

Stockport NHS Foundation Trust

Annual accounts for the year ended 31 March 2018

## **Foreword to the accounts**

### **Stockport NHS Foundation Trust**

These accounts, for the year ended 31 March 2018, have been prepared by Stockport NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

**Signed** .....

<b>Name</b>	<b>Mrs H Thomson</b>
<b>Job title</b>	<b>Interim Chief Executive</b>
<b>Date</b>	<b>24th May 2018</b>

# Statement of Comprehensive Income

		Group		Trust	
		2017/18	2016/17	2017/18	2016/17
	Note	£000	£000	£000	£000
Operating income from patient care activities	3.2	250,843	256,521	250,843	256,521
Other operating income	4	35,250	46,582	34,639	46,802
Operating expenses	6, 8	(304,095)	(305,705)	(303,765)	(305,386)
<b>Operating (deficit) from continuing operations</b>		<b>(18,002)</b>	<b>(2,603)</b>	<b>(18,283)</b>	<b>(2,063)</b>
Finance income	11	108	116	64	66
Finance expenses	12	(872)	(939)	(872)	(939)
PDC dividends payable		(2,841)	(3,318)	(2,841)	(3,318)
<b>Net finance costs</b>		<b>(3,605)</b>	<b>(4,141)</b>	<b>(3,649)</b>	<b>(4,191)</b>
Other gains / (losses)	13	1	106	(21)	(76)
Corporation tax expense	14	(32)	-	-	-
<b>Deficit for the year from continuing operations</b>		<b>(21,638)</b>	<b>(6,638)</b>	<b>(21,953)</b>	<b>(6,330)</b>
<b>Other comprehensive income</b>					
<b>Will not be reclassified to income and expenditure:</b>					
Impairments	7	(3,321)	(16,859)	(3,321)	(16,859)
Revaluations	19	6,034	1,439	6,034	1,439
<b>Total comprehensive loss for the period</b>		<b>(18,925)</b>	<b>(22,058)</b>	<b>(19,240)</b>	<b>(21,750)</b>
<b>Deficit for the period attributable to:</b>					
Stockport NHS Foundation Trust		(21,638)	(6,638)	(21,953)	(6,330)
<b>TOTAL</b>		<b>(21,638)</b>	<b>(6,638)</b>	<b>(21,953)</b>	<b>(6,330)</b>
<b>Total comprehensive loss for the period attributable to:</b>					
Stockport NHS Foundation Trust		(18,925)	(22,058)	(19,240)	(21,750)
<b>TOTAL</b>		<b>(18,925)</b>	<b>(22,058)</b>	<b>(19,240)</b>	<b>(21,750)</b>

The Group Accounts include the consolidated financial results of Stockport NHS Foundation Trust, its associated Charity, Stockport NHS Foundation Trust General Fund (Charity Commission Number 1048661) and Stepping Hill Healthcare Enterprises Limited (trading as the Pharmacy Shop).

The Group Accounts reflect the outturn of the Trust of £22 million deficit in 2017/2018 (£6.3 million deficit in 2016/2017) and subsidiaries' profit of £59k for Stepping Hill Healthcare Enterprises Limited (£128k profit in 2016/2017). The Trust Charity has net movement in funds of £256k incoming in 2017/2018 compared to net movement in funds of £436k outgoing resources in 2016/2017. The Trust's consolidated subsidiaries results are further explained at notes 40 to 42.

Included in the Trust deficit of £22 million are net adjustments for an impairment reversal of £4.2 million following the revaluation of the Trust's land and buildings. The revaluation has also had an effect on the Trust revaluation reserve of £2.7 million increase as disclosed above in the Total Comprehensive Expense for the period at the 31st March 2018. The impairment and revaluation charges and credits to the financial statements are explained further at notes 7 and 18.

**Statement of Financial Position**

		Group		Trust	
		31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Note					
<b>Non-current assets</b>					
Intangible assets	16	3,161	3,374	3,161	3,374
Property, plant and equipment	17	144,456	139,450	144,456	139,450
Other investments / financial assets	21	1,235	1,213	-	-
Trade and other receivables	24	652	782	652	782
<b>Total non-current assets</b>		<b>149,504</b>	<b>144,820</b>	<b>148,269</b>	<b>143,606</b>
<b>Current assets</b>					
Inventories	23	1,574	1,574	1,391	1,369
Trade and other receivables	24	7,811	16,545	9,133	17,518
Non-current assets for sale and assets in disposal	25	315	315	315	315
Cash and cash equivalents	26	17,098	24,677	15,523	23,726
<b>Total current assets</b>		<b>26,798</b>	<b>43,111</b>	<b>26,362</b>	<b>42,928</b>
<b>Current liabilities</b>					
Trade and other payables	27	(33,356)	(26,283)	(33,605)	(26,490)
Borrowings	29	(1,664)	(1,647)	(1,664)	(1,647)
Provisions	31	(6,055)	(5,072)	(6,055)	(5,072)
Other liabilities	28	(926)	(960)	(926)	(960)
<b>Total current liabilities</b>		<b>(42,001)</b>	<b>(33,962)</b>	<b>(42,250)</b>	<b>(34,169)</b>
<b>Total assets less current liabilities</b>		<b>134,301</b>	<b>153,969</b>	<b>132,381</b>	<b>152,365</b>
<b>Non-current liabilities</b>					
Borrowings	29	(23,637)	(25,190)	(23,637)	(25,190)
Provisions	31	(2,153)	(2,259)	(2,153)	(2,259)
Other liabilities	28	(333)	(416)	(333)	(416)
<b>Total non-current liabilities</b>		<b>(26,123)</b>	<b>(27,865)</b>	<b>(26,123)</b>	<b>(27,865)</b>
<b>Total assets employed</b>		<b>108,179</b>	<b>126,104</b>	<b>106,258</b>	<b>124,500</b>
<b>Financed by</b>					
Public dividend capital		84,390	83,390	84,390	83,390
Revaluation reserve	19	43,778	41,065	43,778	41,065
Income and expenditure reserve		(21,951)	(57)	(21,909)	45
Charitable fund reserves	20	1,962	1,706	-	-
<b>Total taxpayers' equity</b>		<b>108,179</b>	<b>126,104</b>	<b>106,258</b>	<b>124,500</b>

The notes on pages 6 to 49 form part of these accounts.

Name  
Position  
Date

**Mrs H Thomson**  
**Interim Chief Executive**  
**24th May 2018**

**Statement of Changes in Equity for the year ended 31 March 2018**

Group	Note	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Charitable fund reserves £000	Total £000
<b>Taxpayers' and others' equity at 1 April 2017 - brought forward</b>		<b>83,390</b>	<b>41,065</b>	<b>(57)</b>	<b>1,706</b>	<b>126,104</b>
(Deficit)/Surplus for the year		-	-	(21,980)	342	(21,638)
Impairments	7	-	(3,321)	-	-	(3,321)
Revaluations	19	-	6,034	-	-	6,034
Public dividend capital received		1,000	-	-	-	1,000
Other reserve movements		-	-	86	(86)	-
<b>Taxpayers' and others' equity at 31 March 2018</b>		<b>84,390</b>	<b>43,778</b>	<b>(21,951)</b>	<b>1,962</b>	<b>108,179</b>

**Statement of Changes in Equity for the year ended 31 March 2017**

Group	Note	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Charitable fund reserves £000	Total £000
<b>Taxpayers' and others' equity at 1 April 2016 - brought forward</b>		<b>83,390</b>	<b>56,485</b>	<b>6,145</b>	<b>2,142</b>	<b>148,162</b>
(Deficit)/Surplus for the year		-	-	(7,242)	604	(6,638)
Impairments	7	-	(16,859)	-	-	(16,859)
Revaluations	19	-	1,439	-	-	1,439
Other reserve movements		-	-	1,040	(1,040)	-
<b>Taxpayers' and others' equity at 31 March 2017</b>		<b>83,390</b>	<b>41,065</b>	<b>(57)</b>	<b>1,706</b>	<b>126,104</b>

**Information on reserves****Charitable Fund Reserves**

This balance represents the ring-fenced funds held by the NHS charitable fund consolidated within these Accounts. These reserves are classified as restricted or unrestricted. A breakdown is provided at note 22.

**Public Dividend Capital**

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

**Revaluation Reserve**

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

**Income and Expenditure Reserve - Trust**

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

**Income and Expenditure Reserve - Group**

The balance of this reserve is the accumulated surpluses and deficits of Stockport NHS Foundation Trust and its subsidiary, Stepping Hill Healthcare Enterprise Ltd, which are consolidated into these Accounts with the Trust.

## Statement of Changes in Equity for the year ended 31 March 2018

Trust	Note	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2017 - brought forward		83,390	41,065	45	124,500
(Deficit)/Surplus for the year		-	-	(21,953)	(21,953)
Other transfers between reserves		-	-	-	-
Impairments	7	-	(3,321)	-	(3,321)
Revaluations	19	-	6,034	-	6,034
Public dividend capital received		1,000	-	-	1,000
<b>Taxpayers' and others' equity at 31 March 2018</b>		<b>84,390</b>	<b>43,778</b>	<b>(21,909)</b>	<b>106,258</b>

## Statement of Changes in Equity for the year ended 31 March 2017

Trust	Note	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2016 - brought forward		83,390	56,485	6,375	146,250
(Deficit)/Surplus for the year		-	-	(6,330)	(6,330)
Impairments	7	-	(16,859)	-	(16,859)
Revaluations	19	-	1,439	-	1,439
<b>Taxpayers' and others' equity at 31 March 2017</b>		<b>83,390</b>	<b>41,065</b>	<b>45</b>	<b>124,500</b>

## Statement of Cash Flows

	Note	Group		Trust	
		2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
<b>Cash flows from operating activities</b>					
Operating surplus / (deficit)		(18,002)	(2,603)	(18,283)	(2,063)
<b>Non-cash income and expense:</b>					
Depreciation and amortisation	6.1	8,655	7,996	8,655	7,996
Net (reversal of impairments)/impairments	7	(4,107)	4,152	(4,107)	4,152
Decrease/(Increase) in receivables and other assets		8,009	(4,631)	7,696	(4,119)
(Increase)/decrease in inventories		-	388	(19)	381
Increase/(decrease) in payables and other liabilities		5,879	(1,196)	5,945	(1,159)
Increase/(decrease) in provisions		872	2,082	872	2,081
Movements in charitable fund working capital		41	-	-	-
Tax (paid)/received		(8)	-	-	-
<b>Net cash flows from / (used in) operating activities</b>		<b>1,339</b>	<b>6,187</b>	<b>759</b>	<b>7,269</b>
<b>Cash flows from investing activities</b>					
Interest received		59	69	59	69
Purchase of intangible assets		(448)	(498)	(448)	(498)
Purchase of PPE and investment property		(5,042)	(9,879)	(5,042)	(9,879)
Sales of PPE and investment property		21	13	21	14
Net cash flows from charitable fund investing activities		44	308	-	-
<b>Net cash flows from / (used in) investing activities</b>		<b>(5,366)</b>	<b>(9,987)</b>	<b>(5,410)</b>	<b>(10,294)</b>
<b>Cash flows from financing activities</b>					
Public dividend capital received		1,000	-	1,000	-
Movement on loans from DHSC*		(1,551)	1,509	(1,551)	1,509
Capital element of finance lease rental payments		(70)	(1,149)	(70)	(1,149)
Capital element of PFI, LIFT and other service concession payments		(28)	(27)	(28)	(27)
Interest paid on PFI, LIFT and other service concession obligations		(12)	(13)	(12)	(13)
Other interest paid		(869)	(872)	(869)	(872)
PDC dividend (paid) / refunded		(2,022)	(4,095)	(2,022)	(4,095)
<b>Net cash flows from / (used in) financing activities</b>		<b>(3,552)</b>	<b>(4,647)</b>	<b>(3,552)</b>	<b>(4,647)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(7,579)</b>	<b>(8,447)</b>	<b>(8,203)</b>	<b>(7,672)</b>
<b>Cash and cash equivalents at 1 April - b/f</b>		<b>24,677</b>	<b>33,124</b>	<b>23,726</b>	<b>31,398</b>
<b>Cash and cash equivalents at 31 March</b>	24	<b>17,098</b>	<b>24,677</b>	<b>15,523</b>	<b>23,726</b>

\* Department for Health and Social Care

## Notes to the Accounts

### Note 1 Accounting policies and other information

#### Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2017/18 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

Following the release of the 2018/2019 DHSC GAM in May 2018, the Trust is assessing the likely impact of IFRS 9 and IFRS15 (and the adaptations included in the GAM). Areas the Trust is reviewing include non contract activity, research income and the approach for provisioning for non NHS debtors. The Trust is also considering the potential impact of IFRS 15 in contract negotiations of the planned Integrated Care System.

##### Note 1.1.1 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.

##### Note 1.1.2 Going concern

These accounts have been prepared on a going concern basis.

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

There is material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern and this is addressed further in the Annual Report. The Directors consider the future provision of service evidenced by the signed contracts and agreements with commissioning bodies and ongoing dialogue with the Independent Trust Financing Facility for revenue support is sufficient evidence that the Trust will continue as a going concern for the foreseeable future.

#### Note 1.2 Critical judgements in applying accounting policies and sources of estimation uncertainty

In the application of the Trust's and the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. Underlying assumptions and estimates 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.

#### Key Judgements and Sources of Estimation Uncertainty

The most significant areas where judgements and estimates are made are capital expenditure, provisions, accruals, revaluations and revenue. Specifically estimates and judgements are made in the following areas:

- The Provision for Restructurings and Redundancy includes estimated costs associated with the workforce elements of the Trust's future plans. This includes the provision for the restructuring of services associated with Stockport Together and specific roles that have been identified as at risk of redundancy.

- The timing of year end processes precludes determining the final figure for non-contracted activity in February and March of the financial year. The year end figures are based on estimates which may be different to the final year end outturn for the year. Stockport NHS Foundation Trust includes a general non-provider specific 'provision' for non-contracted activity.



- Other provisions include estimates of legal provisions including pay banding appeals and contractual disputes.
- The Trust uses the District Valuer service to provide revalued amounts for its land, buildings and dwellings. These valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. In 2017/2018 the Trust has undertaken a review exercise of its alternative site valuation of land and buildings. This is not a change in accounting estimate or accounting policy but a judgement exercise on the proposed alternative site and build. This is made in conjunction with the Estates department and with a professional valuation by the District Valuer service.

### **Note 1.3 Consolidation**

Stockport NHS Foundation Trust is the Corporate Trustee to Stockport NHS Foundation Trust General Fund, registered in England with the Charity Commission: Registration Number 1048661. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable fund and has the ability to affect those returns and other benefits through its power over the fund.

The charitable fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. On consolidation, necessary adjustments are made to the charity's assets, liabilities and transactions to:

- Recognise and measure them in accordance with the foundation trust's accounting policies and
- Eliminate intra-group transactions, balances, gains and losses.

### **Other subsidiaries**

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

The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year except where a subsidiary's financial year end is before 1 January or after 1 July in which case the actual amounts for each month of the trust's financial year are obtained from the subsidiary and consolidated.

Where subsidiaries' accounting policies are not aligned with those of the Trust (including where they report under UK FRS 102) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

### **Stepping Hill Healthcare Enterprises Limited**

Stepping Hill Healthcare Enterprises Limited is a limited company, incorporated on the 16th September 2014. Its principal activities are to dispense drugs to the outpatients of Stockport NHS Foundation Trust. The Company is wholly owned by Stockport NHS Foundation Trust.

The company's latest accounting period to the 31st March 2017 have been prepared, audited and submitted to Companies House on the 21st December 2017.

### **Note 1.4 Income**

Income 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 income for the trust is contracts with commissioners in respect of health care services.

The Trust is entitled to recognise income for partially completed spells of activity at the 31st March 2018. As the individual National Tariff price and procedure code is not known for partially completed spells the Trust has based its calculation of such income based on the average length of stay and the cumulative activity. In 2017/18 partially completed spell activity is not material for inclusion in the financial results of the Trust. The principle to not include partially completed spells activity is agreed with the Trust's lead Commissioner, Stockport CCG as part of the income and expenditure agreement of balances exercise. These principles are reviewed on an annual basis.

## **Non-Contract Activity**

The timing of year end processes precludes determining the final figure for non-contracted activity in February and March and full and final settlement figure for Stockport CCG. The year end figures are based on estimates which may be different to the final year end outturn for the year. Stockport NHS Foundation Trust includes a general non-provider specific 'provision' for non-contracted activity.

Where income is received for a specific activity which is to be delivered in future financial years, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating 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 compensations claims and bad debts.

Income from the sales of goods and services is recognised after deduction of any price reductions, quantity discounts or cash discounts. Sales are recognised in the income statement in the year in which the risks and rewards of ownership related to the goods have passed to the customer or in which the service is rendered, and the amounts can be reliably measured and are expected to be recovered.

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

## **Revenue grants and other contributions to expenditure**

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

## **Note 1.5 Expenditure on employee benefits**

### **Short-term employee benefits**

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

### **NHS Pension Scheme**

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of these Schemes can be found on the NHS Pensions website [www.nhsba.nhs.uk/pensions](http://www.nhsba.nhs.uk/pensions). Both are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of the Secretary for State in England and Wales. The scheme is 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 a defined contribution scheme. The cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

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 the 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 the scheme liability as at the 31 March 2018, is based on valuation data as at the 31 March 2017, updated to the 31 March 2018 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, published annually. These accounts can be viewed on the NHS Pensions website. 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 scheme (taking into account its recent demographic experience), and to recommend the 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 contribution rates to be set 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 on the records as at the 31st March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required provisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

#### **Note 1.6 Expenditure on other goods and services**

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

#### **Note 1.7 Property, plant and equipment**

##### **Note 1.7.1 Recognition**

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.
- forms part of the initial equipping and setting up cost of a new building or refurbishment of unit irrespective of their individual or collective cost.

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

## Note 1.7.2 Measurement

### Valuation

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

All assets are measured subsequently at valuation. The carrying values of property, plant and equipment are reviewed for impairment annually if events or changes in circumstances indicate the carrying value may not be recoverable. Land and buildings used for the Trust's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. All land and buildings are restated to current value using professional valuations in accordance with IAS 16 every five years. A three yearly interim valuation is also carried out. Valuations are determined as follows:

- Land and Buildings - market value for existing use
- Specialised buildings - depreciated replacement cost

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

The depreciated replacement cost of specialised buildings has been valued on a modern equivalent asset basis. Valuations are carried out by the District Valuer, who is external to the Trust, and in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last land and building asset valuation, using the modern equivalent asset methodology, was undertaken as at the 31st March 2018 as part of the Trust's year end and to comply with HM Treasury requirements. In 2017/2018 the Trust has had an alternate site valuation of its land and buildings at the 31st March 2017 by the District Valuer; having agreed the material change in valuation should be reflected in the 2017/2018 financial statements.

Assets in the course of construction for service or administration purposes are valued at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are valued by professional valuers on the next occasion when all assets of that class are revalued unless there is an indication that initial cost is less than fair value.

Fixtures and equipment are valued at depreciated historical cost as this is not considered to be materially different from fair value. Equipment surplus to requirements is valued at net recoverable amount.

### Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise, and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

### Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Plant and Equipment are depreciated evenly over the estimated life of the asset, as follows:

Medical equipment, engineering plant and equipment : 5 to 10 years

Transport equipment: 7 years

Office and Information technology equipment: 5 years

Furniture & fittings: 10 years

Soft Furnishings: 7 years

Set up costs in new buildings: 10 years

### Revaluation gains and losses

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

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

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

### Impairments

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

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

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

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

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

### Note 1.7.3 De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

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

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

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

**Note 1.7.4 Donated and grant funded assets**

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

**Note 1.7.5 Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions**

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services.

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

**Note 1.7.6 Useful Economic lives of Property, Plant and Equipment**

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

	<b>Min life Years</b>	<b>Max life Years</b>
Buildings, excluding dwellings	24	29
Dwellings	30	40
Plant & machinery	5	10
Transport equipment	7	7
Information technology	5	8
Furniture & fittings	7	10

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

**Note 1.8 Intangible assets****Note 1.8.1 Recognition**

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

**Internally generated intangible assets**

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

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

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

## Software

Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, eg application software, is capitalised as an intangible asset.

## Note 1.8.2 Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

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

## Amortisation

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

## Note 1.8.3 Useful economic life of intangible assets

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

	Min life Years	Max life Years
<b>Intangible assets - purchased</b>		
Software licences	4	10

## Note 1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method.

## Note 1.10 Investment properties

The Trust holds no investment properties at the 31st March 2018.

### **Note 1.11 Cash and cash equivalents**

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management. Cash, bank and overdraft balances are recorded at current values. Interest earned on bank accounts is recorded as interest receivable in the periods to which it relates. Bank charges are recorded as operating expenditure in the periods to which they relate.

In 2017/2018 Stockport NHS Foundation Trust has repaid £2.4 million in principle and interests on its' capital loans and £2 million in PDC Dividend to the Department of Health and Social Care. It has received £1 million in PDC financing for the Primary Care Streaming capital project.

### **Note 1.12 Carbon Reduction Commitment scheme (CRC)**

The CRC scheme is a mandatory cap and trade scheme for non-transport CO<sub>2</sub> emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO<sub>2</sub> it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO<sub>2</sub> emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO<sub>2</sub> emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

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

### **Note 1.13 Financial instruments and financial liabilities**

#### **Recognition**

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

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

Regular way purchases or sales are recognised and de-recognised, as applicable, using the trade date.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

#### **De-recognition**

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

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

#### **Classification and measurement**

Financial assets are all categorised as loans and receivables.

Financial liabilities are all classified as other financial liabilities.

#### **Financial assets and financial liabilities at "fair value through income and expenditure"**

Financial assets and financial liabilities at "fair value through income and expenditure" are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term.



### **Financial assets and financial liabilities at “fair value through income and expenditure continued”**

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

The Trust's loans and receivables comprise: current investments, cash and cash equivalents, NHS receivables, accrued income and “other receivables”.

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

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the Trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item of “other comprehensive income”. When items classified as “available-for-sale” are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in “finance costs” in the Statement of Comprehensive Income.

#### **Other financial liabilities**

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The Trust's financial liabilities include trade creditors, accruals and other creditors. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

#### **Determination of fair value**

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

#### **Impairment of financial assets**

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at “fair value through income and expenditure” are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

## **Impairment of financial assets continued**

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

The carrying value of financial assets is recognised directly where it is acknowledged that all available avenues to recover the asset's full value have been exhausted. A provision for impairment of receivables is utilised where the likelihood of full recovery is probable but not yet fully approved to write down directly.

### **Note 1.14 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.

#### **Note 1.14.1 The Trust as lessee**

##### **Finance leases**

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

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

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

##### **Operating leases**

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.

##### **Leases of land and buildings**

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

### **Note 1.15 Provisions**

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury. Post employment benefits provisions, such as injury benefits provisions, use HM Treasury's pension discount rate of 0.10% (0.24% in 2016/2017) in real terms.

##### **Clinical negligence costs**

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 31.2 but is not recognised in the Trust's accounts.

##### **Non-clinical risk pooling**

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

### **Note 1.16 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 32 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 32, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

### **Note 1.17 Public dividend capital**

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

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.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for

- (i) donated assets (including lottery funded assets),
- (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
- (iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

### **Note 1.18 Value added tax**

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

### **Note 1.19 Corporation tax**

Health Service bodies, including Foundation Trusts, are exempt from taxation on their principal healthcare income under section 519A ICTA 1988. The Government introduced legislation in section 148 of the Finance Act 2004 to ensure that significant commercial non-core healthcare activities of NHS Foundation Trusts are taxable. Accordingly, the Trust is potentially within the scope of Corporation Tax in respect of its activities which are not related to, or are ancillary to, the provision of healthcare, and where the profits there from exceed £50,000 per annum.

The Trust incurs corporation tax through its wholly owned subsidiary 'Stepping Hill Healthcare Enterprises Limited as detailed at note 14.

### **Note 1.20 Foreign exchange**

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

### **Note 1.20 Foreign exchange continued**

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

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

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

### **Note 1.21 Third party assets**

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

### **Note 1.22 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 their own risks (with insurance premiums then being included as normal revenue expenditure).

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

### **Note 1.23 Gifts**

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

### **Note 1.24 Transfers of functions to / from other NHS bodies / local government bodies**

For functions that have been transferred to the Trust from another NHS / local government body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition.

For property plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity’s accounts are preserved on recognition in the Trust’s accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the Trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

For functions that the Trust has transferred to another NHS / local government body, the assets and liabilities transferred are de-recognised from the accounts as at the date of transfer. The net loss / gain corresponding to the net assets/ liabilities transferred is recognised within expenses / income, but not within operating activities. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve.

### **Note 1.25 Early adoption of standards, amendments and interpretations**

No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

### **Note 1.26 Standards, amendments and interpretations in issue but not yet effective or adopted**

As required by IAS 8, the Trust can disclose that the following standards, amendments and interpretations have been issued but are not yet been adopted for the public sector and are therefore not applicable to DHSC Group Accounts in 2017/2018.

- 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 for Contracts with Customers* - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted and
- 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.

#### **Note 1.27 Relevant International Financial Reporting Standards**

Listed below are the extant International Accounting Standards adopted in the preparation of these accounts in so far as they are applicable to the Foundation Trust:

#### **International Financial Reporting Standards (IFRS)**

- IFRS 3 Revised Business Combinations
- IFRS 5 Non Current Assets held for sale and discontinued operations
- IFRS 7 Financial Instruments Disclosures
- IFRS 8 Operating Segments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair value measurement
- Annual Improvements to IFRS 2009-13

#### **International Accounting Standards**

- IAS 1 Presentation of Financial Statements
- IAS 2 Inventories
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 10 Events after the reporting period
- IAS 12 Income taxes
- IAS 16 Property, plant and equipment
- IAS 17 Leases
- IAS 18 Revenue
- IAS 19 Employee benefits
- IAS 20 Accounting for Government grants and disclosure of Government assistance
- IAS 21 The effects of changes in foreign exchange rates
- IAS 23 Borrowing costs
- IAS 24 Related party disclosures
- IAS 27 Separate financial statements
- IAS 28 Investments in Associates and Joint Ventures (Revised 2011)
- IAS 32 Financial instruments: Presentation
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and measurements
- IAS 40 Investment Property

#### **IFRIC Interpretations**

- IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 4 Determining whether an arrangement contains a lease
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 12 Service concession arrangements
- IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.
- IRIC 21 Levies

#### **SIC Interpretations**

- SIC 15 Operating Leases – Incentives
- SIC 27 Evaluating the Substance of Transactions Involving the Form of a Lease
- SIC 29 Disclosure – Service Concession Arrangements
- SIC 31 Revenue – Barter Transactions Involving Advertising Services
- SIC 32 Intangible Assets – Web Site Costs

**Note 2 Operating Segments**

In line with IFRS 8 on Operating Segments, the Board of Directors, as Chief Operating Decision Maker (CODM), have assessed that the Trust continues to report its Annual Accounts on the basis that it operates as a single entity in the healthcare segment only. The accompanying financial statements have consequently been prepared under one single operating segment.

All of the Foundation Trust's activities are in the provision of healthcare, which is an aggregate of all the individual specialty components included therein, and the very large majority of the healthcare services provided occur at the one geographical main site. Similarly, the large majority of the Foundation Trust's revenue originates with the UK Government; namely through contracts with NHS Commissioners. The majority of expenses incurred are payroll expenditure on staff involved in the production or support of healthcare activities generally across the Trust together with the related supplies and overheads needed to establish this production. The business activities which earn revenue and incur expenses are therefore of one broad combined nature and therefore on this basis one segment of 'Healthcare' is deemed appropriate. In applying the aggregation criteria the CODM also recognises that the Trust's business groups operate under one common regulatory framework.

In consolidating the charitable funds the Trust has considered the level of its charitable funds and has considered them immaterial to report as a separate operating segment as the charitable funds revenue are not 10% or more of the combined assets of all operating segments.

In consolidating the financial results of the Stepping Hill Healthcare Enterprises Limited Company, the Trust considers that the provision of an outpatient dispensing service to patients still falls under the healthcare operating segment. In addition its revenue streams are also not 10% or more than all the combined assets of all operating segments.

The Trust's view on segmental reporting remains unchanged from its financial statements in 2016/2017. The Board, as Chief Operating Decision Maker, does not receive separate information routinely to evaluate how to allocate resources and assess performance as described within IFRS 8 Operating Segments for any of its internal business groups and continues with its integrated business group structures with services aligned across all the business groups.

**Note 3 Operating income****Note 3.1 Income from activities arising from commissioner requested services**

Under the terms of its provider licence, the Trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	<b>Foundation Trust and Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Income from services designated (or grandfathered) as commissioner requested services	249,891	255,004
Income from services not designated as commissioner requested services	952	1,517
<b>Total</b>	<b><u>250,843</u></b>	<b><u>256,521</u></b>

**Note 3.2 Operating income from patient care activities (Group)**

	<b>Foundation Trust and Group</b>	
<b>Note 3.3 Income from patient care activities (by nature)</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Acute services</b>		
Elective income	39,509	42,611
Non-elective income	79,870	75,475
First outpatient income	16,159	16,077
Follow up outpatient income	15,313	18,067
A & E income	13,530	12,162
High cost drugs income from commissioners (excluding pass-through costs)	9,535	9,078
Other NHS clinical income	46,357	50,976
<b>Community services</b>		
Community services income from CCGs and NHS England	22,928	22,612
Income from other sources (e.g. local authorities)	6,690	7,946
<b>All services</b>		
Private patient income	233	242
Other clinical income	719	1,275
<b>Total income from activities</b>	<b>250,843</b>	<b>256,521</b>

**Note 3.4 Income from patient care activities (by source)**

	<b>Foundation Trust and Group</b>	
<b>Note 3.4 Income from patient care activities (by source)</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Income from patient care activities received from:</b>		
NHS England	13,617	12,283
Clinical commissioning groups	228,952	234,104
Department of Health and Social Care	17	-
Other NHS providers	514	516
NHS other	101	85
Local authorities	6,690	8,016
Non-NHS: private patients	243	242
Non-NHS: overseas patients (chargeable to patient)	23	45
NHS injury scheme	686	1,230
<b>Total income from activities</b>	<b>250,843</b>	<b>256,521</b>
<b>Of which:</b>		
Related to continuing operations	250,843	256,521

**Note 3.5 Overseas visitors (relating to patients charged directly by the provider)**

	<b>Foundation Trust and Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Income recognised this year	23	45
Cash payments received in-year	13	39
Amounts added to provision for impairment of receivables	10	11
Amounts written off in-year	-	131

**Note 4 Other operating income (Group)**

	<b>Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Research and development	511	545
Education and training	8,141	7,978
Stockport Pharmaceuticals and Quality Control	5,430	5,278
Local Authorities	3,614	4,249
NHS Bodies	9,001	9,172
Non-NHS Bodies	2,109	2,082
Rents and car parking income	2,130	1,820
Catering sales	13	11
Stockport Healthcare Enterprises Ltd income	3,425	3,312
Sustainability and Transformation fund income	390	11,402
Charitable fund incoming resources	276	387
Other income	210	346
<b>Total other operating income</b>	<b>35,250</b>	<b>46,582</b>

**Of which:**

Related to continuing operations	35,250	46,582
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For Group Accounts elimination, adjustments have been made to remove Trust income received from its Pharmacy Shop subsidiary for purchases of drugs and services charged by the Trust for use of its facilities. The consolidated numbers include income earned by the Pharmacy Shop on its outpatient dispensing service, prescription charges and retail income from the Pharmacy Shop itself.

In 2017/2018 the Trust received £390,000 Sustainability and Transformation Fund Income as a post audit adjustment to the 2016/2017 STF allocation. This has been included in income in 2017/2018. The Trust received no STF monies in 2017/2018.

**Note 4.1 Other operating income (Trust)**

	<b>Trust</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Research and development	511	545
Education and training	8,141	7,978
Stockport Pharmaceuticals and Quality Control	5,430	5,278
Pharmacy Sales	3,660	3,268
Local Authorities	3,110	4,249
Charitable and other contributions to expenditure	86	1,043
Sustainability and transformation fund income	390	11,402
NHS and WGA Bodies	9,001	9,172
Non-NHS Bodies	2,093	1,948
Rents and car parking income	2,130	1,820
Catering sales	13	11
Clinical Excellence awards	74	88
<b>Total other operating income</b>	<b>34,639</b>	<b>46,802</b>

**Of which:**

Related to continuing operations	34,639	46,802
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**Note 5 Fees and charges (Group)**

<b>Foundation Trust and Group</b>	
<b>2017/18</b>	<b>2016/17</b>
<b>£000</b>	<b>£000</b>
Income	5,386
Full cost	(4,787)
<b>Surplus / (deficit)</b>	<b>691</b>

The above note identifies the costs associated with significant trading and income generating activities. This notes discloses the income and costs associated with the trading activities of Stockport Pharmaceuticals and Quality Control. Income includes amounts assigned to education and training and other categories within note 4.

**Note 6 Operating expenses (Group)**
**Group**

<b>2017/18</b>	<b>2016/17</b>
<b>£000</b>	<b>£000</b>
Purchase of healthcare from NHS and DHSC bodies	3,901
Purchase of healthcare from non-NHS and non-DHSC bodies	2,143
Staff and executive directors costs	212,468
Remuneration of non-executive directors	158
Supplies and services - clinical (excluding drugs costs)	21,607
Supplies and services - general	2,824
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	19,452
Inventories written down	50
Consultancy costs	1,231
Establishment	2,004
Premises	13,137
Transport (including patient travel)	1,095
Depreciation on property, plant and equipment	7,994
Amortisation on intangible assets	661
Net (reversal of impairments)/impairments	(4,107)
Increase in provision for impairment of receivables	292
Increase in other provisions	1,488
Change in provisions discount rate(s)	31
Audit fees payable to the external auditor	
audit services- statutory audit	48
other auditor remuneration (external auditor only)	16
Internal audit costs	96
Clinical negligence	9,418
Legal fees	465
Insurance	242
Research and development	468
Education and training	741
Rentals under operating leases	2,382
Redundancy	-
Charges to operating expenditure for off-SoFP IFRIC 12 schemes	1,177
Hospitality	181
Other services, e.g. external payroll	42
Other NHS charitable fund resources expended	-
Other	2,390
<b>Total</b>	<b>304,095</b>

**Of which:**

Related to continuing operations	304,095	305,705
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**Note 6.1 Operating expenses (Trust)**

	Trust	
	2017/18	2016/17
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	3,901	3,987
Purchase of healthcare from non-NHS and non-DHSC bodies	2,143	3,851
Staff and executive directors costs	212,468	204,917
Remuneration of non-executive directors	158	146
Supplies and services - clinical (excluding drugs costs)	21,607	22,527
Supplies and services - general	2,824	3,058
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	19,452	19,039
Inventories written down	50	-
Consultancy costs	1,231	3,584
Establishment	2,004	1,711
Premises	13,137	9,619
Transport (including patient travel)	1,095	1,142
Depreciation on property, plant and equipment	7,994	7,498
Amortisation on intangible assets	661	498
Net (reversal of impairments)/impairments	(4,107)	4,152
Increase in provision for impairment of receivables	292	470
Increase in other provisions	1,488	2,387
Change in provisions discount rate(s)	31	241
Audit fees payable to the external auditor		
audit services- statutory audit	48	48
other auditor remuneration (external auditor only)	16	17
Internal audit costs	96	102
Clinical negligence	9,418	8,562
Legal fees	465	162
Insurance	242	308
Research and development	468	358
Education and training	741	640
Rentals under operating leases	2,382	2,518
Redundancy	-	1,663
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) on IFRS basis	1,177	1,143
Car parking & security	181	201
Losses, ex gratia & special payments	42	106
Other	2,060	731
<b>Total</b>	<b>303,765</b>	<b>305,386</b>
<b>Of which:</b>		
Related to continuing operations	303,765	305,386

**Note 6.2 Other auditor remuneration (Group)**

	<b>Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Other auditor remuneration paid to the external auditor:</b>		
1. Audit of accounts of any associate of the Trust	4	5
2. Audit-related assurance services	12	12
<b>Total</b>	<b>16</b>	<b>17</b>

**Note 6.3 Limitation on auditor's liability (Group)**

There is no limitation on auditor's liability for external audit work carried out for the financial years 2017/18 or 2016/17.

**Note 7 Impairment of assets (Group)**

	<b>Foundation Trust and Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Net impairments charged to operating surplus / deficit resulting from:</b>		
Changes in market price	(4,107)	4,152
<b>Total net impairments (credited)/charged to operating surplus / deficit</b>	<b>(4,107)</b>	<b>4,152</b>
Impairments charged to the revaluation reserve	3,321	16,859
<b>Total net (reversal of impairments)/impairments</b>	<b>(786)</b>	<b>21,011</b>

In 2017/2018 the Trust has undertaken a revaluation exercise of its land, buildings and dwellings on an alternate site basis. The table above highlights the impairment charge to the revaluation reserve of £3.3 million (£16.9 million in 2016/2017) from the valuation where an existing revaluation reserve balance exists to charge the impairment. It has also resulted in a net £4.1 million reversal of impairment (£5.3 million impairment in 2016/2017) to the Statement of Comprehensive Income (SoCi). Reversals of impairments reflect the increase in value of property where previous charges have been made to income and expenditure.

**Note 8 Employee benefits (Group)**

	<b>Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Salaries and wages	158,243	152,803
Social security costs	13,512	13,216
Apprenticeship levy	791	-
Employer's contributions to NHS pensions	18,144	17,646
Pension cost - other	23	32
Temporary staff (including agency)	22,465	23,627
<b>Total staff costs</b>	<b>213,178</b>	<b>207,324</b>
<b>Of which</b>		
Costs capitalised as part of assets	259	400

Staff costs for the Group include staff employed by the Trust subsidiary, Stepping Hill Healthcare Enterprises Limited.

**Note 8.1 Employee benefits (Trust)**

	<b>Trust</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Salaries and wages	158,028	152,803
Social security costs	13,512	13,216
Apprenticeship levy	791	-
Employer's contributions to NHS pensions	18,144	17,646
Pension cost - other	20	32
Temporary staff (including agency)	22,465	23,627
<b>Total gross staff costs</b>	<b>212,960</b>	<b>207,324</b>
Recoveries in respect of seconded staff	-	-
<b>Total staff costs</b>	<b>212,960</b>	<b>207,324</b>
<b>Of which</b>		
Costs capitalised as part of assets	259	400

**Note 8.2 Retirements due to ill-health (Group)**

During 2017/18 there were 11 early retirements from the Trust agreed on the grounds of ill-health (3 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £38k (£243k in 2016/17).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

**Note 9 Pension costs**

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

Further details on the NHS Pensions schemes can be found at Note 1.5 in the Accounting Policies note on employee benefits.

The Group offers an additional defined contribution workplace pension scheme, the National Employment Savings Scheme (NEST), to employees of both the Foundation Trust. It also offers a similar scheme to its subsidiary, Stepping Hill Healthcare Enterprises Limited. The Trust has paid £20k (£32k in 2016/2017) to NEST in employer contributions and £3k for the subsidiary.

## Note 10 Operating leases (Group)

### Note 10.1 Stockport NHS Foundation Trust as a lessor

There are no arrangements where income generated in operating lease agreements where Stockport NHS Foundation Trust is the lessor.

### Note 10.2 Stockport NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Stockport NHS Foundation Trust is the lessee.

In 2017/2018 the Trust has leasing arrangements for its community buildings with NHS Property Services Ltd for community services provided in the Stockport area. These leases are held in line with current commissioning contracts. It also has a lease arrangement for the Swanbourne Gardens Childrens Respite building. This is due to expire in January 2023.

	<b>Foundation Trust and Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Operating lease expense</b>		
Minimum lease payments	2,382	2,518
<b>Total</b>	<b>2,382</b>	<b>2,518</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Future minimum lease payments due:</b>		
- not later than one year;	2,382	2,518
- later than one year and not later than five years;	141	139
- later than five years.	62	61
<b>Total</b>	<b>2,585</b>	<b>2,718</b>

### Note 11 Finance income

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

	<b>Group</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Interest on bank accounts	64	66
NHS charitable fund investment income	44	50
<b>Total</b>	<b>108</b>	<b>116</b>
	<b>Trust</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Interest on bank accounts	64	66
<b>Total</b>	<b>64</b>	<b>66</b>

## Note 12 Finance expenditure

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

	Foundation Trust and Group	
	2017/18	2016/17
	£000	£000
<b>Interest expense:</b>		
Loans from the Department of Health and Social Care	855	897
Main finance costs on PFI and LIFT schemes obligations	12	12
<b>Total interest expense</b>	<b>867</b>	<b>909</b>
Unwinding of discount on provisions	5	30
<b>Total finance costs</b>	<b>872</b>	<b>939</b>

### Note 12.1 The Late Payment of Commercial Debts (interest) Act 1998 / Public Contract Regulations 2015

The Trust and Group has no late payment of commercial debts to report in 2017/2018.

## Note 13 Other gains / (losses) (Group)

	Group	
	2017/18	2016/17
	£000	£000
Gains on disposal of assets	20	13
Losses on disposal of assets	(41)	(89)
Gains / losses on disposal of charitable fund assets	-	17
<b>Total gains / (losses) on disposal of assets</b>	<b>(21)</b>	<b>(59)</b>
Fair value gains/(losses) on charitable fund investments & investment properties	22	165
<b>Total other gains / (losses)</b>	<b>1</b>	<b>106</b>

In 2016/2017 the Group Charity disposed of its CCLA Fixed Interest Interest Common Investment Fund with gain on disposal of £16,932. There were no disposals in 2017/2018. In 2017/2018 the Charity continues to invest in the CCLA Equity Common Investment Fund and this has made an unrealised gain of £22,000 (£165,000 in 2016/2017).

In 2017/2018 the Trust had a loss on disposal of assets of £21k (loss of £76k in 2016/2017) comprising of cash proceeds of £13k offset by the write off of net book value of £34k. The cash proceeds relate to the trade in prices achieved for items of medical equipment, vehicles and fittings as they were replaced.

## Note 14 Corporation Tax

The Group has consolidated the provisional financial results of its subsidiary, Stepping Hill Healthcare Enterprises Limited, and has estimated a Corporation tax liability of £24k. This assessment will be concluded for its accounting period to the 31st March 2018. The corporation tax liability for 2016/2017 was £8k and was agreed post consolidation in 2016/2017.

	Group	
	2017/18	2016/17
Corporation Tax payable 2017/2018	24	-
Corporation Tax paid 2016/2017	8	-
	<b>32</b>	<b>-</b>

## Note 15.1 Intangible assets - 2017/18

Foundation Trust and Group	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2017 - brought forward	7,476	1,646	9,122
Additions	182	266	448
Reclassifications	33	(33)	-
<b>Valuation / gross cost at 31 March 2018</b>	<b>7,691</b>	<b>1,879</b>	<b>9,570</b>
Amortisation at 1 April 2017 - brought forward	5,748	-	5,748
Provided during the year	661	-	661
<b>Amortisation at 31 March 2018</b>	<b>6,409</b>	<b>-</b>	<b>6,409</b>
Net book value at 31 March 2018	1,282	1,879	3,161
Net book value at 1 April 2017	1,728	1,646	3,374

## Note 15.2 Intangible assets - 2016/17

Foundation Trust and Group	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2016 - as previously stated	6,756	448	7,204
Prior period adjustments	-	-	-
<b>Valuation / gross cost at 1 April 2016 - restated</b>	<b>6,756</b>	<b>448</b>	<b>7,204</b>
Transfers by absorption	-	-	-
Additions	704	1,214	1,918
Reclassifications	16	(16)	-
<b>Valuation / gross cost at 31 March 2017</b>	<b>7,476</b>	<b>1,646</b>	<b>9,122</b>
Amortisation at 1 April 2016 - as previously stated	5,250	-	5,250
Prior period adjustments	-	-	-
<b>Amortisation at 1 April 2016 - restated</b>	<b>5,250</b>	<b>-</b>	<b>5,250</b>
Transfers by absorption	-	-	-
Provided during the year	498	-	498
<b>Amortisation at 31 March 2017</b>	<b>5,748</b>	<b>-</b>	<b>5,748</b>
Net book value at 31 March 2017	1,728	1,646	3,374
Net book value at 1 April 2016	1,506	448	1,954

**Note 16.1 Property, plant and equipment - 2017/18**

Foundation Trust and Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Valuation/gross cost at 1 April 2017 - brought forward</b>	<b>11,030</b>	<b>111,760</b>	<b>1,605</b>	<b>1,405</b>	<b>42,262</b>	<b>203</b>	<b>12,768</b>	<b>553</b>	<b>181,586</b>
Additions	-	1,163	33	1,532	2,421	16	1,022	35	6,222
Impairments	(2,850)	(654)	(25)	-	-	-	-	-	(3,529)
Reversals of impairments	-	4,288	27	-	-	-	-	-	4,315
Revaluations	-	1,795	(45)	-	-	-	-	-	1,750
Reclassifications	-	243	-	(1,393)	293	-	857	-	-
Disposals / derecognition	-	-	-	-	(667)	(8)	-	-	(675)
<b>Valuation/gross cost at 31 March 2018</b>	<b>8,180</b>	<b>118,595</b>	<b>1,595</b>	<b>1,544</b>	<b>44,309</b>	<b>211</b>	<b>14,647</b>	<b>588</b>	<b>189,669</b>
<b>Accumulated depreciation at 1 April 2017 - brought forward</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,179</b>	<b>114</b>	<b>10,515</b>	<b>328</b>	<b>42,136</b>
Provided during the year	-	4,239	45	-	2,587	20	1,057	46	7,994
Revaluations	-	(4,239)	(45)	-	-	-	-	-	(4,284)
Disposals / derecognition	-	-	-	-	(626)	(7)	-	-	(633)
<b>Accumulated depreciation at 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,140</b>	<b>127</b>	<b>11,572</b>	<b>374</b>	<b>45,213</b>
<b>Net book value at 31 March 2018</b>	<b>8,180</b>	<b>118,595</b>	<b>1,595</b>	<b>1,544</b>	<b>11,169</b>	<b>84</b>	<b>3,075</b>	<b>214</b>	<b>144,456</b>
<b>Net book value at 1 April 2017</b>	<b>11,030</b>	<b>111,760</b>	<b>1,605</b>	<b>1,405</b>	<b>11,083</b>	<b>89</b>	<b>2,253</b>	<b>225</b>	<b>139,450</b>



**Note 16.2 Property, plant and equipment - 2016/17**

Foundation Trust and Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Valuation / gross cost at 1 April 2016 - as previously stated</b>	<b>17,386</b>	<b>112,240</b>	<b>1,869</b>	<b>12,705</b>	<b>40,823</b>	<b>199</b>	<b>12,715</b>	<b>861</b>	<b>198,798</b>
Additions	-	4,115	(11)	1,405	2,317	35	306	161	8,328
Impairments	(6,300)	(17,189)	-	-	-	-	-	-	(23,489)
Reversals of impairments	-	351	20	2,107	-	-	-	-	2,478
Revaluations	-	(2,250)	(9)	-	-	-	-	-	(2,259)
Reclassifications	-	14,493	-	(14,812)	42	-	257	20	-
Transfers to / from assets held for sale	(56)	-	(264)	-	-	-	-	-	(320)
Disposals / derecognition	-	-	-	-	(920)	(31)	(510)	(489)	(1,950)
<b>Valuation/gross cost at 31 March 2017</b>	<b>11,030</b>	<b>111,760</b>	<b>1,605</b>	<b>1,405</b>	<b>42,262</b>	<b>203</b>	<b>12,768</b>	<b>553</b>	<b>181,586</b>
<b>Accumulated depreciation at 1 April 2016 - as previously stated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,412</b>	<b>124</b>	<b>9,879</b>	<b>784</b>	<b>40,199</b>
Provided during the year	-	3,654	49	-	2,598	18	1,146	33	7,498
Revaluations	-	(3,654)	(44)	-	-	-	-	-	(3,698)
Transfers to/ from assets held for sale	-	-	(5)	-	-	-	-	-	(5)
Disposals/ derecognition	-	-	-	-	(831)	(28)	(510)	(489)	(1,858)
<b>Accumulated depreciation at 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,179</b>	<b>114</b>	<b>10,515</b>	<b>328</b>	<b>42,136</b>
<b>Net book value at 31 March 2017</b>	<b>11,030</b>	<b>111,760</b>	<b>1,605</b>	<b>1,405</b>	<b>11,083</b>	<b>89</b>	<b>2,253</b>	<b>225</b>	<b>139,450</b>
<b>Net book value at 1 April 2016</b>	<b>17,386</b>	<b>112,240</b>	<b>1,869</b>	<b>12,705</b>	<b>11,411</b>	<b>75</b>	<b>2,836</b>	<b>77</b>	<b>158,599</b>

**Note 16.3 Property, plant and equipment financing - 2017/18**

Foundation Trust and Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Net book value at 31 March 2018</b>									
Owned - purchased	8,180	117,350	1,545	1,544	10,122	84	3,075	214	142,114
Finance leased	-	-	-	-	112	-	-	-	112
On-SoFP PFI contracts and other service concession arrangements	-	827	-	-	-	-	-	-	827
Owned - donated	-	418	50	-	935	-	-	-	1,403
<b>NBV total at 31 March 2018</b>	<b>8,180</b>	<b>118,595</b>	<b>1,595</b>	<b>1,544</b>	<b>11,169</b>	<b>84</b>	<b>3,075</b>	<b>214</b>	<b>144,456</b>

**Note 16.4 Property, plant and equipment financing - 2016/17**

Foundation Trust and Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Net book value at 31 March 2017</b>									
Owned - purchased	11,030	110,558	1,554	1,405	9,981	89	2,253	225	137,095
On-SoFP PFI contracts and other service concession arrangements	-	767	-	-	-	-	-	-	767
Owned - donated	-	435	51	-	1,102	-	-	-	1,588
<b>NBV total at 31 March 2017</b>	<b>11,030</b>	<b>111,760</b>	<b>1,605</b>	<b>1,405</b>	<b>11,083</b>	<b>89</b>	<b>2,253</b>	<b>225</b>	<b>139,450</b>

**Note 17 Donations of property, plant and equipment**

In 2017/2018 the Group Property, Plant and Equipment note discloses the net book value of assets previously provided by donations on cash income. In 2016/2017 the Trust received total income of £743,000 from its charitable funds to purchase capital assets. In 2017/2018 charitable funding has contributed to smaller revenue items for patient and staff welfare (see note 40).

**Note 18 Revaluations of property, plant and equipment**

In 2017/2018 the Trust undertook a valuation of land and buildings by the District Valuer in compliance with International Accounting Standards, the Royal Institute of Chartered Surveyors, the Treasury Financial Reporting Manual and the Department of Health Group Accounts Manual. The valuation has been undertaken at the 31st March 2018 prepared on an alternative site basis. The valuation was based on land on its existing site but on a much smaller footprint and buildings based on a Modern Equivalent Basis.

The impact of the revaluation was to increase the value of land and buildings within the Trust's financial statements by £2.7 million, with a £3.3 million impairment charge charged to the revaluation reserve offset by £6 million upwards valuation. A further net impairment reversal of £4.1 million was credited back to the Statement of Comprehensive Income. The impairment charge to the revaluation reserve was predominantly a reduction in land values following an update to the optimised design of the alternative site valuation. A reduction in the building footprint, however, has been offset by a significant rise in indices that has attributed to the increase in the valuation.

**Revaluation Reserve Movements**

	<b>Foundation Trust and Group</b>		
	<b>Property, Plant and Equipment</b>	<b>Assets Held for Sale</b>	<b>Total Revaluation Reserve</b>
At 1 April 2017	40,721	344	41,065
Impairment	(3,321)		(3,321)
Revaluations	6,034		6,034
At 31 March 2018	<b>43,434</b>	<b>344</b>	<b>43,778</b>
At 1 April 2016	56,485	-	56,485
Impairment	(16,859)	-	(16,859)
Revaluations	1,439	-	1,439
Other reserve movements	(344)	344	0
At 31 March 2017	<b>40,721</b>	<b>344</b>	<b>41,065</b>

**Note 19 Other investments / financial assets (non-current)**

	<b>Group</b>	
<b>Charitable Funds Investments</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Carrying value at 1 April - brought forward</b>	<b>1,213</b>	<b>1,289</b>
Movement in fair value	22	165
Disposals	-	(241)
<b>Carrying value at 31 March</b>	<b>1,235</b>	<b>1,213</b>

The above note details the investments held by the Trust Charity consolidated in Group numbers only.

For the Consolidated Group the Charity held investments in equity common investment funds. In 2017/2018 the Group reported £45,000 (£50,000 in 2016/2017) in interest receivable on these investments and a gain on valuation of £22,000 at the 31st March 2018. In 2016/2017 the Charity disposed of its holding in the fixed interest fund. Prior year numbers have been restated on a gross basis with the same net impact of £76k decrease.

## Note 20 Analysis of charitable fund reserves

The Trust has consolidated its charitable fund, Stockport NHS Foundation Trust General Fund - Charity Commission Number Registration Number 1048661, within the Group Accounts.

	31 March 2018 £000	31 March 2017 £000
<b>Unrestricted funds:</b>		
Unrestricted income funds	277	241
<b>Restricted funds:</b>		
Endowment funds	10	10
Other restricted income funds	1,675	1,455
	<b>1,962</b>	<b>1,706</b>

Unrestricted income 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 are 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. For Stockport NHS Foundation General Fund these funds relate to specified business groups and departments at the Trust. There is one permanent endowment fund where the monies are retained for use rather than expended.

## Note 21 Inventories

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Drugs	608	561	425	356
Consumables	885	928	885	928
Energy	81	85	81	85
<b>Total inventories</b>	<b>1,574</b>	<b>1,574</b>	<b>1,391</b>	<b>1,369</b>
<b>of which:</b>				
Held at lower of cost and NRV	1,574	1,574	1,391	1,369

Inventories recognised in expenses for the year were £15,826k (2016/17: £19,394k). Write-down of inventories recognised as expenses for the year were £50k (2016/17: £0k).

Inventories for the Group included £181k (£205k in 2016/17) drugs for Stepping Hill Enterprises Healthcare Limited (the Pharmacy Shop).

**Note 22.1 Trade receivables and other receivables**

	<b>Group</b>		<b>Trust</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current</b>				
Trade receivables - NHS	1,977	4,155	1,977	4,155
Trade receivables - Non-NHS	2,777	2,266	4,034	2,266
Receivables due from NHS charities	-	-	70	432
Accrued income - NHS	800	5,450	800	5,450
Accrued income - Non NHS	473	522	473	522
Provision for impaired receivables	(1,303)	(1,191)	(1,303)	(1,191)
Prepayments (non-PFI)	713	791	713	791
Interest receivable	9	4	9	4
PDC dividend receivable	18	837	18	837
VAT receivable	668	851	668	851
Other receivables	1,674	2,814	1,674	3,401
NHS charitable funds: trade and other receivables	5	46	-	-
<b>Total current trade and other receivables</b>	<b>7,811</b>	<b>16,545</b>	<b>9,133</b>	<b>17,518</b>
<b>Non-current</b>				
Provision for impaired receivables	(132)	(168)	(132)	(168)
Prepayments (non-PFI)	207	217	207	217
Other receivables	577	733	577	733
<b>Total non-current trade and other receivables</b>	<b>652</b>	<b>782</b>	<b>652</b>	<b>782</b>
<b>Of which receivables from NHS and DHSC group bodies:</b>				
Current	2,795	10,442	2,795	10,442

Consolidation adjustments within the Group have removed the £70k Trust Receivable from its charitable fund subsidiary to settle its grants expensed in 2017/2018 (£432k in 2016/2017).

Consolidation adjustment within the Group have removed intra group receivables between the Trust and its subsidiary Stepping Hill Healthcare Enterprises Limited. The Group Accounts includes £269k receivables for its Pharmacy Shop subsidiary; £259k of this being due from HMRC (£141k in 2016/2017).

**Note 22.2 Provision for impairment of receivables**

	<b>Group</b>		<b>Trust</b>	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April as previously stated</b>	<b>1,359</b>	<b>1,054</b>	<b>1,359</b>	<b>1,054</b>
Increase in provision	392	498	392	498
Amounts utilised	(216)	(165)	(216)	(165)
Unused amounts reversed	(100)	(28)	(100)	(28)
<b>At 31 March</b>	<b>1,435</b>	<b>1,359</b>	<b>1,435</b>	<b>1,359</b>

The Trust provision for impaired receivables includes £766k (2016/2017: £835k) for the NHS Injury Scheme using the nationally recommended percentage rate of write down of such debts. Other impaired receivables have been reviewed on an individual basis which includes consideration of information from its debt recovery service. There are no provisions for impaired receivables held by the Trust Charity or subsidiary.

**Note 22.3 Credit quality of financial assets**

Group	31 March 2018		31 March 2017	
	Trade and other receivables	Investments & Other financial assets	Trade and other receivables	Investments & Other financial assets
	£000	£000	£000	£000
<b>Ageing of impaired financial assets</b>				
0 - 30 days	55	-	183	-
30-60 Days	10	-	2	-
60-90 days	8	-	30	-
90- 180 days	40	-	1	-
Over 180 days	557	-	308	-
<b>Total</b>	<b>670</b>	<b>-</b>	<b>524</b>	<b>-</b>
<b>Ageing of non-impaired financial assets past their due date</b>				
0 - 30 days	2,663	1,235	11,637	1,213
30-60 Days	1,102	-	591	-
60-90 days	443	-	761	-
90- 180 days	716	-	566	-
Over 180 days	701	-	482	-
<b>Total</b>	<b>5,625</b>	<b>1,235</b>	<b>14,037</b>	<b>1,213</b>

**Note 22.4 Credit quality of financial assets**

Trust	31 March 2018		31 March 2017	
	Trade and other receivables	Investments & Other financial assets	Trade and other receivables	Investments & Other financial assets
	£000	£000	£000	£000
<b>Ageing of impaired financial assets</b>				
0 - 30 days	55	-	183	-
30-60 Days	10	-	2	-
60-90 days	8	-	30	-
90- 180 days	40	-	1	-
Over 180 days	557	-	308	-
<b>Total</b>	<b>670</b>	<b>-</b>	<b>524</b>	<b>-</b>
<b>Ageing of non-impaired financial assets past their due date</b>				
0 - 30 days	2,663	-	12,657	-
30-60 Days	1,102	-	591	-
60-90 days	443	-	761	-
90- 180 days	716	-	566	-
Over 180 days	701	-	436	-
<b>Total</b>	<b>5,625</b>	<b>-</b>	<b>15,011</b>	<b>-</b>

The reduction in the value of non-impaired financial assets reflects the Trust receivable in 2016/2017 for Sustainability and Transformation Fund Income of £5.4 million and the settlement in-year of other receivables. The financial assets' analysis does not include accrued receivables for the injury Recovery Scheme as these are recoverable under statute.

The Group has other investments held by its Charity with CCLA Investment Management Ltd. These assets are held to earn a return on its investment until disposal is requested by the Corporate Trustee.

The Trust's non-impaired receivables under 30 days includes charitable funds receivables of £70k and receivables from Stepping Hill Enterprises Healthcare Limited of £1,526k (£643k settled in April 2018).

**Note 23 Non-current assets held for sale and assets in disposal groups**

Foundation Trust and Group	Foundation Trust and Group			2016/17
	2017/2018			Total
	Land	plant &	Total	Total
	£000	£000	£000	£000
<b>NBV of non-current assets for sale and assets in disposal groups at 1 April</b>	<b>56</b>	<b>259</b>	<b>315</b>	<b>315</b>
<b>NBV of non-current assets for sale and assets in disposal groups at 31 March</b>	<b>56</b>	<b>259</b>	<b>315</b>	<b>315</b>

In August 2016 the Trust put on the market for sale two residential properties as part of the financial improvement programme in 2016/2017. The disposals were expected to take place during 2017/2018. The value of land and buildings of these properties is detailed in the note above. The disposals were not completed in 2017/2018 but it is expected that the sales will complete during 2018/2019.

**Note 24.1 Cash and cash equivalents movements**

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	Group		Trust	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
<b>At 1 April</b>	<b>24,677</b>	<b>33,124</b>	<b>23,726</b>	<b>31,398</b>
Prior period adjustments		-		
<b>At 1 April (restated)</b>	<b>24,677</b>	<b>33,124</b>	<b>23,726</b>	<b>31,398</b>
<b>At start of period for new FTs</b>	-	-		
Net change in year	(7,579)	(8,447)	(8,203)	(7,672)
<b>At 31 March</b>	<b>17,098</b>	<b>24,677</b>	<b>15,523</b>	<b>23,726</b>
<b>Broken down into:</b>				
Cash at commercial banks and in hand	973	1,324	181	445
Cash with the Government Banking Service	15,342	23,281	15,342	23,281
Other current investments	783	72		-
<b>Total cash and cash equivalents as in SoFP</b>	<b>17,098</b>	<b>24,677</b>	<b>15,523</b>	<b>23,726</b>
<b>Total cash and cash equivalents as in SoCF</b>	<b>17,098</b>	<b>24,677</b>	<b>15,523</b>	<b>23,726</b>

**Analysis of Group Cash and Cash Equivalents**

	2017/18	2016/17
	£000	£000
Stockport NHS Foundation Trust	15,523	23,726
Stockport NHS Foundation Trust Charitable Funds	792	879
Stepping Hill Healthcare Enterprises Limited	783	72
	<b>17,098</b>	<b>24,677</b>

**Note 24.2 Third party assets held by the Trust**

Stockport NHS Foundation Trust held no cash or cash equivalents which relate to monies held by patients or other parties. It does, if requested, retain patient monies and belongings in sealed pouches for the duration of the individual's stay.

**Note 25.1 Trade and other payables**

	<b>Group</b>		<b>Trust</b>	
	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
<b>Current</b>				
Trade payables	5,713	5,489	5,955	5,489
Capital payables	2,339	1,271	2,339	1,271
Accruals	18,741	13,153	18,741	13,360
Social security costs	1,996	1,951	1,996	1,951
Other taxes payable	1,595	1,603	1,595	1,603
Accrued interest on loans	212	227	212	227
Other payables	2,760	2,589	2,767	2,589
<b>Total current trade and other payables</b>	<b>33,356</b>	<b>26,283</b>	<b>33,605</b>	<b>26,490</b>
<b>Of which payables from NHS and DHSC group bodies:</b>				
Current	4,592	2,393	4,592	2,393

Consolidation adjustments by the Group have removed payables between the Trust, Charitable Fund and the Stepping Hill Healthcare Enterprises Limited subsidiaries.

**Note 25.2 Early retirements in NHS payables above**

There are no early retirement payables in the note above. The payables note above does include amounts in relation to outstanding pension contributions.

<b>Foundation Trust and Group</b>	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
- outstanding pension contributions	2,489	2,411

Pension contributions outstanding at 31st March 2018 of £2,489k have been settled in April 2018 in accordance with the NHS Pensions payment dates.

The Trust and Group have no amounts in Trade payables to buy out the liability for early retirements.

**Note 26 Other liabilities**

	<b>Group</b>		<b>Trust</b>	
	<b>2018 £000</b>	<b>2017 £000</b>	<b>2018 £000</b>	<b>2017 £000</b>
<b>Current</b>				
Other deferred income	926	960	926	960
<b>Total other current liabilities</b>	<b>926</b>	<b>960</b>	<b>926</b>	<b>960</b>
<b>Non-current</b>				
Other deferred income	333	416	333	416
<b>Total other non-current liabilities</b>	<b>333</b>	<b>416</b>	<b>333</b>	<b>416</b>



## Note 27 Borrowings

	Group		Trust	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
<b>Current</b>				
Loans from DHSC	1,551	1,551	1,551	1,551
Obligations under finance leases	84	68	84	68
Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle)	29	28	29	28
<b>Total current borrowings</b>	<b>1,664</b>	<b>1,647</b>	<b>1,664</b>	<b>1,647</b>
<b>Non-current</b>				
Loans from DHSC	23,083	24,634	23,083	24,634
Obligations under finance leases	229	202	229	202
Obligations under PFI, LIFT or other service concession contracts	325	354	325	354
<b>Total non-current borrowings</b>	<b>23,637</b>	<b>25,190</b>	<b>23,637</b>	<b>25,190</b>

## Note 28 Finance leases

### Note 28.1 Stockport NHS Foundation Trust as a lessor

The Trust had no future lease receipts due under finance lease agreements where Stockport NHS Foundation Trust is the lessor:

### Note 28.2 Stockport NHS Foundation Trust as a lessee

Obligations under finance leases where Stockport NHS Foundation Trust is the lessee.

	Group		Trust	
	2018	2017	2018	2017
	£000	£000	£000	£000
<b>Gross lease liabilities</b>	<b>313</b>	<b>270</b>	<b>313</b>	<b>270</b>
of which liabilities are due:				
- not later than one year;	84	68	84	68
- later than one year and not later than five years;	202	202	202	202
- later than five years.	27	-	27	-
Finance charges allocated to future periods	-	-	-	-
<b>Net lease liabilities</b>	<b>313</b>	<b>270</b>	<b>313</b>	<b>270</b>
of which payable:				
- not later than one year;	84	68	84	68
- later than one year and not later than five years;	202	202	202	202
- later than five years.	27	-	27	-

In 2017/2018 the Trust entered into an agreement for Point of Care testing. Costs relating to the blood gas analysers have been capitalised as a finance lease. In 2016/2017 the Trust entered into finance leases include an agreement to provide an electronic patients records system for community services for a five year period. Costs relating to software were capitalised as a finance lease on deployment.

# Note 29.1 Provisions for liabilities and charges analysis

Foundation Trust and Group	Current 2017/18	Current 2016/17	Non - Current 2017/18	Non - Current 2016/17
Pensions relating to other staff	164	163	2,153	2,259
Other legal claims	132	112	-	-
Restructurings	123	142	-	-
Redundancy	2,579	3,317	-	-
Other	3,057	1,338	-	-
<b>Total</b>	<b>6,055</b>	<b>5,072</b>	<b>2,153</b>	<b>2,259</b>

Foundation Trust and Group	Pensions - early departure costs £000	Legal claims £000	Re- structuring £000	Redundancy £000	Other £000	Total £000
<b>At 1 April 2017</b>	<b>2,422</b>	<b>112</b>	<b>142</b>	<b>3,317</b>	<b>1,338</b>	<b>7,331</b>
Change in the discount rate	31	-	-	-	-	31
Arising during the year	23	87	40	-	2,405	2,555
Utilised during the year	(164)	(32)	(59)	(188)	(204)	(647)
Reversed unused	-	(35)	-	(550)	(482)	(1,067)
Unwinding of discount	5	-	-	-	-	5
<b>At 31 March 2018</b>	<b>2,317</b>	<b>132</b>	<b>123</b>	<b>2,579</b>	<b>3,057</b>	<b>8,208</b>
<b>Expected timing of cash flows:</b>						
- not later than one year;	164	132	123	2,579	3,057	6,055
- later than one year and not later than five years;	655	-	-	-	-	655
- later than five years.	1,498	-	-	-	-	1,498
<b>Total</b>	<b>2,317</b>	<b>132</b>	<b>123</b>	<b>2,579</b>	<b>3,057</b>	<b>8,208</b>

The provision for 'Pensions relating to other staff' is for the reimbursement of injury benefit allowances to the NHS Pensions Agency.

The provision for 'Legal Claims' provides for the Liability to Third Parties 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 are covered by the NHSLA under the non-clinical risk pooling scheme.

The provisions for 'Restructurings' and 'Redundancy' include costs associated with the workforce elements of the Trust's future plans. Examples of this include the provision for protected pay following service restructuring. It has also provided for the future costs of service restructuring for Stockport Together.

Within other provisions the Trust has provided for costs for legal fees and other costs relating to contractual disputes and provisions for at risk income for penalties from commissioners.

**Note 29.2 Clinical negligence liabilities**

At 31 March 2018, £129,355k was included in the provisions of NHS Resolution in respect of clinical negligence liabilities of Stockport NHS Foundation Trust (31 March 2017: £113,107k).

**Note 30 Contingent assets and liabilities**

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
<b>Value of contingent liabilities</b>				
NHS Resolution legal claims	(91)	(107)	(91)	(107)
<b>Net value of contingent liabilities</b>	<b>(91)</b>	<b>(107)</b>	<b>(91)</b>	<b>(107)</b>
<b>Net value of contingent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The above contingent liability is the liability related to the Liability to Third Parties Schemes and Public and Employer Liability (PES) and is supplied by NHS Resolution along with its associated provision at Note 31.2. The provision is revised annually by NHS Resolution based on up to date information at the 31st March.

**Note 31 Contractual capital commitments**

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Property, plant and equipment	594	617	594	617
Intangible assets	3,970	5,781	3,970	5,781
<b>Total</b>	<b>4,564</b>	<b>6,398</b>	<b>4,564</b>	<b>6,398</b>

The Trust signed a contract in December 2015 for the provision of an Electronic Patients' Record system with Intersystems Corporation. This is for a period of ten years from an effective date of the 1st June 2016. There have been delays in completion and it is now expected to be completed in 2018/2019. Capital commitments included within this contract are £3.9 million. The Trust has made payments to date of £3.6 million.

Commitments arising from this contract are as follow:

	Trust £000
Software	7,000
Support and maintenance	10,200
Finance Charges	1,000
	<b>18,200</b>

**Note 32 Defined benefit pension schemes**

Neither the Trust nor the Group held any on-Statement of Financial Position Defined Benefit Pension Schemes during 2017/2018 or 2016/2017.

### Note 33 On-SoFP PFI, LIFT or other service concession arrangements

Under IFRIC 12 the Trust recognises a service concession arrangement with Alliance Medical for the provision of a building to perform MRI scanning services.

#### Note 33.1 Imputed finance lease obligations

The following are obligations in respect of the finance lease element of on-Statement of Financial Position PFI and LIFT schemes:

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
<b>Gross PFI, LIFT or other service concession liabilities</b>	<b>422</b>	<b>463</b>	<b>422</b>	<b>463</b>
<b>Of which liabilities are due</b>				
- not later than one year;	40	40	40	40
- later than one year and not later than five years;	161	161	161	161
- later than five years.	221	262	221	262
Finance charges allocated to future periods	(68)	(81)	(68)	(81)
<b>Net PFI, LIFT or other service concession arrangement obligation</b>	<b>354</b>	<b>382</b>	<b>354</b>	<b>382</b>
- not later than one year;	29	28	29	28
- later than one year and not later than five years;	125	121	125	121
- later than five years.	200	233	200	233

#### Note 33.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	13,332	14,544	13,332	14,544
<b>Of which liabilities are due:</b>				
- not later than one year;	1,212	1,212	1,212	1,212
- later than one year and not later than five years;	4,848	4,848	4,848	4,848
- later than five years.	7,272	8,484	7,272	8,484

#### Note 33.3 Analysis of amounts payable to service concession operator

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

	Group		Trust	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Unitary payment payable to service concession operator	1,217	1,183	1,217	1,183
<b>Consisting of:</b>				
- Interest charge	12	12	12	12
- Repayment of finance lease liability	28	28	28	28
- Service element and other charges to operating expenditure	1,177	1,143	1,177	1,143
<b>Total amount paid to service concession operator</b>	<b>1,217</b>	<b>1,183</b>	<b>1,217</b>	<b>1,183</b>

## **Note 34 Financial instruments**

### **Note 34.1 Financial risk management**

IFRS 7 Financial Instruments Disclosure requires declaration of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Stockport NHS Foundation Trust has powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Foundation Trust in undertaking its activities. For the Group the Charity does hold investments and is, therefore, exposed to a degree of financial risk. This risk is carefully managed by pursuing a low risk investment strategy. The Charity holds its investments within common investment funds with a market leader provider of Charity Investments, CCLA Management Ltd.

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. Similarly treasury management for the Trust Charity and subsidiary, Stepping Hill Healthcare Enterprises Ltd, are also carried out by the Finance department. All treasury activity is subject to review by Internal Audit.

The Trust finances its capital expenditure from internally generated funds or funds made available from the Department of Health as Public Dividend Capital. The Trust has also borrowed commercially from the Department of Health NHS Financing Facility within approved borrowing limits to finance strategic capital schemes.

Stockport NHS Foundation Trust has in place a Treasury Management Policy that covers the short-term investment of surplus operating cash. It provides a clearly defined risk management framework and was developed with reference to best practice guidance issued by Monitor, the Independent Regulator. This policy ensures the efficient management of liquidity and financial risk. Due to the changes in 2013/2014 in the calculation of the annual PDC dividend the Trust no longer engages currently in short term money market investments and retains its surplus cash to earn interest receivable within the Government Banking Service.

At the 31 March 2018 the Trust's cash balances were held solely in its Government Banking Services bank accounts and Barclays current accounts as per note 26. Further consideration of the Trust's liquidity has been looked at as part of the going concern declaration. Stockport NHS Foundation Trust is, therefore, not exposed to significant liquidity risk.

### **Market and Interest Rate Risk**

At the 31 March 2018 the Trust's financial liabilities carried either nil or fixed rates of interest. The Trust's financial assets relate to loans and receivables and its cash balances held within its Government Banking Service bank accounts and commercial current account. Interest on cash balances are set by HM Treasury through the Royal Bank of Scotland. Stockport NHS Foundation Trust is not, therefore, exposed to significant interest rate risk.

### **Credit Risk**

As the Trust receives most of its income from its commissioners based on annual contracts adjusted quarterly. It operates a robust debt management policy and, where necessary, provides for the risk of particular debts not being discharged by the applicable party. Stockport NHS Foundation Trust is, therefore, not exposed to significant credit risk.

### **Foreign Currency Risk**

The Trust has negligible foreign currency income or expenditure.

### **Charitable Funds**

The Group accounts include the financial statements of the Stockport NHS Charitable Fund. The charitable fund places its short term cash in bank accounts with the Trust's commercial bank, Barclays PLC. The Charity also invests monies of £1.8 million for longer term investment with CCLA Investment Management Ltd. It holds one common investment fund in equity funds of £1.2 million and one cash deposit account holding £0.6 million. The Charity receives quarterly updates on the performance of its investments and allocates gains and losses when realised to its charitable funds. This policy is reviewed on an annual basis to mitigate for any possible market losses on the valuation of its equity common investment fund.

### **Stepping Hill Healthcare Enterprises Limited**

The Group accounts include the financial statements of its trading subsidiary, Stepping Hill Healthcare Enterprises Limited. The subsidiary holds its cash with the Trust commercial banker, Barclays PLC, in a separate bank account. Its income is predominantly with the parent and it currently purchases drugs for its dispensing services using the Trust Pharmacy as its wholesale supplier. It is not considered, therefore, to have market or liquidity risks.

# Note 34.2 Carrying values of financial assets

Group	Loans and receivables £000	Total book value 31 March 2018	Loans and receivables £000 31 March 2017	Total book value 31 March 2017
<b>Assets as per SoFP as at 31 March 2018</b>				
Trade and other receivables excluding non-financial assets	4,691	4,691	12,368	12,368
Cash and cash equivalents	16,306	16,306	23,798	23,798
Consolidated NHS Charitable fund financial assets	2,032	2,032	2,138	2,138
<b>Total at 31 March 2018</b>	<b>23,029</b>	<b>23,029</b>	<b>38,304</b>	<b>38,304</b>

The Group Charity only holds financial assets that qualify as basic financial instruments. These are recognised initially at transaction value and subsequently measured at fair value through the Statement of Financial Activities

Trust	Loans and receivables £000 31 March 2018	Total book value 31 March 2018	Loans and receivables £000 31 March 2017	Total book value 31 March 2017
<b>Assets as per SoFP as at 31 March 2018</b>				
Trade and other receivables excluding non-financial assets	4,752	4,752	12,799	12,799
Cash and cash equivalents	15,523	15,523	23,726	23,726
<b>Total at 31 March 2018</b>	<b>20,275</b>	<b>20,275</b>	<b>36,525</b>	<b>36,525</b>

Group	Other financial liabilities £000	Total book value £000
<b>Liabilities as per SoFP as at 31 March 2018</b>		
Borrowings excluding finance lease and PFI liabilities	24,634	24,634
Obligations under finance leases	313	313
Obligations under PFI, LIFT and other service concession contracts	354	354
Trade and other payables excluding non-financial liabilities	29,735	29,735
Provisions under contract	1,233	1,233
<b>Total at 31 March 2018</b>	<b>56,269</b>	<b>56,269</b>

Group	Other financial liabilities £000	Total book value £000
<b>Liabilities as per SoFP as at 31 March 2017</b>		
Borrowings excluding finance lease and PFI liabilities	26,185	26,185
Obligations under finance leases	270	270
Obligations under PFI, LIFT and other service concession contracts	382	382
Trade and other payables excluding non-financial liabilities	21,969	21,969
Provisions under contract	961	961
<b>Total at 31 March 2017</b>	<b>49,767</b>	<b>49,767</b>

# Note 34.2 Carrying values of financial assets

Trust	Other financial liabilities £000	Total book value £000
<b>Liabilities as per SoFP as at 31 March 2018</b>		
Embedded derivatives		-
Borrowings excluding finance lease and PFI liabilities	24,634	<b>24,634</b>
Obligations under finance leases	313	<b>313</b>
Obligations under PFI, LIFT and other service concession contracts	354	<b>354</b>
Trade and other payables excluding non financial liabilities	30,014	<b>30,014</b>
Provisions under contract	1,233	<b>1,233</b>
<b>Total at 31 March 2018</b>	<b>56,548</b>	<b>56,548</b>

Trust	Other financial liabilities £000	Total book value £000
<b>Liabilities as per SoFP as at 31 March 2017</b>		
Embedded derivatives		-
Borrowings excluding finance lease and PFI liabilities	26,185	<b>26,185</b>
Obligations under finance leases	270	<b>270</b>
Obligations under PFI, LIFT and other service concession contracts	382	<b>382</b>
Trade and other payables excluding non-financial liabilities	22,936	<b>22,936</b>
Provisions under contract	961	<b>961</b>
<b>Total at 31 March 2017</b>	<b>50,734</b>	<b>50,734</b>

# Note 34.3 Maturity of financial liabilities

	Group		Trust	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
In one year or less	29,735	25,132	30,014	26,099
In more than one year but not more than two years	1,664	1,551	1,664	1,551
In more than two years but not more than five years	6,656	6,204	6,656	6,204
In more than five years	18,214	16,880	18,214	16,880
<b>Total</b>	<b>56,269</b>	<b>49,767</b>	<b>56,548</b>	<b>50,734</b>

# Note 35 Events after the reporting date

The Trust has no events to report after the 31st March 2018.

# Note 36 Prior period adjustments

The Trust and Group made no prior period adjustments in 2017/2018 or 2016/2017.

**Note 37 Losses and special payments**

Group and trust	2017/18		2016/17	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
<b>Losses</b>				
Cash losses	3	1	43	22
Bad debts and claims abandoned	77	167	138	150
<b>Total losses</b>	<b>80</b>	<b>168</b>	<b>181</b>	<b>172</b>
<b>Special payments</b>				
Ex-gratia payments	37	104	36	108
<b>Total special payments</b>	<b>37</b>	<b>104</b>	<b>36</b>	<b>108</b>
<b>Total losses and special payments</b>	<b>117</b>	<b>272</b>	<b>217</b>	<b>280</b>

In 2017/2018 there were 80 cases of bad debts abandoned and approved at Audit Committee. Each bad debt case is assessed individually for recovery and referred to a debt recovery agency where appropriate before the final decision to abandon is taken. Bad debts include payments from NHS bodies for disputed activity payments and private patients. Other ex gratia payments include the reimbursement of patients' effects and negotiated legal settlements.

**Note 38 Gifts**

Neither the Trust or Group made gifts of any value in 2017/2018 or 2016/2017.

**Note 39 Related parties**

Stockport NHS Foundation Trust is a body corporate authorised by Monitor, the Independent Regulator of NHS Foundation Trusts, in exercise of the powers conferred by the National Health Service Act 2006. The Department of Health and Social Care is the parent body of all Foundation Trusts.

The Trust has 26 members of the Council of Governors; 24 representing public and staff and a further 2 appointed by partner organisations. None of the Council of Governors or parties related to them has undertaken any material transactions with Stockport NHS Foundation Trust.

From the 1st January 2018 the Trust appointed an interim Chief Executive to the Board of Directors. Prior to this date the appointed Director received payment of £35k to a private company as consultancy fees from October to December 2017. None of the other Board of Directors or members of the key management staff or parties related to them has undertaken any material transactions with Stockport NHS Foundation Trust.

The Trust and Group's related parties include all Whole of Government bodies as defined by the Treasury. The key transactions are with the following bodies:

**Note 39.1 Related parties - Key Bodies**

	Income		Expenditure	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
Stockport CCG	174,971	178,038	(118)	(8)
North Derbyshire CCG	22,294	23,004	-	-
Eastern Cheshire CCG	13,805	13,418	-	-
Tameside & Glossop CCG	10,495	11,968	-	(84)
Stockport MBC	12,396	11,343	(342)	(331)
NHS England	16,214	25,258	(37)	(3)
NHS Litigation Authority (NHSLA)	-	-	(9,418)	(8,812)
Health Education England	7,933	7,930	(10)	-
	<b>258,108</b>	<b>270,959</b>	<b>(9,925)</b>	<b>(9,238)</b>



**Note 40 Stockport NHS Charitable Funds**

In preparing consolidated accounts the Group includes financial statements incorporating Stockport NHS Foundation Trust and its associated charitable fund, Stockport NHS General Fund. This is a registered Charity with the Charity Commission under the registration number 1048861. The Charity is an umbrella Charity split between one unrestricted fund, one endowment fund and 15 restricted funds. The objects of the Charity, as set out in its governing document are:

- To provide funds for any charitable purpose, or purposes relating to the National Health Service;
- For the relief of sickness by promoting the efficient performance of their duties by staff;
- For the relief of patients treated by Stockport NHS Foundation Trust;
- For any charitable purpose which will further the aim of advancing scientific or medical research;
- To support staff training, development and improvement of staff welfare.

The financial statements for Stockport NHS Charitable Funds are prepared under the Charities SORP 2015 and FRS 102 before consolidation adjustments and are due for submission to the Charity Commission by the 31<sup>st</sup> January 2019. The following Statement of Financial Activities and Balance Sheet for 2017/2018 are estimated at the 31<sup>st</sup> March 2018 to be consolidated into Group numbers.

**Note 40.1 Stockport NHS Charitable Fund Statement of Financial Activities for the year ended 31st March 2018**

<b>Charity SOFA</b>	<b>2017/18 £000</b>	<b>2016/17 £000</b>
Incoming Resources	276	387
<b>Sub-total voluntary income</b>	<b>276</b>	<b>387</b>
Investment Income	44	50
<b>Total incoming resources</b>	<b>320</b>	<b>437</b>
Resources Expended	(86)	(1,055)
<b>Total resources expended</b>	<b>(86)</b>	<b>(1,055)</b>
Realised Gains on disposal of assets	-	17
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>	<b>234</b>	<b>(601)</b>
Unrealised Gains on investments assets	22	165
<b>Net Movement in Funds</b>	<b>256</b>	<b>(436)</b>

**Note 41 Stockport NHS Charitable Funds Balance Sheet at the 31st March 2018**

**Balance Sheet for the year ended 31 March 2018**

	<b>31st March 2018 £000</b>	<b>31st March 2017 £000</b>
<b>Fixed Assets</b>		
Investments	1,235	1,213
<b>Total Fixed Assets</b>	<b>1,235</b>	<b>1,213</b>
<b>Current Assets</b>		
Debtors	5	46
Short term investments and deposits	580	536
Cast at bank and in hand	212	343
<b>Total Current Assets</b>	<b>797</b>	<b>925</b>
Creditors falling due within one year	(70)	(432)
<b>Total Net Assets</b>	<b>1,962</b>	<b>1,706</b>
<b>Funds of the Charity</b>		
Endowment Fund	10	10
Unrestricted Fund	277	241
Restricted Fund	1,675	1,455
<b>Total Funds</b>	<b>1,962</b>	<b>1,706</b>

The Charity has accrued a £3,000 legacy within debtors (£42,000 in 2016/2017) which it has received in April 2018.

**Note 42 Disclosure of Interests in other entities**

**Note 42.1 Stepping Hill Healthcare Enterprises Limited**

On the 16th September 2014 the Trust formally registered its subsidiary company, Stepping Hill Healthcare Enterprises Limited. The subsidiary started trading in October 2014 in newly refurbished premises and trades under the name 'The Pharmacy Shop'. It provides an improved service to the Trust's patients by dispensing outpatient prescriptions faster than previously with improved advice. In addition it provides retail Pharmacy drugs and goods to the staff, patients and visitors to Stockport NHS Foundation Trust.

The subsidiary company's accounting period end is twelve months to the 31st March 2018 of which twelve months for 2016/2017 are consolidated in line with the accounting period of the Trust and its other subsidiary, Stockport NHS Foundation Trust General Fund. The Group Financial Statements have been prepared with estimated financial results for Stepping Hill Healthcare Enterprises Limited.

	31st March 2018 £000	31st March 2017 £000
<b>Profit and Loss Account for the year ended 31st March 2017</b>		
Operating Income	3,425	3,312
Operating expenses	(3,366)	(3,184)
<b>Operating Surplus</b>	<b>59</b>	<b>128</b>

	31st March 2018 £000	31st March 2017 £000
<b>Statement of Financial Position for the year ended 31 March 2017</b>		
<b>Current Assets</b>		
Inventories	181	205
Receivables	571	381
Cast at bank and in hand	783	72
<b>Total Current Assets</b>	<b>1,535</b>	<b>658</b>
Creditors falling due within one year	(1,579)	(762)
<b>Total assets less current liabilities</b>	<b>(44)</b>	<b>(104)</b>
<b>Total assets employed</b>	<b>(44)</b>	<b>(104)</b>
<b>Income and Expenditure Reserve</b>	<b>(44)</b>	<b>(104)</b>