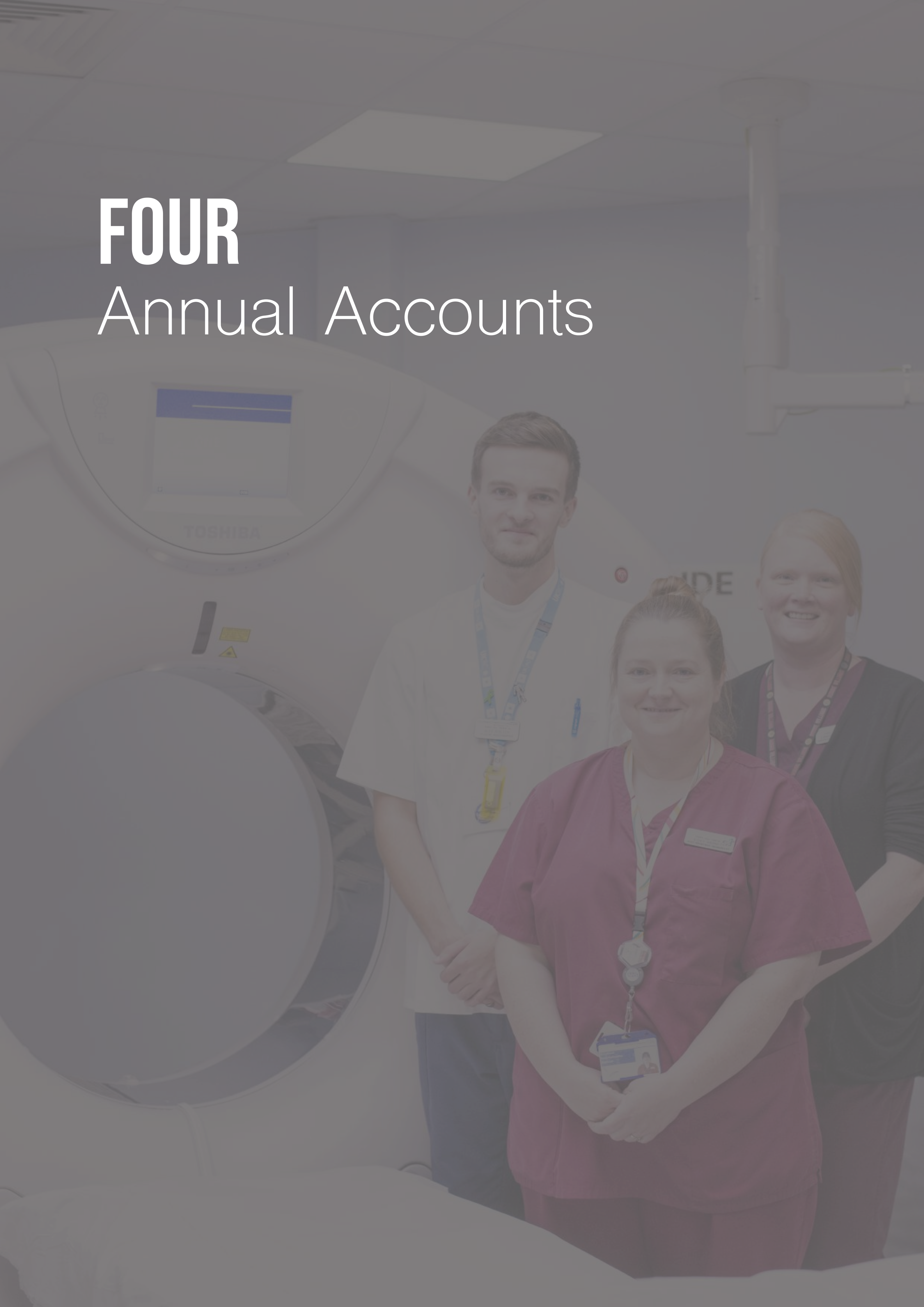
FOUR
Annual Accounts



KPMG

Independent auditor's report

to the Council of Governors of Countess of Chester Hospital NHS Foundation Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Our opinion is unmodified

We have audited the financial statements of Countess of Chester Hospital NHS Foundation Trust ("the Trust") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers' Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

— the financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2019 and of its income and expenditure for the year then ended; and

— the Trust's financial statements have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006, the NHS Foundation Trust Annual Reporting Manual 2018/19 and the Department of Health and Social Care Group Accounting Manual 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: financial statements as a whole	£4.0m (2018:£3.9m) 1.75% (2017: 1.75%) of total revenue

Risks of material misstatement		**vs 2018**
Event driven	**New:** Material uncertainty related to going concern	▲
	New: Accrued expenditure recognition	▲
Recurring risks	Valuation of land and buildings	◄►
	Recognition of income from patient care activities	◄►

2. Material uncertainty related to going concern

	The risk	Our response
We draw attention to note 1.1a to the financial statements which indicates that The Trust's outturn position for 2018/19 was a deficit of £13.2 million after impairments of £6.1 million against a planned surplus of £2.9 million. During the year, the Trust received £6.7 million of interim revenue support from the Department of Health and Social Care (DHSC). The Trust's financial plans for 2019/20 show a forecast breakeven position. This includes cost savings of £9.4 million, £3.7 million of which are currently unidentified and £5.9 million are high risk. This also includes an assumption of further DHSC revenue support of £7.1 million in the financial year (net £1.3 million after repayments scheduled in Q4) and £9.5 million of capital support. Without this cash support, the Trust would not be able to continue to operate. At present, there are no viable means for the Trust to repay its existing DHSC support loans of £38.7 million, or any new ones which are received during 2019/20. These events and conditions, along with the other matters explained in note 1.1a, constitute a material uncertainty that may cast significant doubt on the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality** There is little judgement involved in the Accounting Officer's conclusion that the risks and circumstances described in note 1.1a to the financial statements represent a material uncertainty over the ability of the Trust to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the Accounting Officer's rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	Our procedures included: — **Assessing transparency:** we assessed the completeness and accuracy of the matters covered in the going concern disclosure by: — Using our professional judgement to determine whether the basis of preparation note adequately describes the challenges facing the Trust; — Agreeing the financial balances disclosed back to the Trust's financial statements for 2018/19 and their financial plan for 2019/20; — Agreeing the extent to which recurrent cost improvement schemes were achieved in 2018/19 and identified for 2019/20 to Board reporting and to the financial plan for 2019/20; — Inspecting the number of material contracts with commissioners which have been agreed for 2019/20; — Inspecting the Trust's cash flow forecasts and the requirement of additional distress funding, including agreeing the balances drawn down in April 2019 and May 2019; — Inspecting the terms of the loans and considering the timing of future repayments and the availability of funding; and — Considering long-term forecasts to assess the cash and loan position in the Trust.

3. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Valuation of land and buildings Land and buildings (£69.3 million; 2017/18: £74.7 million) *Refer to page 45 (Audit Committee Report), note 1.6, 1.20 (accounting policy) and note 8 (financial disclosures – Annual Accounts).*	**Subjective valuation:** Land and buildings are required to be maintained at up to date estimates of year-end market value in existing use (EUV) for non-specialised property assets in operational use, and, for specialised assets where no market value is readily ascertainable, the depreciated replacement cost (DRC) of a modern equivalent asset that has the same service potential as the existing property (MEA) The Trust's accounting policy requires an annual review for impairment, a periodic desk top valuation (usually every three years) and a full valuation (usually in five yearly intervals). When considering the cost to build a replacement asset the Trust may consider whether the asset would be built to the same specification or in the same location. Assumptions about changes to the asset must be realistic. The valuation is undertaken by an external expert engaged by the Trust, using construction indices and so accurate records of the current estate are required. Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied. The Trust last had a full valuation at 1 April 2016. An interim desktop valuation was performed at 31 March 2019 resulting in a £5 million decrease in the value of the land and buildings. **Accounting Treatment** There is a risk that the valuation is not applied to the financial statement balances appropriately to recognise the valuation gains and impairment losses in line with the requirements of the Department of Health Group Accounting Manual 2018/19. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of land and buildings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: — **Assessing valuer's credentials:** We assessed the competence, capability, objectivity and independence of the Trust's external valuer and considered the information provided to the Trust in 2018/19 for consistency with the requirements of the DHSC Group Accounting Manual; — **Test of detail:** We critically assessed the Trust's formal consideration of indications of impairment and surplus assets within its estate, including the process undertaken. — **Test of detail:** We tested the accuracy of the estate base data provided to the valuer to complete the desktop valuation to ensure it accurately reflected the Trust's estate. — **Methodology choice:** We critically assessed the assumptions used in preparing the desktop valuation of the Trust's land and buildings to ensure they were appropriate. — **Accounting analysis:** We undertook work to understand the basis upon which any movements in the valuation of land and buildings had been classified and treated in the financial statements and determined whether they had complied with the requirements of the DHSC Group Accounting Manual 2018/19.

3. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Recognition of income from patient care activities Income from activities (£217.0 million; 2017/18: £211.4 million) *Refer to page 45 (Audit Committee Report), note 1.3 (accounting policy) and note 2.2 and 2.4 (financial disclosures – Annual Accounts)*	**Effects of irregularities** The main source of income for the Trust is the provision of healthcare services to the public under contracts with NHS commissioners. The Trust participates in the national Agreement of Balances (AoB) exercise for the purpose of ensuring that intra-NHS balances are eliminated on the consolidation of the Department of Health's resource accounts. The AoB exercise identifies mismatches between income and expenditure and receivable and payable balances recognised by the Trust and its commissioners, which will be resolved after the date of approval of these financial statements. Mis-matches can occur for a number of reasons, but the most significant arise were: — the Trust and Commissioners record different accruals for completed periods of healthcare which have not yet been invoiced; or — income relating to partially completed period of healthcare is apportioned across the financial years and the Commissioners and the Trust make different apportionment assumptions. Where there is a lack of agreement, mis-matches can also be classified as formal disputes as set out in the relevant contract.	Our procedures included: — **Test of detail:** We compared the actual income for the Trust's most significant commissioners against the block contracts agreed at the start of the year and checked the validity of any significant variations between the actual income and the contract via agreement to appropriate third party confirmations; — **Test of detail:** We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant income recorded in the Trust's financial statements to the expenditure balances recorded within the accounts of Commissioners. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising income from Commissioners; — **Test of detail:** We considered the impact of any identified audit adjustments on the delivery of the Trust's control total and reconciled the year-end performance to the original plan to understand any deviations.

3. Key audit matters: our assessment of risks of material misstatement (continued)

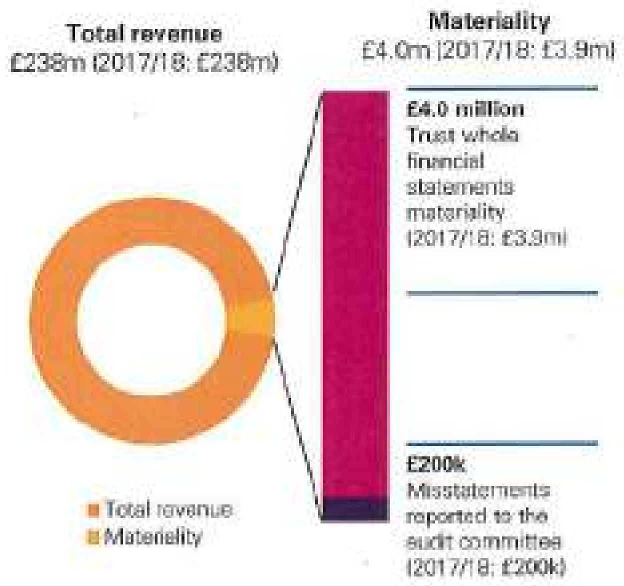
	The risk	Our response
Accrued expenditure recognition Trade and other payables (£20.2 million; 2017/18: £19.2 million) Other liabilities deferred income (£2.49 million; 2017/18: £1.74 million) Provisions (£1.8 million; 2017/18: £2.6 million) *Refer to page 45 (Audit Committee Report), note 1.5, 1.9, 1.11 (accounting policy) and note 12 and 14 (financial disclosures – Annual Accounts)*	**Effects of irregularities** As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Trust may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures. This risk does not apply to all expenditure in the period. The incentives for fraudulent expenditure recognition relate to achieving financial targets and the key risks relate to the manipulation of creditors and accrued non-pay expenditure at year-end, as well as the completeness of the recognition of provisions or the inappropriate release of existing provisions.	Our procedures included: – **Test of detail:** We inspected all material items of expenditure in the March and April 2019 cashbooks and evaluated whether these had been accounted for correctly by reference to when the service had been delivered; – **Test of detail:** We inspected all material items of expenditure in the April 2019 bank statements to identify if there were any unrecorded liabilities that should have been accounted for in the 2018/19 financial statements; – **Test of detail:** We vouched a sample of individual accruals to supporting documentation to confirm the method of calculation and to confirm inclusion in the correct period; – **Test of detail:** We considered the completeness of provisions based on our cumulative knowledge of the Trust, inquiries with Directors, and inspection of legal correspondence. We considered whether there were events that would require a contingent liability disclosure in the accounts. We also considered the appropriateness of releases of provisions made in year by critically assessing the justification for the release against the relevant accounting standards; – **Test of detail:** We vouched a sample of journals posted before and after the year end to supporting documentation to confirm inclusion in the correct period and to critically assess whether any manual adjustments to expenditure were appropriate; – **Test of detail:** We vouched a sample of creditor balances to supporting documentation and post year-end cash payments to agree the correct treatment as a payable at year-end; and – **Test of detail:** We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant payables recorded in the Trust's financial statements to the receivables balances recorded within the accounts of other providers and other bodies within the AoB boundary. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising expenditure to other providers and other bodies within the AoB boundary.

4. Our application of materiality

Materiality for the Trust financial statements as a whole was set at £4.0 million (2017/18: £3.9 million), determined with reference to a benchmark of total revenue (of which it represents approximately 1.75% (2017/18: 1.75%). We consider operating income to be more stable than a surplus- or deficit-related benchmark.

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £200 thousand (2017/18:£200 thousand), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Trust was undertaken to the materiality level specified above and was all performed at the Trust's headquarters in Chester.



5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements

Remuneration report

In our opinion the part of the remuneration report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2018/19.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Trust's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

— the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2018/19, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.

We have nothing to report in these respects.

6 Respective responsibilities

Accounting Officer's responsibilities

As explained more fully in the statement set out on page 73, the Accounting Officer is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

We have nothing to report on the statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

- any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006.
- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in these respects.

Our conclusion in respect of our work on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources is qualified

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in the use of resources.

Qualified conclusion

Subject to the matters outlined in the basis for qualified conclusion paragraph below we are satisfied that in all significant respects Countess of Chester Hospital NHS Foundation Trust put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2019.

Basis for qualified conclusion

The Trust's outturn position for 2018/19 was a deficit of £13.2 million after impairments of £5.1 million against a planned surplus of £2.9 million. During the year, the Trust received £6.7 million of interim revenue funding from the Department of Health and Social Care (DHSC).

The Trust's financial plans for 2019/20 show a forecast breakeven position. This includes cost savings of £9.4 million, £3.7 million of which are currently unidentified and £5.9 million of which are high risk. This also includes an assumption of further DHSC revenue support of £7.1 million in the financial year (net £1.3 million after repayments scheduled for Q4) and £9.5 million of capital support. The Trust has already drawn down £3.45 million of interim revenue funding in 2019/20. Without this support, the Trust would not be able to continue to operate.

Whilst the Trust has identified efficiency schemes that will support the achievement of the Trust's short-term financial plans, its long-term plans are not yet sufficiently progressed to achieve a break-even position in the foreseeable future or an ability to repay the loans from the DHSC.

These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of the Trust's strategic priorities.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Trust is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

Under Section 62(1) and Schedule 10 paragraph 1(d), of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources .

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

Report on our review of the adequacy of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required by guidance issued by the C&AG under Paragraph 9 of Schedule 6 to the Local Audit and Accountability Act 2014 to report on how our work addressed any identified significant risks to our conclusion on the adequacy of the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources. The 'risk' in this case is the risk that we could come to an incorrect conclusion in respect of the Trust's arrangements, rather than the risk of the arrangements themselves being inadequate.

We carry out a risk assessment to determine the nature and extent of further work that may be required. Our risk assessment includes consideration of the significance of business and operational risks facing the Trust, insofar as they relate to 'proper arrangements'. This includes sector and organisation level risks and draws on relevant cost and performance information as appropriate, as well as the results of reviews by inspectorates, review agencies and other relevant bodies.

The significant risks identified during our risk assessment are set out overleaf together with the findings from the work we carried out on each area.

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Significant Risk	Description	Work carried out and judgements
Overall financial performance	Due to a combination of regulatory scrutiny and significant financial challenge in the sector and locally across the health economy, we undertook a detailed review of the Trust's arrangements for planning its finances effectively to support the sustainable delivery of strategic priorities and the maintenance of its statutory functions.	Our work included: — Performing an analysis of the Trust's forecast position against plan; — Considering the core assumptions in the Trust's 2019/20 Annual Plan submission; — Considering the extent to which recurrent cost improvement schemes were achieved in 2018/19 and identified for 2019/20; and — Reviewing the number of material contracts with commissioners which had been agreed for 2019/20 and the supporting risk analysis as reported to the Board. **Our findings on this risk area:** The Trust reported a deficit of £13.2 million after impairments of £5.1 million in 2018/19. The Trust achieved £5.1 million of cost savings in 2018/19 of which £1.76 million was recurrent, against a target of £10.739 million in year. The target for 2019/20 is £9.4 million with £3.7 million currently unidentified and profiled for month 12. The current 2019/20 forecasts show a (pre-impairments) planned breakeven position. This has been agreed with NHSI. Contracts with the Trust's main English Commissioner, West Cheshire CCG, have been agreed for 2019/20, though the Trust is yet to agree the contract with its second largest commissioner. Whilst the Trust has identified efficiency schemes that will support the achievement of the Trust's short-term financial plans, its long-term plans are not yet sufficiently progressed to achieve an underlying break-even position in the foreseeable future or an ability to repay the loans from the DHSC. These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of the Trust's strategic priorities.

Significant Risk	Description	Work carried out and judgements
Borrowing and cash levels	As at March 2018 the Trust had £36.6 million of loans from the Department of Health, including £6.7 million of interim revenue funding drawn down in 17/18. The Trust has drawn down an additional £6.7 million of interim revenue funding in 18/19, and has drawn down £1.58 million of interim revenue funding in April 2019, with a further £1.87 million drawn down in May 2019. The Trust is also in the process of applying for a capital loan of £6.8 million though this is still yet to be approved. Cash balances are monitored on a daily basis to inform the Trust's quarterly cash-flow forecasts. The current level of borrowing increases pressure on financial performance with increased debt servicing costs.	Our work included: – Reviewing the Trust's cash flow forecasts and the use of distress funding; – Reviewing correspondence with NHS Improvement around the Trust's current financial health, financial risk ratings and requirements for further distress funding; – Confirming the terms of the loans to consider the timing of future repayments and the availability of funding; – Considering the overall level of debt within the Trust and impact on cash flow forecasts for debt servicing costs; and – Reviewing long-term forecasts to assess the cash and loan position in the Trust to support the going concern assessment. **Our findings on this risk area:** We are satisfied that the Trust has appropriate arrangements in place to: - Manage working capital, including forecasting cash flow requirements on a quarterly basis; - Monitor cash flow against forecasts to identify any unexpected variances; - Forecast and communicate the level of required cash flow, such that DHSC cash can be accessed in a way that enables the Trust to continue to meet its obligations as they fall due; and - Produce accurate and complete monthly finance reports for Trust Board and Finance and Integrated Governance Committee. However, the Trust's financial plans for 2019/20 show a forecast breakeven position after the receipt of £8 million of additional funding. This also includes an assumption of further DHSC revenue support of £7.1 million in the financial year (net £1.3 million after repayments scheduled for Q4) and £9.5 million of capital support. Without this revenue and capital support, the Trust would not be able to continue to operate. At present, there are no viable means for the Trust to repay its existing DHSC support loans of £38.7 million, or any new loans which are received during 2019/20. The Trust has already drawn down £3.4 million of interim revenue funding in 2019/20. These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of the Trust's strategic priorities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006 and the terms of our engagement by the Trust. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Trust, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Countess of Chester Hospital NHS Foundation Trust in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

Robert Jones
for and on behalf of KPMG LLP (Statutory Auditor)

Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
24 May 2019

4.2 Foreword to the Accounts
Countess of Chester Hospital NHS Foundation Trust

These accounts for the year ended 31 March 2019 have been prepared by the Countess of Chester Hospital NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006 and are presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006.

Dr Susan Gilby,
Chief Executive Officer
21 May 2019

4.3 Statement of comprehensive income for the year ended 31 March 2019

	Note	2018/19 £000	2017/18 £000
Operating Income from Patient Care Activities	2	216,966	211,400
Other Operating Income		21,280	26,756
Operating Expenses of Continuing Operations: including Impairment/(Reversal of Impairment) of £5,056,000, 2017/18 £(12,054,000)	3	(249,846)	(222,912)
Operating (Deficit)/Surplus		(11,600)	15,244
Net Finance Costs:			
Finance Income	7.1	102	41
Finance Expense - Financial Liabilities	7.2	(678)	(609)
PDC Dividends payable	1.14	(1,018)	(778)
Net Finance Costs		(1,594)	(1,346)
Gains/(Losses) of disposal of assets		33	(61)
(DEFICIT)/SURPLUS FOR THE YEAR		(13,161)	13,837
Other comprehensive income:			
Impairment losses/(revaluation gains) property, plant and equipment	1.6	(586)	1,067
TOTAL COMPREHENSIVE INCOME AND EXPENSE FOR THE YEAR		(13,747)	14,904

The notes of pages 183 to 215 form part of these financial statements

4.4 Statement of Financial Position at 31 March 2019

	Note	March 31 2019 £000	March 31 2018 £000
NON-CURRENT ASSETS:			
Property plant and equipment	8	95,232	97,880
Total Non-Curent Assets		**95,232**	**97,880**
CURRENT ASSETS:			
Inventories	10	1,687	1,437
Trade and other receivables	11	11,209	14,478
Other investments	15.1	2,591	2,591
Cash and cash equivalents	15.2	7,434	9,112
Total Current Assets		22,921	27,618
CURRENT LIABILITIES:			
Trade and other payables	12	(20,212)	(19,225)
Borrowings	13	(4,788)	(4,723)
Provisions	14	(530)	(1,232)
Tax payables		(3,458)	(3,022)
Other liabilities	12.1	(2,552)	(1,803)
Total Current Liabilities		(31,540)	(30,005)
Total Assets less Current Liabilities		86,613	95,493
NON-CURRENT LIABILITIES:			
Borrowings	13	(36,001)	(34,002)
Provisions	14	(1,272)	(1,350)
Other liabilities	12.1	(1,592)	(1,658)
Total Non-Current Liabilities		(38,865)	(37,010)
TOTAL ASSETS EMPLOYED		47,748	58,483
FINANCED BY:			
Public dividend capital		66,612	63,600
Revaluation reserve		5,039	5,625
Income and expenditure reserve		(23,903)	(10,742)
TOTAL TAXPAYERS' EQUITY		47,748	58,483

The notes on pages 183 to 215 form part of these financial statements

Dr Susan Gilby,
Chief Executive Officer
21 May 2019

4.5 Statement of Changes in Taxpayers' Equity 31 March 2019

	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000
Taxpayers' Equity at 1 April 2018	58,483	63,600	5,625	(10,742)
Changes in Taxpayers' Equity for 2018/19				
Public Dividend Capital received	3,012	3,012	-	-
Public Dividend Capital repaid	-	-	-	-
Deficit for the year	(13,161)	-	-	(13,161)
Revaluation losses and impairment losses property, plant and equipment	(586)	-	(586)	
Taxpayers' Equity at 31 March 2019	47,748	66,612	5,039	(23,903)

	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000
Taxpayers' Equity at 1 April 2017	43,313	63,334	4,558	(24,579)
Changes in Taxpayers' Equity for 2017/18				
Public Dividend Capital received	266	266		
Public Dividend Capital repaid	-	-	-	-
Surplus for the year	13,837	-	-	13,837
Revaluation gains and impairment losses property, plant and equipment	1,067	-	1,067	-
Taxpayers' Equity at 31 March 2018	58,483	63,600	5,625	(10,742)

The notes on pages 183 to 215 form part of these financial statements.

4.6 Statement of Cash Flows for the Year Ended 31 March 2019

	2018/19 £000	2017/18 £000
Cash flows from operating activities:		
Operating surplus from continuing operations	(11,600)	15,244
Operating surplus	(11,600)	15,244
Non-cash income and expense:		
Depreciation and amortisation	4,293	4,324
Income recognised in respect of capital donations	(223)	(183)
Impairments	5,056	-
Reversals of impairments	-	(12,054)
Amortisation of PPP credit	(65)	(67)
Decrease/(Increase) in Trade and Other receivables	3,081	(4,093)
(Increase)/Decrease in Inventories	(250)	217
Increase in Trade and Other payables	958	179
Increase/(Decrease) in Other liabilities	748	(352)
(Decrease) in provisions	(780)	(2,893)
Net cash generated from operations	1,218	322
Cash flows from investing activities:		
Interest received	102	41
Purchase of investments	-	(2,591)
Purchase of property, plant and equipment	(6,824)	(4,249)
Sales of property, plant and equipment	96	12
Receipt of cash donations to purchase capital assets	223	183
Net cash used in investing activities	(6,403)	(6,704)
Cash flows from financing activities:		
Public dividend capital received	3,012	266
Movement in loans from the Department of Health and Social Care	2,036	9,710
Capital element of Public Private Partnership obligations	(37)	(55)
Interest paid	(495)	(406)
Interest element of Public Private Partnership obligations	(179)	(184)
PDC Dividend paid	(830)	(930)
Net cash generated from financing activities	3,507	8,401
(Decrease)/Increase in cash and cash equivalents	(1,678)	2,019
Cash and Cash equivalents at 1 April	9,112	7,093
Cash and Cash equivalents at 31 March	7,434	9,112

The notes on pages 183 to 215 form part of these financial statements.

4.7 Notes to the Accounts

1. Accounting Policies

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 2018/19 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.

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.

1.1a Going Concern

These accounts have been prepared on a going concern basis. International Accounting Standard (IAS) 1 requires management to assess, as part of the accounts preparation process, the NHS Foundation Trust's ability to continue as a going concern. In accordance with the Department of Health and Social Care (DHSC) Group Accounting Manual the financial statements have been prepared on a going concern basis as we do not either intend to apply to the Secretary of State for the dissolution of the NHS Foundation Trust without the transfer of the services to another entity, or consider that this course of action will be necessary for at least 12 months from the date of the accounts approval.

The Trust's performance in-year showed a pre-impairment deficit of £8.1m which is worse than the original plan submitted to NHS Improvement at the start of the year by £11.1m. This includes Provider Sustainability Fund (PSF) payments (a performance related incentive payment linked primarily to achievement of a pre-determined 'control total' surplus or deficit) of £4.5m, £2.7m less than plan.

During the year, the Trust required £6.7m interim revenue loans from the Department of Health and Social Care to support it's revenue cash position.

The current 2019/20 forecasts show a (pre-impairments) planned breakeven position, including £8m of incentive funding. To achieve this the Trust will need to meet it's performance targets and deliver cost reductions of £9.4m (equivalent to 3.5% of expenditure), which includes £5.9m which has been classified as high risk.

Contracts for 2019/20 have been agreed with all English Commissioners, securing almost 90% of our clinical income. Our contract with Betsi Cadwaladr LHB remains outstanding and negotiations are continuing.

The Trust finished the year with £7.4m cash balance to support the £4.4m of outstanding capital creditors and the ongoing revenue position. The latest operating and cash flow forecasts currently show that the Trust will require net additional interim revenue support of £1.3m to cover the cash lag in the timing of the incentive payments received, although this is dependent on the successful delivery of it's financial plan and there will be a revenue cash requirement in the early part of the year due to phasing of cost reduction schemes. The Trust has drawn down £3.4m of interim revenue loans up to May 2019. Further capital financing will be required for 2020/21 and beyond. As with any Trust placing reliance on the DHSC for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Due to the significant reduction in capital funding available to the sector, the Trust has not had it's 2018/19 interim capital loan approved by DHSC, despite the approval of NHS Improvement, and will need to apply for additional interim capital loans to finance its 2019/20 capital program. NHS Improvement will, as in previous years, review the 2019/20 interim capital loan application, to ensure that it meets its requirements of being 'emergency' only. It is possible that the required capital loan will not be approved, in which case the relevant capital expenditure would need to reviewed by the Trust to take a view on whether to commit to the capital spend or not, based primarily on a consideration of the risk to patient safety. This would put additional pressure on the cash position,and in this case the Trust would be required to utilise its working balances in the first instance, and then apply for interim working balance support from DHSC.

Based on these indications the directors believe that it remains appropriate to prepare the accounts on a going concern basis. However, the matters referred to above represent a material uncertainty and may cast significant doubt on the Trust's ability to continue as a going concern and it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.2 Consolidation

These accounts are for The Countess of Chester Hospital NHS Foundation Trust alone.

The NHS Foundation Trust is the Corporate Trusteee for The Countess Charity.
The Foundation Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Foundation Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the Charitable Funds and has the ability to affect those returns and other benefits through its power over the fund. However the transactions are immaterial in the context of the group and the transactions have not been consolidated. Details of the transactions with the charity are included in the related parties note.

1.3 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS). As directed by the GAM, the transition to IFRS 15 in 2018/19 has been completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

In the event that the Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at the year end and this portion of revenue is deferred as a contract liability.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

Revenue from the Provider Sustainability Fund and Other Central Funding

The funding regime for 2018/19 included distributions from a Provider Sustainability Fund, intended to incentivise performance. Distributions were made once a Trust had achieved certain targets, including the achievement of financial 'Control Totals'. Additional awards could be made from the fund for performing better than the allocated control total, and at the end of the year any remaining funds are distributed based on the overall performance of the Trust during the year. Income is recognised when the award is achieved during the year, and the year end allocation of surplus funds is recognised based on amounts notified by NHS Improvement. Note 3.3 includes details of amounts receivable.

Other central funding is recognised on the basis of the particular award, following notification from the relevant body. In 2018/19, this included additional funding for the Agenda for Change pay award which was actioned during the year, as shown in Note 3.2.

NHS Injury Cost Recovery Scheme

The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

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 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.

Other income
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.

1.4 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.

Termination Benefits
Termination benefits are recognised as an expense when the Trust is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide termination benefits as a result of an offer made to encourage voluntary resignations in accordance with IAS 37. Termination benefits for voluntary resignations are recognised as an expense if the Trust has made an offer of voluntary resignation, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

Pension costs
Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they are defined contribution schemes.

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

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

1.6 Property, Plant and Equipment
1.6.1 Recognition
Property, plant and equipment is capitalised where;

- it is held for use in delivering services or for an 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; and
- the item has a cost of at least £5,000,or
- collectively, a number of items have a cost of at least £5,000 and individually have a 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.
- form part of the initial equipping and setting up cost of a new building, or refurbishment of a ward or unit irrespective of their individual or collective cost.

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

1.6.2 Measurement - Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Thereafter they are stated at cost less accumulated depreciation and any recognised impairment loss. All assets are measured subsequently at fair value.

Subsequent to their initial recognition, property, plant and equipment are carried at revalued amounts. Valuations are carried out by Cushman & Wakefield, professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards. These valuations 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. In practice this is usually achieved by a full valuation exercise at least every five years, and an interim valuation in the intervening years if required.

Fair values are determined as follows:

Land and non specialised operational property - market value for existing use

The depreciated replacement cost of specialised buildings has been valued on a modern equivalent asset basis and, where it would meet the location requirements of the service being provided, an alternative site has been used. For the current year, an interim valuation was carried out, based on market indices provided by Cushman & Wakefield. The last full asset valuation was undertaken as at 1 April 2016.

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

An item of property, plant and equipment 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 or IFRS 5.

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

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. Depreciation is charged using the straight- line method. 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 are not depreciated until the asset is brought into use.

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

Plant and Equipment are depreciated evenly over the estimated life of the asset, as follows:	
Buildings, excluding dwellings	5 to 79 years
Dwellings	60 years
Plant and Equipment	5 to 15 years
Transport Equipment	5 to 7 years
Information Technology	5 to 10 years
Furniture & Fittings	5 to 10 years

Disposals
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

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 benefit or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised in the revaluation reserve. 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.

1.6.3 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 i.e.;
- management are committed to a plan to sell the asset;
- an active programme has begun to find a buyer and complete the sale; - the asset is being actively marketed at a reasonable price;
- the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. 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.

1.6.4 Donated, Government Grant and Other 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.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

1.6.5 Public Private Partnership (PPP) Transactions

PPP 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 at their fair value together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment.

Where a significant part of the operators income derives from charges to users rather than payments from the Trust a deferred income credit is established and released to the Statement of Comprehensive Income over the life of the agreement.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

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

1.7 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 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.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average method.

1.9 Financial Assets and Financial Liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes 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 and are recognised when, and to the extent which, performance occurs, i.e., when receipt or delivery of the goods or services is made.

Derecognition

All financial assets are de-recognised when the rights to receive cashflows 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 and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets are classified as subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income as appropriate.

Financial liabilities are classified as subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income as appropriate.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income as a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

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.

Impairment of Financial Assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

1.10 Leases

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

1.10.1 The Trust as Lessee

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 as 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.

1.10.2 The Trust as Lessor

Finance leases

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

Operating leases

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

1.11 Provisions

The NHS Foundation 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.

Clinical Negligence Costs

NHS Resolution operates a risk pooling scheme under which the NHS Foundation 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 NHS Foundation Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 14.1, but is not recognised in the NHS Foundation Trust's accounts.

1.12 Non-Clinical Risk Pooling

The NHS Foundation 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.

1.13 Contingencies

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

Contingent liabilities are not recognised, but are disclosed, 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.

1.14 Public Dividend Capital (PDC)

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

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 NHS Foundation Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS Foundation 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 Service (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility (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 of the audit of the annual accounts.

1.15 Value Added Tax

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

1.16 Corporation Tax

The Countess of Chester Hospital NHS Foundation Trust is a Health Service body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to the specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of Corporation Tax but there is no tax liability arising in respect of the current financial year.

1.17 Foreign Exchange

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

Where the 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.

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

1.18 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation 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.

1.19 Critical Judgements in Applying Accounting Policies

In the application of the Trust 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. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The main area which requires the exercise of judgement is the calculation of provisions in note 14.1.

1.20 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Asset valuation and impairments: the valuation of the Trust's Land and Buildings Excluding Dwellings is subject to significant estimation uncertainty, since it derives from estimates provided by the Trust's external valuers who base their estimates on local market data as well as other calculations to reflect the age and condition of the Trust's estate.

It is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. On the basis of existing knowledge, outcomes within the next financial year that are different from the assumption around the valuation of our Land and Buildings Excluding Dwellings could require a material adjustment to the carrying amount of the asset recorded in note 8.

1.21 Losses and Special Payments

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

1.22 Standards, amendments and interpretations in issue but not yet effective or adopted

The DHSC GAM does not require the following Standards and Interpretations to be applied in 2018/19. The DHSC GAM for 2018/19 was published in December 18. This contains the final guidance on the implementation of new accounting standards for NHS Group bodies. The following table presents a list of recently issued IFRS Standards and amendments that have not yet been adopted within the FReM and are therefore not applicable to DHSC group accounts in 2018/19

IFRS 14 Regulatory Deferral Accounts	Not EU-endorsed Applies to first time adopters of IFRS after 1 January 2019. Therefore not applicable to DHSC group bodies.
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.
IFRS17 Insurance Contracts	Application required from 2020/21, but not yet adopted by the FReM; early adoption is not therefore permitted.
IFRIC 23 Uncertainty over Income Tax Treatments	Application required for accounting periods beginning on or after 1 January 2019.

The Trust has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Trust or that they would not have a material impact on the Trust's financial statements, apart from some additional disclosures.

In the case of IFRS 16, there will be a requirement for the Trust to recognise the underlying assets (represented by the present value of the lease payments) and corresponding liabilities inherent in all of it's lease agreements (and contracts containing leases). In addition, the income statement will be charged with depreciation and interest instead of the lease payments, which is expected to 'front load' the expense to the earlier part of the agreement, but at this stage it is not expected that this will represent a material adjustment.

1.23 Accounting standards, amendments and interpretations issued that have been adopted early

No new accounting standards or revisions to existing standards have been early adopted in 2018/19.

2. Income

2.1 Segmental Reporting

All of the Countess of Chester Hospital NHS Foundation Trust's activities are in the provision of healthcare, which is an aggregate of all the individual speciality 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 Countess of Chester Hospital NHS Foundation Trust's revenue originates with the UK Government. 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 of one broad combined nature and therefore on this basis one segment of 'Healthcare' is deemed appropriate.

The operating results of the Countess of Chester Hospital NHS Foundation Trust are regularly reviewed by the Trust's chief operating decision maker which is the overall Foundation Trust Board and which includes senior professional non-executive directors. The Trust Board review the financial position of the Countess of Chester Hospital NHS Foundation Trust as a whole in their decision making process, rather than individual components included in the totals, in terms of allocating resources. This process again implies a single operating segment under IFRS 8.

The finance report considered monthly by the Trust Board contains summary figures for the whole Trust together with graphical line and bar charts relating to different total income activity levels, and directorate expense budgets with their cost improvement positions.

Likewise only total balance sheet positions and cashflow forecasts are considered for the whole of the Countess of Chester Hospital NHS Foundation Trust. The Board as chief operating decision maker therefore only considers one segment of healthcare in its decision-making process.

The single segment of 'Healthcare' has therefore been identified consistent with the core principle of IFRS 8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments

2.2 Total Income from Activities

	NOTE	2018/19 £000	2017/18 £000
Income from activities	2.2	216,966	211,036
Other operating income	2.4	21,280	26,756
Operating Income from Continuing Operations		238,246	238,156

Operating Income from Patient Care Activities:	2018/19 £000	2017/18 £000
Elective income	35,665	31,944
Non elective income	67,424	65.310
Outpatient income	12,393	11,213
Follow up outpatient income	32,522	30,522
Other type of activity income	44,581	49,601
A&E income	9,080	8,491
High cost drugs income from commissioners	12,169	13,955
Agenda for Change pay award central funding	2,875	-
Total Income	216,709	211,036
Income from activities - Commissioner Requested Services	216,709	211,036
Private patient income	257	364
Income from activities	216,966	211,400

As an NHS Foundation Trust, the majority of income in respect of patient care is received under a block contract with our host Clinical Commissioning Group with the remainder under Payment by Results (PBR).

The Terms of Authorisation set out the goods and services that the Trust is required to provide (Commissioner Requested Services). All of the income from activities before private patient income shown above is derived from the provision of Commissioner Requested Services.

All other income arises from non-mandatory services.

2.3 Income from Patient Care Activities (by source)

	2018/19 £000	2017/18 £000
Income from patient care activities received from:		
NHS England	11,336	14,288
Clinical commissioning groups	166,330	159,488
NHS Foundation Trusts	8,796	8,805
NHS Trusts	150	247
Local authorities	452	240
Department of Health and Social Care	2,875	-
NHS other (including Public Health England)	25,059	25,448
Non NHS: private patients	257	358
Non NHS: overseas patients (non-reciprocal, chargeable to patient)	92	117
Injury cost recovery scheme	1,382	776
Non NHS: other	237	1,693
	216,966	211,400

2.4 Other Operating Income

	2018/19 £000	2017/18 £000
Research and development	634	636
Education and training	7,771	7,688
Charitable contributions to expenditure	636	2,299
Non-patient care services to other bodies	1,999	1,630
Provider Sustainability Fund Income	4,547	8,670
Car parking	1,512	1,318
Catering	1,259	1,234
Other income	2,857	3,214
Amortisation of PPP deferred credits	65	67
	21,280	26,756

2.5 Directly Invoiced Overseas Visitors

	2018/19 £000	2017/18 £000
Income recognised this year	92	117
Cash payments received in-year (relating to invoices raised in current and previous years)	(44)	(51)
Amounts added to provision for impairment of receivables	37	53
Amounts written off in-year	95	57

2.6 Additional information on revenue from contracts with customers recognised in the period

Material Related Party transactions with Other NHS Bodies are further detailed below:

	Total 2018/19 £000	Revenue recognised from NHS providers Accounts 2018/19 £000	Revenue recognised from other DHSC group bodies Accounts 2018/19 £000	Revenue recognised from non DHSC group bodies Accounts 2018/19 £000
Revenue recognised in the reporting period that was included in contract liabilities at the previous period end	1,737	206	70	1,461

3. Operating Expenses

	2018/19 £000	2017/18 £000
Operating expenses comprise:		
Purchase of healthcare from non-NHS and non-DH bodies	447	146
Staff and executive directors costs	168,052	160,922
Remuneration of non-executive directors	120	118
Drug Costs	20,083	20,660
Supplies and services (excluding drug costs)		
- clinical	26,281	23,001
- general	3,264	3,375
Establishment	2,097	2,177
Transport	159	178
Premises	10,704	8,857
Depreciation & Amortisation	4,293	4,324
(Decrease)/Increase in bad debt provision	(112)	1,301
Provisions / released in year	(555)	(2,277)
Audit fees - statutory audit	55	53
Other services: audit related assurance services	13	12
Other services: other	-	-
Contribution to clinical negligence scheme	8,315	9,661
Consultancy	75	140
Internal audit costs	93	89
Training courses	544	598
Notional training funded from apprenticeship fund	185	47
Insurance	39	37
Impairment/(Reversal of impairment) of property, plant and equipment	5,056	(12,054)
Other	638	1,547
	249,846	222,912

4. Arrangements containing an operating lease

	2018/19 £000	2017/18 £000
Minimum lease payments	2,360	1,815
	2,360	1,815

4.1 Total future minimum operating lease payments

	2018/19 £000	2017/18 £000
Payable:		
not later than one year;	1,656	1,566
later than one year and not later than five years;	6,648	6,521
later than five years.	325	2,003
	8,629	10,090

The Trust has short term operating leases for various types of equipment usually on a short term basis and the payments for these are included in the minimum lease payments for the financial year.

The Trust is also committed under contract for five managed service contracts which provide equipment as part of the contract. These contracts have between 1 and 5 years left before expiry, with an opportunity to extend to 10 years. Also included are a number of lease cars and vans. These leases are for a period of three years.

5. Employee Expenses and Numbers

5.1 Employee expenses

	Total 2018/19 £000	Total 2017/18 £000
Short term employee benefits - salaries and wages	135,680	130,086
Social security costs	12,103	11,483
Apprenticeship levy	638	605
Employer's contributions to NHS pensions	15,239	14,433
Other Employment Benefits	-	3
Temporary staff (including agency)	4,422	4,373
	168,082	160, 983

5.2 Retirements due to Ill-health

During 2018/19 (prior year 2017/18) there was 1 (4) early retirement from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £40,000 (£203,000).

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

5.3 Directors' Remuneration

	Total 2018/19 £000	Total 2017/18 £000
Executive Directors Remuneration	956	776
Employer's contributions for national insurance	119	101
Employer's contributions to the pension scheme	90	91

There are a total of 8 Executive Directors in total at the end of the financial year, 6 to whom benefits are accruing under defined benefit pension schemes. For further information please see the remuneration report on page 48 of the annual report.

5.4 Losses and Special Payments

NHS Foundation Trusts are required to record cash payments and other adjustments that arise as a result of losses and special payments. In the year the Trust had 186 (2017/18 131) separate losses and special payments, totalling £551,000 (2017/18 £154,000). These losses were mainly due to bad debts and damage/loss of property, and are reported on an accruals basis.

During the year the Trust paid an out-of-court special payment of £375k to a contractor based on legal advice. This was disclosed as a contingent liability in the Trust's 2017/18 Annual Accounts.

6. Pension Costs

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

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

a) Accounting valuation

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

The valuation of scheme liability as at 31 March 2019, is based on valuation data as at 31 March 2018, updated to 31 March 2019 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 Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account its recent demographic experience), and to recommend the contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgement from the Court of Appeal in December 2018, Government announced a pause to that part of the valuation process pending consultation of the continuing legal process.

6.1 Auto-Enrolement
The Pensions Act 2008 introduced automatic enrolment of eligible workers into a qualifying workplace pension scheme. The NHSPS is such a scheme and the legislation took effect from 2013. This took effect for the Countess of Chester NHS Foundation Trust from July 2013. The Trust has a duty to automatically enrol eligible workers, between the ages of 22 and State Pension age subject to certain pay criteria. For the Countess of Chester Hospital NHS Foundation Trust the number of enrolments and contributions are immaterial.

7. Net Finance Costs

7.1 Finance Income

	2018/19 £000	2017/18 £000
Interest on loans and receivables	102	41

7.2 Finance Costs

	2018/19 £000	2017/18 £000
Interest on Loans from the Department of Health and Social Care	499	425
Interest on obligations under PPP contracts:		
- finance cost	109	112
- contingent finance cost	70	72
	678	609

8. Property, Plant and Equipment Fixed Asset Movement 2018/19

	Land	Buildings Excluding Dwellings	Dwellings	Assets Under Construction	Plant & Machinery	Transport Equipment	Information Technology	Furniture & Fittings	Total 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2018	4,092	70,621	2,591	2,735	33,130	20	8,853	4,506	126,548
Additions - purchased	-	1,008	-	3,643	1,958	-	474	44	7,127
Additions - donated and grant funded	-	80	-	-	143	-	-	-	223
Reclassifications	-	306	-	(518)	-	-	123	89	-
Impairments	(1,006)	(5,830)	-	-	-	-	-	-	(6,836)
Other in year revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(971)	-	-	-	(971)
At 31 March 2019	3,086	66,185	2,591	5,860	34,260	20	9,450	4,639	126,091
Accumulated depreciation									
At 1 April 2018	-	-	620	-	19,220	20	5,319	3,489	28,668
Impairments	-	(1,194)	-	-	-	-	-	-	(1,194)
Other in year revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(908)	-	-	-	(908)
Provided during the year	-	1,194	62	-	1,786	-	987	264	4,293
At 31 March 2019	-	-	682	-	20,098	20	6,306	3,753	30,859
Net book value									
Purchased at 1 April 2018	2,982	69,193	-	2,735	13,309	-	3,534	1,017	92,770
PPP Obligations at 1 April 2018	1,110	-	1,971	-	-	-	-	-	3,081
Donated at 1 April 2018	-	1,428	-	-	601	-	-	-	2,029
Total at 1 April 2018	4,092	70,621	1,971	2,735	13,910	-	3,534	1,017	97,880
Net book value									
Purchased at 31 March 2019	1,976	64,756	1,909	5,860	13,520	-	3,144	886	92,051
PPP Obligations at 31 March 2019	1,110	-	-	-	-	-	-	-	1,110
Donated at 31 March 2019	-	1,429	-	-	642	-	-	-	2,071
Total at 31 March 2019	3,086	66,185	1,909	5,860	14,162	-	3,144	886	95,232

8.1 Net Book Value of Assets held under PPP Obligations

	2018/19 £000	2017/18 £000
PPP Arrangements		
Cost of valuation at 1 April	4,033	4,033
Cost or valuation at 31 March	4,033	4,033

	2018/19 £000	2017/18 £000
Depreciation at 1 April as previously stated	952	890
Accumulated depreciation at 1 April as restated	952	890
Provided during the year	62	62
Accumulated depreciation at 31 March	1,014	952
Net Book Value under PPP obligations at 31 March	3,019	3,081

In 2005/06, the Trust entered into a Public Private Partnership with Frontis Homes Limited, a registered social landlord, to provide our staff accommodation and on-call facilities. The £5.9m scheme has significantly improved the quality of the previous accommodation, and increased the ability of the Trust to continue to attract the best staff. The Trust will contribute annually toward the cost of the rent and services to be provided for the on-call facility. The term of the agreement is 40 years.

9. PPP Obligations

9.1 Gross PPP Obligations

	31 March 2019 £000	31 March 2018 £000
Gross PPP Liabilities	3,274	3,420
of which liabilities are due:		
Not later than one year	149	146
Between one and five years	743	751
After five years	2,382	2,523
Finance charges allocated to future periods	(1,196)	(1,305)
Net PPP Liabilities	2,078	2,115
Not later than one year	41	37
Between one and five years	353	343
After five years	1,684	1,735
	2,078	2,115

9.2 Total Future Payments in respect of PPP Arrangements

	31 March 2019 £000	31 March 2018 £000
of which due:		
Not later than one year;	430	420
later than one year and not later than five years;	1,832	1,787
later than five years.	9,074	9,549
Total future payments committed	11,336	11,756

9.3 Analysis of Amounts Payable to Service Concession Operator

	31 March 2019 £000	31 March 2018 £000
Unitary payment payable to service concession operator		
Consisting of:		
Interest Charge	109	112
Repayment of finance lease liability	37	55
Service element	204	171
Contingent rent	70	72
	420	410

10. Inventories

	31 March 2019 £000	31 March 2018 £000
Drugs	1,161	993
Consumables	526	444
	1,687	1,437

10.1 Inventories Recognised in Expenses

	31 March 2019 £000	31 March 2018 £000
Inventories recognised in expenses	21,765	21,934
Write-down of inventories recognised as an expense	50	70
Total Inventories recognised in expenses	21,815	22,004

11. Trade and Other Receivables

	31 March 2019 £000	31 March 2018 £000
Current		
Trade receivables	-	7,382
Contract receivables	6,610	-
Contract assets	-	-
Allowance for impaired contract receivables/assets	(509)	(2,703)
Amounts due in respect of NHS Improvement Provider Sustainability Fund (PSF)	2,759	6,191
PDC Dividend Receivable	169	357
VAT recoverable	164	244
Other receivables	382	342
Accrued Income	-	717
Prepayments	1,634	1,948
Total Current Trade and Other Receivables	11,209	14,478
Of which receivables from NHS and DHSC group bodies:		
Current	7,334	11,298

There are no non-current contract receivables. The majority of trade is with other NHS organisations, which are funded by government, therefore no credit scoring of them is considered necessary.

Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income. IFRS 15 is applied without restatement therefore the comparative analysis of receivables has not been restated under IFRS 15.

11.1 Allowance for Credit losses 2018/19

IFRS 9 and IFRS 15 are adopted without restatement therefore this analysis is prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure.

	Receivables and Contract Assets £000
Allowances as at 1 Apr 2018 - brought forward	2,703
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	(1,857)
New allowances arising	264
Changes in existing allowances	-
Reversals of allowances	(376)
Utilisation of allowances (write offs)	(225)
At 31 March 2019	509

11.2 Provision for Impairment of Receivables - 2017/18

IFRS 9 and IFRS 15 are adopted without restatement therefore this analysis is prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure.

	All Receivables 31 March 2018 £000
Balance at 1 April	1,716
Increase in allowance	2,061
Amount written off during the year	(314)
Amount recovered during the year	(760)
At 31 March 2018	2,703

12. Trade and Other Payables

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Trade payables	12,716	12,846	-	-
NHS Pension Scheme	2,183	2,018	-	-
Other payables	1,563	2,355	-	-
Accrued interest on DHSC loans	-	61	-	-
Accruals	3,750	1,945	-	-
Total	20,212	19,225	-	-
Of which payable to NHS and DHSC group bodies:				
Current	3,714	3,209	-	-

Following the adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note 13. IFRS 9 is applied without restatement, therefore comparatives have not been restated.

12.1 Other Liabilities

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Deferred Income	2,486	1,737	-	-
Deferred PPP Credits	66	66	1,592	1,658
Total	2,552	1,803	1,592	1,658

13. Borrowings

	Current		Non-current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Loans from the Department of Health and Social Care	4,747	4,686	33,964	31,924
Obligations under PPP Contracts	41	37	2,037	2,078
	4,788	4,723	36,001	34,002

Schedule of Borrowing	Date Started	Date to be completed	Interest Rate	Loan Amount	Amount outstanding (excluding interest accrued) £000
Loan 1 - Normal course of business capital loan	Mar 10	Mar 20	3.09%	6,000	662
Loan 2 - Normal course of business capital loan	Mar 12	Sep 21	2.46%	5,000	1,318
Loan 3 - Normal course of business capital loan	Mar 13	Mar 18	0.48%	4,500	-
Loan 4 - Normal course of business capital loan	Mar 13	Sep 27	1.39%	16,800	10,584
Loan 5 - Normal course of business capital loan	Oct 14	Nov 21	1.36%	11,000	5,079
Loan 6 - Normal course of business capital loan	Sep 17	Aug 32	1.03%	8,090	7,532
Loan 7 - Interim revenue loan	Jan 18	Jan 21	1.50%	1,724	1,724
Loan 8 - Interim revenue loan	Feb 18	Feb 21	1.50%	1,305	1,305
Loan 9 - Interim revenue loan	Mar 18	Mar 21	1.50%	3,720	3,720
Loan 10 - Interim revenue loan	Dec 18	Dec 21	1.50%	1,638	1,638
Loan 11 - Interim revenue loan	Jan 19	Jan 22	1.50%	1,578	1,578
Loan 12 - Interim revenue loan	Mar 19	Mar 22	1.50%	3,506	3,506

13.1 Reconciliation of liabilities arising from financial activities

	Loans from DHSC £000	PPP schemes £000	Total £000
Carrying value at 1 April 2018	36,610	2,115	38,725
Cash movements:			
Financing cash flows - payments and receipts of principal	2,036	(37)	1,999
Financing cash flows - payments of interest	(495)	(109)	(604)
Impact of implementing IFRS 9 on 1 April 2018	61	-	61
Application of effective interest rate	499	109	608
Carrying value at 31 March 2019	38,711	2,078	40,789

14. Provisions

	Current	Non-Current	Current	Non-Current
	31 March 2019 £000	31 March 2019 £000	31 March 2018 £000	31 March 2018 £000
Pensions - Early Departure Costs	15	162	15	173
Pensions - Injury Benefit	37	1,110	36	1,177
Legal Claims	250	-	566	-
Other	150	-	447	-
Restructuring	78	-	168	-
	530	1,272	1,232	1,350

	Pensions - Early Departure Costs £000	Pensions - Injury Benefit £000	Legal Claims £000	Other £000	Restructuring £000	Total £000
At 1 April 2018	188	1,213	566	447	168	2,582
Arising during the year	4	1	132	-	-	137
Utilised during the year	(15)	(37)	(54)	-	(90)	(196)
Change in Discount Rate	-	(30)	-	-	-	(30)
Reversed unused	-	-	(394)	(297)	-	(691)
At 31 March 2019	177	1,147	250	150	78	1,802
Expected timing of cashflows:						
- not later than one year	15	37	250	150	78	530
- later than one year and not later than five years	60	158	-	-	-	218
- later than five years	102	952	-	-	-	1,054
	177	1,147	250	150	78	1,802

14.1 Provisions

Pensions relating to other staff

Provisions for capitalised pension benefits are based on tables provided by the Office for National Statistics, reflecting years to normal retirement age and the additional pension costs associated with early retirement. No further capitalisations of pension benefits have been applied during the financial year. This provision relates to two former employees.

Legal claims

Legal claims consist of amounts due as a result of third party and employee liability claims. The values are based on information provided by the Trust's solicitors and NHS Resolution.

Other

The other provision relates to outstanding pay reform assimilations and changes in legislation.

Permanent Injury Benefits
Permanent Injury Benefits are payable to eligible individuals, and are calculated in the same way as capitalised pension benefits. The calculations are based on current payments in relation to expected life tables as issued by the Office for National Statistics. These are discounted using the Treasury published discount rate.

Restructuring
The restructuring provision is for those staff that have applied for the Mutually Agreed Resignation Scheme but which have not yet been paid out.

£130,234,000 is included in the provisions of NHS Resolution at 31/3/19 in respect of clinical negligence liabilities for the Trust (31/3/2018 £153,892,000)

The provisions for legal claims are calculated by reference to expected cash flows discounted back at the relevant current Treasury discount rate.

15. Other Investments and Cash and Cash Equivalents

15.1 Other Investments

	31 March 2019 £000	31 March 2018 £000
Balances at 1 April	2,591	-
Net change in year	-	2,591
Other Investments	2,591	2,591

Other investments at 31 March 2019 represent amounts held in a designated deposit account set up as part of a funding agreement to deliver a new Neonatal Unit. Release of the funds is dependent on successful delivery of each phase of the construction, which is expected to last for around 18 months and commenced in April 2019. The account is denominated in sterling. The account attracts interest at rates based on LIBOR or equivalent market rates. The carrying amounts are equivalent to their fair values.

15.2 Cash and Cash Equivalents

	31 March 2019 £000	31 March 2018 £000
Bank balances at 1 April	9,112	7,093
Net change in year	(1,678)	2,019
Cash and cash equivalents in the statement of cash flows at 31 March	7,434	9,112
Broken down into:		
Cash at commercial banks and in hand	237	220
Cash with the Government Banking Service	7,197	8,892
Total cash and cash equivalents as in SoFP	7,434	9,112

Cash and cash equivalents at 31 March 2019 are held in instant access bank accounts, short-term money market investments and other deposit accounts denominated in sterling. They attract interest at rates based on LIBOR or equivalent market or public sector rates. The carrying amounts are equivalent to their fair values.

16. Capital Commitments and Events After the Reporting Date

16.1 Capital Commitments

	31 March 2019 £000	31 March 2018 £000
Contractual Capital Commitments at 31 March not otherwise included in these financial statements:		
Property, Plant and Equipment	1,863	76

16.2 Events After the Reporting Date

There are no disclosable events after the reporting date.

17. Third Party Assets

The Trust held £0k In the Bank (2017/18 £0) which relates to monies held by the NHS Foundation Trust on behalf of patients.

18. Related Party Transactions

The Countess of Chester Hospital NHS Foundation Trust is a public interest body authorised by NHS Improvement the Independent Regulator for NHS Foundation Trusts.
The Trust has received £595,000 (2017/18 £2,284,000 total) payments from a number of charitable funds for which the Trust acts as Corporate Trustee.

Other NHS entities that interact with the Countess of Chester Hospital NHS Foundation Trust are regarded as related parties. The transactions are in the normal course of business and are on an arms length basis. During the year the Countess of Chester Hospital NHS Foundation Trust had a number of material transactions with other NHS entities which are listed below. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

	2018/19		2018/19	
	Income £000	Expenditure £000	Current Receivables £000	Current Payables £000
Value of transactions with:				
Department of Health	2,931	-	13	-
Other NHS Bodies	201,694	17,126	7,131	3,881
Charitable Funds	595	-	43	-
Other WGA Bodies	25,963	29,215	459	5,852

Material Related Party transactions with Other NHS Bodies are further detailed below:

	2018/19		2018/19	
	Income £000	Expenditure £000	Current receivables £000	Current payables £000
Alder Hey Children's NHS Foundation Trust	182	161	4	80
Bridgewater Community Healthcare NHS Foundation Trust	159	7	78	7
Cheshire and Wirral Partnership NHS Foundation Trust	1,461	765	261	404
Liverpool Women's NHS Foundation Trust	19	225	1	35
Mid Cheshire NHS Foundation Trust	291	5	16	1
The Clatterbridge Cancer Centre NHS Foundation Trust	451	(4)	-	-
The Walton Centre NHS Foundation Trust	148	41	44	6
Warrington and Halton Hospitals NHS Foundation Trust	504	810	136	528
Wirral Community NHS Foundation Trust	135	-	15	-
Wirral University Teaching Hospital NHS Foundation Trust	6,607	3,818	1,534	1,539
East Cheshire NHS Trust	379	58	39	78
Royal Liverpool & Broadgreen University Hospitals NHS Trust	572	527	165	248
St Helens and Knowsley Hospitals NHS Trust	4	(18)	1	22
NHS Eastern Cheshire CCG	81	-	-	7
NHS Halton CCG	1,350	-	-	42
NHS Liverpool CCG	229	-	3	-
NHS Shropshire CCG	580	-	-	11
NHS South Cheshire CCG	541	-	7	-
NHS St Helens CCG	287	-	-	21
NHS Vale Royal CCG	1,558	-	3	-
NHS Warrington CCG	1,997	-	4	-
NHS West Cheshire CCG	152,511	84	673	235
NHS Wirral CCG	5,779	-	-	148
NHS England	4,549	55	2,759	9
Public Health England	53	456	9	18
Health Education England	7,603	3	79	-
NHS Resolution	-	8,314	-	13
Care Quality Commission	-	161	-	-
NHS Property Services	121	944	99	-
NHS England - Cheshire and Merseyside Local Office	2,296	-	98	-
NHS England - North West Specialised Commissioning Hub	8,851	-	-	106
HM Revenue & Customs - VAT	-	-	164	-
HM Revenue & Customs - Other	8	12,749	-	3,458
National Heath Service Pension Scheme	-	15,239	-	2,182
Welsh Health Bodies - Betsi Cadwaladr University Local Health Board	24,891	6	-	206
NHS Blood and Transplant	20	1,052	21	-
Cheshire East Unitary Authority	120	-	-	-
Cheshire West and Chester Unitary Authority	483	72	240	1
Flintshire County Council	242	2	-	-

19. Financial Instruments

Disclosure is required under International Accounting Standards of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Countess of Chester Hospital NHS Foundation Trust actively seeks to minimise its financial risks. In line with this policy, the Trust neither buys nor sells financial instruments. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

Market Risk

Interest-Rate Risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's assets that are subject to a variable rate are short term cash investments. The Trust is not, therefore, exposed to significant interest-rate risk. Interest rate profiles of the Trust's relevant financial assets and liabilities are shown in notes 12 and 15.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

Credit Risk

The Trust operates primarily within the NHS market and receives the majority of its income from other NHS organisations, as disclosed in note 18. There is therefore little risk that one party will fail to discharge its obligation with the other. Disputes can arise, however, around how the amounts owed are calculated, particularly due to the complex nature of the Payment by Results regime. For this reason the Trust makes a provision for irrecoverable amounts based on historic patterns and the best information available at the time the accounts are prepared. The Trust does not hold any collateral as security.

Liquidity Risk

The Trust's net operating costs are incurred under annual agency purchase contracts with local Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Trust received cash each month based on an annually agreed level of contract activity and there are quarterly payments made to adjust for the actual income due under PBR. This means that in periods of significant variance against contracts there can be a significant cash-flow impact. The Trust has adequate liquidity to deal with these variances.

The Trust finances its capital expenditure from internally generated funds or funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the Trust has borrowed from the Department of Health Financing Facility and may also borrow commercially in order to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the Trust is not, therefore exposed to significant liquidity risks in this area.

20. Auditors Liability Limitation Agreements

As determined in the engagement letter with KPMG, external auditors to the Trust, the liability of either party under or in connection with the contract, whether arising in contract, tort, negligence, breach of statutory duty or otherwise, shall not exceed the sum of £2 million in any one year.

	2018/2019 £000	2017/2018 £000
Limitation on Auditors Liability	2,000	2,000

21. Carrying Values of Financial Assets

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Carrying values of financial assets as at 31 March 2019 under IFRS 9				
Trade and other receivables excluding non financial assets	9,019	-	-	9,019
Other investments / financial assets	2,591	-	-	2,591
Cash and cash equivalents at bank and in hand	7,434	-	-	7,434
Total at 31 March 2019	19,044	-	-	19,044

	Loans and receivables £000	Assets at fair value through I&E £000	Held to maturity £000	Total book value £000
Carrying values of financial assets as at 31 March 2018 under IAS 39				
Trade and other receivables excluding non financial assets	11,211	-	-	11,211
Other investments / financial assets	2,591	-	-	2,591
Cash and cash equivalents at bank and in hand	9,112	-	-	9,112
Total at 31 March 2018	22,914	-	-	22,914

Carrying value of financial liabilities

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Held at fair through the I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2019 under IFRS 9			
Loans from the Department of Health and Social Care	38,711	-	38,711
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	2,078	-	2,078
Other borrowings	-	-	-
Trade and other payables excluding non financial liabilities	18,029	-	18,029
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2019	58,818	-	58,818

	Other financial liabilities £000	Held at fair through the I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2018 under IAS 39			
Loans from the Department of Health and Social Care	36,610	-	36,610
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	2,115	-	2,115
Other borrowings	-	-	-
Trade and other payables excluding non financial liabilities	17,097	-	17,097
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2018	55,822	-	55,822

	31 March 2019 £000	31 March 2018 £000
Maturity of Financial Liabilities		
In one year or less	22,817	21,819
In more than one year but not more than two years	10,871	4,723
In more than two years but not more than five years	16,139	16,634
In more than five years	8,991	12,646
	58,818	55,822

Initial application of IFRS 9

IFRS 9 Financial Instruments as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to reserves on 1 April 2018.

IFRS 9 replaces IAS 39 and introduces a revised approach to classification and measurement of financial assets and financial liabilities, a new forward-looking 'expected loss' impairment model and a revised approach to hedge accounting.

Under IFRS 9, borrowings from the Department of Health and Social Care, which were previously held at historic cost, are measured on an amortised cost basis. Consequently, on 1 April 2018 borrowings increased by £61k, and trade payables correspondingly reduced.

Reassessment of allowances for credit losses under the expected loss model resulted in a £0k decrease in the carrying value of receivables.

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classification of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. The carrying value of these receivables at 1 April 2018 was £872,000.

Initial application of IFRS 15

IFRS 15 Revenue from Contracts with Customers as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the income and expenditure reserve on 1 April 2018.

IFRS 15 introduces a new model for the recognition of revenue from contracts with customers replacing the previous standards IAS 11, IAS 18 and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue when it satisfies performance obligations through the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

As directed by the GAM, the Trust has applied the practical expedient offered in C7A of the standard removing the need to retrospectively restate any contract modifications that occurred before the date of implementation (1 April 2018).