BRIGHTON AND SUSSEX UNIVERSITY HOSPITALS NHS TRUST

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

Statement of Comprehensive Income for year ended 31 March 2017

	NOTE	**2016-17 £000s**	2015-16 £000s
Gross employee benefits	10.1	**(349,025)**	(330,433)
Other operating costs	8	**(278,247)**	(257,068)
Revenue from patient care activities	5	**496,583**	479,497
Other operating revenue	6	**53,786**	49,978
Operating deficit		**(76,903)**	(58,026)
Investment revenue	12	**31**	48
Other gains	13	**76**	75
Finance costs	14	**(6,127)**	(4,399)
Deficit for the financial year		**(82,923)**	(62,302)
Public dividend capital dividends payable		**(6,201)**	(7,678)
Retained deficit for the year		**(89,124)**	(69,980)

Other Comprehensive Income

	2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve	**(2,347)**	(3,249)
Net gain on revaluation of property, plant & equipment	**9,586**	7,306
Total comprehensive income for the year*	**(81,885)**	(65,923)

* This sums the rows above and the deficit for the year.

Financial performance for the year

Retained deficit for the year	**(89,124)**	(69,980)
IFRIC 12 adjustment (including IFRIC 12 impairments)	**1,397**	1,646
Impairments (excluding IFRIC 12 impairments)	**18,572**	22,789
Adjustments in respect of donated asset reserve elimination	**654**	726
Adjusted retained deficit	**(68,501)**	(44,819)

A trust's reported financial performance position is derived from it's retained surplus/(deficit), but adjusted for the following:

a) The incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, is reported as technical. This additional cost is not considered part of the organisation's operating position.

b) The Treasury FReM for 2011-12 changed the accounting treatment for the funding element of charitable donations so that NHS bodies no longer hold Donated Asset Reserves. Where assets are funded by donations the financing element of the transaction is recognised as income and taken through the statement of income and expenditure. The impact of the change in policy is not considered part of the organisation's operating position.

c) Prior year performance is not re-assessed following accounting restatements.

The notes on pages 6 to 46 form part of this account.

Statement of Financial Position as at 31 March 2017

	NOTE	31 March 2017 £000s	31 March 2016 £000s
Non-current assets:			
Property, plant and equipment	16	**388,164**	351,401
Intangible assets	17	**681**	758
Other financial assets	22	**1,101**	1,101
Trade and other receivables	21.1	**3,048**	1,644
Total non-current assets		**392,994**	354,904
Current assets:			
Inventories	20	**8,109**	7,118
Trade and other receivables	21.1	**50,477**	53,312
Other current assets	23	**0**	0
Cash and cash equivalents	24	**7,407**	3,344
Sub-total current assets		**65,993**	63,774
Non-current assets held for sale	25	**0**	63
Total current assets		**65,993**	63,837
Total assets		**458,987**	418,741
Current liabilities			
Trade and other payables	26	**(70,471)**	(72,875)
Other liabilities	27	**0**	0
Provisions	31	**(4,136)**	(236)
Borrowings	28	**(3,020)**	(3,146)
DH revenue support loan	28	**0**	(1,500)
DH capital loan	28	**(4,357)**	(2,969)
Total current liabilities		**(81,984)**	(80,726)
Net current liabilities		**(15,991)**	(16,889)
Total assets less current liablilities		**377,003**	338,015
Non-current liabilities			
Trade and other payables	26	**(687)**	0
Other liabilities	27	**0**	0
Provisions	31	**(1,937)**	(1,786)
Borrowings	28	**(28,344)**	(29,761)
Other financial liabilities	29	**0**	0
DH revenue support loan	28	**(107,181)**	(37,685)
DH capital loan	28	**(59,739)**	(54,807)
Total non-current liabilities		**(197,888)**	(124,039)
Total assets employed:		**179,115**	213,976
FINANCED BY:			
Public Dividend Capital		**294,776**	247,752
Retained earnings		**(167,019)**	(79,400)
Revaluation reserve		**51,358**	45,624
Total Taxpayers' Equity:		**179,115**	213,976

The notes on pages 6 to 44 form part of this account.

The financial statements on pages *2 to 5* were approved by the Audit Committee and signed on its behalf by ... (with delegated authority by the Board) on ...

Chief Executive: Date:

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
Balance at 1 April 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**
Changes in taxpayers' equity for 2016-17					
Retained deficit for the year		(89,124)			**(89,124)**
Net gain on revaluation of property, plant, equipment			9,586		**9,586**
Impairments and reversals			(2,347)		**(2,347)**
Transfers between reserves		1,505	(1,505)	0	**0**
Reclassification Adjustments					
Permanent PDC received - cash	47,024				**47,024**
Net recognised revenue/(expense) for the year	**47,024**	**(87,619)**	**5,734**	**0**	**(34,861)**
Balance at 31 March 2017	**294,776**	**(167,019)**	**51,358**	**0**	**179,115**
Balance at 1 April 2015	**236,123**	**(17,866)**	**50,013**	**0**	**268,270**
Changes in taxpayers' equity for the year ended 31 March 2016					
Retained deficit for the year		(69,980)			(69,980)
Net gain on revaluation of property, plant, equipment			7,306		7,306
Impairments and reversals			(3,249)		(3,249)
Transfers between reserves		8,446	(8,446)	0	0
Reclassification Adjustments					
New PDC received - cash	11,629				11,629
Net recognised revenue/(expense) for the year	**11,629**	**(61,534)**	**(4,389)**	**0**	**(54,294)**
Balance at 31 March 2016	**247,752**	**(79,400)**	**45,624**	**0**	**213,976**

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. 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
Cash Flows from Operating Activities			
Operating deficit		**(76,903)**	(58,026)
Depreciation and amortisation	8	**19,995**	21,740
Impairments and reversals	18	**19,969**	23,963
Other gains on foreign exchange	13	**84**	54
(Increase)/Decrease in Inventories		**(991)**	60
Decrease/(Increase) in Trade and Other Receivables		**1,431**	(17,482)
(Decrease)/Increase in Trade and Other Payables		**(5,137)**	5,216
Provisions utilised		**(93)**	(356)
Increase in movement in non cash provisions		**4,138**	4,753
Net Cash Outflow from Operating Activities		**(37,507)**	(20,078)
Cash Flows from Investing Activities			
Interest Received		**31**	48
Payments for Property, Plant and Equipment		**(65,815)**	(55,169)
Payments for Intangible Assets		**(88)**	(421)
Proceeds of disposal of assets held for sale (PPE)		**0**	575
Net Cash Outflow from Investing Activities		**(65,872)**	(54,967)
Net Cash Outflow before Financing		**(103,379)**	(75,045)
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received		**47,024**	11,629
Loans received from DH - New Capital Investment Loans		**9,289**	22,963
Loans received from DH - New Revenue Support Loans		**69,496**	45,628
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**(2,969)**	(2,233)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		**(1,500)**	(10,943)
Capital Element of Payments in Respect On-SoFP PFI		**(1,543)**	(1,220)
Interest paid		**(6,121)**	(4,326)
PDC Dividend paid		**(6,234)**	(8,504)
Net Cash Inflow from Financing Activities		**107,442**	52,994
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,063**	(22,051)
Cash and Cash Equivalents at Beginning of the Period		**3,344**	25,395
Effect of exchange rate changes in the balance of cash held in foreign currencies		**0**	0
Cash and Cash Equivalents at year end	**24**	**7,407**	3,344

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 2016-17, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the Department of Health 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 Department of Health Group Accounting Manual 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

These accounts have been prepared on the basis the Trust is a going concern as there is no indication that that the healthcare and other services will not continue to be provided by the public sector for the foreseeable future and that continuing financial support will be provided by DH.

This year the Trust has struggled to meet its financial targets against a backdrop of increased financial pressure across the NHS. The Trust has returned a control total deficit of £68.5m but has achieved £20.8m savings through the Cost Improvement Programme. The DH provided deficit funding of £69.5m as revenue support loans in year bringing the total revenue support loan funding to £107.2m at 31 March 2017.

The Trust has entered into a management contract with Western Sussex Hospitals NHS FT and NHS Improvement for a minimum of three years. From 1 April 2017 the Executive Team and Chairman of Western Sussex Hospitals NHS Foundation Trust are also the Executive Team and Chairman of the Trust. This is to provide some strong and stable leadership to the Trust for at least three years. New regulatory oversight arrangements have also been agreed which will provide a focus on supporting the Trust to exit from Financial Special Measures and Quality Special Measures.

The Trust has agreed a revision to the financial control totals for the next two years with NHSI. The basis upon which these have been agreed will limit the financial efficiency requirement upon the Trust over this period. It is expected the Trust will deliver a deficit of £65.4m in 2017/18. The plans reflect agreed continued revenue deficit support funding from DH for both years. The deficit support funding is authorised by the DH monthly in advance and is conditional on the achievement of the agreed financial control total for the year. Deficit support funding totalling £12.8m for April and May 2017 has been provided to the Trust.

The healthcare contracts with local Clinical Commissioning Groups and NHS England for 2017/18 have been agreed. These are all on a Payment by Results basis and amount to approximately £471m .

The Trust's 2017/18 cash flow forecast is based on the assumptions in the 2017/18 financial plan. The key assumptions underpinning the cash flow are:
a) Receipt of £65.4m revenue support loan from the DH to finance the revenue deficit.
b) Receipt of £98m PDC from DH to fund the 3Ts capital build.

The cash flow position is reported to the Finance and Investment Committee and the Board monthly and this is based on the Trust's detailed 12 month cash flow forecast which is updated daily.

The Trust's financial priority for the next two years is to deliver its control total deficit as agreed with NHS Improvement. This includes the development and embedding of robust and transparent processes for financial improvement and control as well as a new infrastructure to support delivery of a sustainable efficiency programme.

The new Executive leadership of the Trust has agreed the following priorities with NHS Improvement over the next 3 years:

• Moving out of Quality Special Measures
• Improvement and delivery of A&E performance
• Moving out of Financial Special Measures
• Addressing underlying Leadership and Cultural challenges
• Assuring delivery of 3Ts programme and integration into the Trust

Taking into account all these factors, the assumption that the healthcare and other services will continue to be provided by the public sector for the foreseeable future and that the DH will continue to provide financial support, the Directors consider the Trust will continue to operate as a going concern. The conditions described above do, however, indicate the existence of material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

NOTES TO THE ACCOUNTS

1.3 Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Charitable Funds

Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements.

1.5 Pooled Budgets

The Trust has not entered into any pooled budget arrangements during the Financial Year 2016-17

1.6 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.

1.6.1 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.

Valuation of Buildings

Department of Health guidance specifies that the Trust's land and buildings should be valued on the basis of depreciated replacement cost, applying the Modern Equivalent Asset (MEA) concept. The MEA is defined as "the cost of a modern replacement asset that has the same productive capacity as the property being valued." Therefore the MEA is not a valuation of the existing land and buildings that the Trust holds, but a theoretical valuation for accounting purposes of what the Trust could need to spend in order to replace the current assets. In determining the MEA, the Trust has to make assumptions that are practically achievable, however the Trust is not required to have any plans to make such changes.

The Trust is satisfied that the assumptions underpinning the MEA valuation are practically achievable, would not change the services provided by the Trust, and would not impact on service delivery or the level and volume of service provided. The Trust does not intend to implement any of the theoretical assumptions that underpin the MEA valuation.

For the purpose of the MEA valuation, the Trust has defined all of the Royal Sussex County Hospital, The Royal Alexandra Children's Hospital, the Sussex Eye Hospital and the Royal Princess Royal Hospital as buildings that provide specialist health care services. The MEA valuation in the accounts assumes that the Brighton based hospitals could theoretically be provided from a location on the outskirts of Brighton.

The MEA valuations used by the Trust have been provided to the Trust by the external valuers, GERLADEVE. The Trust has used component lives based upon contractual information provided by the GERALDEVE to depreciate buildings and dwellings on a component basis.

PFI

The Trust uses the standard Department of Health model to account for its PFI scheme.

Assets Under Construction

The costs of the 3T's project (the redevelopment of the Royal Sussex County Hospital), which represent costs capitalised on assets not currently complete, are included in Assets Under Construction. At 31 March 2017 these amounted to £90.1m (2015-16 - £68.32m). The project, which has a cost of £486m, was approved by HMT in December 2015 with an expected completion date of 2024. The project is estimated to be completed in 2024. There are three phases to the build. The Trust has taken the judgement that capitalised expenditure will be classified as Assets Under Construction until completion of each stage of the phases of the build, at which point the assets will be reclassified as operational buildings. Changes in the valuation basis between cost and fair value, when these reclassifications occur, may result in significant changes in the carrying value of the assets.

Provision for Pensions

The Trust has estimated the provision for pensions relating to former staff using estimates provided by the NHS Pension Agency provided at the time of the member's early retirement. These are updated annually using national life expectancy tables and if the if it becomes apparent that the provision is not sufficient to meet the liability.

NOTES TO THE ACCOUNTS

Notes to the Accounts - 1. Accounting Policies (Continued)

1.6.2 Key sources of estimation uncertainty

Fully Depreciated Plant and Equipment
The Trust is in the process of reviewing fully depreciated items of plant and equipment held on the capital asset register which may no longer exist. Based on the work undertaken the Trust continues to estimate that it holds approximately £17m of fully depreciated assets of its capital asset register which no longer exist that are excluded from the financial statements.

Software Development
During the year the Trust decided to discontinue development of a software system. Negotiations are ongoing with the main software provider to terminate the contract early. Full provision has been made for the costs of early termination at £3.5m.

Revenue
The basis of calculation for partially completed spells is detailed in note 1.7 below.

Depreciation
The reported amounts for depreciation of property, plant and equipment and amortisation of non-current intangible assets can be materially affected by the judgements exercised in determining their estimated economic lives. Economic lives are determined in a number of different ways such as valuations (external professional opinion) and physical asset verification exercises.

The estimated economic lives of each class of asset are disclosed in note 1.12, and the carrying values of property, plant and equipment and intangible assets in note 16.1 and 17.1 respectively.

Land and Buildings Valuations
All land and buildings are restated at current value by way of annual professional valuations carried out by an independent external valuer.

Provision for impairment of receivables

Provisions are based on a combination of the age of the debt and disputes with debtors. The Trust follows the guidance issued in the Department of Health Group Accounting Manual 2016-17 in relation to the recommended rate for Injury Cost Recovery receivables.

1.7 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 measured at the price per day for each patient spell apportioned across the financial years.

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.

1.8 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.

Past and present employees unable to join the NHS Pension Schemes are covered by the National Employers Savings Trust ("NEST). NEST is a defined contribution pension scheme.

NOTES TO THE ACCOUNTS

1.9 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.

NOTES TO THE ACCOUNTS

1.10 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 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.

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.

1.11 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;

NOTES TO THE ACCOUNTS

- 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.

1.12 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.

The estimated useful lives are:

	Years
Buildings	1-90
Medical equipment and engineering plant and equipment	5-16
Furniture	5-15
Soft furnishings	5-15
Office and information technology equipment	5-10

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.

1.13 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.

1.14 Government grants

Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.15 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

NOTES TO THE ACCOUNTS

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.16 Leases

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

NOTES TO THE ACCOUNTS

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 Trust as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods 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.

1.17 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 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 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.

NOTES TO THE ACCOUNTS

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 Trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.18 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.

1.19 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.

1.20 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. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:
• A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
• A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
• A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are 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.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.21 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 31.

1.22 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.

1.23 Carbon Reduction Commitment Scheme (CRC)
CRC and similar allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the Trust makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

NOTES TO THE ACCOUNTS

1.24 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.

1.25 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.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the Trust's deficit for the year. The net gain or loss incorporates any interest earned on the financial asset. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and where there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

NOTES TO THE ACCOUNTS

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

Notes to the Accounts - 1. Accounting Policies (Continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised costs using the effective interest method, less impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that have an impact on the estimated future cash flows of the asset.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.26 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 de-recognised 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.

Financial guarantee contract liabilities
Financial guarantee contract liabilities are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Trust's deficit. The net gain or loss incorporates any interest payable on the financial liability. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

Other financial liabilities
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from the 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.

1.27 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.

NOTES TO THE ACCOUNTS

1.28 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.

1.29 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 44 to the accounts.

1.30 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.

1.31 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).

1.32 Subsidiaries

Material entities over which the Trust has the power to exercise control are classified as subsidiaries and are consolidated. The Trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust or where the subsidiary's accounting date is not co-terminus.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

1.33 Associates

Material entities over which the Trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the Trust share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity.

Associates that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

1.34 Joint arrangements

Material entities over which the Trust has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the Trust is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are recognised as an investment and accounted for using the equity method.

NOTES TO THE ACCOUNTS

1.35 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.

1.36 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.

1.37 Gifts

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

2. Pooled budget

The Trust has not entered into any pooled budget arrangements during the Financial Year 2016-17

3. Operating segments

The nature of the Trust's services is the provision of healthcare. Similar methods are used to provide services across all locations and all policies, procedures and governance arrangements are Trust wide. As an NHS Trust, all services are subject to the same regulatory environment and standards set by the Trust's external performance managers. Accordingly, the Trust operates one segment and in 2016-17 reported to the Board in this format. No discrete activities of the business have individual revenue exceeding 10% of the total combined revenue, profit or assets.

Income from transactions with a single external customer which amount to 10% or more of total income is as follows:

	2016-17	2015-16
	£m's	£m's
CCG *	276	270
NHS England	177	163
	453	433

This income all relates to patient activity.

* As commissioners are under common control they are classed as a single customer for this purpose.

4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care, but has not undertaken any income generation activities whose full cost exceeded £1m.

5. Revenue from patient care activities

	2016-17	2015-16
	£000s	£000s
NHS Trusts	**3,090**	3,080
NHS England	**173,825**	160,756
Clinical Commissioning Groups	**275,617**	269,859
Foundation Trusts	**3,000**	2,430
Department of Health	**1,545**	1,777
NHS Other (including Public Health England and Prop Co)	**340**	721
Non-NHS:		
Local Authorities	**4,490**	4,419
Private patients	**4,496**	4,534
Overseas patients (non-reciprocal)	**338**	234
Injury costs recovery	**2,625**	1,663
Other Non-NHS patient care income	**27,217**	30,024
Total Revenue from patient care activities	**496,583**	479,497

6. Other operating revenue

	2016-17	2015-16
	£000s	£000s
Recoveries in respect of employee benefits	**2,785**	2,885
Patient transport services	**0**	0
Education, training and research	**33,385**	37,255
Receipt of charitable donations for capital acquisitions	**88**	86
Non-patient care services to other bodies	**5,736**	1,992
Sustainability & Transformation Fund Income	**3,600**	0
Income generation (Other fees and charges)	**7,052**	7,185
Rental revenue from operating leases	**515**	575
Other revenue	**625**	0
Total Other Operating Revenue	**53,786**	49,978
Total operating revenue	**550,369**	529,475

7. Overseas Visitors Disclosure

	2016-17	2015-16
	£000s	£000s
Income recognised during 2016-17 (invoiced amounts and accruals)	**338**	234
Cash payments received in-year (re receivables at 31 March 2016)	**20**	39
Cash payments received in-year (iro invoices issued 2016-17)	**42**	82
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	**0**	0
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	**130**	62
Amounts written off in-year (irrespective of year of recognition)	**5**	**12**

8. Operating expenses

	2016-17	2015-16
	£000s	£000s
Services from other NHS Trusts	**2,151**	5,945
Services from CCGs/NHS England	**114**	0
Services from other NHS bodies	**14**	363
Services from NHS Foundation Trusts	**6,202**	1,882
Total Services from NHS bodies*	**8,481**	8,190
Purchase of healthcare from non-NHS bodies	**7,162**	7,366
Trust Chair and Non-executive Directors	**67**	72
Supplies and services - clinical	**138,343**	124,955
Supplies and services - general	**8,228**	11,650
Consultancy services	**4,459**	901
Establishment	**4,016**	4,396
Transport	**1,745**	1,059
Service charges - ON-SOFP PFIs and other service concession arrangements	**1,407**	1539
Business rates paid to local authorities	**2,377**	2,184
Premises	**17,074**	16,765
Hospitality	**0**	0
Insurance	**416**	445
Legal Fees	**2,137**	1,579
Impairments and Reversals of Receivables	**11,791**	6,237
Inventories write down	**175**	45
Depreciation	**19,830**	21,586
Amortisation	**165**	154
Impairments and reversals of property, plant and equipment	**19,969**	23,963
Internal Audit Fees	**121**	120
Audit fees	**109**	132
Other auditor's remuneration	**13**	1
Clinical negligence	**19,276**	16,257
Research and development (excluding staff costs)	**2,542**	1,887
Education and Training	**4,067**	5,599
Change in Discount Rate	**233**	(14)
Other	**4,044**	0
Total Operating expenses (excluding employee benefits)	**278,247**	257,068
Employee Benefits		
Employee benefits excluding Board members	**348,106**	329,447
Board members	**919**	986
Total Employee Benefits	**349,025**	330,433
Total Operating Expenses	**627,272**	587,501

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

9. Operating Leases

The Trust leases four properties which are for periods of between ten and twenty years. The leases cannot be cancelled unless through agreed break clauses. There are no contingent rents and the Trust may not assign any of the leases without the landlord's permission.

Details of the leases are set out below:

	Term Yrs	Start Date	End Date	Break Clause	Break Clause Notice
Sussex House, Brighton	18	29.03.07	28.03.25	N/A	N/A
Freshfield, Brighton	19	24.06.03	23.06.22	23.06.2017	12 months
Preston Road, Brighton	20	21.05.13	10.02.33	11.02.2022	6 months
Bloomsbury, Brighton	10	29.05.09	28.05.19	N/A	N/A

The Trust has entered into service level agreements with other local NHS organisations for use of facilities on their sites. The service level agreements are renegotiated annually and include cancellation clauses of between 0 and 1 year.

There are four other properties that the Trust uses where the terms of a lease are under negotiation and are currently agreed annually. Two of these expire in 17-18.

9.1. Trust as lessee

	Land £000s	**Buildings £000s**	**Other £000s**	**2016-17 Total £000s**	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				**4,024**	5,133
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**4,024**	5,133
Payable:					
No later than one year		3,539	27	**3,566**	4,019
Between one and five years	0	4,650	0	**4,650**	5,106
After five years	0	5,726	0	**5,726**	7,994
Total	**0**	**13,915**	**27**	**13,942**	17,119
Total future sublease payments expected to be received:				0	0

The comparative figures for 2015-16 have been restated to exclude costs that had incorrectly been categorised as lease payments. The impact of this is a decrease in the 2015-16 lease costs payable in future years of £5,363.

9.2. Trust as lessor

The Trust leases space to third parties to provide food, beverages and newspapers, the swimming pool on the St Mary's Hall site in Brighton, office space and use of sites for the location of aerials. The Trust also leases space to the wholly owned subsidiary, Pharm@Sea Limited. The terms of these leases vary between one and fifteen years.

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	515	575
Contingent rents	0	0
Total	**515**	575
Receivable:		
No later than one year	522	435
Between one and five years	1,458	1,313
After five years	157	88
Total	**2,137**	1,836

10. Employee benefits

10.1. Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
Employee Benefits - Gross Expenditure		
Salaries and wages	**288,048**	278,910
Social security costs	**28,367**	20,652
Employer Contributions to NHS BSA - Pensions Division	**33,002**	31,284
Other pension costs	**0**	5
Termination benefits	**73**	144
Total employee benefits	**349,490**	330,995
Employee costs capitalised	**465**	562
Gross Employee Benefits excluding capitalised costs	**349,025**	330,433

10.2. Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	**5**	6
	£000s	£000s
Total additional pensions liabilities accrued in the year	**429**	339

10.3. 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. 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 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.

NEST

The Pensions Act 2008 and 2001 Automatic Enrolment Regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. Employees who are unable to join the NHS Pensions Scheme are covered by the National Employers Savings Trust ("NEST").

The auto enrolment "staging" date for the Trust compliance was 1 April 2013. This was followed by a re-enrolment date of 1 April 2016. For those staff not entitled to join the NHS Pension Scheme, the Trust utilised an alternative pension scheme called NEST to fulfil its automatic enrolment obligations. NEST stands for National Employment Savings Trust and is a defined contribution pension scheme established by law to support the introduction of auto enrolment.

Contributions are taken from qualifying earnings, which are currently from £5,832 up to £42,384, but will be reviewed every year by the government. The initial contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2017	3%	2%	5%
1st October 2018	5%	3%	8%

Pension members can make additional contributions to their pension fund at any time up to the annual limit.

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Trust they can continue to pay into NEST.

NEST pension members can take their money out of NEST at any time from age 55. If suffering from ill health or incapable of working due to illness members can request to take their money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run but NEST Corporation, a trustee body which is a non-department public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

11. Better Payment Practice Code

11.1. Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	151,449	424,709	125,098	302,352
Total Non-NHS Trade Invoices Paid Within Target	52,790	210,711	60,235	155,943
Percentage of Non-NHS Trade Invoices Paid Within Target	34.86%	49.61%	48.15%	51.58%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,794	44,931	1,974	49,663
Total NHS Trade Invoices Paid Within Target	956	22,123	919	28,884
Percentage of NHS Trade Invoices Paid Within Target	34.22%	49.24%	46.56%	58.16%

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.

11.2. 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	0	0
Compensation paid to cover debt recovery costs under this legislation	24	3
Total	24	3

12. Investment Revenue

	2016-17 £000s	2015-16 £000s
Interest revenue		
Bank interest	31	48
Other loans and receivables	0	0
Other financial assets	0	0
Subtotal	31	48
Total investment revenue	31	48

13. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain on disposal of assets other than by sale (PPE)	(8)	(74)
Gain on disposal of assets held for sale	0	95
Gain/(loss) on foreign exchange	84	54
Total	76	75

14. Finance Costs

	2016-17 £000s	2015-16 £000s
Interest		
Interest on loans and overdrafts	3,522	1,811
Interest on obligations under PFI contracts:		
- main finance cost	1,774	1,844
- contingent finance cost	825	669
Interest on late payment of commercial debt	0	0
Total interest expense	6,121	4,324
Other finance costs	0	2
Provisions - unwinding of discount	6	73
Total	6,127	4,399

15. Finance Costs

15.1. Other auditor remuneration

	2016-17 £000s	2015-16 £000s
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	0	0
2. Audit-related assurance services	0	0
6. All assurance services not falling within items 1 to 5	0	0
7. Corporate finance transaction services not falling within items 1 to 6 above	0	0
8. Other non-audit services not falling within items 2 to 7 above	13	1
Total	13	1

16.1. Property, plant and equipment

2016-17	Land	Buildings excluding dwellings	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	£000's
Cost or valuation:									
At 1 April 2016	28,350	188,683	544	97,720	88,426	217	33,085	4,317	**441,342**
Additions of Assets Under Construction	0	0	0	67,379	0	0	0	0	**67,379**
Additions Purchased	0	0	0	0	1,037	0	764	0	**1,801**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	88	0	0	0	0	**88**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0	0	**0**
Reclassifications	5	33,937	(5)	(52,071)	10,655	0	7,479	0	**0**
Reclassifications as Held for Sale and reversals	9	0	54	0	0	0	0	0	**63**
Disposals other than for sale	0	(28)	0	0	0	0	(8)	0	**(36)**
Revaluation	151	2,083	40	0	0	0	0	0	**2,274**
Impairments/reversals charged to operating expenses	187	(14,434)	(22)	0	0	0	(5,700)	0	**(19,969)**
Impairments/reversals charged to reserves	(179)	(2,150)	(18)	0	0	0	0	0	**(2,347)**
At 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**100,118**	**217**	**35,620**	**4,317**	**490,595**
Depreciation									
At 1 April 2016	0	0	0	0	64,981	217	20,724	4,019	**89,941**
Reclassifications	0	0	0	0	(7)	0	7	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	(28)	0	0	0	0	0	0	**(28)**
Revaluation	0	(7,297)	(15)	0	0	0	0	0	**(7,312)**
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	7,325	15	0	9,197	0	3,162	131	**19,830**
At 31 March 2017	**0**	**0**	**0**	**0**	**74,171**	**217**	**23,893**	**4,150**	**102,431**
Net Book Value at 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**25,947**	**0**	**11,727**	**167**	**388,164**
Asset financing:									
Owned - Purchased	28,423	176,269	593	113,084	25,519	0	11,697	136	**355,721**
Owned - Donated	100	1,207	0	32	428	0	30	31	**1,828**
On-SOFP PFI contracts	0	30,615	0	0	0	0	0	0	**30,615**
Total at 31 March 2017	**28,523**	**208,091**	**593**	**113,116**	**25,947**	**0**	**11,727**	**167**	**388,164**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	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	£000's
At 1 April 2016	5,631	39,136	169	0	660	0	0	0	**45,596**
Movements (specify)	(22)	5,729	56	0	0	0	0	0	**5,763**
At 31 March 2017	**5,609**	**44,865**	**225**	**0**	**660**	**0**	**0**	**0**	**51,359**

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	59,658
Dwellings	0
Plant & Machinery	7,721
Balance as at YTD	**67,379**

16.2. Property, plant and equipment prior-year

2015-16	Land	Buildings excluding dwellings	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	£000's
Cost or valuation:									
At 1 April 2015	30,998	206,945	345	49,910	89,712	236	35,472	4,317	**417,935**
Additions of Assets Under Construction	0	0	0	55,193	0	0	0	0	**55,193**
Additions Purchased	0	0	0	0	3,718	0	4,173	0	**7,891**
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	86	0	0	0	0	**86**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	7,478	0	(7,478)	0	0	0	0	**0**
Reclassifications as Held for Sale and Reversals	77	0	143	0	0	0	0	0	**220**
Disposals other than for sale	0	0	0	0	(5,004)	(19)	(6,560)	0	**(11,583)**
Revaluation	1,102	(2,346)	56	0	0	0	0	0	**(1,188)**
Impairment/reversals charged to reserves	(578)	(23,394)	0	9	0	0	0	0	**(23,963)**
Impairments/reversals charged to operating expenses	(3,249)	0	0	0	0	0	0	0	**(3,249)**
At 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**88,426**	**217**	**33,085**	**4,317**	**441,342**
Depreciation									
At 1 April 2015	0	0	0	0	60,114	232	24,062	3,810	**88,218**
Reclassifications	0	0	0	0	0	0	30	0	**30**
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(4,837)	(16)	(6,546)	0	**(11,399)**
Revaluation	0	(8,476)	(18)	0	0	0	0	0	**(8,494)**
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	8,476	18	0	9,704	1	3,178	209	**21,586**
At 31 March 2016	**0**	**0**	**0**	**0**	**64,981**	**217**	**20,724**	**4,019**	**89,941**
Net Book Value at 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**23,445**	**0**	**12,361**	**298**	**351,401**
Asset financing:									
Owned - Purchased	28,250	153,312	544	97,645	22,418	0	12,302	298	**314,769**
Owned - Donated	100	1,039	0	75	1,027	0	59	0	**2,300**
On-SOFP PFI contracts	0	34,332	0	0	0	0	0	0	**34,332**
Total at 31 March 2016	**28,350**	**188,683**	**544**	**97,720**	**23,445**	**0**	**12,361**	**298**	**351,401**

16.3. (cont). Property, plant and equipment

The donor of the donated assets is Brighton and Sussex University Hospitals NHS Trust Charitable Funds.

The Trust undertakes a full estates revaluation annually. This year an initial valuation was carried out on 31 March 2017 by the external valuers GERALD EVE. The valuations were carried out in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6 Edition, insofar as these terms are consistent with the requirements of the HM Treasury, the National Health Service and the Department of Health.

The valuations were carried out on the basis of fair value. Fair value is determined at the amount which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. The fair value of land and buildings is determined from market based evidence and is therefore on the basis of Market Value. For non specialised operational assets this equates to Existing Use Value and for specialised operational assets fair value. It is estimated using Depreciated Replacement Cost subject to the assumption of continuing use.

Most of the Trust's assets qualify as specialised operational assets and therefore fall to be assessed using the Depreciated Replacement Cost approach and have been valued on an optimal site modern equivalent asset basis. That is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Non operational assets, including surplus land, are valued on the basis of Market Value on the assumption that the property is no longer required for existing operations, which have ceased.

The estimated remaining lives of the buildings have been adjusted in line with the GERALD EVE's valuation. The lives range from 1 year to 89 years. The estimated remaining lives of the other assets are as follows:

	Years
Medical equipment and engineering plant and equipment	1-16
Furniture	1-5
Soft furnishings	1-8
Office and information technology equipment	1-13

The Trust has fully depreciated assets with a gross book value of £30.4m that are still in use and remain on the capital asset register.

17. Intangible non-current assets

17.1. Intangible non-current assets

	IT - in-house & 3rd party software	Computer Licenses	Total
2016-17			
	£000's	**£000's**	**£000's**
At 1 April 2016	**980**	**679**	**1,659**
Additions of Assets Under Construction	0	0	**0**
Additions Purchased	88	0	**88**
At 31 March 2017	**1,068**	**679**	**1,747**
Amortisation			
At 1 April 2016	**262**	**639**	**901**
Charged During the Year	**135**	**30**	**165**
At 31 March 2017	**397**	**669**	**1,066**
Net Book Value at 31 March 2017	**671**	**10**	**681**
Asset Financing: Net book value at 31 March 2017 comprises:			
Purchased	671	10	**681**
Donated	0	0	**0**
Total at 31 March 2017	**671**	**10**	**681**

Revaluation reserve balance for intangible non-current assets			
	£000's	**£000's**	**£000's**
At 1 April 2016	0	0	**0**
Movements (specify)	0	0	**0**
At 31 March 2017	**0**	**0**	**0**

17.2. Intangible non-current assets prior year

2015-16	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Total £000's
Cost or valuation:			
At 1 April 2015	645	679	**1,324**
Additions - purchased	421	0	**421**
Disposals other than by sale	(86)	0	**(86)**
At 31 March 2016	980	679	1,659
Amortisation			
At 1 April 2015	286	577	**863**
Reclassifications	(30)	0	**(30)**
Disposals other than by sale	(86)	0	**(86)**
Charged during the year	92	62	**154**
At 31 March 2016	262	639	901
Net book value at 31 March 2016	718	40	**758**
Net book value at 31 March 2016 comprises:			
Purchased	718	40	**758**
Donated	0	0	**0**
Total at 31 March 2016	718	40	758

17.3. Intangible non-current assets

The estimated remaining lives of the other intangible non-current assets ranges from 5 to 10 years.

The Trust has fully depreciated assets with a gross book value of £801,361 that are still in use and remain on the capital asset register.

18. Analysis of impairments and reversals recognised in 2016-17

	Property Plant and Equipment	Intangible Assets	Non-Current Assets Held for Sale	Total
				£000s
Impairments and reversals taken to SoCI				
Loss or damage resulting from normal operations	0	0	0	0
Over-specification of assets	0	0	0	0
Abandonment of assets in the course of construction	0	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Loss as a result of catastrophe	0	0	0	0
Other	0	0	0	0
Changes in market price	19,969	0	0	19,969
Total charged to Annually Managed Expenditure	19,969	0	0	19,969
Total Impairments of Property, Plant and Equipment changed	19,969	0	0	19,969

Donated and Gov Granted Assets, included above	**£000s**
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	(6)
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

The impairments resulting from the revaluation exercises at the 31 March 2017 were spread across the whole estate. The largest impairments related to the Royal Sussex County Hospital site as follows:

	£000s
Barry Building	3,504
Park Centre	2,165
Hanbury Building	6,313
Courtyard Building	3,623

19. Commitments

19.1. 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	299,026	318,806
Intangible assets	0	0
Total	299,026	318,806

19.2. Other financial commitments

The Trust has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements). The payments to which the Trust is committed are as follows

	31 March 2017 £000s	31 March 2016 £000s
Not later than one year	1,808	624
Later than one year and not later than five year	20,087	15,972
Later than five years	0	5,673
Total	21,895	22,269

20. Inventories

	Drugs	Consumables	Total	Of which held at NRV
	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**1,735**	**5,383**	**7,118**	0
Additions	74,588	38,624	**113,212**	0
Inventories recognised as an expense in the period	(74,111)	(37,935)	**(112,046)**	0
Write-down of inventories (including losses)	(175)	0	**(175)**	0
Balance at 31 March 2017	**2,037**	**6,072**	**8,109**	**0**

21.1. 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	**12,314**	14,776	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**24,585**	29,163	**0**	0
Non-NHS receivables - revenue	**9,029**	5,073	**423**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**9,016**	8,001	**2,625**	1,644
PDC Dividend prepaid to DH	**592**	559	**0**	0
Provision for the impairment of receivables	**(7,019)**	(7,954)	**0**	0
VAT	**794**	1,661	**0**	0
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables	**1,166**	2,093	**0**	0
Total	**50,477**	53,312	**3,048**	1,644
Total current and non current	**53,525**	54,956		
Included in NHS receivables are prepaid pension contributions:	**0**			

The great majority of trade is with Clinical Commissioning Groups. As these bodies are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

21.2. Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	**2,830**	3,519
By three to six months	**6,628**	1,086
By more than six months	**4,000**	2,559
Total	**13,458**	7,164

21.3. Provision for impairment of receivables

	2016-17 £000s	2015-16 £000s
Balance at 1 April 2016	**(7,954)**	(3,205)
Amount written off during the year	**12,726**	1,488
Amount recovered during the year	**88**	119
(Increase)/decrease in receivables impaired	**(11,879)**	(6,356)
Balance at 31 March 2017	**(7,019)**	(7,954)

The creation and release of provisions for impaired receivables has been included in Operating Expenses in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Receivables are impaired based on the age of the debt and disputes with debtors. Full provision is made for all outstanding overseas debts.

22 Other Financial Assets - Non Current

	31 March 2017 £000s	31 March 2016 £000s
Opening balance 1 April	**1,101**	1,101
Additions	**0**	0
Total Other Financial Assets - Non Current	**1,101**	1,101

23. Other current assets

	31 March 2017 £000s	31 March 2016 £000s
EU Emissions Trading Scheme Allowance	**0**	0
Other Assets	**0**	0
Total	**0**	0

24. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	**3,344**	25,395
Net change in year	**4,063**	(22,051)
Closing balance	**7,407**	3,344
Made up of		
Cash with Government Banking Service	**7,341**	3,321
Cash in hand	**66**	23
Cash and cash equivalents as in statement of cash flows	**7,407**	3,344
Third Party Assets - Bank balance (not included above)	**0**	1
Third Party Assets - Monies on deposit	**0**	0

25. Non-current assets held for sale

	Land	Dwellings	Total
	£000s	£000s	£000s
Balance at 1 April 2016	9	54	**63**
Plus assets classified as held for sale in the year	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(9)	(54)	**(63)**
Balance at 31 March 2017	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2017	**0**	**0**	**0**
Balance at 1 April 2015	134	519	**653**
Plus assets classified as held for sale in the year	0	0	**0**
Less assets sold in the year	(48)	(322)	**(370)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(77)	(143)	**(220)**
Balance at 31 March 2016	**9**	**54**	**63**
Liabilities associated with assets held for sale at 31 March 2016	0	0	0

The assets held for sale represent the remaining dwellings and buildings that were placed on the market as part of the Estates rationalisation strategy. The remaining property was taken off the market in the year and transferred back to Dwellings.

26. 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	**6,149**	2,897	**0**	0
NHS payables - capital	**12**	0	**0**	0
NHS accruals and deferred income	**2,074**	5,553	**0**	0
Non-NHS payables - revenue	**18,561**	23,100	**0**	0
Non-NHS payables - capital	**11,841**	9,087	**687**	0
Non-NHS accruals and deferred income	**18,962**	20,410	**0**	0
Social security costs	**8,484**	7,701		
PDC Dividend payable to DH	**0**	0		
Accrued Interest on DH Loans	**837**	220		
VAT	**0**	0	**0**	0
Tax	**3,442**	3,363		
Payments received on account	**0**	0	**0**	0
Other	**109**	544	**0**	0
Total	**70,471**	72,875	**687**	0
Total payables (current and non-current)	**71,158**	**72,875**		
Included above:				
outstanding Pension Contributions at the year end	**4,500**	4,453		

27. Other liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Lease incentives	**0**	0	**0**	0
Other	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	**0**		

28. 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	**4,357**	4,469	**166,920**	92,492
PFI liabilities - main liability	**3,020**	3,146	**28,344**	29,761
Total	**7,377**	**7,615**	**195,264**	**122,253**
Total other liabilities (current and non-current)	**202,641**	**129,868**		

Borrowings / Loans - repayment of principal falling due in:

		31 March 2017	
	DH £000s	**Other £000s**	**Total £000s**
0-1 Years	4,357	1,492	**5,849**
1 - 2 Years	22,280	542	**22,822**
2 - 5 Years	47,295	5,059	**52,354**
Over 5 Years	97,345	24,271	**121,616**
TOTAL	**171,277**	**31,364**	**202,641**

29. Other financial liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Embedded derivatives at fair value through SoCI	**0**	0	**0**	0
Financial liabilities carried at fair value through profit and loss	**0**	0	**0**	0
Amortised cost	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other financial liabilities (current and non-current)	**0**	0		

30. 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	**7,872**	9,061	**0**	579
Deferred revenue addition	**1,341**	15,906	**0**	0
Transfer of deferred revenue	**(7,666)**	(17,095)	**0**	(579)
Current deferred Income at 31 March 2017	**1,547**	7,872	**0**	0
Total deferred income (current and non-current)	**1,547**	7,872		

31. Provisions

	Total	Comprising: Early Departure Costs	Legal Claims	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2016	**2,022**	1,821	201	0	0	0
Arising during the year	**3,975**	0	76	0	3,899	0
Utilised during the year	**(93)**	(93)	0	0	0	0
Reversed unused	**(70)**	0	(70)	0	0	0
Unwinding of discount	**6**	6	0	0	0	0
Change in discount rate	**233**	233	0	0	0	0
Balance at 31 March 2017	**6,073**	**1,967**	**207**	**0**	**3,899**	**0**
Expected Timing of Cash Flows:						
No Later than One Year	**4,136**	98	139	0	3,899	0
Later than One Year and not later than Five Years	**456**	388	68	0	0	0
Later than Five Years	**1,481**	1,481	0	0	0	0

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

As at 31 March 2017	0
As at 31 March 2016	236,470

The provision for Early Departure Costs is for the reimbursement of injury benefit allowances to the NHS Pensions Agency and the timing of these payments is based the on age of the recipients.

The provision for Legal Claims provides for the Liability to Third Party Schemes (LTPS) and Public & Employers Liability Scheme (PES). This provision covers the excess amount payable by the Trust and not the full liability of claims which is covered by the NHSLA under the non-clinical risk pooling scheme. The timings of the cash flows are based on estimated dates for the finalisation of the claims.

32. Contingencies

	31 March 2017 £000s	31 March 2016 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	**(132)**	(107)
Employment Tribunal and other employee related litigation	**0**	0
Redundancy	**0**	0
Other	**0**	0
Net value of contingent liabilities	**(132)**	(107)
Contingent assets		
Contingent assets	**0**	0
Net value of contingent assets	**0**	0

33. Analysis of charitable fund reserves

	31 March 2017 £000s	31 March 2016 £000s
Restricted / Endowment Funds	10,294	9,172
Non-Restricted Funds	1,956	1,743
	12,250	10,915

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. Capital funds (e.g. endowments) are those funds where the assets are required to be invested, or retained for use rather than expended.

34. PFI - additional information

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

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI

	2016-17 £000s	2015-16 £000s
Total charge to operating expenses in year - Off SoFP PFI	**0**	0
Service element of on SOFP PFI charged to operating expenses in year	**1,407**	1,539
Total	**1,407**	1,539
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**918**	896
Later than One Year, No Later than Five Years	**3,910**	3,814
Later than Five Years	**14,637**	15,651
Total	**19,465**	20,361

The estimated annual payments in future years are not expected to be materially different from those which the Trust is committed to make during the next year.

Imputed "finance lease" obligations for on SOFP PFI contracts due

	2016-17 £000s	2015-16 £000s
No Later than One Year	**3,182**	3,316
Later than One Year, No Later than Five Years	**11,704**	11,631
Later than Five Years	**33,363**	36,619
Subtotal	**48,249**	51,566
Less: Interest Element	**(16,885)**	(18,659)
Total	**31,364**	32,907

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due **Analysed by when PFI payments are due**	2016-17 £000s	2015-16 £000s
No Later than One Year	**3,020**	3,146
Later than One Year, No Later than Five Years	**9,672**	9,667
Later than Five Years	**18,672**	20,094
Total	**31,364**	32,907

	2016-17	2015-16
Number of on SOFP PFI Contracts		
Total Number of on PFI contracts	**1**	1
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**0**	0
Number of off SOFP PFI Contracts		
Total Number of off PFI contracts	**0**	0
Number of off PFI contracts which individually have a total commitments value in excess of £500m	**0**	0

35. Impact of IFRS treatment - current year

	2016-17		2015-16	
The information below is required by the Department of Heath for budget reconciliation purposes	**Income £000s**	**Expenditure £000s**	Income £000s	Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)				
Depreciation charges		**886**		883
Interest Expense		**1,774**		1,844
Impairment charge - AME		**1,397**		1,174
Impairment charge - DEL		**0**		0
Other Expenditure		**2,232**		2,208
Revenue Receivable from subleasing	**0**		0	
Impact on PDC dividend payable		**(162)**		69
Total IFRS Expenditure (IFRIC12)	**0**	**6,127**	**0**	**6,178**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)		**5,548**		4,532
Net IFRS change (IFRIC12)		**579**		**1,646**
Capital Consequences of IFRS : PFI and other items under IFRIC12				
Capital expenditure 2015-16		0		0
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		766		740

	2016-17 Income/ Expenditure IFRIC 12 YTD £000s	**2016-17 Income/ Expenditure ESA 10 YTD £000s**	2015-16 Income/ Expenditure IFRIC 12 YTD **£000s**	2015-16 Income/ Expenditure ESA 10 YTD **£000s**
Revenue costs of IFRS12 compared with ESA10				
Depreciation charges	**886**		883	
Interest Expense	**1,774**		1,844	
Impairment charge - AME	**1,397**		1,174	
Impairment charge - DEL	**0**		0	
Other Expenditure				
Service Charge	**1,016**	**5,548**	851	4,532
Contingent Rent	**825**		669	
Lifecycle	**391**		688	
Impact on PDC Dividend Payable	**(162)**		69	
Total Revenue Cost under IFRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**
Revenue Receivable from subleasing	**0**	**0**	**0**	**0**
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**6,127**	**5,548**	**6,178**	**4,532**

36. Financial Instruments

36.1. 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 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 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 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 Clinical Commissioning Groups and NHS England, 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.

36.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0	0	0	**0**
Receivables - NHS	0	12,315	0	**12,315**
Receivables - non-NHS	0	6,389	0	**6,389**
Cash at bank and in hand	0	7,407	0	**7,407**
Other financial assets	1,100	0	0	**1,100**
Total at 31 March 2017	**1,100**	**26,111**	**0**	**27,211**
Embedded derivatives	0	0	0	0
Receivables - NHS	0	14,776	0	14,776
Receivables - non-NHS	0	1,355	0	1,355
Cash at bank and in hand	0	3,344	0	3,344
Other financial assets	1,100	0	0	1,100
Total at 31 March 2016	1,100	19,475	0	20,575

36.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0	0	**0**
NHS payables	0	6,159	**6,159**
Non-NHS payables	0	32,034	**32,034**
Other borrowings	0	171,277	**171,277**
PFI & finance lease obligations	0	19,134	**19,134**
Other financial liabilities	0	0	**0**
Total at 31 March 2017	**0**	**228,604**	**228,604**
Embedded derivatives	0	0	0
NHS payables	0	2,897	2,897
Non-NHS payables	0	32,951	32,951
Other borrowings	0	96,961	96,961
PFI & finance lease obligations	0	20,095	20,095
Other financial liabilities	0	0	0
Total at 31 March 2016	0	152,904	152,904

37. Events after the end of the reporting period

There are no events after the reporting period that have a material effect on these accounts.

Brighton and Sussex University Hospitals NHS Trust - Annual Accounts 2016-17

38. Related party transactions

There were no related party transactions with individuals reported during the year.

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 England
- Public Health England
- Health Education England
- NHS Blood & Transplant
- NHS Litigation Authority
- NHS Business Services Authority
- Brighton & Hove City CCG
- Coastal West Sussex CCG
- Crawley CCG
- East Surrey CCG
- East Sussex Healthcare NHS Trust
- Eastbourne Hailsham & Seaford CCG
- Frimley Park Hospitals NHS FT
- Guys & St Thomas NHS Trust
- Hastings and Rother CCG
- High Weald Lewes & Haven CCG
- Horsham & Mid Sussex CCG
- Kings College Hospitals NHS FT
- Oxford Health NHS FT
- Pennine Acute Hospitals NHS Trust
- Portsmouth CCG
- Queen Victoria Hospital NHS FT
- Royal Surrey County NHS FT
- South East Coast Ambulance NHS FT
- Surrey Downs CCG
- Surrey & Sussex Healthcare NHS Trust
- Sussex Community NHS Foundation Trust
- Sussex Partnership NHS FT
- Wandsworth CCG
- West Kent CCG
- Western Sussex Hospitals NHS FT

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Brighton and Hove City Council, East Sussex County Council and West Sussex Council in respect of clinical services.

The Trust is the corporate trustee of Brighton and Sussex University Hospitals NHS Trust Charitable Fund and is the sole beneficiary of this charity. The Directors of The Trust act as agents on behalf of the corporate trustee. The charity, which has estimated accumulated funds of £12.2m, (2015-16 : £11.1m) has provided funding to the Trust for the approved expenditure made on behalf of the charity. This funding amounted to £1.6m (2015-16:£3.4m) of which £0.3m was outstanding at 31 March 2017 During the year none of the members of the Trust Board or senior Trust staff or parties related to them were beneficiaries of the charity. Neither the Corporate Trustee nor any member of the Trust Board has received honoraria, emoluments or expenses in the year.

The summary financial statements of the Funds Held on Trust are consolidated in the annual report and accounts.

The Trust has a wholly owned subsidiary, Pharm@Sea Limited, to deliver outpatient pharmacy services on behalf of the Trust. The board includes two directors of the Trust and three independent non executives. Pharm@Sea Limited charged the Trust £18.1m (2015-16 : £16.1m) for the prescription of drugs in the year. The Trust charged Pharma@Sea Limited £235,176 (2015-16 : £224,000 for back office support and office rental. The net amount outstanding from the Trust at 31 March 2017 is £2.2m (31 March 2016 : £1.2m).

39. 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	40,492	4
Special payments	24,705	81
Gifts	0	0
Total losses and special payments and gifts	65,197	85

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	11,760	4
Special payments	26,509	94
Total losses and special payments	38,269	98

There were no cases exceeding £300,000.

40. 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.

40.1. 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	326,320	352,694	398,447	415,950	439,750	574,218	606,074	558,555	520,765	529,475	550,369
Retained surplus/(deficit) for the year	(5,278)	106	9,925	4,603	(11,860)	(16,245)	(22)	(9,572)	(1,309)	(69,980)	(89,124)
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	1,161	5,414	15,972	16,022	3,213	14,272	190	23,963	19,969
Adjustments for impact of policy change re donated/government grants assets						469	134	414	669	726	654
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				210	400	(204)	0	0	0	472	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	(5,278)	106	11,086	10,227	4,512	42	3,325	5,114	(450)	(44,819)	(68,501)
Break-even cumulative position	(29,026)	(28,920)	(17,834)	(7,607)	(3,095)	(3,053)	272	5,386	4,936	(39,883)	(108,384)

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting 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 (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	-1.62	0.03	2.78	2.46	1.03	0.01	0.55	0.92	-0.09	-8.46	-12.45
Break-even cumulative position as a percentage of turnover	-8.89	-8.20	-4.48	-1.83	-0.70	-0.53	0.04	0.96	0.95	-7.53	-19.69

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

40.2. 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%.

40.3. External financing

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

	2016-17 £000s	2015-16 £000s
External financing limit (EFL)	118,187	88,060
Cash flow financing	115,734	87,875
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	**115,734**	87,875
Under spend against EFL	**2,453**	185

40.4. Capital resource limit

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

	2016-17 £000s	2015-16 £000s
Gross capital expenditure	69,348	63,591
Less: book value of assets disposed of	0	(554)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(88)	(86)
Charge against the capital resource limit	**69,260**	62,951
Capital resource limit	72,885	67,516
Underspend against the capital resource limit	**3,625**	4,565

41. 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.

	31 March 2017 £000s	31 March 2016 £000s
Third party assets held by the Trust	**0**	1