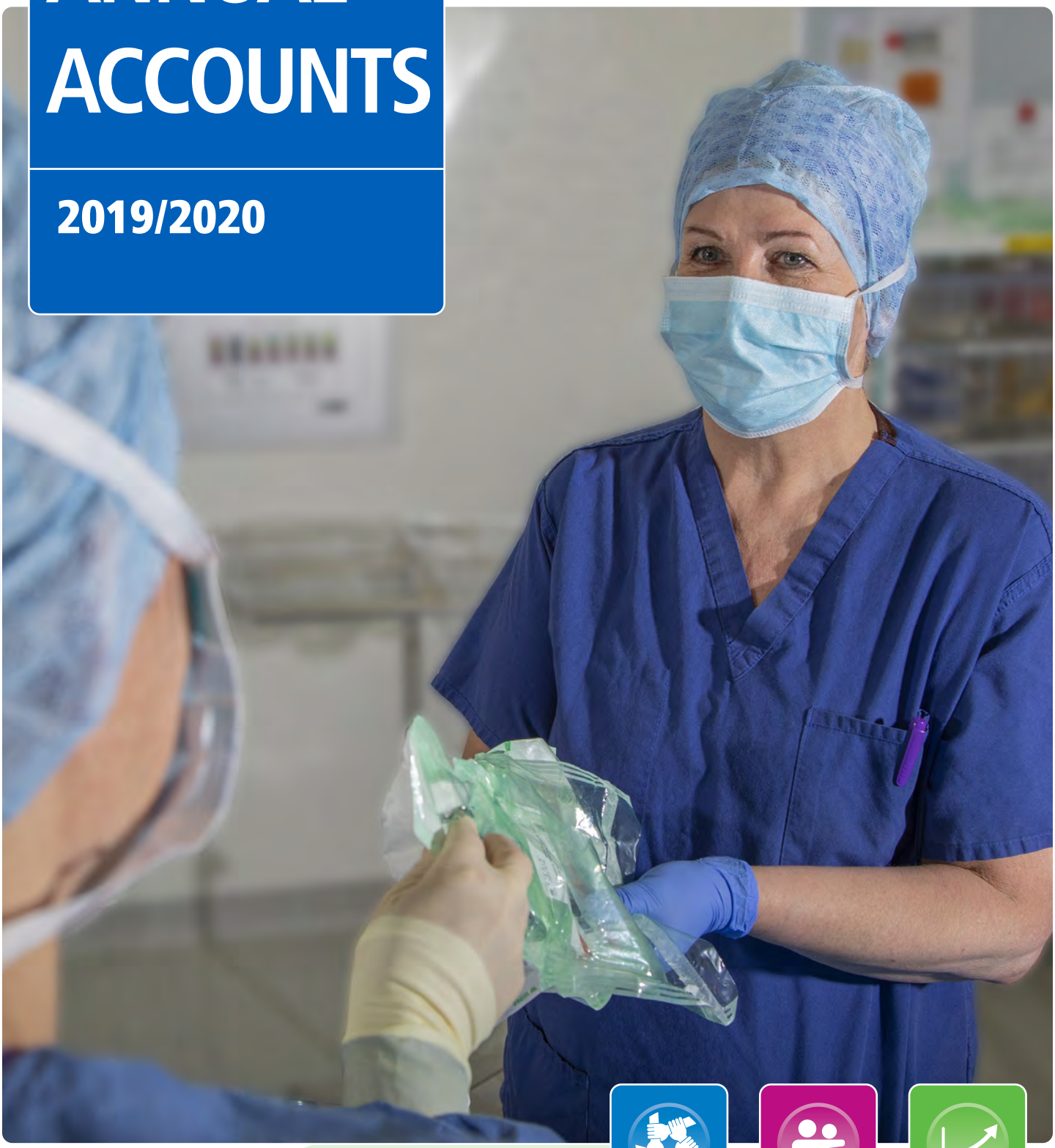
NHS

The Royal Wolverhampton
NHS Trust

ANNUAL ACCOUNTS

2019/2020



Safe & Effective | Kind & Caring | Exceeding Expectation

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Foreword to the Accounts

Financial Review - year ended 31 March 2020

The Financial results achieved by the Trust are shown in the table below. In common with all NHS trusts we are required to meet a number of financial targets set by the Department of Health and Social Care. Our performance against these targets is set out in the table below:

Financial Target	Actual Performance	
	2019-20	2018-19
To break even on income and expenditure, taking one year with another	Surplus of £6.906m	Surplus of £1.382m
To achieve a capital cost absorption rate of between 3% and 4%	3.5%	3.5%
To operate within an External Financing Limit set by the Department of Health and Social Care	Under-spent by £2.626m	Under-spent by £0.080m
To remain within a Capital Resource Limit set by the Department of Health and Social Care	Breakeven	Under-spent by £0.013m
To pay 95% of non-NHS trade creditors within 30 days	81%	59%

Kevin Stringer
Chief Financial Officer
15 June 2020

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum.* These include ensuring that:

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

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

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

Signed.....  .....Chief Executive

Date.....15 June 2020.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Trust's performance, business model and strategy

By order of the Board

15 June 2020.....Date.....Chief Executive

15 June 2020.....Date.....Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF ROYAL WOLVERHAMPTON NHS TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Royal Wolverhampton NHS Trust ("the Trust") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and 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 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to NHS Trusts in England and included in the Department of Health and Social Care Group Accounting Manual 2019/20.

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.

Going concern

The Directors have prepared the financial statements on the going concern basis as they have not 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. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Director's conclusions we considered the inherent risks to the Trust's operations and analysed how these risks might affect the Trust's financial resources, or ability to continue its operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

Other information in the Annual Report

The Accountable Officer is 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.

Annual Governance Statement

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2019/20. We have nothing to report in this respect.

Remuneration and Staff Report

In our opinion the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

Directors' and Accountable Officer's responsibilities

As explained more fully in the statement set out on page 5, the directors are responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: 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. As explained more fully in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, on Page 4 the Accountable Officer is responsible for ensuring that annual statutory accounts are prepared in a format directed by the Secretary of State.

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

Report on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

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 its use of resources.

We have nothing to report in this respect.

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

As explained in the statement set out on page 4, the Chief Executive, as the Accountable Officer, is responsible for ensuring that value for money is achieved from the resources available to the Trust. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its 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 December 2019 and updated in April 2020 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.

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:

- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

This report is made solely to the Board of Directors of Royal Wolverhampton NHS Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Board of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board 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 Royal Wolverhampton NHS Trust for the year ended 31 March 2020 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Bostock
for and on behalf of KPMG LLP
Chartered Accountants
Birmingham

17 June 2020

GOVERNANCE STATEMENT 2019-2020
Organisational Code: RL4

1. Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Trust Accountable Officer Memorandum.

1.1 Partnership

I acknowledge that I must discharge my duty of partnership, and have undertaken this in a number of ways. As Chief Executive, I attend the Wolverhampton City Council Overview and Health Scrutiny Panel where a range of topics have been discussed with local authority elected members. Reflecting our footprint in Staffordshire, I have also engaged with Overview and Scrutiny Panels and Healthwatch within the County of Staffordshire. During the year a proportion of my time, and that of Director Colleagues, has included continued involvement in the development of Sustainability and Transformation Plans (STP) in both the Black Country and Staffordshire.

There has continued to be close contact with commissioning organisations, and members of my Executive Team and I have attended meetings with Wolverhampton Healthwatch, and the Wolverhampton Health and Wellbeing Board.

Close links have been maintained with NHS England and NHS Improvement (NHSI) through a range of group, individual, formal and informal meetings. I have continued to participate in the meetings of West Midland NHS Provider Trust Chief Executives meetings. All my Executive Directors are fully engaged in the relevant networks, including finance, nursing, medical, operations and human resources.

I am supported in my engagement with partner organisations by the Chairman of the Board, who this year has met with his counterparts at The Dudley Group NHS Foundation Trust, Walsall Healthcare NHS Trust, University Hospital of Birmingham/Heart of England NHS Foundation Trusts, Sandwell and West Birmingham Hospital NHS Trust, The Shrewsbury and Telford Hospital NHS Trust, the University Hospital of North Midlands NHS Trust, Black Country Partnership NHS Foundation Trust, West Midlands Ambulance Service NHS Foundation Trust, as well as regular meetings with local authority members and officers, and other key players in the city's business and third sector communities. He too has taken part in discussions towards further developing the sustainability and transformation plans (STPs).

I have met periodically with the local Members of Parliament and senior members of the national NHS team present and past.

Whilst the detailed provisions of the UK Corporate Governance Code are not mandatory for public sector bodies, compliance with relevant principles of the Code is considered to be good practice. This Governance Statement is intended to demonstrate how the Trust had regard to the principles set out in the Code considered appropriate for the Trust for the financial year ended 31 March 2020.

1.2 Black Country and West Birmingham Healthier Futures Partnership (previously STP) ANNUAL REPORT STATEMENT

In total, around 1.5 million people live in the five places of Wolverhampton, Walsall, Dudley, Sandwell and West Birmingham. There are a number of challenges for our local populations, including healthy life expectancy being lower than the national average by more than 6 years, higher numbers of people with mental health problems, high levels of infant mortality, plus high levels of child and adult obesity and many people living with multiple long term health conditions.

The Healthier Futures Partnership, previously known as the Black Country and West Birmingham STP, is the collaboration between 18 organisations across local authorities, NHS bodies and the voluntary and community sectors that has been established to address these challenges.

The aims of the Healthier Futures Partnership are:

a) To improve the health of our population by reducing inequalities in health outcomes and improving the quality of and access to services

b) To attract more people to work in health and care in our region through new ways of working, better career opportunities, support and the ability to balance work and home lives

c) To work together to build a sustainable health system that delivers safe, accessible care and support in the right locations, in order to get the greatest value from the money we spend.

There is much work to do in order to achieve our aims. However, progress has started, with closer collaboration already leading to stroke services having being reconfigured, pathology services consolidated to improve efficiency and turnaround times, advances made in personalised care arrangements and a new perinatal mental health community service.

KEY HIGHLIGHTS

This year saw the creation of our strategic plan, which sets out how health and care services in our local areas will be improved over the next five years. Services need to be designed and delivered for the benefit of the people who live and work within the Black Country and West Birmingham and so we engaged extensively with patients, public and staff in developing our plan, plus took account of feedback from staff, GPs, Health and Wellbeing Boards and governing bodies, as well as from all of the organisations in our partnership.

Other key highlights included:

- The development of our clinical strategy covering twelve priority areas, alongside a primary care strategy focusing on GP and general practice nurse recruitment and retention and also a digital enabling strategy.
- The pilot of a rapid cancer diagnostic centre in Dudley from January 2020 with the aim of rolling this out across the partnership by July, as well as a plan to improve urology services across the system.
- A local maternity and neonatal system plan which has already resulted in a significant reduction in smoking rates during pregnancy and has seen this system be the first, nationally, to implement one shared care record across individual maternity units.
- The development of a digital app that will increase access to health and care services and offer our population alternative pathways via mobile phones, tablets and PCs.

Another development was the creation of our Healthier Futures website, giving us an online presence to update people on our aims, projects, achievements and challenges. www.healthierfutures.co.uk

PEOPLE

I would like to thank all health and care colleagues throughout our system of care for their commitment, dedication and hard work during the past year. I'd also like to say a special thank you to Dr Helen Hibbs MBE, who will retire in April, having been the partnership lead for the past two years. Helen has made an invaluable contribution to the progress and success of the partnership and on behalf of everyone across the partnership, I'd like to wish her all the best for the future.

I would also like to recognise all of the hard work and effort on the part of Sandwell and West Birmingham Hospital NHS Trust to reach agreement on the completion of the Midland Metropolitan Hospital, due to open in 2022 and key to the transformation of care in the local communities and to the redevelopment and regeneration of the surrounding area.

Our partnership exists to benefit local people, and through our continued collaboration and working together, I am confident we can deliver truly integrated health and care services of which everyone in the Black Country and West Birmingham can be justifiably proud.

Jonathan Fellows
Independent Chair
Black Country and West Birmingham Healthier Futures Partnership

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of The Royal Wolverhampton NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Royal Wolverhampton NHS Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

3. The Governance Framework of the Organisation

We have a well-established framework for governance to inform the Trust Board of operational and strategic risks as well as to provide assurance on business performance and compliance. The framework sets in place under the Trust Board a high level committee and management structure for the delivery of assured governance.

Sub Trust Board assurance committees are constituted to ensure the delegated operation of effective risk management systems, processes and outcomes. These committees inform and assure the Trust Board through the functioning and reporting of sub-groups and specialist working groups defined in their terms of reference.

In March 2020 internal audit reviewed the design and operation of the Trust's Risk Management Assurance Strategy and arrangements, which is underpinned by the Risk Management and Patient Safety Reporting Policy (OP10). The report conclusion is awaited at the time of this Report. Previous and future recommendations are formed into an action plan that is regularly monitored by the Audit Committee.

The Trust has appointed a 'Freedom to speak up' (FTSU) Guardian and the Trust is taking a number of actions to support a positive, speaking up culture.
To support the commitment to an open and transparent culture where speaking up is the norm and where employees feel safe to raise concerns, the Trust has revised it Raising Concerns Policy, started to build a network of Speak Up Contact Links and the work for the FTSU Guardian. The number of concerns reported can be found in this report.

3.1 Trust Board

The Trust Board has met monthly (except in August 2019 and January 2020). Other than for matters requiring commercial confidence or having sensitive human resources implications it has conducted its business in public and allowed time for the press, public and other observers to ask questions of the Directors at each meeting. A high attendance rate by Directors was recorded during the year. The Chairman's term of office commenced from April 2019. At 31 March 2020 the Board comprised 2 female and 6 male Executive Directors; 1 from a minority ethnic background; and 5 female and 4 male Non-Executive and Associate Non-Executive Directors, 3 from a minority ethnic background.

At each meeting the Trust Board considered reports on:

- Quality and safety
- Serious incidents
- Operational performance
- Financial issues and performance
- The progress of the Financial Recovery Board
- GP Vertical Integration, Innovation and Research
- Reports and minutes from the Trust Board's standing committees
- Cost improvement programme (financial and qualitative delivery – within the Finance Report)
- Mortality (within the Integrated Quality and Performance Report)

The Trust Board receives a monthly Integrated Quality and Performance Report (IQPR) (including national performance measures and 12 month trends). This report includes workforce data such as staff turnover and appraisal rates, metrics relevant to patient experience (such as medication incidents, infection prevention, friends and family test scores and safety thermometer), and those relating to operational performance (such as targets for referral to treatment times, time spent in the Emergency Department, ambulance handover times, cancelled operations and cancer waiting times). The indicators within the report are reviewed annually and approved by the Trust Board. This is added to by the Report of the Director of Workforce.

The Trust Board strives to maintain an appropriate balance between strategic matters and supervising the management of the Trust. Among the former in 2019-2020 were:

- the recruitment of key staff particularly doctors and nurses,
- the development of innovation programmes and exploration of the use of artificial intelligence, data and technology in improving healthcare,
- the development of a clinical quality improvement programme,
- the 5-year capital programme revisions,
- the continued development of the University of Wolverhampton Postgraduate Academic Institute of Medicine and
- the Trust's own clinical fellowship programme,

- the continued vertical integration of GP practices,
- the development of an accountable care organisation,
- the contributions to the development of the sustainability and transformation plans,
- and the ongoing financial challenges within the NHS.

The Trust Board maintains strong relations with stakeholders, including local commissioners, Healthwatch, and local authority overview and scrutiny committees.

The Non-Executive Directors (NED) are committed to self-development and learning, as evidenced by frequent attendance at events arranged by NHS Improvement (NHSI), NHS Providers, Healthcare Financial Management Associate (HFMA) NED forum, Chair and NED events put on by the Health Services Management Centre, and networking via private firms (particularly legal firms specialising in healthcare law).

Table 13 – Board Composition and Commitment / Experience

Board Governance
• All voting positions substantively filled
• Senior Independent Director in position
• Clarity over who is entitled to vote at Trust Board meetings
• At least half of the voting Board of Directors comprises Non-Executive Directors who are independent
• Appropriate blend of NEDs from the public, private and voluntary sectors
• One NED has clinical healthcare experience
• Appropriate balance between Directors who are new to the Trust Board and those who have served for longer
• Majority of the Trust Board are experienced board members
• Chairman has had previous non-executive director experience
• Membership and terms of reference of Trust Board committees reviewed during the year
• Two members of the Audit Committee have recent and relevant financial experience
• Trust Board members have a good attendance record at all formal board and committee meetings, and at other board events.
• A positive result from the independent external review of governance reported in year.

As well as meeting formally, the whole Trust Board meets every month for a development session, this programme has covered a mixture of informal presentations around strategic and operational matters, as well as informal briefings and discussions, such as on financial pressures and service development opportunities in the Black Country. The Trust Board has also held two away days during the year.

3.2 Audit Committee

Members: R Dunshea, M Martin, and R Edwards

The aims of the Committee are to provide the Trust Board with an independent and objective review of its financial systems, financial information, risk management and compliance with laws, guidance, and regulations governing the NHS.

During 2019-2020 the Audit Committee met quarterly, and at each meeting considered progress updates on: risk management and assurance, internal audit, external audit, fraud prevention, security management and tracking of the implementation of auditors' recommendations across the Trust.

Each meeting received an update on any new risks or assurance concerns from the chairs of the Quality Governance Assurance Committee (QGAC), the Finance and Performance Committee (F&PC) and the Trust Management Committee (TMC). One joint meeting was held with QGAC.

The Committee received and discussed reports on the:

- Annual Report for Trust Charitable Funds 2019-2020
- Trust Annual Report 2019-2020
- Quality Account and Annual Accounts 2019-2020
- Board Assurance Framework, Strategic Risk Register and related governance processes
- Theatre Productivity
- Waiting List Initiatives
- Consultant Job Planning

These matters featured in the Committee's reports to the Trust Board, including a high level summary of the Internal Audit reports received at each meeting. The Trust Board have been kept informed of when audit reports showed high or medium risk recommendations requiring management attention, and has been assured that mitigating actions are being taken in accordance with the agreed timeframes.

The Committee also receives regular reports from the Local Counter Fraud Specialist. The Trust currently complies fully with the National Strategy to combat and reduce NHS fraud, having a zero tolerance policy on fraud, bribery and corruption. The Trust has a counter fraud plan and strategy in place designed to make all staff aware of what they should do if they suspect fraud.

The Committee monitors this strategy and oversees when fraud is suspected and fully investigated. The Committee seeks assurance that appropriate action has been taken, which can result in criminal, disciplinary and civil sanctions being applied. There were no significant frauds detected during the year, although some cases reported to the counter fraud team remain on-going.

The Chair of the Quality Governance Assurance Committee (QGAC) is a member of the Audit Committee, which helps to maintain the flow of information between the two committees, particularly on clinical audit matters. Two of the three Committee members have recent and relevant financial experience.

Non-Executive Directors' attendances were recorded as being high during the year, and the Committee was quorate at each meeting.

4. Quality Governance Assurance Committee (QGAC)

Members: R. Edwards, M. Martin (replaced by Prof. L.Toner in year)

The Trust has established the QGAC to assure the Board of the effective functioning of risk management systems through a reporting framework. The framework reviews care standards and targets, monitors quality and safety performance, identifies risks and escalates as appropriate to the Board.

Within the reporting year period 19/20 the Trust has sustained reporting and escalation through its Committee and subgroup structure. It has reviewed format of the BAF and lead for maintenance of the BAF was transferred to the Company Secretary (as BAF custodian). BAF risks were reduced from 7 (as at Mar 18) to 4 (as at Mar 19), all risks have had regular updates by Exec leads.

The Trust assesses ongoing CQC Compliance via Quality Review Visits (QRV) and lead assessment against the Fundamental standards of care, and self-assessment against Core service frameworks.

The Trust has completed a programme of quality review visits throughout 19/20 to assess on-going compliance with Care Quality Commission (CQC) regulations. QRVs are now well embedded and included a programme of review follow up delivered in 2019/2020. An annual report on the 19/20 visit programme will be presented in May 2020.

The QGAC have reviewed reports in line with its terms of reference (including items below) and escalated risks and assurances to the Board via monthly chairman reports and minutes to the trust Board.

- Board Assurance Framework (BAF) – Monthly
- Trust Risk Register (TRR) – Monthly
- Integrated Quality and Performance Report – Monthly
- Mortality Quality Improvement plan – Monthly
- External review Compliance – 6 monthly
- CQC Compliance – Monthly
- Clinical Audit – Annually
- Claims and Litigation – Annually
- Health & Safety – Annually
- Safeguarding - Annual

The Committee maintains links with the Audit Committee through a standing agenda item ('issues of significance from Audit Committee') which ensures a two way feed of information between the committees. There is also attendance overlap by a non-executive director to both committees. QGAC has seen a change in NED membership with Prof. L.Toner replacing Mary Martin as the QGAC NED member.

To inform the Committee, the QSIG and COG sub groups have conducted detailed reviews of compliance and risk status on the following key areas:

- Compliance with the use of the safer surgical checklist
- Policy audit reports e.g. Risk management and integrated Governance strategy, Being Open Policy
- Safety alert compliance e.g. NPSA, MHRA, MDA
- SUI management (process, investigation outcomes and action tracking)
- CQC standard Compliance
- National Clinical guidelines/standards e.g. NICE, NCE, Royal College reports

- National and Local audit performance for a number of clinical services
- External assessment and validation for a number of clinical services
- Health and Safety Management
- Approval and review of new [clinical] procedure applications
- Safeguarding performance
- Radiation protection
- Information Governance
- Organ Donation
- Medicines management
- Patient and Staff survey reports
- Creating best practice group
- End of Life group
- Complaints, Litigation, Incidents and PALs (CLIP) group
- Clinical Product Evaluation group
- Continuous Quality Improvement Report: first received in July 2019, and periodically thereafter.

The non-exhaustive list above is managed on an annual plan of work for the QSIG / COG subgroups with upward reporting to QGAC through chairman reports and minutes. An issues log is shared with QSIG members to communicate issues for redress from oversight/assurance reports reviewed at COG.

The current structure implemented in 2018/19 is well embedded and feedback on the new process has been good.

Challenges 2019/20
The Trust continues to progress its ambition to become an organisation providing an integrated care system. This will present new challenges as well as opportunities to streamline and evolve primary and secondary care pathways. A priority will also be to stabilise and embed RWT processes within BCPS creating a high quality and seamless service across partner organisations.

As well as developing systems, processes and assurance structure, the trust also intends to demonstrate improvement. The development of a Clinical Improvement Team and strategy continues to be component in the Trust continuous improvement journey. Within Governance and risk management, audit and evaluation tools will support the assessment of sustained improvement in key areas.

Committee objectives - During the year ahead QGAC has agreed two primary objectives:
1) That the Trust will have developed during the year metrics which will enable the Board to be assured that it can adequately assess the performance of all the divisions including in particular the new Community and Primary Care Division 3.
2) Mortality:
- To understand the drivers for elevated mortality ratios
- To have a robust improvement plan, including target dates
- To be able to demonstrate that we are providing reliable care

QGAC has monitored progress with these using the Integrated Quality and Performance report and the Mortality Report and BAF updates as the basis for questioning and discussion.

4.1 Finance and Performance Committee

Members: M Martin, S Rawlings, and J Hemans.

The F&PC provides assurance to the Trust Board on the effective financial and external performance targets of the organisation. It also supports the development, implementation and delivery of the medium term financial plan, and the efficient use of financial resources.

The Committee meets monthly and considers in detail, among other things, the Trust's financial position, the Financial Recovery Board report which includes progress on the Cost Improvement Programme, the progress of the capital programme, and performance aspects of the Trust Board's quality and performance report.

It also considers Group, Service Line Reporting, Sustainability and Transformation Programme (STP), contractual performance against contractual standards, Local Clinical Research Network (LCRN) finance report, the procurement strategy and other matters associated with operational finance and budgeting.

The Committee had oversight of two risks highlighted on the BAF and ensured that it reviewed progress with the mitigations against each of the risks assigned.

The Committee meetings have always been quorate and well attended. As with the other Committees, the Chair submits a report on each meeting to the next available Board and highlights pertinent issues. This is done in a timely fashion as the Committee meets 10 days before the Board. In addition, the minutes are submitted to the Board for information.

The Committee had set itself two objectives for the year. The first was to support the development of the Medium Term Plan for inclusion in the STP wide plan which has been achieved. The second was to monitor the progress on the programme to reduce the number of Stranded Patients (those who have been an in-patient for over 20 days). This programme is still being developed and monitored.

4.2 Workforce & Organisational Development (WOD) Committee

Chair: Junior Hemans, Member: Roger Dunshea + one 'floating' Member

One of the Trust Strategic Objectives was and is to attract, retain and develop all employees and improve employee engagement year on year. This links to the Board Assurance Framework risk relating to the requirement for Recruitment and Retention of staff across the Trust and in particular the future pipeline of nursing and medical staff.

The Committee was established as a Committee of the Trust Board with its Terms of Reference being approved in September 2017 and it commenced operation in October 2017.

The Committee was formed to give greater emphasis and assurance on workforce governance relating to Resourcing, Skills, Leadership & Organisational Effectiveness, Engagement and Productivity.

The outline remit of the committee is as follows:

- The organisational development and workforce strategy, structures, systems and processes are in place and functioning to support employees in the provision and delivery of high quality, safe patient care
- Processes are in place to support optimum employee performance to enable the delivery of strategy and business plans in line with the Trust's values
- The Trust is meeting its legal and regulatory duties in relation to its employees
- Where there are human resource risks and issues that may jeopardise the Trusts ability to deliver its objectives, that these are being managed in a controlled way.

In order to meet the requirements of the committee, the following points are key areas of focus:

1. The implementation of an overarching organisational development and human resources strategy that enables the Trust to deliver its strategy, vision and values
2. Effective identification and mitigation of Human Resources risks within the supporting infrastructure of the Board Assurance Framework and Risk Register
3. Robust workforce planning and recruitment processes are in place, supported with attraction & retention approaches, to ensure that the Trust has a workforce to deliver its strategy and annual plan
4. Mechanisms in place and effective to communicate with and inform the workforce in relation to strategy as well as constitution, values and ethos.
5. The monitoring of staff engagement and experience, reviewing staff surveys (national & local) and delivering its plans to achieve a highly motivated and engaged workforce to enhance the quality of patient care
6. The monitoring of processes in place to identify and develop organisational structures, leadership and management capability to ensure the delivery of the Trust's strategy
7. Arrangements for the effective training and education of the workforce in all professions and disciplines
8. The Trust is delivering its ambition and legal obligations in relation to the Diversity/Equal opportunity of the workforce
9. Processes & resources are in place, to ensure the development of healthy teams and indicators of poor team health are acted upon, as well as support the wider Trust Health &Well-Being agenda.
10. Performance management reports are reviewed

4.3 Remuneration Committee

Members: R Dunshea, R Edwards, J Hemans, M Martin, S Rawlings

The purpose of this Committee is to advise the Trust Board about appropriate remuneration and terms of service for the Chief Executive and other Executive Directors. The Remuneration Committee met several times during the year and reviewed Executive Director Remuneration and appraised the performance of the Chief Executive (in his absence). The Chairman appraised all of the Non-Executive Directors.

4.4 Charitable Funds Committee

Members: S Rawlings, R Dunshea

The aim of the Committee is to administer the Trust's Charitable Funds in accordance with any statutory or other legal requirements or best practice required by the Charities Commission.
During 2019/2020, the Committee has continued to benefit from the dedicated support of an in-house fundraising coordinator and appointed a Community Fundraiser to support events and work in/with the community. These staff members are ably supported by the Head of Communications and her team, as well as the on-going help of the finance team and external investment adviser. The newsletter and increased use of social media has raised further awareness of the charity and our work.
A wide range of projects have been supported during the year, supporting staff, patients and their families with both equipment, consumables and some capital items – going over and above that which can be provided by the Trust itself.

4.5 Trust Management Committee

The Trust Management Committee (TMC) provides a formal platform for the major decision-making process for clinical and non-clinical operations, and as such is not attended by Non-Executive Directors, but all of the Executives attend, along with Divisional Medical Directors and Heads of Service. High attendance rates were recorded at all of these meetings.

The Committee, chaired by the Chief Executive, receives monthly reports from the Divisions on governance, nursing and quality issues, as well as business cases above a certain value. The Committee also receives monthly updates on finance, human resources, the capital programme, vertical integration, nursing and midwifery professional issues, policies, the IQPR, and the Trust efficiency programme.

Quarterly updates are presented on cancer services, infection prevention, research and development, information governance and the integrated electronic patient record project. Reports on other matters, such as education and training, are also submitted periodically. During the year, the Committee started to include on its agendas a strategic matter for discussion, in order to engage the members in considering and debating together some of the bigger issues facing the organisation going forward.

It approves in line with Standing Financial Instructions, some Business Cases and all new or significantly changed Policies and Procedures.

4.6 Freedom to speak up - concerns raised

The Royal Wolverhampton NHS Trust has worked to progress the trusts Freedom to Speak Up objectives these last 12 months and continues its journey towards creating a culture of speaking up within a safe environment, ensuring that speaking up is business as usual.
The Trust Board have devised a Freedom to Speak Up Vision with comprises of 5 strategic objectives, and below are some of the achievements accomplished towards these objectives.

- The Trust now has 13 Contact Links recruited to the staff volunteer scheme, including a Junior Doctor.
- FTSU Guardian has delivered Managers & Staff FTSU Training Sessions, which has received excellent feedback.
- A Managers Guide to Speaking Up has been created to support managers in creating a safe speak up environment
- There has been a positive increase in the number of staff speaking up to the FTSU Guardian (see table below).
- A successful FTSU Primary Care campaign was launched in October 2019.
- The Trust hosted the National Guardian visit during the October Speak Up month.
- The FTSU Guardian led a successful Speaking Up campaign for the Trust, recording the highest return on the FTSU Survey to date, over 1500 responses to the RWT FTSU Poll
- Successful outcomes of concerns raised via Freedom to Speak Up and as presented during the October Speak Up month this includes, of staff feeling very supported, they have felt listened to and have been grateful for the dedicated, individualised support from the FTSU Guardian.
- Neighbouring Trust and Non-executive directors have looked towards our FTSU Guardian to support, advise on recruitment of FTSU Guardians and support to develop their FTSU Plans.
- We have been able to offer FTSU Support during the Covid-19 crisis to all staff

Here is the trust Freedom to Speak Up data recorded for the Financial year 2019/2020 and reported to the our Trust Board, as well as our national requirement to report this data to the National Guardian Office; an independent, non-statutory body with the remit to lead culture change in the NHS so that speaking up becomes business as usual. The office is not a regulator, but is sponsored by the CQC, NHS England and NHS Improvement.

Table 14

Year 2019/ 2020	Total number of cases brought to Freedom to Speak Up Guardians, Champions and Ambassadors in our trust	#Cases raised anonymously	# of cases with an element of patient safety/ quality	# of cases with an element of bullying or harassment	# of cases where people indicated suffering detriment from speaking up
Q1	14	0	2	11	1
Q2	28	0	4	25	11
Q3	22	2	3	17	8
Q4	28	4	6	17	2

Freedom to Speak Up at The Royal Wolverhampton NHS Trust has taken a successful journey and already we have begun to see some positive outcomes as result of Freedom to Speak Up interventions. There was an internal audit review that provided significant assurance in respect of the FTSU process.

4.7 Capacity to handle risk

4.7.1 Risk Assessment

The Trust Board has approved a Risk Management Assurance Strategy, which identifies that the Chief Executive has overall responsibility for risk management within the Trust. Within the strategy (and supporting policies) all managers and staff have delegated responsibility identified for the management of risk as part of their core duties. Training is provided to equip staff with appropriate knowledge and skills via a combination of e-training packages and handbook resources. The risk management training for senior managers and all staff is available via e-training packages and will be considered for mandatory status in 20/21.

We manage risk through a series of processes that identifies risks, assesses their potential impact, and implements action to reduce / control that impact.

In practice this means:

- Interrogating internal sources of risk intelligence and activity to inform local and Trust level risk registers and assurance frameworks (e.g. incident, complaint, claim, audit, and compliance)
- Using committee / subgroup reporting to inform the risk registers
- Reviewing external / independent accounts of our performance to inform risk status (e.g. CQC standards, national benchmarks, external reviews and internal audit reports)
- Integrating functions (strategic and operational) at all levels of the Trust to feed a risk register and escalation process
- Using a standardised approach to risk reporting, grading and escalation. Our categorisation matrix supports a standard approach to risk tolerance
- Monitoring controls through positive and negative assurance and treatment actions for each risk, to mitigate and manage residual risks

- Developing and implementing a risk management and patient safety reporting policy (OP10) across the Trust
- Refinement of risk management training made available to all staff (including senior managers)

4.7.2 Management of the Risk Register within the Trust:

Risk registers are managed at the following levels:

- Divisional / Directorate / Departmental – operational risks that include clinical, business / service, financial, reputational, and patient / staff / stakeholders
- Trust Risk Register (TRR) – Any risks graded as 12 or above are escalated to the TRR for consideration by Directors. This has the purpose to inform Directors and the Trust Board of operational risks which may adversely impact the BAF and strategic objectives. Risks / elements of controls may also be delegated from the BAF to operational risk registers for management
- Board Assurance Framework (BAF) – Contains all risks which impact on our strategic objectives

Each risk on the BAF and TRR has an identified Director and operations lead to manage the risk.

The TRR and BAF are reviewed by Directors, the Board and management at the following frequencies:

- QGAC – Monthly
- Trust Board – TRR (Monthly), BAF (Bi Monthly)
- Finance & Performance Committee - Monthly
- Delegated Committees – Monthly
- TMC review TRR – monthly
- Divisional Governance - monthly

During the year we have maintained focus on the quality of controls assigned to risks at all levels, monitoring of assurances and the progression of actions to address the risk.

As at 31st March 20 a total of 38 risks on the BAF and TRR were being managed 5 risks on the BAF and 33 risks on the TRR. The risks comprised of the following categories:
5 red BAF risks (red being the highest risk rating),
6 red TRR risks
27 amber TRR risks

A summary of 5 BAF risks is listed below:

SR1 - Workforce - Recruitment and Retention of staff across the Trust and in particular the future pipeline of nursing and medical staff
SR8 - That there is a failure to deliver recurrent CIP's.
SR9 - That the underlying deficit that the Trust has (in 2018/19) is not eliminated in medium term to bring the Trust back to financial surplus.
SR12 – Mortality rates – reputational risk.
SR13 –Cancer performance metrics place RWT in the bottom quartile nationally.

A breakdown of risks on the TRR against strategic objectives is below:

Strategic Objective	TRR			
	R	A	Y	G
1) Create a culture of compassion, safety & quality	3	20		
2) Proactively seek opportunities to develop our services		1		
3) To have an effective & well integrated health and care system that operates efficiently		3		
4) Attract, retain & develop our staff & improve employee engagement	1	2		
5) Maintain financial health – Appropriate investment to patient services	1	1		
6) Be in the top 25% of all key performance indicators	1			

4.1 The Risk and Control Framework

The Board-approved Risk Management Assurance Strategy includes the following:

- The aims and objectives for risk management in the organisation, aligned to our vision and strategic objectives.
- A description of the committee arrangements and reporting relationships between various corporate committees and subgroups
- The BAF and process for management of risk registers
- The identification of the roles and responsibilities of all staff with regard to risk management, including accountability and reporting structures.
- The promotion of standard risk management systems as an integral part of assurance provision
- A description of the risk management process and a requirement for all risks to be recorded in a risk register prioritised (i.e. graded) and escalated using a standard scoring methodology

We seek to identify risks through all available intelligence sources including independent review, external review and assessment. The risk management process is supported by a number of policies which direct risk assessment, incident reporting and investigation, mandatory training, health and safety, conflict resolution, violence and aggression, complaints, infection prevention, fire safety, human resources management, consent, manual handling and security. All policies have identified audit, monitoring and training arrangements.

The BAF identifies the risks to our strategic objectives, the key controls in place to manage these risks and the effectiveness of the controls shown in positive and negative assurance. The Internal Audit of BAF (April 2020) reported significant assurance on the processes and controls for the BAF and four low level improvement actions, one being to make more explicit the relationship between operational and strategic risks.

The latest audit report of the Risk Management Reporting Policy (OP10) showed the overall position of the Trust remains unchanged, there has been no significant improvement or deterioration noted when compared to the last report. However the audit report has made some recommendations: In summary to ensure completeness a few actions identified in the last report which have not resulted in the required improvement

have also been included in the latest audit report action plan.

The audit recommended that the Datix Project Group reviews incident classifications and the when the Risk Management Reporting Policy is next reviewed it includes instructions on how Divisions / Directorates are expected to respond to Making it Better Alerts. Each of these recommendations have been included in the audit report action plan which will be audited again in twelve months-time.

All Committees of the Trust Board (excluding TMC) are chaired by Non-Executive Directors to reflect the need for independence and objectivity, ensuring that effective governance and controls are in place. This structure facilitates appropriate scrutiny and challenge of the performance of the organisation. The Committees met regularly throughout the year, and reported to the Trust Board following their meetings.

We have a well-developed framework for assessing on-going compliance with CQC Fundamental standards of care (and 5 key questions of Safe, Caring, Effective, Responsive and Well Led) known as Quality Review Visits (QRV's). The assessment of compliance uses a combination of quality performance indicators, clinical audits and observational ward and department visits to measure on-going compliance with care standards. Following each QRV we use the CQC rating characteristics to make judgements about compliance with the fundamental standards of care and judgments are cross checked and challenged at Divisional Management Performance & Quality meetings and by Executives at Trust groups. This approach allows for information to be triangulated between performance results and observation of care standards and allows for assurance to be reported from ward to Board.

The QRV programme aims to:

- Create a positive and proactive approach to observational assessment and external reviews.
- Ensure robust / reliable compliance reporting: ward to Trust Board.
- Support continuous quality improvement and patient safety.
- Highlight good practice and areas of excellence.

During 2019 we conducted six QRVs identifying areas of good and excellent practice to be shared, as well as areas for improvement for local follow up. The QRVs are well embedded within the Trust with positive feedback and quality benefits being reported by both the clinical areas visited and those conducting the inspections.
A follow-up visit process commenced 2017 where areas requiring improvements are followed up. One has been completed which showed improvements.

In areas not currently undertaking the QRV programme, self-assessments have been completed against CQC requirements with local improvement actions taken forward. The 2019/20 programme included community areas and 2020/21 programme will include GP Practices.

Vertical Integration of Primary care - The Trust continues to manage GP practices as part of Vertical Integration (VI). During 2019/20 reports pertaining to VI quality/safety compliance and performance have been integrated within the Trust reporting structure e.g. QSIG dashboard, IQPR indicators etc.

Black Country Pathology Services - The Trust is host to a new Black Country Pathology Service (BCPS) which went live on the 1 st Oct 18. BCPS, is a partnership across the four

providers of the Black Country, Dudley Group Foundation Trust (DGFT), Sandwell and West Birmingham Hospitals (SWBH), Royal Wolverhampton Trust (RWT) and Walsall Healthcare Trust (WHT). A partnership agreement and governance structure is established with detailed transitional arrangement in progress to align with RWT policies, processes and assurance framework.

Risk management assurance - The Trust Annual Risk management audit is awaited at the time of this report. The Trust takes a continuous improvement approach to its Risk Management arrangements and will action the recommendations and opinion of its internal auditors (Grant Thornton) to progress its Governance and risk management arrangements. The new divisional structure, now comprising three divisions has a well embedded reporting structure. The review of Governance infrastructure and functions for the Trust will reinforce and enhance a future for future Governance service.

Risk Management training – Maintaining compliance with mandatory Risk Management training for senior managers and all staff will be a key focus in 20/21. During 2018/19 the Trust sustained improvement in the update of the TRR, aided by the set-up of a new monthly Risk Register Review Meeting. The timeliness of risk escalation to Trust TRR level has been a focus of the group and improvements made in year in 2019-2020.

Clinical Quality Improvement Team - The Continuous Quality Improvement (CQI) model has continued to embed, with 143 staff having attended the Quality Service Improvement and Re-design (QSIR) fundamental training, 9 staff becoming QSIR trainers and 10 staff becoming QSIR practitioners. Having embedded the model of key trainers and practitioners, the Trust is now cascading this training across the organisation to ensure that the CQI approach is part of the culture, improvement and innovation across the organisation. There is further information on the work of the CQI Team in the Trust Quality Account 2019-2020.

Assurance Priorities 2020/21

- Further develop and sustain governance arrangements for acquired services e.g. BCPS, GP practices etc.
- Review structures, resources, functions and arrangements for governance department
- Review and align Quality assurance frameworks for QRV, Leadership Walkabouts and Quality audits
- Develop Positive reporting, Learning from Excellence and the Trust Clinical Quality Improvement team and methodology
- Progress the implementation of national guidance on Learning from Deaths, Mortality Quality Improvement plan; monitoring the impact on patient outcomes and alerts.
- Further embed systems, processes and resources for Local Policy governance
- Target learning themes identified from Serious Incident Investigations

The Risk and Control Framework - Looking Forward to 2020-2021

The key strategic risks identified as we go into the new financial year are:

- Workforce - Recruitment and Retention of staff across the Trust and in particular the future pipeline of nursing and medical staff
- That there is a failure to deliver recurrent CIP's.
- That the underlying deficit that the Trust has (in 2018/19) is not eliminated in medium term to bring the Trust back to financial surplus.
– Mortality rates – reputational risk.
–Cancer performance metrics place RWT in the bottom quartile nationally.

The Trust has developed a learning framework to broaden its capacity to share learning and support improvement. A learning from Experience webpage is developed on the Trust intranet to publish lessons for improvement and/or awareness for staff. A learning portal and log is used to capture learning from serious incident investigations, complaints, claims, mortality review etc. on an ongoing basis. With the development of the Quality Improvement Programme at the Trust, this intelligence will also inform improvement projects based on Trust learning and intelligence.

4.2 Compliance Summary

The Trust is fully compliant with the Self-assessment, declaration and registration requirements of the Care Quality Commission.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with

Developing Workforce Safeguards and Workforce Planning

We have considered the guidance and requirements set out within 'Developing Workforce Safeguards' published by NHS Improvement in October 2018. The Trust established Role Development Group focusing on new or expanded roles responding to service challenges and needs. This links into workforce planning and we are reviewing our approach to this to ensure engagement and integration. As part of improved workforce planning, Trusts are expected to make use of the *Operational workforce planning self-assessment tool*, which we undertook in early Autumn 2018 which highlighted engagement and integration at service levels as an area of focus and we have started to make good progress in this area.

The Trust's ambition is that we will enable our staff to be the best they can be in their chosen career. We will continue to explore and develop new roles, including widening our offer of Apprenticeships across the organisation, which will support care delivery that will be required by our patients in the future.

In terms of the nursing and midwifery workforce, a gap analysis of the compliance with the Developing Workforce Safeguards has been undertaken which has identified some areas the Trust requires to strengthen. A resultant action plan has been developed in order to progress these areas and achieve full compliance. Allied Health Professionals are currently in the process of completing a gap analysis and will develop an action plan as necessary.

5. Review of economy, efficiency and effectiveness of the use of resources

The Trust has a robust governance structure in place ensuring monitoring and control of the effective and efficient use of the Trust's resources. Financial monitoring, service performance, quality and workforce information is scrutinised at meetings of the Trust Board, F&PC, TMC and at Divisional Team meetings.

The Trust has achieved all of its statutory financial targets, achieving an end of year surplus of £3.0m, delivering the Capital Programme within its Capital Resource Limit and achieving its External Funding Limit. The Trust has arrangements in place for setting objectives and targets on a strategic and annual basis. These arrangements include ensuring the financial strategy is affordable and scrutiny of cost savings plans to ensure achievement, with regular monitoring of performance against the plans.

This is done through:

- Approval of the annual budget by the Trust Board
- Monthly reporting to the Trust Board on key performance indicators covering finance, activity, governance, quality and performance
- Monthly reporting to the F&PC
- Regular reporting at Operational and Divisional meetings on financial performance
- Finance Recovery Board meetings to oversee the Lord Carter economies work streams, and the Cost Improvement Programme

Internal Audit has provided assurance on internal controls, risk management and governance systems to the Audit Committee and to the Trust Board. Where scope for improvement in controls or value for money was identified during their review, appropriate recommendations were made and actions were agreed with management for implementation. The implementation of these actions is monitored by the Audit Committee.

6. Information Governance & Data Security

SUMMARY OF SERIOUS INCIDENT REQUIRING INVESTIGATIONS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2019-20

The next table details the incidents **reported** on the NHS Digital incident reporting tool and to the Information Commissioners Office (ICO), within the financial year 2019/20. Any incidents that are still being investigated for the period 19/20 are not included. The incidents listed below are for the Royal Wolverhampton NHS Trust and for the Vertical Integration GP partnerships that have joined the Trust as listed below.

Table 15

Date incident occurred (Month)	Nature of incident	Number of data subjects potentially affected	Description/ Nature of data involved	Further action on information risk
June 2019	Uploaded to website in error. A member of the Trust's staff accidently uploaded an interview pack of 8 applicants to a link to a job description online for another vacancy. This was discovered by another member of staff and reported immediately.	8	Full employee application data	The website was taken down so the advert could not be accessed and information removed with 24 hours of upload. All affected applicants were contacted.
December 2019	System outage disruption to services. A planned downtime to migrate the existing IT network to a new infrastructure took place with the expected downtime for IT systems and switchboard to be approximately 10 minutes. Following initial downtime it was clear IT systems and switchboard were experiencing issues and were not back up and running.	0	N/A	Issues with systems and switchboard have the potential to affect patient care. No reports of any patient harm have been reported. Patient Admin System unavailable during clinical time.
December 2019	Lost or Stolen Paperwork Van was stolen from outside a patient's house. The vehicle contained continence pads with delivery notes with patient's names and addresses on.	30	Name, address	Area reported the theft immediately. Van recovered same day a few hours later. All patients at risk were contacted to advise of incident.

Table 16 Incidents classified at lower severity level

Incidents classified at severity level 1 are aggregated and provided in table below:

SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2019-20		
Category	**Breach Type**	**Total**
A	Corruption or inability to recover electronic data	0
B	Disclosed in Error	60
C	Lost in Transit	4
D	Lost or stolen hardware	0
E	Lost or stolen paperwork	20
F	Non-secure Disposal – hardware	0
G	Non-secure Disposal – paperwork	4
H	Uploaded to website in error	1
I	Technical security failing (including hacking)	3
J	Unauthorised access/disclosure	5
		97

Data Protection and Security Toolkit Return 2019/ 2020

Due to the current situation relating to Covid-19, NHSX recognises that it will be difficult for many organisations to fully complete the toolkit without impacting on their COVID-19 response. NHSX has therefore taken the decision to push back the final deadline for DSPT submissions to 30 September 2020. Therefore the following toolkit submissions will be delayed. This would normally be Table 17.

The Royal Wolverhampton NHS Trust RL4

Alfred Squire	M92002
West Park Surgery	M92042
Thornley Street	M92028
Lea Road	M92007
Penn Manor	M92011
Coalway Road	M92006
Warstones	M92044
Lakeside	M83132
Dr Bilas Surgery	M92026

6.2 Looking forward to 2020/21 Data security and Protection

Due to the current Covid-19 response the implementation of the national data opt out had also been delayed until 30 September 2020. The Trust however continue to work towards achieving compliance with the national data opt-out for later this year.

The Trust continues to monitor patterns and trends of data security incidents and implementing measures to reduce these to the lowest level practicable. Current risks include continued and increasing risk of external threats in relation to Cyber security, particularly via email phishing. Other risks to data security include disclosure in error via various means, and this is attributed to the ways of working in health which the Trust is aiming to improve with digital innovation and improvements in IT systems.

The Trust are continuing to embed the requirements of the General Data Protection Regulation 2016 (GDPR) into Trust practices, monitored via the GDPR implementation group ensuring data privacy is at the forefront of the care that we provide and the information that is captured. The Trust is also working closely with GP Partnerships that have joined the organisation to align practices and share good practice.

The Trust remains focused on areas of business continuity in relation to data security, assurance around access to key information assets and how this is monitored as well as how data flows are mapped and monitored. This program of work will be monitored though the committees below.

The Trust has several committees dedicated to reviewing assurance in relation to DSPT and GDPR, chaired by senior board members.

The Medical Director is the Trust's trained Caldecott guardian, and is responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information-sharing. The Guardian plays a key role in ensuring that Trust satisfies the highest practical standards for handling patient identifiable information, and Chairs the IG Steering group and GDPR implementation group.

The Chief Financial Officer is the Trust's Senior Information Risk Officer (SIRO) and is responsible for monitoring the Trust's overall information risk, ensuring we have a robust incident reporting process for information risks. The SIRO reports to the Trust Board and provides advice on the matter of information risk. The SIRO is also a member of the IG steering Group and co-chair of the GDPR implementation group.

The Trust has appointed a Data Protection Officer who acts independently to ensure compliance with the GDPR as well as monitoring its application across the Trust. The DPO has a reporting line into the Caldecott Guardian through to the Trust board.

The Trust is in the process of establishing clear responsibilities for Information Asset Owners across the Trust to facilitate robust and timely escalation of information risk escalation to the SIRO.

Regular reports are provided to the Trust Board during the year to ensure that they are sighted on and support the Trust's plans in relation to data security and protection. To support this each toolkit assertion is aligned to a director responsible on the board.
All Trust board members received NHS Digital approved GCHQ cyber and data security training, and will receive updates and briefings in relation to the Trust performance in this area.

7. Annual Quality Report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year.

Guidance for Quality Accounts remains in place nationally, which outlines the requirements with respect of the format, content and reporting arrangements for the annual Quality Accounts. The Trust used this guidance to ensure that its requirements were included in the Trust's Quality Account 2019-2020

The Trust's quality priorities for 2019-2020 were selected as part of a consultation process with our staff and external stakeholders. In addition, the Trust reviewed what patients and members of the public said about us through national and local surveys, in-patient feedback received through complaints, compliments and the Friends and Family Test. In addition, various national and local guidance and feedback from the Care Quality Commission were considered.

The Quality Account outlines the progress made against the 2019/20 objectives together with details of the key objectives for the forthcoming year. These objectives have been set based on the priorities of the Trust, considering external accreditation, variety of surveys, CQC inspection outcomes, key improvement priorities and views of the staff, patients, public and our key stakeholders.

The following information has been included in the Quality Account as per the 2019/20 requirement outlined in the letter received by NHS England and Improvement in January 2020:

- A statement regarding progress in implementing the priority clinical standards for seven day hospital services.
- In its response to the Gosport Independent Panel Report, the Government committed to legislation requiring all NHS trusts and NHS foundation trusts in England to report annually on staff who speak up (including whistle-blowers). Ahead of such legislation, NHS trusts and NHS foundation trusts are asked to provide details of ways in which staff can speak up (including how feedback is given to those who speak up), and how they ensure staff who do speak up do not suffer detriment. This disclosure should explain the different ways in which staff can speak up if they have concerns over quality of care, patient safety or bullying and harassment within the trust.
- Organisations have also been reminded that schedule 6, paragraph 11b of the *Terms and Conditions of Service for NHS Doctors and Dentists in Training (England) 2016* requires "a consolidated annual report on rota gaps and the plan for improvement to reduce these gaps shall be included in a statement in the Trust's Quality Account".
- Despite the assurance audit being ceased for the 2019/20 Quality Account, updates against the actions agreed following the last year's audit have been provided.
- The draft Quality Account shared internally contains information relating to the National Inpatient Survey results for 2019. However, these results are currently embargoed and as such cannot be shared externally.
- Final data is awaited for a number of data sets, which will be included in the final version of the Quality Account.

Note:

The Quality Account was to be published by no later than 30th June 2020 and as a result, the final version presented to Trust Board on 2nd June 2020. However, please note the caveat with regards to the National Inpatient Survey 2019. In addition, NHS England and Improvement have indicated that due to the significant pressures associated with Covid-19 (coronavirus) pandemic, the publication date has been deferred to later in the year. However, RWT has kept to the original plan timescales

8. Operational Performance

The Trust is committed to delivering the national requirements and operational performance standards. These are robustly monitored and managed to ensure patients receive the most appropriate levels of care. A comprehensive performance management process exists across the Trust to monitor delivery against these standards alongside trust wide organisational efficiently metrics and other quality based indicators of effective standards of care.

The framework we employ is multi-faceted and covers many levels across the organisation. This includes weekly review at the Chief Operating Officer's performance meeting and through subsequent meetings across the Divisions. A detailed Integrated Quality and Performance Report (IQPR) is produced monthly; performance is discussed in-depth at the monthly Finance and Performance Committee, which is chaired by a Non-executive Director, with further scrutiny taking place at the full Trust Board. Specific details of the Trust performance against the key operating standards can be found in section "What We Achieved – Performance Summary 2019-2020".

8.1 Emergency Planning / Resilience

The Trust has undertaken a great deal of work in the last 12 months' period to March 2020 to ensure the Trust's compliance against NHS England's core standards for EPRR. The Trust's self-assessment resulted in the Trust being 'Fully compliant' for Emergency Preparedness Response Resilience (EPRR) 2019/2020. External assurance for this assessment was provided by the Local Health Resilience Partnership and internally by the Trust's Trust Board.

The Trust's emergency planning systems and processes have been reviewed and updated to ensure they are still fit for purpose and the Trust is able to respond appropriately to a major accident, infectious disease or other major disaster.

A series of policies and plans have been updated. The Trust has a new EPRR policy, previously a strategy which has been approved at the Trust's Trust Management Committee in September 2019 and provides a more robust framework for how the Trust will meet its legal duty to be prepared, and respond to sudden incidents and emergencies. As part of ongoing delivery for business continuity management the Trust has updated its business continuity review process to ensure compliance with the Trust's Business Continuity Policy. This was launched in May 2019 and includes a response to data security threats, such as significant data breaches and cyber-attacks. This is in line with the General Data Protection Regulation (GDPR) regulation and the Trust's information Governance toolkit requirements.

The Trust has continued to train and exercise, with the last exercise being 'Exercise Replevin' July 2019. This exercise was designed to test the Trust's business continuity arrangements in response to a data security incident. Several lessons were learnt, an action plan was developed to improve our response to this type of incident.

During the year the Trust has been preparing for the UK exit from the European Union (EU), with an exit 'without' a deal on the 31 March 2019. This was subsequently delayed initially until 31 October 2019 and more recently 31 January 2020. In preparation for a potential 'no deal' scenario the Trust undertook appropriate contingency planning to ensure minimal disruption to service provision. From the 1 February 2020 the UK entered a transition period which starts the withdrawal process from the EU until 31 December 2020. The Trust continues to plan for when the UK ultimately comes out of the EU.

Covid-19 started on the 30 January 2020 when the World Health Organisation declared a Public Health Emergency of International Concern to COVID-19, an infectious disease outbreak. During this period the Trust has and continues to put plans in place to respond to this evolving incident. The Trust has been working actively, engaging and co-operating with partners in responding to this incident. This has been undertaken on a multi-agency level, working with the Black Country and West Birmingham Sustainability Transformation Partnership (STP) and at a regional level.

Due to the rapid pace in response the Trust in line with national government guidance has implemented a number of temporary service changes. The Trust continues to review organisational emergency planning arrangements.

An Emergency Preparedness Response & Resilience annual report has been produced identifying the Trust's resilience and key priorities for the forthcoming year.

8.2 Health and Safety at Work

The Trust health and safety risk profile has been maintained and shows the Trusts level of compliance with the relevant Health and Safety Executive (HSE) legislation. Work continues to identify gaps and provide action plans to fill these gaps giving the Board an improved assurance around compliance with the Regulations. Estates and Facilities continue to work towards compliance with the Premises Assurance Model (PAM) accreditation system, this is adding to the robustness of assurance received from Estates. Estates Facilities are also maintaining their accreditation for CHAS (Contractors Health & Safety Assessment Scheme) allowing them to use the logo on their letterheads as approved contractors.

The Trusts Health and Safety Strategy is in the final year of implementation with a review due in the Autumn.

It is pleasing to report that during the 5 years life span of the strategy the Trust has seen a 12% decrease in the total number of health and safety incidents reported. In the period 2018/19 v 2019/20 there is a 5.4% reduction in overall incidents reported.

The top five reported health and safety related incidents for the year are:

- Sharps incidents (14% increase)
- Personal Contact Injury (5% increase)
- Violence and Aggression (5% decrease)
- Manual Handling (14% decrease overall) (patient handling 11% decrease; objects 14% increase)
- Slips, trips & falls (22% decrease)

There is a Trust inoculation's group that monitors sharps incidents and supports the implementation of safer sharps mechanisms. The Group and Health and Safety Officers work with the high incident reporting areas to address issues and manage sharps incidents. A sharps awareness programme has been undertaken along with additional training on the use of sharps by the suppliers and this work continues.

Over the past 12 months there has been a lot of focused work on the Ligature risk assessment and COSHH (control of substances hazardous to health) risk assessments to further ensure quality and regulatory requirements are met. Improvements to assessment and managing risks associated with mobile working, in particular in the community services has been implemented and this work continues.

Mandatory health and safety training at year end was 99.5% compliant across the Trust which exceeded the Trust mandated target of 95%. Manual handling inanimate objects training is at 98.4% compliance across the Trust with people handling training is at 93.2%. The Health & Safety Team are committed to providing support and advice to areas to improve the Health and Safety of staff and patients.
Learning identified through the investigation and support provided is shared across the Trust, using various forums and reports.

Data Caveat
Due to the current COVID 19 Pandemic pressures and the resulting impact to clinical staff and services, some of the data provided could be subject to delayed update and subsequent refresh. This data could include incident reports and clinical audit figures that may be subject to update/refresh from clinical staff who are currently unable to update the respective systems.

8.3 Social Economic Responsibilities: Modern Slavery and Forced Labour

The Trust sources its procurement function the Integrated Supplies & Procurement Department (ISPD) based at University Hospitals North Midlands which is committed to:

- Utilise the Sustainable Procurement Flexible Framework (SPFF) to facilitate the procurement of goods and services in a more innovative, sustainable manner.

This self-assessment mechanism allows each Trust to measure and monitor progress on sustainable procurement over time. All Trusts are aiming for year on year improvements to achieve and work through the actions in the SPFF, working through the levels from Foundation Level 1 to achieve Lead Level 5 by 2021-22.

- Purchase more goods from sustainable sources, with a focus on those from local, ethical and Fair Trade Suppliers

Reducing carbon emissions and improving labour standards are very important areas for the health and social care sector as a whole. All Trusts have an ethical duty to protect and promote health and wellbeing and contract with suppliers of goods and services that operate in a socially responsible way with good environmental practices and employment practices.

The Trusts will use Ethical Procurement for Health (EPH) to support this. Products used will have sustainable specifications using Government Buying standards and Green Public Procurement criteria. The Trusts aim to use their buying power to generate social benefits and consider economic, social and environmental wellbeing when negotiating public service contracts as enshrined in the Public Services (Social Value) Act 2012.

In addition the NHS Terms & Conditions of Contract for goods & services specify the following terms for suppliers to adhere to in relation to Equality & Human Rights:

- Ensure that (a) it does not, whether as employer or as provider of the Services, engage in any act or omission that would contravene the Equality Legislation, and (b) it complies with all its obligations as an employer or provider of the Services as set out in the Equality Legislation and take reasonable endeavours to ensure its Staff do not unlawfully discriminate within the meaning of the Equality Legislation;
- in the management of its affairs and the development of its equality and diversity policies, cooperate with the Authority in light of the Authority's obligations to comply with its statutory equality duties whether under the Equality Act 2010 or otherwise. The Supplier shall take such reasonable and proportionate steps as the Authority considers appropriate to promote equality and diversity, including race equality, equality of opportunity for disabled people, gender equality, and equality relating to religion and belief, sexual orientation and age; and the Supplier shall impose on all its Sub-contractors and suppliers, obligations substantially similar to those imposed on the Supplier.

Annual Declarations

1. The Royal Wolverhampton NHS Trust is required to register with the CQC and its current registration status is active. The Royal Wolverhampton NHS Trust has no conditions with its continued registration.
2. The CQC has not taken enforcement action against The Royal Wolverhampton NHS Trust during 2019-2020.
3. The trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance) within the past twelve months, as required by the 'Managing Conflicts of Interest in the NHS' guidance.
4. As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
5. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.
6. The trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.
7. The Trust made its annual self-assessment submission to the Department of Health by the 31st March 2020 on the Information Governance Toolkit. (see Data Protection and security Toolkit Return section of this report).
8. The trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

10. Head of Internal Audit Opinion

"Our overall opinion for the period 1 April 2019 to 31 March 2020 is that based on the scope of reviews undertaken and the sample tests completed during the period, Significant assurance with improvement required can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The level of non- compliance in certain areas puts some system objectives at risk. We identified weaknesses which put system objectives at risk in relation to the CIP Identification and Conflicts of Interest Audits. Otherwise, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.

Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review."

11. Review of effectiveness of Risk Management and Internal Control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS trust who have responsibility for the development and maintenance of the internal control framework.

I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee and governance & quality committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

My review is informed by reports from external inspecting bodies including external audit and the Patient-Led Assessments of the Care Environment (PLACE) inspections (the system for assessing the quality of the patient environment). It is also informed by comments made by the External Auditors in their report to those charged with governance (ISA 260) and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Trust Board, the Audit Committee, and the QGAC and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has continued to undertake regular Development meetings throughout the year and has recently commenced a review to inform future Board development. It has monitored the performance and effectiveness of the Trust Board Committee's including the Audit Committee, Finance and Performance Committee, the Quality Governance Assurance Committee and the Workforce and Organisational Development Committee all of which have key roles in the assessment of assurance and effectiveness of the Trust and in the identification of and mitigation of any identified risks.

The Audit Committee has managed on behalf of the Trust Board the agreed programme of Audit including internal audit, external audit and clinical audit (alongside the Quality Governance Assurance Committee). The Board receives the presentation of examples of clinical audit work.

In relation to the Well-led Framework – the Trust undertakes continuous monitoring and self-assessment against the framework alongside the outcomes of inspections.

I have not identified any significant internal control issues or gaps in control from the work and assurances provided to me and to the Trust Board.

12. Conclusion

No significant internal control issues have been identified during 2019-2020.

Accountable Officer: David Loughton CBE
Organisation: The Royal Wolverhampton NHS Trust

Date: 15 June 2020

Statement of Comprehensive Income

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	**549,223**	489,963
Other operating income	4	**126,891**	103,012
Operating expenses	7, 9	**(656,732)**	(579,390)
Operating surplus/(deficit) from continuing operations		**19,382**	13,585
Finance income	12	**186**	127
Finance expenses	13	**(2,126)**	(2,074)
PDC dividends payable		**(10,589)**	(10,316)
Net finance costs		**(12,529)**	(12,263)
Other gains / (losses)	14	**53**	60
Surplus / (deficit) for the year		**6,906**	1,382
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations	18	**3,561**	(2,880)
Total comprehensive income / (expense) for the period		**10,467**	(1,498)
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		**6,906**	1,382
Remove net impairments not scoring to the Departmental expenditure limit		**(1,408)**	1,731
Remove I&E impact of capital grants and donations		**156**	(92)
Remove 2018/19 post audit PSF reallocation (2019/20 only)		**(511)**	0
Adjusted financial performance surplus / (deficit)		**5,143**	3,021

Statement of Financial Position

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	15	**2,609**	2,625
Property, plant and equipment	16	**348,384**	334,455
Receivables	20	**6,532**	4,002
Total non-current assets		**357,525**	341,082
Current assets			
Inventories	19	**6,901**	6,607
Receivables	20	**60,820**	36,180
Cash and cash equivalents	22	**12,045**	15,988
Total current assets		**79,766**	58,775
Current liabilities			
Trade and other payables	23	**(68,910)**	(56,811)
Borrowings	25	**(2,032)**	(2,013)
Provisions	27	**(5,084)**	(4,612)
Other liabilities	24	**(3,300)**	(3,009)
Total current liabilities		**(79,326)**	(66,445)
Total assets less current liabilities		**357,965**	333,412
Non-current liabilities			
Trade and other payables	23	**(68)**	0
Borrowings	25	**(7,223)**	(7,982)
Provisions	27	**(1,859)**	(542)
Total non-current liabilities		**(9,150)**	(8,524)
Total assets employed		**348,815**	324,888
Financed by			
Public dividend capital		**250,646**	237,185
Revaluation reserve		**64,384**	60,892
Other reserves		**190**	190
Income and expenditure reserve		**33,595**	26,621
Total taxpayers' equity		**348,815**	324,888

The notes on pages 43 to 76 form part of these accounts.

Name David Loughton
Position Chief Executive
Date 15 June 2020

Statement of Changes in Equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**237,185**	**60,892**	**190**	**26,621**	**324,888**
Surplus/(deficit) for the year	**0**	**0**	**0**	**6,906**	**6,906**
Revaluations	**0**	**3,561**	**0**	**0**	**3,561**
Transfer to retained earnings on disposal of assets	**0**	**(69)**	**0**	**69**	**0**
Public dividend capital received	**13,461**	**0**	**0**	**0**	**13,461**
Taxpayers' and others' equity at 31 March 2020	**250,646**	**64,384**	**190**	**33,595**	**348,815**

Statement of Changes in Equity for the year ended 31 March 2019

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	232,753	67,355	190	21,656	321,954
Surplus/(deficit) for the year	0	0	0	1,382	1,382
Revaluations	0	(2,880)	0	0	(2,880)
Transfer to retained earnings on disposal of assets	0	(3,583)	0	3,583	0
Public dividend capital received	4,432	0	0	0	4,432
Taxpayers' and others' equity at 31 March 2019	237,185	60,892	190	26,621	324,888

Information on reserves

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

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

Financial assets reserve
This reserve comprises changes in the fair value of financial assets measured at fair value through other comprehensive income. When these instruments are derecognised, cumulative gains or losses previously recognised as other comprehensive income or expenditure are recycled to income or expenditure, unless the assets are equity instruments measured at fair value through other comprehensive income as a result of irrevocable election at recognition.

Merger reserve
This reserve reflects balances formed on merger of NHS bodies.

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

Statement of Cash Flows

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		**19,382**	13,585
Non-cash income and expense:			
Depreciation and amortisation	7.1	**20,508**	14,575
Net impairments	8	**(1,327)**	1,731
Income recognised in respect of capital donations	4	**(102)**	(289)
(Increase) / decrease in receivables and other assets		**(26,314)**	(44)
(Increase) / decrease in inventories		**(294)**	(250)
Increase / (decrease) in payables and other liabilities		**14,826**	4,261
Increase / (decrease) in provisions		**1,792**	(1,648)
Net cash flows from / (used in) operating activities		**28,471**	31,921
Cash flows from investing activities			
Interest received		**186**	127
Purchase of intangible assets		**(646)**	(1,877)
Purchase of PPE and investment property		**(31,223)**	(21,571)
Sales of PPE and investment property		**53**	860
Receipt of cash donations to purchase assets		**102**	289
Net cash flows from / (used in) investing activities		**(31,528)**	(22,172)
Cash flows from financing activities			
Public dividend capital received		**13,461**	4,432
Capital element of finance lease rental payments		**(165)**	(227)
Capital element of PFI, LIFT and other service concession payments		**(1,818)**	(1,785)
Interest paid on finance lease liabilities		**(13)**	(17)
Interest paid on PFI, LIFT and other service concession obligations		**(2,116)**	(2,056)
PDC dividend (paid) / refunded		**(10,234)**	(11,090)
Net cash flows from / (used in) financing activities		**(885)**	(10,743)
Increase / (decrease) in cash and cash equivalents		**(3,942)**	(994)
Cash and cash equivalents at 1 April - brought forward		**15,988**	16,982
Cash and cash equivalents at 31 March	22.1	**12,045**	15,988

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care 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 2019/20 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 the accounts.

Accounting convention

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

Note 1.2 Going concern

These accounts have been prepared on a going concern basis. IAS 1 requires the Trust to assess, as part of the accounts preparation process, its ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than the dissolution of the Trust without the transfer of its services to another entity within the public sector. The impact of Covid-19 on the Going concern assessment has been evaluated but deemed to not affect the going concern status of the Trust.

These accounts have been prepared on a going concern basis.

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).

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.

The main source of income for the Trust is contracts with commissioners in respect of health care services. The timing of the satisfaction of performance obligations is in line with typical timing of payment (i.e. 14-30 days dependant on credit terms agreed with customer). At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

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. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

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.

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 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. CQUIN payments are recognised when there is a high probability that income will not be reversed.

Revenue from research contracts
Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

The NHS Trust receives income from the National Institute for Health Research (NIHR) for the hosting of the Greater Midlands Clinical Research Network, which comprises the majority of the Trust's Research and Development Income.

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 performance obligations are satisfied. In practical terms this means that treatment has been given, 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.

Provider sustainability fund (PSF) and Financial recovery fund (FRF)
The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

Note 1.4 Other forms of income

Grants and donations
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. Where the grants is used to fund capital expenditure, it is credited to the consolidated Statement of Comprehensive Income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income
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 from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.5 Expenditure on employee benefits

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

Pension costs
NHS Pension Scheme
Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care 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 scheme is accounted for as though it is a defined contribution scheme: the cost to the Trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The 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.

Local Government Pension Scheme
Some employees are members of the Local Government Pension Scheme which is a defined benefit pension scheme. The scheme assets and liabilities attributable to these employees can be identified and are recognised in the Trust's accounts. The assets are measured at fair value, and the liabilities at the present value of future obligations.

The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The net interest cost during the year arising from the unwinding of the discount on the net scheme liabilities is recognised within finance costs. Remeasurements of the defined benefit plan are recognised in the income and expenditure reserve and reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Note 1.6 Expenditure on other goods and services
Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.7 Discontinued operations
Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are 'machinery of government changes' and treated as continuing operations.

Note 1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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 lives.

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.

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.

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the Trust’s Private Finance Initiative (PFI) scheme where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the trust.

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.

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

Depreciation

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

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

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 expenditure.

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

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

Impairments

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

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

De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

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 useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated and grant funded assets

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

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

Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions
PFI 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 HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

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

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

The element of the annual unitary payment allocated to lifecycle replacement is predetermined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively.

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

Useful 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:

	Min life Years	Max life Years
Buildings, excluding dwellings	1	70
Dwellings	4	31
Plant & machinery	5	15
Transport equipment	5	7
Information technology	4	5
Furniture & fittings	7	10

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

Note 1.9 Intangible assets

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

Internally generated intangible assets

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

Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software

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

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

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

Useful lives of intangible assets

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:

	Min life Years	Max life Years
Software licences	4	5

Note 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

Note 1.11 Cash and cash equivalents

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

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

Note 1.12 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

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

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.13 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, ie, when receipt or delivery of the goods or services is made.

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

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities classified as subsequently measured at amortised cost.

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 and 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.

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 as 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).

At the end of the reporting period, the Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' require an allowance for an expected credit loss. Lifetime credit losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset and that have an impact on the estimated future cash flows of the asset. However NHS bodies are not allowed to recognise any impairments against intra-DHSC balances as it is expected that they will be recoverable, therefore no lifetime credit losses are made against NHS bodies.

When estimating lifetime credit losses in relation to Injury Cost Recovery (ICR) receivables, the GAM instructs the Trust to include an amount within the credit loss allowances for contract receivables to reflect income that is not expected to be recoverable. Each year, the Compensation Recovery Unit (CRU) advises a percentage probability of not receiving the income. For 2019/20 this is 21.79% (2018/19 21.89%).

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.

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

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

Note 1.14 Leases

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

The Trust as a lessee

Finance leases

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

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

The annual rental charge 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.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position 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.

The Trust as a 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.

Note 1.15 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020:

		Nominal rate
Short-term	Up to 5 years	0.51%
Medium-term	After 5 years up to 10 years	0.55%
Long-term	Exceeding 10 years	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

	Inflation rate
Year 1	1.90%
Year 2	2.00%
Into perpetuity	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 27.2 but is not recognised in the Trust's accounts.

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

Note 1.16 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 28 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 28, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.17 Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

The Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated and grant funded assets,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

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

Note 1.18 Value added tax

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

Note 1.19 Foreign exchange
The functional and presentational currency of the Trust is sterling.

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

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

• monetary items 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.

Note 1.20 Third party assets

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

Note 1.21 Losses and special payments

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

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

Note 1.22 Gifts

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

Note 1.23 Transfers of functions from other NHS bodies
For functions that have been transferred to the Trust from another NHS body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition.

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

Note 1.24 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

Note 1.25 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the Statement of Financial Position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the Statement of Financial Position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

Note 1.26 Critical judgements in applying accounting policies

In the application of the NHS Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

-Leases

The Trust applies the tests contained in IAS17 to all of its present and proposed leases in order to ascertain if they should be classed as operating or finance leases. Often the information available may be inconclusive and therefore judgement is made regarding the transfer of the risks and rewards of ownership of the associated assets in order that a decision may be made.

Note 1.27 Sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

-Useful Economic Lives

The Trust exercises judgement to determine the Useful Lives and residual values of property, plant and equipment and computer software. Depreciation and amortisation is provided so as to write down the value of these assets to their residual value over their estimated Useful Lives. Every care is taken to ensure that estimates are robust however factors such as unforeseen obsolescence or breakdown may impact on the actual life of the asset held.

-Provisions

When considering Provisions for events such as pension payments, NHS Resolution claims and other legal cases The Trust uses estimates based on expert advice from agencies such as NHS Resolution, legal advice from Trust advisors and the experience of its managers.

Note 2 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Trust Board that makes strategic decisions

The Trust has identified two operating segments:-

Healthcare Services
This is the core activity of the Trust. It is primarily the provision of NHS Healthcare services to patients, paid for by the relevant NHS Comissioner. Income for this segment is disaggregated in Note 3.1 and Note 4 except for Research and Development which includes Clinical Research Network to which the proportion relating to Clinical Research Network within Research and Development is shown in this Note.

Clinical Research Network
The Trust hosts the Greater Midlands Clinical Research Network, which has a separate Chief Operating Officer and is separately accounted for, so is an operating segment for the Trust. It receives funds from the National Institute for Health Research and pays for research provided by 29 NHS Trusts (including this Trust) plus 3 Universities. The total income for the Network is c.£26.9m. The Network operates on a break even basis. Income for this segment derives from Research and Development (contract) as disclosed in Note 4 of the accounts.

	Healthcare Services		**Clinical Research Network: West Midlands**		**Total**	
	2019-20	2018-19	**2019-20**	2018-19	**2019-20**	2018-19
	£000	£000	**£000**	£000	**£000**	£000
Income	**649,200**	565,128	**26,914**	27,847	**676,114**	592,975
Surplus/(Deficit)						
Segment surplus/(deficit)	**(1,940)**	(1,947)	**0**	0	**(1,940)**	(1,947)
Common costs	**(640,354)**	(561,800)	**(26,914)**	(27,847)	**(667,268)**	(589,647)
Surplus/(Deficit)	**6,906**	1,382	**0**	0	**6,906**	1,382
Net Assets:						
Segment net assets	**348,815**	324,888	**0**	0	**348,815**	324,888

All assets & liabilities are reported to the Trust Board at a consolidated level so it is not possible to separate these by segment.

Note 3 Operating income from patient care activities
All income from patient care activities relates to contract income recognised in line with accounting policy 1.3

Note 3.1 Income from patient care activities (by nature)	**2019/20**	2018/19
	£000	£000
Acute services		
Elective income	**76,065**	72,969
Non elective income	**137,723**	116,601
First outpatient income	**31,968**	32,090
Follow up outpatient income	**42,404**	40,553
A & E income	**22,920**	18,585
High cost drugs income from commissioners (excluding pass-through costs)	**46,330**	47,991
Other NHS clinical income	**109,535**	99,109
Community services		
Community services income from CCGs and NHS England	**43,332**	40,326
Income from other sources (e.g. local authorities)	**8,033**	6,124
All services		
Private patient income	**1,020**	1,010
Agenda for Change pay award central funding*	**0**	4,934
Additional pension contribution central funding**	**16,555**	0
Other clinical income	**13,338**	9,671
Total income from activities	**549,223**	489,963

*Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

**The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

Note 3.2 Income from patient care activities (by source)

	2019/20	2018/19
Income from patient care activities received from:	**£000**	£000
NHS England	**147,919**	108,716
Clinical commissioning groups	**380,927**	352,760
Department of Health and Social Care	**0**	4,934
Other NHS providers	**1,574**	1,709
NHS other	**342**	0
Local authorities	**8,619**	8,609
Non-NHS: private patients	**1,020**	1,010
Non-NHS: overseas patients (chargeable to patient)	**260**	291
Injury cost recovery scheme	**1,418**	1,196
Non NHS: other	**7,144**	10,738
Total income from activities	**549,223**	489,963
Of which:		
Related to continuing operations	**549,223**	489,963

Note 3.3 Overseas visitors (relating to patients charged directly by the provider)

	2019/20	2018/19
	£000	£000
Income recognised this year	**260**	291
Cash payments received in-year	**132**	130
Amounts added to provision for impairment of receivables	**(27)**	44
Amounts written off in-year	**16**	189

Note 4 Other operating income

	2019/20			2018/19		
	Contract income	**Non-contract income**	**Total**	Contract income	Non-contract income	Total
	£000	**£000**	**£000**	£000	£000	£000
Research and development	**29,671**	**0**	**29,671**	30,675	0	30,675
Education and training	**16,639**	**721**	**17,360**	17,474	426	17,900
Non-patient care services to other bodies	**44,159**	**0**	**44,159**	22,674	0	22,674
Provider sustainability fund (PSF)	**7,957**	**0**	**7,957**	12,230	0	12,230
Marginal rate emergency tariff funding (MRET)	**2,254**	**0**	**2,254**	0	0	0
Income in respect of employee benefits accounted on a gross basis	**6,185**	**0**	**6,185**	0	0	0
Receipt of capital grants and donations	**0**	**102**	**102**	0	289	289
Support from the Department of Health and Social Care for mergers **	**0**	**6,000**	**6,000**	0	6,000	6,000
Rental revenue from operating leases	**0**	**922**	**922**	0	341	341
Other income *	**12,281**	**0**	**12,281**	12,903	0	12,903
Total other operating income	**119,146**	**7,745**	**126,891**	95,956	7,056	103,012
Of which:						
Related to continuing operations			**126,891**			103,012

* Other contract income includes car parking income, catering income, pharmacy sales, staff accommodation rental and other income generation schemes (recognised under IFRS 15).

** Support from Department of Health and Social Care for mergers relates to income received following the dissolution of Mid-Staffordshire NHS Foundation Trust.

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	**1,712**	581

Note 5.2 Transaction price allocated to remaining performance obligations

Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	2019/20	2018/19
	£000	£000
within one year	**0**	0
after one year, not later than five years	**0**	0
after five years	**0**	0
Total revenue allocated to remaining performance obligations	**0**	0

The Trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the trust recognises revenue directly corresponding to work done to date is not disclosed.

Note 6 Fees and charges

HM Treasury requires disclosure of fees and charges income. The following disclosure is of income from charges to service users where income from that service exceeds £1 million and is presented as the aggregate of such income. The cost associated with the service that generated the income is also disclosed.

	2019/20	2018/19
	£000	£000
Income	**5,958**	5,373
Full cost	**(3,068)**	(2,644)
Surplus / (deficit)	**2,890**	2,729

The fees and charges income generated by the Trust include income from non-patient care income generation activities such as car parking, staff residences and catering. The objective is to ensure all costs associated with the operation of such activities are covered and that any surplus generated for the Trust is used to re-invest in the operation of its core services.

Note 7.1 Operating expenses

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	**3,694**	3,340
Purchase of healthcare from non-NHS and non-DHSC bodies	**1,391**	1,038
Staff and executive directors costs	**406,288**	353,210
Remuneration of non-executive directors	**102**	87
Supplies and services - clinical (excluding drugs costs)	**70,502**	52,256
Supplies and services - general	**10,877**	10,656
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	**56,932**	57,826
Inventories written down	**0**	15
Consultancy costs	**1,389**	1,631
Establishment	**5,894**	4,467
Premises	**23,084**	21,016
Transport (including patient travel)	**2,455**	2,017
Depreciation on property, plant and equipment	**19,846**	14,208
Amortisation on intangible assets	**662**	367
Net impairments	**(1,327)**	1,731
Movement in credit loss allowance: contract receivables / contract assets	**(651)**	82
Audit fees payable to the external auditor		
audit services- statutory audit	**63**	59
other auditor remuneration (external auditor only)	**6**	9
Internal audit costs	**170**	137
Clinical negligence	**12,718**	12,608
Legal fees	**557**	349
Insurance	**177**	112
Research and development	**25,740**	29,740
Education and training	**7,219**	5,395
Rentals under operating leases	**2,407**	2,564
Redundancy	**993**	0
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	**2,403**	2,329
Car parking & security	**1,290**	681
Losses, ex gratia & special payments	**0**	2
Other	**1,851**	1,458
Total	**656,732**	579,390
Of which:		
Related to continuing operations	**656,732**	579,390

Note 7.2 Other auditor remuneration

	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the Trust	**0**	0
2. Audit-related assurance services	**6**	9
3. Taxation compliance services	**0**	0
4. All taxation advisory services not falling within item 3 above	**0**	0
5. Internal audit services	**0**	0
6. All assurance services not falling within items 1 to 5	**0**	0
7. Corporate finance transaction services not falling within items 1 to 6 above	**0**	0
8. Other non-audit services not falling within items 2 to 7 above	**0**	0
Total	**6**	9

Note 7.3 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2019/20 or 2018/19.

Note 8 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Abandonment of assets in course of construction	**81**	0
Changes in market price	**(1,408)**	1,731
Total net impairments charged to operating surplus / deficit	**(1,327)**	1,731
Impairments charged to the revaluation reserve	**0**	0
Total net impairments	**(1,327)**	**1,731**

Note 9.1 Employee benefits

	2019/20	2018/19
	Total	Total
	£000	£000
Salaries and wages	**323,477**	290,533
Social security costs	**31,042**	28,129
Apprenticeship levy	**1,605**	1,439
Employer's contributions to NHS pensions	**54,543**	34,423
Termination benefits	**1,074**	111
Temporary staff (including agency)	**7,358**	9,758
Total gross staff costs	**419,099**	364,393
Recoveries in respect of seconded staff	**0**	0
Total staff costs	**419,099**	364,393
Of which		
Costs capitalised as part of assets	**600**	481

Note 9.2 Retirements due to ill-health

During 2019/20 there were 2 early retirements from the Trust agreed on the grounds of ill-health (2 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £65k (£50k in 2018/19).

These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

Note 10 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 is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 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 report of the scheme actuary, 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 recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

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 judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

Note 11 Operating leases

Note 11.1 The Royal Wolverhampton NHS Trust as a lessor

This note discloses income generated in operating lease agreements where The Royal Wolverhampton NHS Trust is the lessor.

Included within this note are a number of third party services and retail outlets on site with whom the Trust have a leasing arrangement.

	Land	Building	Other	Total	Total
	2019/20	2019/20	2019/20	2019/20	2018/19
	£000	£000	£000	£000	£000
Operating lease revenue					
Minimum lease receipts	**0**	**922**	**0**	**922**	341
Total	**0**	**922**	**0**	**922**	341

	Land	Building	Other	Total	Total
	31 March 2020	31 March 2020	31 March 2020	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000
Future minimum lease receipts due:					
- not later than one year;	**0**	**579**	**0**	**579**	313
- later than one year and not later than five years;	**0**	**703**	**0**	**703**	889
Total	**0**	**1,282**	**0**	**1,282**	1,202

Note 11.2 The Royal Wolverhampton NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where The Royal Wolverhampton NHS Trust is the lessee.

Included in this note is the arrangement for the lease of buildings from NHS Property Services which were previously owned by Wolverhampton City PCT. The value of this arrangement is £2.5m per annum, some of the leased properties transferring to the Trust and others being transferred to NHS Property Services. There are no other individually significant operating leases included in the figures below:

	Land	Building	Other	Total	Total
	2019/20	2019/20	2019/20	2019/20	2018/19
Operating lease expense	£000	£000	£000	£000	£000
Minimum lease payments	**0**	**2,309**	**98**	**2,407**	2,564
Total	**0**	**2,309**	**98**	**2,407**	2,564

	31 March 2020	31 March 2020	31 March 2020	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000
Future minimum lease payments due:					
- not later than one year;	**0**	**1,983**	**47**	**2,030**	129
- later than one year and not later than five years;	**0**	**6,298**	**94**	**6,392**	240
Total	**0**	**8,281**	**141**	**8,422**	369
Future minimum sublease payments to be received				**0**	0

Note 12 Finance income

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	186	127
Total finance income	186	127

Note 13.1 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Finance leases	13	17
Main finance costs on PFI and LIFT schemes obligations	547	574
Contingent finance costs on PFI and LIFT scheme obligations	1,569	1,481
Total interest expense	2,129	2,072
Unwinding of discount on provisions	(3)	2
Total finance costs	2,126	2,074

Note 13.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2019/20	2018/19
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	4	0
legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

Note 14 Other gains / (losses)

	2019/20	2018/19
	£000	£000
Gains on disposal of assets	53	60
Total other gains / (losses)	53	60

Note 15.1 Intangible assets - 2019/20

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	**4,022**	**1,756**	**5,778**
Additions	**218**	**428**	**646**
Reclassifications	**1,360**	**(1,360)**	**0**
Valuation / gross cost at 31 March 2020	**5,600**	**824**	**6,424**
Amortisation at 1 April 2019 - brought forward	**3,153**	**0**	**3,153**
Provided during the year	**662**	**0**	**662**
Amortisation at 31 March 2020	**3,815**	**0**	**3,815**
Net book value at 31 March 2020	**1,785**	**824**	**2,609**
Net book value at 1 April 2019	869	1,756	2,625

Note 15.2 Intangible assets - 2018/19

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	3,941	0	3,941
Prior period adjustments	0	0	0
Valuation / gross cost at 1 April 2018 - restated	3,941	0	3,941
Additions	121	1,756	1,877
Disposals / derecognition	(40)	0	(40)
Valuation / gross cost at 31 March 2019	4,022	1,756	5,778
Amortisation at 1 April 2018 - as previously stated	2,826	0	2,826
Prior period adjustments	0	0	0
Amortisation at 1 April 2018 - restated	2,826	0	2,826
Provided during the year	367	0	367
Disposals / derecognition	(40)	0	(40)
Amortisation at 31 March 2019	3,153	0	3,153
Net book value at 31 March 2019	869	1,756	2,625
Net book value at 1 April 2018	1,115	0	1,115

Note 15.3 Intangible non-current assets

Intangible assets are not revalued. They are valued at fair value using historic cost as an approximation.

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year, they can be valued and they have cost of at lease £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives, which is usually estimated at being 5 years.

Note 16.1 Property, plant and equipment - 2019/20

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 - brought forward	**9,236**	**269,953**	**1,502**	**19,911**	**88,256**	**836**	**21,848**	**6,783**	**418,325**
Additions	0	990	0	24,409	2,267	51	1,121	49	**28,887**
Impairments	0	(187)	0	(81)	0	0	0	0	**(268)**
Reversals of impairments	336	1,259	0	0	0	0	0	0	**1,595**
Revaluations	27	(6,988)	(8)	0	0	0	0	0	**(6,969)**
Reclassifications	0	11,916	3	(19,275)	4,887	4	2,432	33	**0**
Disposals / derecognition	0	0	0	0	(3,030)	(63)	0	0	**(3,093)**
Valuation/gross cost at 31 March 2020	**9,599**	**276,943**	**1,497**	**24,964**	**92,380**	**828**	**25,401**	**6,865**	**438,477**
Accumulated depreciation at 1 April 2019 - brought forward	**0**	**0**	**0**	**0**	**59,931**	**616**	**17,638**	**5,685**	**83,870**
Provided during the year	0	10,466	64	0	6,769	47	2,267	233	**19,846**
Revaluations	0	(10,466)	(64)	0	0	0	0	0	**(10,530)**
Disposals / derecognition	0	0	0	0	(3,030)	(63)	0	0	**(3,093)**
Accumulated depreciation at 31 March 2020	**0**	**0**	**0**	**0**	**63,670**	**600**	**19,905**	**5,918**	**90,093**
Net book value at 31 March 2020	**9,599**	**276,943**	**1,497**	**24,964**	**28,710**	**228**	**5,496**	**947**	**348,384**
Net book value at 1 April 2019	**9,236**	**269,953**	**1,502**	**19,911**	**28,325**	**220**	**4,210**	**1,098**	**334,455**

Note 16.2 Property, plant and equipment - 2018/19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	**9,236**	**275,433**	**1,561**	**8,384**	**85,737**	**709**	**21,275**	**6,780**	**409,115**
Additions	0	37	0	18,803	2,816	100	136	0	**21,892**
Impairments	0	(2,088)	0	0	0	0	0	0	**(2,088)**
Reversals of impairments	0	357	0	0	0	0	0	0	**357**
Revaluations	0	(7,959)	(59)	0	0	0	0	0	**(8,018)**
Reclassifications	0	4,173	0	(7,276)	2,636	27	437	3	**0**
Disposals / derecognition	0	0	0	0	(2,933)	0	0	0	**(2,933)**
Valuation/gross cost at 31 March 2019	**9,236**	**269,953**	**1,502**	**19,911**	**88,256**	**836**	**21,848**	**6,783**	**418,325**
Accumulated depreciation at 1 April 2018 - as previously stated	**0**	**0**	**0**	**0**	**55,957**	**580**	**15,780**	**5,416**	**77,733**
Provided during the year	0	5,099	39	0	6,907	36	1,858	269	**14,208**
Revaluations	0	(5,099)	(39)	0	0	0	0	0	**(5,138)**
Disposals / derecognition	0	0	0	0	(2,933)	0	0	0	**(2,933)**
Accumulated depreciation at 31 March 2019	**0**	**0**	**0**	**0**	**59,931**	**616**	**17,638**	**5,685**	**83,870**
Net book value at 31 March 2019	**9,236**	**269,953**	**1,502**	**19,911**	**28,325**	**220**	**4,210**	**1,098**	**334,455**
Net book value at 1 April 2018	**9,236**	**275,433**	**1,561**	**8,384**	**29,780**	**129**	**5,495**	**1,364**	**331,382**

Note 16.3 Property, plant and equipment financing - 2019/20

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2020									
Owned - purchased	9,599	268,281	1,497	24,964	23,799	228	5,496	930	**334,794**
Finance leased	0	0	0	0	1,381	0	0	0	**1,381**
On-SoFP PFI contracts and other service concession arrangements	0	7,878	0	0	2,937	0	0	0	**10,815**
Owned - donated	0	784	0	0	593	0	0	17	**1,394**
NBV total at 31 March 2020	**9,599**	**276,943**	**1,497**	**24,964**	**28,710**	**228**	**5,496**	**947**	**348,384**

Note 16.4 Property, plant and equipment financing - 2018/19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019									
Owned - purchased	9,236	261,271	1,502	19,911	21,982	220	4,210	1,098	**319,430**
Finance leased	0	0	0	0	1,582	0	0	0	**1,582**
On-SoFP PFI contracts and other service concession arrangements	0	7,878	0	0	4,026	0	0	0	**11,904**
Owned - donated	0	804	0	0	735	0	0	0	**1,539**
NBV total at 31 March 2019	**9,236**	**269,953**	**1,502**	**19,911**	**28,325**	**220**	**4,210**	**1,098**	**334,455**

Note 17 Donations of property, plant and equipment

The Royal Wolverhampton NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2020.

Note 18 Revaluations of property, plant and equipment

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value under IFRS 13 where there are no restrictions preventing access to the market at the reporting date and if it does not meet the requirement of IAS 40 or IFRS 5.

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

- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

The fair value of land and buildings is determined by valuations carried out by a Professional Valuer GVA Grimley Limited trading as Avison Young. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and Social Care and HM Treasury. A desktop valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2020 and assets lives were also reviewed by GVA Grimley Limited trading as Avison Young as at this date. This valuation was based on published data from the Building Cost Information Service (BCIS) which provides a level of consistency in reporting and forecasting future trends. The valuation and the associated data was based on all in forecast Tender Price Index (TPI) as at 31 March 2020.

Due to the Covid-19 pandemic, as per RICS guidance the valuation includes a Material Valuation Uncertainty Clause. It advises the Trust that "less certainty and a higher degree of caution should be attached to valuation than would normally be the case". However it then goes on to state that "for the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon". As such the Trust valuation can still be relied upon to provide the fair value of the land and building of the Trust.

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

Note 19 Inventories

	31 March 2020	31 March 2019
	£000	£000
Drugs	**2,244**	2,190
Consumables	**4,277**	4,087
Energy	**197**	150
Other	**183**	180
Total inventories	**6,901**	6,607
of which:		
Held at fair value less costs to sell	**0**	0

Inventories recognised in expenses for the year were £71,967k (2018/19: £66,007k). Write-down of inventories recognised as expenses for the year were £0k (2018/19: £15k).

Note 20.1 Receivables

	31 March 2020	31 March 2019
	£000	£000
Current		
Contract receivables	**55,677**	32,517
Allowance for impaired contract receivables / assets	**(1,336)**	(2,003)
Prepayments (non-PFI)	**3,820**	3,588
PDC dividend receivable	**209**	564
VAT receivable	**1,707**	972
Other receivables	**743**	542
Total current receivables	**60,820**	36,180
Non-current		
Prepayments (non-PFI)	**18**	0
PFI prepayments - capital contributions	**5,213**	4,002
from NHSE	**1,301**	0
Total non-current receivables	**6,532**	4,002
Of which receivable from NHS and DHSC group bodies:		
Current	**46,147**	24,812
Non-current	**1,301**	0

Note 20.2 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	**All other receivables**	Contract receivables and contract assets	All other receivables
	£000	**£000**	£000	£000
Allowances as at 1 April - brought forward	**2,003**	**0**	0	2,104
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			2,104	(2,104)
New allowances arising	**434**	**0**	778	0
Changes in existing allowances	**(184)**	**0**	0	0
Reversals of allowances	**(901)**	**0**	(696)	0
Utilisation of allowances (write offs)	**(16)**	**0**	(183)	0
Allowances as at 31 Mar 2020	**1,336**	**0**	2,003	0

Note 20.3 Exposure to credit risk

The Trust is recognising full lifetime credit losses on initial recognition. Balances with Department of Health and Social Care and associated agencies are assessed at zero credit risk, therefore are excluded from impairment calculation below.

	31 March 2020	31 March 2019
	Trade and other receivables	Trade and other receivables
Ageing of impaired financial assets	**£000**	£000
0-30 days	**66**	16
31-60 days	**38**	13
61-90 days	**82**	27
91-180 days	**108**	165
Over 181 days	**1,042**	501
Total	**1,336**	722
Ageing of non-impaired financial assets past their		
0-30 days	**1,428**	269
31-60 days	**427**	61
61-90 days	**164**	125
91-180 days	**596**	58
Over 181 days	**2,204**	834
Total	**4,819**	1,347

Note 21 Non-current assets held for sale and assets in disposal groups

	2019/20	2018/19
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	**0**	800
Assets sold in year	**0**	(800)
NBV of non-current assets for sale and assets in disposal groups at 31 March	**0**	0

Non-current asset disposed of in 2018/19 were the building and land relating to the former Eye Infirmary Unit on Compton Road, in Wolverhampton. These assets became surplus to requirements following the rationalisation of the Trust's estate onto the New Cross Hospital site. The Compton Road site was sold on 28th February 2019.

Note 22.1 Cash and cash equivalents movements

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

	2019/20	2018/19
	£000	£000
At 1 April	**15,988**	16,982
Net change in year	**(3,943)**	(994)
At 31 March	**12,045**	15,988
Broken down into:		
Cash at commercial banks and in hand	**67**	24
Cash with the Government Banking Service	**11,978**	15,964
Total cash and cash equivalents as in SoFP	**12,045**	15,988
Total cash and cash equivalents as in SoCF	**12,045**	15,988

Note 22.2 Third party assets held by the Trust

The Royal Wolverhampton NHS Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the Trust has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2020	31 March 2019
	£000	£000
Monies on deposit	**3**	4
Total third party assets	**3**	4

Note 23 Trade and other payables

	31 March 2020	31 March 2019
	£000	£000
Current		
Trade payables	**15,375**	20,939
Capital payables	**4,308**	6,676
Accruals	**35,047**	15,676
Social security costs	**4,669**	4,354
VAT payables	**141**	116
Other taxes payable	**3,629**	3,589
Other payables	**5,741**	5,461
Total current trade and other payables	**68,910**	56,811
Non-current		
Other payables	**68**	0
Total non-current trade and other payables	**68**	**0**
Of which payables from NHS and DHSC group bodies:		
Current	**8,359**	5,742
Non-current	**50**	0

Note 24 Other liabilities

	31 March 2020	31 March 2019
	£000	£000
Current		
Deferred income: contract liabilities	**3,300**	3,009
Total other current liabilities	**3,300**	3,009
Non-current		
Total other non-current liabilities	**0**	0

Note 25.1 Borrowings

	31 March 2020	31 March 2019
	£000	£000
Current		
Obligations under finance leases	**196**	196
Obligations under PFI, LIFT or other service concession contracts	**1,836**	1,817
Total current borrowings	**2,032**	2,013
Non-current		
Obligations under finance leases	**1,105**	1,270
Obligations under PFI, LIFT or other service concession contracts	**6,118**	6,712
Total non-current borrowings	**7,223**	7,982

Note 25.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Other loans	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2019	**0**	**0**	**1,466**	**8,529**	**9,995**
Cash movements:					
Financing cash flows - payments and receipts of principal	**0**	**0**	**(165)**	**(1,818)**	**(1,983)**
Financing cash flows - payments of interest	**0**	**0**	**(13)**	**(547)**	**(560)**
Non-cash movements:					
Additions	**0**	**0**	**0**	**32**	**32**
Application of effective interest rate	**0**	**0**	**13**	**547**	**560**
Other changes	**0**	**0**	**0**	**1,211**	**1,211**
Carrying value at 31 March 2020	**0**	**0**	**1,301**	**7,954**	**9,255**

Note 25.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Other loans	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2018	0	0	1,693	5,585	7,278
Cash movements:					
Financing cash flows - payments and receipts of principal	0	0	(227)	(1,785)	(2,012)
Financing cash flows - payments of interest	0	0	(17)	(574)	(591)
Non-cash movements:					
Additions	0	0	0	4,729	4,729
Application of effective interest rate	0	0	17	574	591
Carrying value at 31 March 2019	0	0	1,466	8,529	9,995

Note 26 Finance leases

Note 26.1 The Royal Wolverhampton NHS Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	Land	Buildings	Other	Total	Total
	31 March 2020	31 March 2020	31 March 2020	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000
Gross lease liabilities	**0**	**0**	**1,396**	**1,396**	1,571
of which liabilities are due:					
- not later than one year;	**0**	**0**	**211**	**211**	211
- later than one year and not later than five years;	**0**	**0**	**833**	**833**	844
- later than five years.	**0**	**0**	**352**	**352**	516
Finance charges allocated to future periods	**0**	**0**	**(95)**	**(95)**	(105)
Net lease liabilities	**0**	**0**	**1,301**	**1,301**	1,466
of which payable:					
- not later than one year;	**0**	**0**	**196**	**196**	196
- later than one year and not later than five years;	**0**	**0**	**775**	**775**	784
- later than five years.	**0**	**0**	**330**	**330**	486
Total of future minimum sublease payments to be received at the reporting date	**0**	**0**	**0**	**0**	0
Contingent rent recognised as expense in the period	**0**	**0**	**0**	**0**	0

Note 27.1 Provisions for liabilities and charges analysis

	Pensions: injury benefits	Legal claims	Clinicians Pension Tax Scheme	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2019	**584**	**240**	**0**	**4,330**	**5,154**
Arising during the year	**60**	**186**	**1,301**	**3,707**	**5,254**
Utilised during the year	**(41)**	**(116)**	**0**	**(2,649)**	**(2,806)**
Reversed unused	**0**	**(102)**	**0**	**(554)**	**(656)**
Unwinding of discount	**(3)**	**0**	**0**	**0**	**(3)**
At 31 March 2020	**600**	**208**	**1,301**	**4,834**	**6,943**
Expected timing of cash flows:					
- not later than one year;	**42**	**208**	**0**	**4,834**	**5,084**
- later than one year and not later than five years;	**173**	**0**	**0**	**0**	**173**
- later than five years.	**385**	**0**	**1,301**	**0**	**1,686**
Total	**600**	**208**	**1,301**	**4,834**	**6,943**

Note 27.2 Clinical negligence liabilities

At 31 March 2020, £194,222k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Royal Wolverhampton NHS Trust (31 March 2019: £209,709k).

Note 28 Contingent assets and liabilities

	31 March 2020	31 March 2019
	£000	£000
Net value of contingent liabilities	**0**	0
Net value of contingent assets	**575**	575

The Trust has submitted Fleming VAT reclaims totalling approximately £700k (2013/14 £700k) to H.M. Revenue and Customs under s.121 of the Finance Act 2008. During the Financial Year 2018/19 £125k plus £275k interest was received in respect to one of the Fleming VAT reclaims. The outcome and timing of the remaining balance of £575k of these claims is uncertain at 31 March 2020.

Note 29 Contractual capital commitments

	31 March 2020	31 March 2019
	£000	£000
Property, plant and equipment	**20,745**	10,709
Total	**20,745**	10,709

Note 30 On-SoFP PFI, LIFT or other service concession arrangements

The Trust has one PFI scheme and this relates to the provision of Radiology services.

The Trust and Wolverhampton Radiology Limited Company No: 4235982 (formally trading as Impregilo Wolverhampton Limited) entered into a contract dated 20 March 2002 for the design, construction, financing and equipping of, and provision of certain services in connection with the provision of a new serviced radiology facility.

The agreement allows for Variations to the project. For example there were contract variations in 2004 and again in 2010 in line with service requirement.

Operational period of contract years is 30 years. The SPV is now Wolverhampton Radiology Limited (Company No: 4235982) of Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.

Service payments are made to the operator monthly following the submission to the Trust of an invoice accompanied by a Payment Report and a Performance Monitoring Report which list any payment adjustments.

Under IFRIC 12, the substance of the contract is that the Trust has a finance lease and payments comprising of two elements - imputed finance lease charges and service charges. Details of the imputed finance lease charges are provided in the following tables.

Note 30.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

The following obligations in respect of the PFI, LIFT or other service concession arrangements are recognised in the Statement of Financial Position:

	31 March 2020	31 March 2019
	£000	£000
Gross PFI, LIFT or other service concession liabilities	**10,081**	10,995
Of which liabilities are due		
- not later than one year;	**1,836**	1,817
- later than one year and not later than five years;	**4,907**	5,054
- later than five years.	**3,339**	4,124
Finance charges allocated to future periods	**(2,127)**	(2,466)
Net PFI, LIFT or other service concession arrangement obligation	**7,954**	8,529
- not later than one year;	**1,836**	1,817
- later than one year and not later than five years;	**3,902**	3,912
- later than five years.	**2,217**	2,800

Note 30.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	31 March 2020	31 March 2019
	£000	£000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**83,785**	89,928
Of which payments are due:		
- not later than one year;	**6,325**	6,169
- later than one year and not later than five years;	**25,956**	25,597
- later than five years.	**51,504**	58,162

Note 30.3 Analysis of amounts payable to service concession operator

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

	2019/20	2018/19
	£000	£000
Unitary payment payable to service concession operator	**6,171**	6,023
Consisting of:		
- Interest charge	**547**	574
- Repayment of balance sheet obligation	**1,818**	1,785
- Service element and other charges to operating expenditure	**2,237**	2,183
- Contingent rent	**1,569**	1,481
Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment	**166**	146
Total amount paid to service concession operator	**6,337**	6,169

Note 31 Financial instruments

Note 31.1 Financial risk management

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

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

Credit risk

Because the majority of the Trust's income arises from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2020 are in contract receivables, as disclosed in the Trade and Other Receivables note.

Liquidity risk

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

Currency risk

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

Interest rate risk

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

Market risk

The Trust is part of the NHS which is supported by the government and unless there is a major overall of healthcare provision, most importantly a reduction to access to free healthcare, then the Trust has low market risk.

Note 31.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	**56,385**	**56,385**
Cash and cash equivalents	**12,045**	**12,045**
Total at 31 March 2020	**68,430**	**68,430**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	31,056	31,056
Cash and cash equivalents	15,988	15,988
Total at 31 March 2019	47,044	47,044

Note 31.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Obligations under finance leases	**1,301**	**1,301**
Obligations under PFI, LIFT and other service concession contracts	**7,954**	**7,954**
Trade and other payables excluding non financial liabilities	**54,671**	**54,671**
Total at 31 March 2020	**63,926**	**63,926**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Obligations under finance leases	1,466	1,466
Obligations under PFI, LIFT and other service concession contracts	8,529	8,529
Trade and other payables excluding non financial liabilities	43,045	43,045
Total at 31 March 2019	53,040	53,040

Note 31.4 Maturity of financial liabilities

	31 March 2020	31 March 2019
	£000	£000
In one year or less	**56,703**	45,058
In more than two years but not more than five years	**4,677**	5,144
In more than five years	**2,546**	2,838
Total	**63,926**	53,040

Note 31.5 Fair values of financial assets and liabilities

Book value used as a reasonable approximation of fair value for financial assets and liabilities.

Note 32 Losses and special payments

	2019/20		2018/19	
	Total number of cases	**Total value of cases**	Total number of cases	Total value of cases
	Number	**£000**	Number	£000
Losses				
Cash losses	**1**	**0**	12	3
Fruitless payments	**3**	**0**	1	18
Bad debts and claims abandoned	**21**	**17**	213	406
Total losses	**25**	**17**	226	427
Special payments				
Ex-gratia payments	**48**	**106**	41	81
Extra-statutory and extra-regulatory payments	**0**	**0**	0	0
Total special payments	**48**	**106**	42	83
Total losses and special payments	**73**	**123**	268	510

Note 33 Related parties

During the year none of the Department of Health and Social Care Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with The Royal Wolverhampton NHS Trust.

The Department of Health and Social Care is regarded as a related party. During the year 2019/20 the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below where income and/or expenditure has been in excess of £500,000.

Birmingham Community Healthcare NHS Foundation Trust
Birmingham Women's and Children's Hospital NHS Foundation Trust
Black Country Partnership NHS Foundation Trust
Community Health Partnerships
Department of Health and Social Care
Health Education England
HM Revenue & Customs - Other taxes and duties and NI contributions
HM Revenue & Customs - VAT
Midlands Partnership NHS Foundation Trust
Midlands Regional Office
NHS Birmingham and Solihull CCG
NHS Blood and Transplant
NHS Cannock Chase CCG
NHS Dudley CCG
NHS England - Core - 18/19 PSF reallocation
NHS England - Core (including 19/20 PSF, FRF and MRET)
NHS England - East Midlands Specialised Commissioning Hub
NHS England - West Midlands Specialised Commissioning Hub
NHS Pension Scheme
NHS Resolution (formerly NHS Litigation Authority)
NHS Sandwell and West Birmingham CCG
NHS Shropshire CCG
NHS South East Staffs and Seisdon Peninsula CCG
NHS Stafford and Surrounds CCG
NHS Telford and Wrekin CCG
NHS Walsall CCG
NHS Wolverhampton CCG
Sandwell And West Birmingham Hospitals NHS Trust
Shrewsbury and Telford Hospital NHS Trust
The Dudley Group NHS Foundation Trust
University Hospitals Birmingham NHS Foundation Trust
University Hospitals Coventry And Warwickshire NHS Trust
University Hospitals of North Midlands NHS Trust
Walsall Healthcare NHS Trust
Wolverhampton City Council
Worcestershire Acute Hospitals NHS Trust

The Trust has also received revenue and capital payments from a number of charitable funds for which the Trust acts as the Corporate Trustee, under the umbrella of Royal Wolverhampton NHS Trust Charitable Funds. Charitable funds held by the Trust are a related party as the Trust is Corporate Trustee for the funds.

Note 34 Better Payment Practice code

	2019/20	2019/20	2018/19	2018/19
Non-NHS Payables	**Number**	**£000**	Number	£000
Total non-NHS trade invoices paid in the year	**114,108**	**315,653**	113,985	285,615
Total non-NHS trade invoices paid within target	**45,464**	**193,308**	37,533	167,332
Percentage of non-NHS trade invoices paid within target	**39.8%**	**61.2%**	32.9%	58.6%
NHS Payables				
Total NHS trade invoices paid in the year	**3,221**	**45,722**	3,271	52,602
Total NHS trade invoices paid within target	**1,121**	**24,857**	1,447	35,904
Percentage of NHS trade invoices paid within target	**34.8%**	**54.4%**	44.2%	68.3%

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

Note 35 External financing limit

The Trust is given an external financing limit against which it is permitted to underspend

	2019/20	2018/19
	£000	£000
Cash flow financing	**15,420**	3,414
External financing requirement	**15,420**	3,414
External financing limit (EFL)	**18,046**	3,494
Under / (over) spend against EFL	**2,626**	80

Note 36 Capital Resource Limit

	2019/20	2018/19
	£000	£000
Gross capital expenditure	**29,533**	23,769
Less: Disposals	**0**	(800)
Less: Donated and granted capital additions	**(102)**	(289)
Charge against Capital Resource Limit	**29,431**	22,680
Capital Resource Limit	**29,431**	22,693
Under / (over) spend against CRL	**0**	13

Note 37 Breakeven duty financial performance

	2019/20
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	**5,143**
Remove impairments scoring to Departmental Expenditure Limit	**81**
Add back income for impact of 2018/19 post-accounts PSF reallocation	**511**
Breakeven duty financial performance surplus / (deficit)	**5,735**

Note 38 Breakeven duty rolling assessment

	1997/98 to 2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Breakeven duty in-year financial performance		8,035	7,964	9,297	8,688	7,891
Breakeven duty cumulative position	(7,438)	597	8,561	17,858	26,546	34,437
Operating income		289,830	306,023	374,417	384,917	394,045
Cumulative breakeven position as a percentage of operating income		0.2%	2.8%	4.8%	6.9%	8.7%

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Breakeven duty in-year financial performance	3,663	153	8,542	4,327	3,021	5,735
Breakeven duty cumulative position	38,100	38,253	46,795	51,122	54,143	59,877
Operating income	461,810	509,405	536,028	548,538	592,975	676,114
Cumulative breakeven position as a percentage of operating income	8.3%	7.5%	8.7%	9.3%	9.1%	8.9%

NHS Improvement has provided guidance that the first year for consideration for the breakeven duty should be 2009/10. The Royal Wolverhampton NHS Trust is subject to a three year period for recovery of any deficit incurred.

Breakeven duty financial performance is determined as guided by NHS Improvement, in a manner consistent with previous years in this note.

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