>At 1 April 2016</b>	<b>924</b>	<b>924</b>
Charged During the Year	404	404
<b>At 31 March 2017</b>	<b>1,328</b>	<b>1,328</b>
<b>Net Book Value at 31 March 2017</b>	<b>1,011</b>	<b>1,011</b>
<b>Asset Financing: Net book value at 31 March 2017 comprises:</b>		
Purchased	973	973
Donated	38	38
<b>Total at 31 March 2017</b>	<b>1,011</b>	<b>1,011</b>

### 16.2 Intangible non-current assets prior year

	Licenses and Trademarks	Total
	£000's	£000's
<b>2015-16</b>		
<b>Cost or valuation:</b>		
At 1 April 2015	1,335	1,335
Additions - purchased	935	935
Additions - donated	15	15
Disposals other than by sale	(16)	(16)
At 31 March 2016	2,269	2,269
<b>Amortisation</b>		
At 1 April 2015	563	563
Disposals other than by sale	(16)	(16)
Charged during the year	377	377
At 31 March 2016	924	924
<b>Net book value at 31 March 2016</b>	<b>1,345</b>	<b>1,345</b>
<b>Net book value at 31 March 2016 comprises:</b>		
Purchased	1,325	1,325
Donated	20	20
<b>Total at 31 March 2016</b>	<b>1,345</b>	<b>1,345</b>

### 17.1 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	(1,719)
<b>Total charged to Annually Managed Expenditure</b>	<u>(1,719)</u>
<b>Total Impairments of Property, Plant and Equipment changed to SoCI</b>	<u>(1,719)</u>
<b>Total Impairments charged to SoCI - DEL</b>	0
<b>Total Impairments charged to SoCI - AME</b>	(1,719)
<b>Overall Total Impairments</b>	<u>(1,719)</u>

### 17.2 Analysis of impairments and reversals recognised in 2016-17

	Property Plant and Equipment	2016-17 Total £000s
Changes in market price	(1,719)	(1,719)
<b>Total charged to Annually Managed Expenditure</b>	<u>(1,719)</u>	<u>(1,719)</u>
<b>Total Impairments of Property, Plant and Equipment changed</b>	<u>(1,719)</u>	<u>(1,719)</u>

## 18 Commitments

### 18.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2017 £000s	31 March 2016 £000s
Property, plant and equipment	4,640	734
Intangible assets	169	1,253
<b>Total</b>	<u>4,809</u>	<u>1,987</u>

## 19 Inventories

	Drugs	Consumables	Work in Progress	Energy	Loan Equipment	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2016</b>	<b>2,223</b>	<b>8,020</b>	<b>0</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>10,362</b>	<b>0</b>
Additions	58,141	45,760	0	22	0	0	103,923	0
Inventories recognised as an expense in the period	(57,835)	(45,204)	0	0	0	0	(103,039)	0
Write-down of inventories (including losses)	(5)	(72)	0	0	0	0	(77)	0
<b>Balance at 31 March 2017</b>	<b>2,524</b>	<b>8,504</b>	<b>0</b>	<b>141</b>	<b>0</b>	<b>0</b>	<b>11,169</b>	<b>0</b>

## 20.1 Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
NHS receivables - revenue	8,599	5,543	0	0
Non-NHS receivables - revenue	3,645	4,516	0	0
Non-NHS prepayments and accrued income	4,362	3,928	0	0
PDC Dividend prepaid to DH	146	570	0	0
Provision for the impairment of receivables	(1,169)	(1,157)	(838)	(745)
VAT	960	1,086	0	0
Other receivables	3,639	3,914	3,775	3,391
<b>Total</b>	<b>20,182</b>	<b>18,400</b>	<b>2,937</b>	<b>2,646</b>
<b>Total current and non current</b>	<b>23,119</b>	<b>21,046</b>		

The great majority of trade is with other NHS organisations. As NHS organisations are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

## 20.2 Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	1,323	660
By three to six months	201	434
By more than six months	46	181
<b>Total</b>	<b>1,570</b>	<b>1,275</b>

## 20.3 Provision for impairment of receivables

	2016-17	2015-16
	£000s	£000s
<b>Balance at 1 April 2016</b>	<b>(1,902)</b>	<b>(2,449)</b>
Amount written off during the year	25	18
Amount recovered during the year	1	3
(Increase)/decrease in receivables impaired	(131)	526
<b>Balance at 31 March 2017</b>	<b>(2,007)</b>	<b>(1,902)</b>

## 21 Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000s	£000s
<b>Opening balance</b>	<b>1,246</b>	<b>1,118</b>
Net change in year	3,563	128
<b>Closing balance</b>	<b>4,809</b>	<b>1,246</b>
<b>Made up of</b>		
Cash with Government Banking Service	4,782	1,217
Commercial banks	3	7
Cash in hand	24	22
<b>Cash and cash equivalents as in statement of financial position</b>	<b>4,809</b>	<b>1,246</b>
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>4,809</b>	<b>1,246</b>

## 22 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	1,549	5,410	0	0
NHS accruals and deferred income	1,484	1,485	0	0
Non-NHS payables - revenue	14,659	20,620	0	0
Non-NHS payables - capital	5,060	2,916	0	0
Non-NHS accruals and deferred income	6,320	6,843	0	0
Social security costs	3,201	2,565		
Accrued Interest on DH Loans	150	45		
Tax	2,885	2,778		
Other	5,431	5,473	0	0
<b>Total</b>	<b>40,739</b>	<b>48,135</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>40,739</b>	<b>48,135</b>		
Included in "other" above: outstanding Pension Contributions at the year end	3,752	3,559		

## 23 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	700	700	74,682	24,814
Loans from other entities	30	0	195	0
Finance lease liabilities	28	0	546	0
<b>Total</b>	<b>758</b>	<b>700</b>	<b>75,423</b>	<b>24,814</b>
<b>Total other liabilities (current and non-current)</b>	<b>76,181</b>	<b>25,514</b>		

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

	DH £000s	31 March 2017	
		Other £000s	Total £000s
0-1 Years	700	58	758
1 - 2 Years	24,114	90	24,204
2 - 5 Years	50,568	234	50,802
Over 5 Years	0	417	417
<b>TOTAL</b>	<b>75,382</b>	<b>799</b>	<b>76,181</b>

## 24 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	1,608	1,773	0	0
Deferred revenue addition	2,405	263	0	0
Transfer of deferred revenue	(1,952)	(428)	0	0
<b>Current deferred Income at 31 March 2017</b>	<b>2,061</b>	<b>1,608</b>	<b>0</b>	<b>0</b>
Total deferred income (current and non-current)	2,061	1,608		

## 25 Finance lease obligations as lessee

A finance lease was taken out during the year on modular accommodation for the Trust's Occupational Health facility.

### Amounts payable under finance leases

	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	56	0	28	0
Between one and five years	226	0	129	0
After five years	522	0	417	0
Less future finance charges	(230)	0		
Minimum Lease Payments / Present value of minimum lease payments	574	0	574	0
Included in:				
Current borrowings			28	0
Non-current borrowings			546	0
			574	0

## 26 Provisions

	Total	Comprising: Early Departure Costs	Legal Claims
	£000s	£000s	£000s
<b>Balance at 1 April 2016</b>	<b>1,602</b>	859	743
Arising during the year	<b>182</b>	36	146
Utilised during the year	<b>(287)</b>	(92)	(195)
Reversed unused	<b>(40)</b>	0	(40)
Unwinding of discount	<b>3</b>	2	1
Change in discount rate	<b>110</b>	58	52
<b>Balance at 31 March 2017</b>	<b>1,570</b>	<b>863</b>	<b>707</b>

### Expected Timing of Cash Flows:

No Later than One Year	<b>317</b>	91	226
Later than One Year and not later than Five Years	<b>477</b>	353	124
Later than Five Years	<b>776</b>	419	357

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

<b>As at 31 March 2017</b>	128,683
<b>As at 31 March 2016</b>	111,843

## 27 Contingencies

	31 March 2017 £000s	31 March 2016 £000s
<b>Contingent liabilities</b>		
NHS Litigation Authority legal claims	<b>(78)</b>	(117)
<b>Net value of contingent liabilities</b>	<b>(78)</b>	(117)

## 28 Financial Instruments

### 28.1 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 commissioners and the way those commissioners 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 NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

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

#### Currency risk

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

#### Interest rate risk

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

The Trust 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 most 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 primary care organisations, 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.

### 28.2 Financial Assets

	Loans and receivables	Total
	£000s	£000s
Receivables - NHS	8,599	<b>8,599</b>
Receivables - non-NHS	3,702	<b>3,702</b>
Cash at bank and in hand	4,809	<b>4,809</b>
<b>Total at 31 March 2017</b>	<b>17,110</b>	<b>17,110</b>
Receivables - NHS	5,543	5,543
Receivables - non-NHS	5,048	5,048
Cash at bank and in hand	1,246	1,246
<b>Total at 31 March 2016</b>	<b>11,837</b>	<b>11,837</b>

## 28.3 Financial Liabilities

	Other	Total
	£000s	£000s
NHS payables	1,549	1,549
Non-NHS payables	31,043	31,043
Other borrowings	75,607	75,607
PFI & finance lease obligations	574	574
<b>Total at 31 March 2017</b>	<b>108,773</b>	<b>108,773</b>
NHS payables	5,410	5,410
Non-NHS payables	35,774	35,774
Other borrowings	25,514	25,514
<b>Total at 31 March 2016</b>	<b>66,698</b>	<b>66,698</b>

## 29 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 the Trust

The Department of Health is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. For example :

NHS New Devon CCG  
 NHS Kernow CCG  
 NHS South Devon & Torbay CCG  
 NHS England  
 Royal Devon & Exeter NHS Foundation Trust  
 Torbay and South Devon NHS Foundation Trust  
 Health Education England  
 NHS Litigation Authority  
 NHS Business Services Authority  
 NHS Pension Scheme  
 Other CCGs  
 Other foundation trusts  
 Other NHS trusts

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. It has also had a number of transactions with the University of Plymouth during the year; certain Trust Board members are also members of the University Board.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the Trust Board. In particular the Trust has received grants from the Plymouth Hospitals General Charity, of which the Trust is Corporate Trustee.

## 30 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	43,329	140
Special payments	204,471	232
<b>Total losses and special payments</b>	<b>247,800</b>	<b>372</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	37,189	257
Special payments	204,839	125
<b>Total losses and special payments</b>	<b>242,028</b>	<b>382</b>



### 31 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.

#### 31.1 Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	315,873	346,457	372,868	376,990	391,499	391,862	405,822	410,207	430,817	432,771	450,348
Retained surplus/(deficit) for the year	2,347	12,698	5,023	(265)	18	(3,271)	(8,768)	(8,795)	(1,797)	(39,548)	(38,192)
Adjustment for:											
Prior Period Adjustments	(1,114)	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	0	2,275	0	3,497	8,761	(4,251)	(3,353)	4,205	(1,719)
Adjustments for impact of policy change re donated/government grants assets						(211)	56	58	161	(653)	11
Other agreed adjustments	1,932	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	<b>3,165</b>	<b>12,698</b>	<b>5,023</b>	<b>2,010</b>	<b>18</b>	<b>15</b>	<b>49</b>	<b>(12,988)</b>	<b>(4,989)</b>	<b>(35,996)</b>	<b>(39,900)</b>
Break-even cumulative position	<b>(7,675)</b>	<b>5,023</b>	<b>10,046</b>	<b>12,056</b>	<b>12,074</b>	<b>12,089</b>	<b>12,138</b>	<b>(850)</b>	<b>(5,839)</b>	<b>(41,835)</b>	<b>(81,735)</b>

	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	1.00	3.67	1.35	0.53	0.00	0.00	0.01	-3.17	-1.16	-8.32	-8.86
Break-even cumulative position as a percentage of turnover	-2.43	1.45	2.69	3.20	3.08	3.09	2.99	-0.21	-1.36	-9.67	-18.15

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.

Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 states that "Each NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account". NHS trusts normally plan to meet this duty by achieving a balanced position on their income and expenditure account each and every year. The interpretation of the statutory financial duty for the NHS trusts to break-even was clarified in 1997/98 which recognised that although NHS trusts are expected to achieve a balanced position on their income and expenditure account each and every year, there may be reasons for the NHS trusts to report deficits in one year which may be offset by surpluses achieved in another year(s). This is particularly relevant to situations where NHS trusts must recognise costs in advance of cash outlay, for example for clinical negligence or pension costs, and when managing the recovery of an NHS trust with serious financial difficulties. A run of three years may be used to test the break-even duty, but in exceptional cases the Department of Health may agree to a five year time-scale.

The Trust has reported a deficit position for the fourth year in a row and the cumulative deficit now stands at £81.7m. The Trust's auditors made a referral to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 on 6 April 2016. The Trust is planning a deficit of £3m in 2017/18 and a return to break-even in 2018/19.

### 31.2 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%.

### 31.3 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)	55,439	16,832
Cash flow financing	52,530	16,586
Finance leases taken out in the year	600	0
External financing requirement	<b>53,130</b>	16,586
<b>Underspend against EFL</b>	<b><u>2,309</u></b>	<b><u>246</u></b>

### 31.4 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	18,663	9,882
Less: book value of assets disposed of	(29)	(41)
Less: donations towards the acquisition of non-current assets	(422)	(1,062)
<b>Charge against the capital resource limit</b>	<b><u>18,212</u></b>	<b><u>8,779</u></b>
Capital resource limit	<u>22,026</u>	<u>8,780</u>
<b>Underspend against the capital resource limit</b>	<b><u>3,814</u></b>	<b><u>1</u></b>