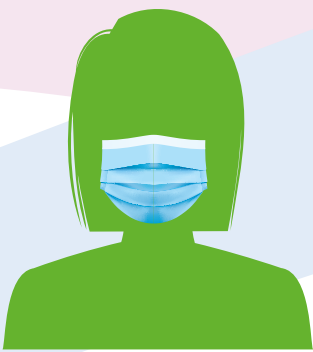


# Annual Accounts 2020/21



The Royal Wolverhampton NHS Trust

Annual accounts for the year ended 31 March 2021

## The Royal Wolverhampton NHS Trust - Annual Accounts 2020-21

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Foreword to the Accounts

Financial Review - year ended 31 March 2021

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	
	2020-21	2019-20
To break even on income and expenditure, taking one year with another	Deficit of £2.893m	Surplus of £6.906m
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 £5.612m	Under-spent by £2.626m
To remain within a Capital Resource Limit set by the Department of Health and Social Care	Underspent by £0.801m*	Breakeven
To pay 95% of non-NHS trade creditors within 30 days	87%	61%

\* For 2020-21 there is an underspend against CRL of £0.801m which was expected from NHSI/E. This underspend is PDC paid to the Trust (in June 2020) in respect of costs the Trust incurred in 2019-20 and self-funded. The PDC paid over in 2020-21 was a 'cash top-up' and the Trust has prudently used the PDC to reimburse its cash balances.

Kevin Stringer  
Chief Financial Officer  
9 June 2021

# 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....9 June 2021.....



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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....9 June 2021.....

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

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the financial statements of The Royal Wolverhampton NHS Trust ("the Trust") for the year ended 31 March 2021 which comprise the Trust Statement of Comprehensive Income, Trust Statement of Financial Position, Trust Statement of Changes in Taxpayers Equity and Trust 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 2021 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 2020/21.

### **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").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Trust's business model and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for the going concern period.

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.

## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit Committee and internal audit and inspection of policy documentation as to the Trust’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Trust’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Assessing the incentives for management to manipulate reported financial performance as a result of the need to achieve specific targets delegated to the Trust by NHS Improvement
- Reading Board and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Reviewing the Trust’s accounting policies.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet delegated targets, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk of incentive for revenue to be manipulated into the wrong period around the year end and the risk that Trust management may be in a position to make inappropriate accounting entries.

In line with the guidance set out in Practice Note 10 Audit of Financial Statements of Public Sector Bodies in the United Kingdom we also recognised a fraud risk related to expenditure recognition, particularly in relation to year-end accruals. We consider this risk to be applicable to non-payroll and non-depreciation expenditure.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included combinations of seldom used accounts, postings to fraud risk related accounts, postings between unrelated accounts and journals where segregation of duty could not be demonstrated for authorisation.
- Assessing significant estimates for bias.
- Inspecting transactions in the period prior to and following 31 March 2021 to verify revenue had been recognised in the correct accounting period.
- Inspecting transactions in the period prior to and following 31 March 2021 to verify expenditure had been recognised in the correct accounting period.
- Evaluating accruals posted as at 31 March 2021 and verifying accruals are appropriate and accurately recorded.
- Assessing the completeness of disclosed related party transactions and verifying they had been accurately recorded within the financial statements.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through



discussion with the directors and other management (as required by auditing standards), and from inspection of the Trust's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Trust is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Trust is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. Under paragraph 2(1) of Schedule 5 to the National Health Service Act 2006 the Trust must ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account (the breakeven duty). In reporting on compliance with the breakeven duty the Trust is required to comply with the Department of Health and Social Care's 'Guidance on Breakeven Duty and Provisions'. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We are also required to make a referral to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 if 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.

Whilst the Trust is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **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; and

- 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 2020/21. 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 2020/21.

### **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](http://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 if we identify any significant weaknesses in the arrangements that have been made by the Trust to secure 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 5, 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 and related statutory guidance having regard to whether the Trust had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. 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 The 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 The Royal Wolverhampton NHS Trust for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Sarah Brown  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
Birmingham

9 June 2021

## GOVERNANCE STATEMENT 2020-2021

### Organisational Code: RL4

#### 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.

#### Partnership

I acknowledge that I must discharge my duty of partnership, and have undertaken this in a number of ways. During this year the majority of the contacts and meetings described in this statement and the Trust Annual Report have taken place virtually, using video and voice conferencing due to the restrictions placed on us all by the pandemic. Despite this, good contact and relationships have been maintained, fostered and enhanced throughout the year.

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 2021.

## **Black Country and West Birmingham Healthier Futures Partnership (previously STP) ANNUAL REPORT Statement from the Independent Chair**

Serving a population of around 1.5 million people, our partnership is the collaboration across local authorities, NHS bodies and the voluntary and community sector to:

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

After an unprecedented year, my biggest reflection is of pride in our health and care workforce, together with gratitude for all those who have gone above and beyond to care for people at their most vulnerable and protect many more from the impact of COVID-19. Through the challenges of the last 12 months the strength, the compassion, commitment and determination of our people has been outstanding. On behalf of our partnership, thank you for all that you have done and continue to do.

As COVID-19 pressures start to ease, NHS organisations will face the new challenge of restoring services. Whilst we need to ensure people are seen for the care they need in as timely a way as possible, we also have to guarantee that our NHS workforce are supported to rest, decompress and recover from a year of unprecedented demands placed upon them physically and emotionally. Our People Board is focusing on the wellbeing support required to ensure help and assistance are provided for those who were there for so many people when they were needed most.

For local government partners the challenge of enabling communities and people to safely go about their daily lives is key. Testing capacity and support for local businesses will play a vital part in this, as will support for people and families who need extra help to manage their new circumstances. This year, more than ever, the voluntary and community sector has played a really important role, helping people to stay connected to communities and building resilience in the darkest of times. The kind spirit of a few has shone through our communities and been a lifeline for many.

Perhaps the greatest example of our partnership working has been our vaccination programme which continues at pace. Operating from over 30 vaccination locations we rapidly moved through the cohorts of eligibility, starting with those most vulnerable. Whilst uptake has been generally high, we have seen some areas of concern. We know the lower uptake in some areas will be due to a number of factors, including confidence in the vaccine, convenience of access and also complacency with regard to whether people feel the need to be vaccinated. We also know that COVID-19 has disproportionately impacted on our Black, Asian and Minority Ethnic communities and that worryingly, the uptake of the vaccine is also much lower amongst these groups.

To respond to these challenges, we are increasing our efforts to get the right information to people and have where necessary changed the mode of vaccine delivery to improve accessibility. Working with Public Health in each place, we have also created a network of community champions, as well as working with community and faith leaders and also trusted community voices, to help deliver the right messages.

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. I would like to thank all health and care colleagues throughout our system for their commitment, dedication and hard work during the past year and for their help in bringing this ambition closer to being realised.

**Jonathan Fellows, Independent Chair  
Black Country and West Birmingham Integrated Care System**



## **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 2021 and up to the date of approval of the annual report and accounts.

## **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.

The Trust maintained risk management processes throughout the year although during the 1st and 2nd wave of the Covid 19 Pandemic there was some adverse impact on meetings and some routine processes as activity pressures increased and staff were redeployed into needed roles. Some processes were paused for example action follow up, low level risk update, external visit follow up and audits. Focus was maintained on the escalation of risks from service areas, the update of high-level risks and the monitoring and investigation of Covid and other reported incidents.

In May 20 internal audit of Risk Management included review of 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 concluded partial assurance with 3 medium and 2 low recommendations which included review of risk recording in line with Trust format and strengthening of local minute taking of risk activity. The recommendations are formed into an action plan that is regularly monitored by the Audit Committee.

## **Trust Board**

The Trust Board has met virtually and monthly as planned (except in September 2020 and January 2021, also as planned). Other than for matters requiring commercial confidence or having sensitive patient identifiable or staff identifiable human resources implications, it has conducted its business in public and as soon as was possible, it has made the virtual public Board meeting available to the press, public and other observers. It has been open to questions posted for the Directors at each meeting with responses provided either in or post-meeting.

A high attendance rate by Directors was recorded during the year. The Chairman's term of office commenced from April 2019 and was renewed before the end of the term. At 31 March 2021 the Board comprised 2 female and 6 male Executive Directors (Chief Officers); 1 from a minority ethnic background; and 4 female and 5 male Non- Executive and Associate Non-Executive Directors, 2 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)
- Development of a potential acute collaborative arrangement
- Development of the Wolverhampton Place, the Black Country and South-West Staffordshire Integrated Care Systems (ICS)

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 Chief People Officer.

The Trust Board strives to maintain an appropriate balance between strategic matters and supervising the management of the Trust. Among the former in 2020-2021 were:

- the operational impact and strategic potential impact of the Covid-19 Pandemic
- the medium to long term implications of the Covid-19 Pandemic, recovery and restoration on the services and staff of the Trust
- the support of the senior team operationally managing the Pandemic impact and the support for schemes and investment required as part of the Trust response to the Pandemic
- the support for and recognition of closer working relationships with a wide range of stakeholders and partner organisations as part of the Pandemic response including the City of Wolverhampton local authority and colleagues in the local Public Health team, commissioners and provider partners
- the continued focus on recruitment of key staff particularly doctors and nurses,
- the continued development of innovation programmes and exploration of the use of artificial intelligence, data and technology in improving healthcare,
- the pause and continuation of the development of a clinical quality improvement programme,
- the 5-year capital programme revisions and agile responses to changing capital expenditure priorities,
- the continued development of the University of Wolverhampton Postgraduate Academic Institute of Medicine and partnerships with a range of other academic institutions
- the extension of the Trust's own clinical fellowship programme,
- the continued vertical integration of GP practices and development of the Primary Care Networks and Wolverhampton Place,
- 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 has continued to build on strong relations with stakeholders, including local commissioners, Healthwatch, Public Health and local authority overview and scrutiny committees.

The Non-Executive Directors (NED) are committed to self-development and learning, as evidenced by virtual 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, the Good Governance Institute 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 with considerable experience and continuity of Board members
- 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
- Four NEDs have 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 NEDs have also a programme of Executive Briefings from Chief Officers and senior staff on a variety of matters and from the Chief Executive at least monthly in addition to Board, Board Committee and Development sessions.

Throughout the Covid-19 Pandemic, the Board and Board Committee's, Development sessions and briefings have continued as planned using virtual video conferencing and the shared papers system already in place. On occasion, the length and business have been reduced appropriate to operational pressures and meeting requirements. Information and consultation have also been carried out by email where required and appropriate.

### 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.

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 2020-2021
- Trust Annual Report and accounts 2020-2021
- Board Assurance Framework, Strategic Risk Register and related governance processes
- Data security and protection
- Management of sepsis recording
- Radiotherapy case investigation
- Human Tissue Authority procedure compliance
- Consultant Job Planning

Most of the audits and reviews were completed to plan against the constraints caused by the Covid 19 pandemic. Where not completed they were planned for completion early in 2021-22.

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.

### **Quality Governance Assurance Committee (QGAC)**

**Members: Chair - R.Edwards, L.Toner, A Pandyan (from November 2020)**

#### **Aims & Objectives of the Committee (from ToR)**

The aims of the Committee are to provide assurance to 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.

Committee objectives - During the period QGAC had 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.

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

Metrics have been steadily developed and refined. Mortality, which has been the subject of monthly reports, and has been scrutinised as a BAF Risk (SR 12) has now been removed from the BAF, the SHMI having been within expected levels for a sufficient length of time and the reports showing good progress with the action plan.

During 2021 NEDs have discussed future objectives. Linking in with the Trust's Strategic Objectives, QGAC will be considering for 2021-22 objectives featuring: equality of access to health care and equality of outcome; and returning to normal levels of activity in a clinically sound and equitable way.

#### **Frequency of meetings and main focus**

During 2020-2021, the Committee met virtually on 9 occasions, with one meeting (January 2021) cancelled. During peak Covid, meetings were reduced to one hour's duration.

## Activity and Areas of Activity

At each meeting the Committee received an update on reports in line with its terms of reference (including items below). It escalated risks and assurances to the Board via the chair's report of each meeting and minutes to the trust Board. The list of reports is managed on an annual plan/cycle of work with upward reporting Groups and the Committee maintains an issues log to communicate issues for redress and record action taken.

- Board Assurance Framework (BAF) – Monthly
- Trust Risk Register (TRR) – Monthly
- Integrated Quality and Performance Report – Monthly
- Learning from Deaths – Monthly, up to and including January 2021.
- Information Governance Toolkit
- Continuous Quality Improvement Reports - Annual Update and Q1 Report
- National Reporting and Learning Systems Report - 6 monthly
- External Reviews Report - Annually
- CQC Well-led Inspection report and actions
- Clinical Audit – Annually
- Litigation and Inquests – Annually
- Health & Safety – Annually

QGAC also received the Cancer Recover Plan, monthly, to inform its assessment of the BAF risk assigned to it.

In April 2020 the Committee agreed the draft Quality Account for the Trust. In November 2020 QGAC received a verbal report on the Trust Strategy and the development of strategic objectives for 2021/22. In March 2021 QGAC received a verbal report on the prioritisation of patients on waiting lists and how to reduce these in a fair and clinically justified way and asked that the criteria used be made public in an easy-to-understand way. QGAC was also concerned that those who chose not to go ahead with a procedure might be more vulnerable patients, less able to balance the risk from Covid-19 with the risk of not proceeding, and sought assurance that they did receive sufficient advice, and that an analysis would be carried out to see if such groups disproportionately declined treatment.

QGAC receives reports from the Chairs of the Compliance Oversight Group (COG) and the Quality Standards Improvement Group (QSIG), and the minutes of these meetings, which provide assurance through detailed reviews of compliance and risk. The chairs of QSIG and COG escalate to QGAC issues and assurances they obtain from the groups reporting to them. QSIG and COG normally meet each month, but during peak Covid-19 periods these meetings were suspended. QGAC did not receive their Chairs' reports at the meetings in April, May, January and February.

There are plans to merge COG and QSIG into a single committee which was intended to be completed by Autumn 2020. These have been delayed by Covid-19, but should take place during Summer 2021.

QGAC raised items to the Board from groups reporting to QSIG and COG concerning the following:

**Alerts** - Resuscitation Group Report - alert relating to audits of resuscitation trolleys, Medicines Management Group - alert relating to delayed antibiotic treatment for patients with sepsis, assure relating to overall management of medicines during Covid-19, Trust Safeguarding Group.

**Advisories** – National Laparotomy Audit, Cancer 104-day Harm reviews, Pleural Services Group Report, External Reviews Oversight Report, Learning from Experience Group, Equality, Diversity and Inclusion, Infection Prevention and Control.

**Assurances** - Quality Review Visits, Serious Untoward Incident Report, Radiation Safety Group, Audit of Duty of Candour Compliance, Organ Donation Group, End of Life (Swan) Group, Falls Prevention Group.

## Board Assurance Framework (BAF) and Trust Risk Register (TRR)

The Committee monitored BAF risks SR12 - Mortality, SR13 - Cancer and SR14 – Covid-19 recovery. QGAC debated the definition of SR14 and the reformulation of SR13. During the year it was decided that SR12 could be removed from the BAF, as the target level for SHMI had been met and maintained.



The Committee monitors the Trust Risk Register and advised or alerted the Board regarding new risks or developments in risks as well as requesting improvements in the articulation of risks and questioning risk ratings and the need for some risks to continue on the TRR. The Committee was pleased to discuss drafts of the BAF and TRR Heat Map at its meetings in February and March, with a view to having a summary document which enables the meeting to assess the adequacy and completeness of the articulation of risks on the BAF and TRR as well as providing a useful quick reference for the Board.

### **Matters of note and assurance**

Matters featuring in the Committee's reports to the Trust Board, included:

**Matters of concern** - during the year the Chair's report to the Board included -

Cancer performance and the impact of Covid-19 (April 20); suspension of harm review process and disruption to service (May); increase number of patients waiting over 104/62 days (June). Reduction in Breast screening, with 5000 patients waiting (October).

Suspension impact on elective operations from 11 January 21 due to Covid-19 pressures in order to secure enough staff for the required 200% increase in ICU beds (January 21). Drop in Breast Cancer referrals 2 week wait performance (19.74% in November, 6.25% in December) (January).

During Covid-19, the Committee noted the use of private sector providers for urgent cases the redeployment of staff from the theatres at Cannock to ICCU, the adverse impact on Cancer metrics with support sought from other Black Country Trusts (February 21). Restoration of pre-Covid-19 clinics and reductions in waiting times, use of Fast track clinics in line with normal levels; breast referral numbers the biggest concern with bookings at day 28 and 170 patients waiting over 14 days. Additional sessions working through the backlog of patients and additional support from one other Trust (March 21).

Other Covid-19 impacts - flow through Emergency Department resulting in long waits and delayed ambulance handovers due to need to keep patients segregated (November 20) with 364 Urgent care ambulance handover breaches over 60 minutes in December. Additional measures in place to address off-loading issues and required safety measures concentrating on flow and routing patients to the right ward to reflect their Covid-19 status (January 21).

Covid-19 impact on waiting lists: patients waiting for over 52 weeks for treatment were 10 in April (May 2020), 842 (November), 997 (December), 1443 (January 21) and 2054 in February (March 21). Covid-19 impact on Referral to Treatment - The number of patients waiting over 18 weeks deteriorated during February reaching 42,235 (target is below 40,000) due to the impact of Covid-19 related suspension of routine elective inpatients and outpatient clinics. (March 21)

Other Covid-19 and related matters - Medicines: storage, prescribing and use - deep and detailed review carried out in response to issues raised by CQC visit revealed significant issues with a comprehensive action plan (July 20). Shortage of reagents for Covid19 testing (September 20) escalated nationally. Mental Capacity Act and Deprivation of Liberty Safeguards Assessments: examples of MCA testing not implemented or documented and of omissions/absence of DoLS in some areas with actions to address (October 20). C-Section Rates: emergency C sections at 28% were higher than expected with a combined emergency and elective rate just under 40%.

Proportionately more women required intervention and subsequent C-section including those in premature labour and those seriously ill with COVID-19 (February 21). C sections reduced to 34% by March 21 as Covid-19 levels declined.

Stroke assessment within 24 hours percentage below target due to stroke patients being dispersed to other wards due to COVID-19 with assurances that patients continued to receive appropriate treatment within the 24-hour window. (February 21).

Black Country Pathology Service: Microbiology at Wolverhampton UKAS accreditation suspended following a virtual inspection with some significant issues including slippage of the audit plan. The assessment report received and action plans in place with review expected in May 21. The Board accepted the recommendation that the highlighted cultural and quality issues be covered in greater depth at a board development session. (March 21)

Clinical Audit: Audit activity was suspended across the Trust for Q1 and 2 2020/21 due to the COVID-19 pandemic and again in January 2021 to end of 2020/21. On 16 March 2020 NHSE confirmed that national audits and some national registries were also suspended with expected reduced levels of completion: 56% in Division 1, 37% Division 2, 35% Division 3. (March 21)

Never Events: unintentional connection of a patient requiring oxygen to an air flowmeter. Actions included reminder to all matrons of the three barriers that reduce the risk of oxygen tubing being connected to air flow meters and immediate review to ensure air flow meters are not in-situ unless explicitly required. (March 21)

**Matters of assurance** - during the year the Chair's report included the following -

Mortality: the Learning from Deaths Report and the Mortality Action Plan showed a wealth of actions being taken to improve care and the Trust's understanding of care pathways. This and the steadily reducing SHMI resulted in the Mortality BAF risk SR12 being removed (July 20).

Evidence of learning from deaths through sharing of knowledge gained through SJRs (October)

Information Governance: Trust submission that all conditions were met (September)

Audit of Duty of Candour showed very good levels of compliance in all divisions.

CQI Report showed work had continued including online training materials, development of Outpatient Futures, the Huddle Tool, and a single referral form in Community - staff's own initiative supported by the CQI team. (October)

Discharges: QGAC heard that excellent co-operation between the Trust and Wolverhampton Social Services had enabled patients to be discharged swiftly and safely, maintaining flow out of the hospital and freeing up beds. (March)

**Matters of achievement** - During the year the Chair's report included the following:

Quality Review Visits to South East District Nurses based at Bilston Health Centre - two domain good and 3 outstanding - and to Durnall Unit, September 2019 - all domains good, with Caring outstanding, and all actions implemented.

COG: Patient Experience Report: There has been considerable and increased volunteering activity, the Trust's success being reported on the national news relating to the recruitment of Community Clinical Volunteers.

Organ Donation: Despite all the difficulties of COVID, RWT's performance has been good, and from being in the bottom tier (tier 4) for performance in 2016 the trust is now in line to be in the top tier. (November)

## **Committee Non-executive Members**

QGAC exchanges information with other Committees, for example agreeing to take on the follow-up of one of the Internal Audit reports (Radiography in the Radiotherapy Department) and passing on one issue concerning digital innovation to the Innovation Committee. The Chair of the QGAC attends the Audit Committee, which helps to maintain the flow of information between the committees, particularly on clinical audit matters.

Audit was informed of the self-assessment QGAC carried out (see below) covering, in particular, QGAC's role in monitoring clinical audit. The Healthcare Quality Improvement Partnership's publication Clinical Audit: a simple guide for NHS boards was used to review how clinical audit is managed, and the Medical Director will be considering with other stakeholders the way clinical audit can be redesigned to align more closely to the Trust's strategic objectives. A paper on this should come to QGAC in May 2021. One QGAC member is also on the Innovation Committee which assists the flow of information on digital health matters.

Self-assessment: QGAC members completed a self-assessment questionnaire based on an adaptation of a standard Audit Committee format. The results were provided to the September meeting. QGAC reviewed its TOR in April 2020 and March 2021 and received board approval. Deloitte observed the February 2021 meeting and the Company Secretary for Walsall Healthcare NHS Trust the meeting in March 2021.

## **Finance and Performance Committee**

**Committee M Martin, Chair, S Rawlings, J Hemans, J Dunn (from February 2021)**

The aims of the Committee are to provide the Trust Board with assurance 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 (MTFP) and the efficient use of financial resources in order to review the Trusts Financial strategy, performance and business development

The Committee met monthly and considered in detail:

- Trust's financial position
- Financial Recovery Board report which includes progress on the Cost Improvement Programme
- The progress of the capital programme
- Performance aspects of the Trust Board's quality and performance report.

It also considered

- Impact of Covid 19 on Performance
- Cancer Action Plan
- Group, Service Line Reporting
- Sustainability and Transformation Programme (STP)
- Contracting & Business Development Update
- Annual Budget/Income Expenditure Plan
- Cash Flow Report
- Temporary Staffing Dashboard
- Local Clinical Research Network (LCRN) finance report
- Procurement report
- 5 Year Capital Plan
- Backlog Maintenance Programme
- Other matters associated with operational finance and budgeting.

The non-exhaustive list is managed on an annual plan/cycle of work with upward reporting Groups and the Committee maintains an issues log to communicate issues for redress.

## **Matters of note and assurance**

These matters featured in the Committee's reports to the Trust Board, including;

**Matters of concern** - During the year the Committee has noted the following matters of concern:

- 1) The potential impact of Covid-19 on the Trust's financial position and on performance.
- 2) The recovery plan for restoring services especially for cancer referrals
- 3) The agreement of the capital budget including Covid-19 related capital was not finalized until late in the financial year. The Trust achieved its CRL.

**Matters of assurance** - During the year the Committee has noted the following matters of assurance:

- 1) The cashflow management was considerably helped by the payments in advance and healthy cash balances were maintained
- 2) The EU transition meetings monitored the preparedness for leaving the EU and procurement did extensive work to secure the supply chains.
- 3) The full budget planning exercise was undertaken across the Trust for expenditure in 2021/22.

**Matters of achievement** - During the year the Committee has noted the following matters of achievement:

- 1) The continued high performance of the Clinical Research Network West Midlands. All non-essential clinical trials were paused and focus was on urgent public health Covid-19 studies.
- 2) The Babylon contract was reviewed in detail and recommended to the Board for approval

## **Committee Non-executive Members**

The Chair of the Committee is a member of the Audit Committee, which helps to maintain the flow of information between the committees, particularly on financial risks.

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

## **Workforce & Organisational Development (WOD) Committee**

**Members: Chair: J Hemans, Members: R Dunshea + one 'floating' Member**

### **Aims of the Committee**

The purpose of the committee is to provide the Board with assurance that:

- 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, engagement, wellbeing and 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 through the Trust Management Committee.
- The organisational culture is diagnosed and understood and actions are in place to ensure continuous improvements in culture.

To provide assurance on the following key areas of workforce governance:

- Resourcing and Skills
- Leadership & organisational effectiveness
- Engagement & Culture
- Wellbeing
- Productivity

## **Frequency of Meetings and Main Focus**

During 2020-2021, the Committee met 6 times (bi-monthly).

At each meeting the Committee considered progress updates on:

- Executive Workforce Report including update from Model Hospital
- Workforce Resourcing & Productivity (including Retention)
- Employee Relations and Improving People Practices Update
- Staff Engagement and Surveys and Communications Agenda
- Education & Training & Apprenticeships & Leadership
- Equalities, Diversity & Inclusion
- Workforce Plan
- Health & Wellbeing
- Board Assurance Framework and
- Divisional Deep Dive Reviews

## **Activity**

The Committee received and discussed reports on

- Executive Workforce Report
- Targets for 2020-2021
- Health and Wellbeing Support for Staff – During and Post COVID-19 Surge periods
- Board Assurance Framework
- Discussion on Anti-Discrimination
- Workforce Resourcing & Productivity (including retention)
- Employee Relations and Improving People Practices
- Education & Training, Apprenticeships and Leadership
- Equalities: WRES and WDES Data
- Division 1, 2 & 3 Deep Dive/Reviews
- Institute of Healthcare Management
- RWT Response to the National People Plan
- Equality, Diversity and Inclusion: BAME Update Report
- Staff Engagement & Survey and the Wider Communications Agenda
- Update on Job Planning Committee
- Reverse Mentoring
- Workforce Modelling and Planning
- Recruitment - Analysis Update Report
- Key Update - Staff Vaccination
- Review of Annual Planner 2021-2022 and Terms of Reference
- Workforce & Organisational Development Strategic Objectives (2021/22)
- Black Internship Programme
- Equality, Diversity & Inclusion Update
- Nurse Staffing During Covid Response
- Wellbeing Guardian
- Race Code
- 2020 Workforce Race Equality Standard (WRES) Report
- Risks Review / Assessment re Revised Strategic Objectives and Aims

The non-exhaustive list is managed on an annual plan/cycle of work with upward reporting Groups and the Committee maintains an issues log to communicate issues for redress.

The Committee also received regular reports from the Operational Workforce Group (OWG).



## **Matters of note and assurance**

### **Matters of concern –**

During the year the Committee has noted the following matters of concern:

- 4) Job Planning – need to have a full and regular update on the plans and progress on its implementation
- 5) Employee Voice Groups – offer to expand opportunity to include NEDs

### **Matters of assurance –**

During the year the Committee has noted the following matters of assurance:

- 1) Recruitment - an understanding of where we recruit from
- 2) Workforce modelling & planning – need to develop an action plan
- 3) Equality, Diversity & Inclusion – more detailed plans to be reviewed
- 4) More extensive review on the wider attraction & retention agenda

### **Matters of achievement –**

During the year the Committee has noted the following matters of achievement:

1. Armed Forces Employer Recognition Scheme – Gold Award
2. Implementation of e-job planning, e-leave & medical e-roster
3. Continued reduction in vacancy levels
4. Introduction of reverse/diversity mentoring
5. Black Internship Programme
6. Development of an EDI Delivery Plan
7. Establishment of Employee Voice Groups
8. Development of the Inclusive Recruitment Toolkit
9. Focus on the Wellbeing agenda, both pre and post Covid
10. Implementation of MH First Aiders
11. Development of Covid 19 risk assessments
12. Actions in relation to improving people practices
13. Review and implementation of workforce thresholds and targets
14. Establishment of the West Midlands Hub of the Institute Healthcare Management

## **Committee Non-executive Members**

The Chair of the Committee is a member of the Finance & Performance, Remuneration and Clinical Ethics Committees, which helps to maintain the flow of information between the committees, particularly on finance and clinical audit matters.

The Committee Members (NEDs) have experience across, Audit Committee, Finance & Performance, Charity and Quality Governance Assurance Committees, that they bring to bear on the matter attended to at the Committee.

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

## **Remuneration Committee**

**Members: M Martin (Chair), S Field, R Edwards, J Hemans, 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 as required and has reviewed Executive Director Remuneration and appraised the performance of the Chief Executive (in his absence). The Chairman appraised all of the Non-Executive Directors and the Senior Independent Director (SID) appraised the Chairs performance.

## Charitable Funds Committee

**Members: S Rawlings (Chair), 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 2020/2021, the Committee continued to benefit from the dedicated support of an in-house Fundraising Coordinator and the Community and Events Fundraiser.

The Fundraising Team 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 refreshed newsletter and increased use of social media has raised further awareness of the charity and our work and enabled us to publicly thank our dedicated supporters for everything they have done to support our work over the last year.

A wide range of projects were supported during the year for the benefit of the welfare and comfort of our patients and staff as well as some capital items – going over and above that which can be provided by the Trust itself.

## Trust Management Committee

### Aims of the Committee

Chaired by the Chief Executive, 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.

### Frequency of meetings and main focus

During 2020-2021, the Committee met monthly except in August and December

### Activity

The committee 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 Integrated Quality Performance Report (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. The non-exhaustive list is managed on an annual plan/cycle of work with upward reporting Groups and the Committee maintains an issues log to communicate issues for redress.

### Matters of note and assurance

**Matters of concern** - During the year the Committee has noted the following matters of concern: COVID-19 and the impact on staff health and wellbeing and the local population it serves

**Matters of assurance** - Restoration and Recovery of Services

**Matters of achievement** - Becoming a Smoke Free Trust - 1 October 2020

## **Innovation, Research and Adoption Committee**

**Members: Professor A Pandyan, R Dunshea (Chair).**

The aims of the Committee are to provide the Trust Board with an independent and objective review of the Trust's innovation and research aims and developments. This is a new committee and 2020-21 was its first full year of working.

Each meeting received reports from the executive and senior clinical leads on the initiation of strategic innovation development projects. Presentations were received on digital strategy, health informatics systems, artificial intelligence applications, Covid-19 research projects, and the establishment of an integrated care system for Wolverhampton. It also was briefed on the progress to set up the Institute of Health Innovation; a partnership with the University of Wolverhampton.

The committee had oversight of new contractual partnerships with Babylon Health and Sensyne Health. These are at early stage and the focus must now move to benefits realisation. The impact of the Covid-19 pandemic has been profound and has in many ways acted as a catalyst to improve services through the use of IT and related technologies. The committee was keen to ensure lessons have been learnt and long-term transformation achieved to improve patient outcomes.

The committee met five times during the year and was quorate. The contributions from a broad range of clinical and IT disciplines were greatly appreciated.

## **Clinical Ethics Committee**

**Members: Prof. L.Toner (Chair), Prof. S.Field, Mr J.Hemans (to March 2021)**

The Committee was newly formed in (check) June 2020 and comprises a Non-Executive Chair and two NED members including the Trust Chair and a range of clinical professional staff from across the clinical professions and service areas. It has met on average every other month since with hiatus during Covid-19 waves due to clinical operational pressures.

The Committee has used the Oxford Ethox Clinical Ethics Committee materials and training information from its formation and early development. To date it has considered set case examples and one clinical example following the resolution of the case. It will continue its development in 2021 and 2022 with input from Clinical Ethics experts and access to external training and development opportunities

## **Freedom to speak up - concerns raised**

The Royal Wolverhampton NHS Trust has been committed to its Freedom to Speak Up journey and the Guardian role since October 2016. The Trust Board have shown their full commitment and support to embed FTSU within the organisation as per national policy and requirements.

The Trust has been working with the Freedom to Speak Up (FTSU) Guardian to progress the below five identified FTSU objectives and has devised a Speak Up Vision. The objectives below have been successfully achieved and are evidenced in the FTSU Guardian Board reports.

Our objectives are;

1. Raise the profile and develop a culture where speaking up becomes normal practice to address concerns
2. Develop mechanisms to empower and encourage staff to speak up safely
3. Ensure that the Trust provides a safe environment for employees and others to raise concerns and speak up
4. Ensure that concerns are effectively investigated and the Trust acts on its findings
5. Ensure shared learning amongst local/regional/national Networks

## Covid-19 & Speaking Up

Despite the challenges of Covid-19 the Guardian has worked with the organisation to provide the safest way to deliver FTSU support and has also offered support to the Contact Links (volunteer employees supporting FTSU). This year there has been an increase in the number of cases being reported to the Guardian, a good indicator of speaking up culture as evidenced in the most recent FTSU Trust Board report.

During the last unprecedented year, FTSU has focused on, online awareness training sessions and responded to departmental concerns. Training packages have been devised and delivered combining Equality, Diversity & Inclusion (EDI), Psychological Safety, and safe speaking up environments. This has been well received and has been successful due to the collaborative approach taken with the Trust EDI Lead, HR Advisory, Governance, Divisional, Departmental leads, and the Education & Training department.

## FTSU Index Report

The National Guardian's Office (NGO), NHS England and Improvement have published a FTSU Index report since 2018. The report brings together four questions from the NHS Staff Survey that relate to whether staff feel knowledgeable, secure, and encouraged to speak up and whether they would be treated fairly after an incident. The FTSU Index seeks to allow trusts to see how an aspect of their FTSU culture compares with other organisations so learning can be shared, and improvements made (National Guardian Office: 2020).

The RWT FTSU Index Score has seen a positive increase year on year;

2018	77%
2019	78%
2020	78.4%

The 2019 FTSU Index score recorded a midrange position which was slightly lower than average at 78%. In 2020, this position has improved slightly to 78.4% however benchmarking data is currently not available. The Trust is showing improvements to its FTSU culture; further actions to embed FTSU within the organisation are required to ensure RWT achieve an above average FTSU Index score. The Guardian will work closely this next year with key stakeholders of the Trust to support actions in improving the FTSU Index score.

## FTSU Data

Here is the Trust Freedom to Speak Up data recorded for the Financial year 2020/21 and reported to 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 Improvement.

**Table 14**

*Figure 1: Total Number of FTSU cases reported to the National Guardian Office*

<b>2020/21</b>	<b>Total number of cases brought to Freedom to Speak Up Guardians, Champions and Ambassadors in your trust</b>	<b>#Cases raised anonymously</b>	<b># of cases with an element of patient safety/quality</b>	<b># of cases related to behaviours, including bullying/harassment</b>	<b># of cases where people indicate that they are suffering detriment as a result of speaking</b>
Q1 2020/21	22	1	4	16	2
Q2 2020/21	35	1	4	28	4
*Q3 2020/21	29	3	5	21	2
Q4 2020/21	27	3	6	20	4

Freedom to Speak Up continues on its successful journey at The Royal Wolverhampton NHS Trust, and the collaborative approach has enabled quality interventions to take effect and improve the experience of staff and keeping our patients safe.

## Capacity to handle risk

### 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. A risk management e-training is available for senior managers and a separate package for all staff.

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)

### Management of the Risk Registers 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 were reviewed by Directors, the Board and management during 20/21 at the following frequencies:

- QGAC – Monthly
- Trust Board – 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 and the principles of measurable controls are applied. For risk registers to remain effective priority is also placed on the completion and update of assurances and actions to manage risk.

A total of 57 risks on the BAF and TRR were managed during the year 2020-2021, of these 21 were new risks identified in year. The 57 risks comprised of the following categories, 14 were red (red being the highest risk rating), 42 were amber, and 1 was yellow.

There were 20 new risks added onto the TRR in 20/21 including in the following areas (for example): Perfusion staffing, Prescribing & Administration of Critical Care Medicines in COVID-19, Safe and proper use of medicines, Number of registered nurses available who are trained to deliver Systemic Anti-Cancer Treatment (SACT), Looked After Children & Young People in Care, Cytology Pin Register, Room availability within the community setting for community midwives, Laboratory shortage of reagents for COVID-19 testing, Mental Capacity Assessment, Cardiothoracic surgical waiting list.

There was 1 new risk added onto the BAF in 20/21; SR14 - Trust services and reputation are adversely impacted upon by the medium to long term impacts of the Covid-19 outbreak.

There were 34 risks closed as at 31 March 2021, the remaining 23 to be carried forward to 2020/21.

There are two Red Risks on the Board Assurance Framework and three on Trust Risk Register (TRR) relating to Cancer performance metrics and the potentially adverse impact of the Covid-19 outbreak (BAF) and issues relating to review and communication of test results, Network support for Vascular Services and Consultant cover in Cancer Services (TRR).

### **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
- A description of the committee arrangements and 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 on 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 the Board Assurance Framework (April 2020) reported significant assurance with 4 low and one improvement recommendation including that BAF reporting should make explicit the relationship between operational and strategic risks.

In addition, during 2020/21 the local (Trust initiated) audit of the Risk Management Strategy and Reporting Policy (OP10) showed good compliance with risk register reviews at all levels and sustained improvement with risk escalation/management.



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.

**Risk management assurance** - The trust annual Risk management audit concluded partial assurance with 2 low and 3 medium recommendations. 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** - A Risk Management e-training package for senior managers and staff is made available on the Trust Intranet site. During the 1st and 2nd wave of Covid 19 compliance follow up of Risk management training was paused although remained available for staff that were able to complete the training.

During 2020/21 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.

#### **Assurance Priorities 2021/22**

Review and align Quality assurance frameworks for QRV, Leadership Walkabouts and Quality audits

Implement systems and processes falling from the National Patient Safety Strategy

Embed the revised Quality reporting structure

Undertake an independent Well Led Review at the Trust

#### **Challenges 2021/22**

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 reinstate all service activity, reduce the backlog created by the Covid Pandemic and return to national target achievement.

As well as developing systems, processes and assurance structure, the trust also intends to demonstrate improvement. The enhancing of working links between Clinical Improvement Team and Governance and Risk Management team is key to this and will be complimented by the introduction of the new Patient Safety Specialist role.

#### **Some of key achievements over the past 12 months are:**

The Royal Wolverhampton NHS Trust continues to be rated 'Good' overall by the Care Quality Commission (CQC). During the Covid-19 Pandemic CQC adapted their inspection process to a Transitional Monitoring Approach (TMA), this involved telephone calls with organisations and reviewing a number of KLOE questions (Key Lines of Enquiry).

The Trust was engaged with three CQC TMA type calls relating to Emergency Department (ED), Infection Prevention (IP) and Well-Led. The feedback from CQC for ED and IP were of a good standard and the Trust is awaiting feedback from the Well-Led review.

Over the year various notifications were submitted to CQC relating to temporary closures in Primary Care, Urgent Treatment Centre due to COVID-19 and one change related to temporary appointment of nominated individual due to internal cover arrangements.

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 been unable to complete a full programme of quality review visits 2020/21 to assess ongoing compliance with Care Quality Commission (CQC) regulations due to the Covid-19 pandemic. Three QRVs have however been undertaken during this period. We are currently reviewing the QRV process going forward. An annual report on the 2020/21 quality review visit programme will be presented in May/June 2021. Further processes undertaken this year include confirm and challenge for key themed areas and CQC action plan monitoring of closed actions.

### **Compliance Summary**

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

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.

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 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. 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. The Trust has recently approved a new 'Green Plan' bringing together all aspects of climate impact management.

### **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

## Information Governance & Data Security

### SUMMARY OF SERIOUS INCIDENT REQUIRING INVESTIGATIONS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2020/21

The table below details the incidents reported on the NHS Digital incident reporting tool and to the Information Commissioners Office (ICO), within the financial year 2020-2021. Any incidents that are still being investigated for the period 2020-21 are not included. The incidents listed below are for the Royal Wolverhampton NHS Trust and GP partnerships that have joined the Trust as listed below.

**Table 15**

Date incident occurred (Month)	Nature of incident	No. of data subjects	Description/ Nature of data involved	Further action on information risk
November 2020	Disclosed in error - email	10	A member of staff sent out a New Starter form via the recruitment system to at least 10 new starters. Unfortunately, the member of staff did not check the new starter form prior to attaching it to the system and the form was not blank, it contained sensitive personal information about an individual. They are aware that at least 3 of the recipients have read the email as they received phone calls from these individuals yesterday advising they had received it.	Contacted system provider to break the link in the email so individuals who had not opened the email prior to this could no longer see the email attachment.  They also contacted all known recipients and asked to delete the email and situation was contained.
November 2020	Disclosed in error – email	1	Clinical letter for child 'A' was sent with details for child 'B'. Both children were being treated at the same clinic however information disclosed included the wrong diagnosis for child A.	Correct letters were sent to the relevant children's GPs/Children Hospital Consultants and advised to ignore the previous letter and confidentially destroy. Change in process with medical secretaries was implemented to ensure adequate checks are done on letters before being sent to patients and an audit was requested to ensure all letters sent around the same time were correct.
December 2020	Lost or Stolen Paperwork	40+	A member of staff who was planning on working from home, took blood request/referral forms home so they could book clinic appointments for the referrals. On their way home, their car was stolen with belongings, the blood request forms were among their belongings in the car. Blood forms contained name, address, sex, DOB, NHS Number and were all for glucose tolerance tests.	Car and its contents were not recovered. All patients were identified and were rebooked in for appointments so no delay on clinical care.

## 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 2012-21		
Category	Breach Type	Total
A	Corruption or inability to recover electronic data	2
B	Disclosed in Error	85
C	Lost in Transit	3
D	Lost or stolen hardware	0
E	Lost or stolen paperwork	7
F	Non-secure Disposal – hardware	0
G	Non-secure Disposal – paperwork	3
H	Uploaded to website in error	0
I	Technical security failing (including hacking)	5
J	Unauthorised access/disclosure	8
		113

### Data Protection and Security Toolkit Return 2019/ 2020 – final submission

Due to the current situation relating to Covid-19, NHS Digital (NHSD) recognises that it will be difficult for many organisations to fully complete the toolkit without impacting on their COVID-19 response. NHSD took the decision to push back the 2019/20 deadline for DSPT submission to 30 September 2020. The results for the final submission for 2019-20 for all are shown below.

The Royal Wolverhampton NHS Trust    RL4 Standards Met

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

### Looking forward to 2020/21 Data Security and Protection (DSP)

Due to the current Covid-19 response the DSP Toolkit (DSPT) for 2020-21 will not be submitted until June 2021, in line with the newly set date by NHS Digital. The Trust will continue to work towards achieving compliance with the DSPT which will be published later this year. An internal audit of the DSPT in November 2020 had provided significant assurance of the processes and evidence that is in place to support the DSPT submission.

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 the increasing risk of external threats in relation to Cyber security, such as particularly email 'phishing'. Other risks to data security include - disclosure in error due to increased remote working during the Covid period.

Work continues to improve controls and practices to manage these risks. The Trust has continued to embed the requirements of the General Data Protection Regulation 2016 (GDPR) into day to day practices, monitored via a variety of groups. This is to ensure that data privacy is at the forefront of the care that we provide and the information that is captured.

The Trust remains focused on embedding principles of privacy by design into Trust processes, from procurement to digital innovation and service redesign. This program of work is monitored through the committee structure.

- The Trust has several committees dedicated to reviewing assurance in relation to DSPT and GDPR, chaired by senior Board members.
- The Chief Medical Officer is the Trust's trained Caldicott 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 Information Governance (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 an assigned Data Protection Officer (DPO) 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 Caldicott Guardian through to the Trust board.
- The Trust is in the process of implementing a robust asset management system and defining establishing clear responsibilities for Information Asset Owners (IAO) 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 NHD approved cyber and data security training, and will receive updates and briefings in relation to the Trust performance in this area.

## 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 2020-2021.

The Trust's quality priorities for 2020-2021 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 2020-2021 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 2020-2021 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 2020. 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 30<sup>th</sup> June 2020 and as a result, the final version presented to Trust Board on 2<sup>nd</sup> 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*

## 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 efficiency 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. These have continued to be produced, reviewed and monitored throughout the impact of the Covid-19 pandemic.

## Emergency Planning / Resilience

The Emergency Preparedness, Resilience and Response (EPRR) agenda has dominated NHS organisations in 2020/2021. This is a collective result of COVID-19 response command structures, and the management of several concurrent risks and incidents including, the end of EU Transition Period and influenza.

COVID-19 is a realisation of the highest scored item on the UK Government National Risk Register – Pandemic. However, the root cause infection was not the long-anticipated influenza pandemic, but a novel corona virus. The virus continues to present NHS Providers with substantial clinical challenges in its treatment and containment, including the supply and safe use of personal protective equipment and demand for critical care services.



The Trust already has a well-established, command and control structure in place; which is effectively being used, and has been since the start of the Trust's response to COVID-19. The Trust's Incident Control Centre (ICC) has been operating 7 days a week since March 2020.

As part of COVID-19 infectious disease outbreak, as part of the ongoing response to this civil emergency, the Trust is working in collaboration with the local health care economy through formal standing meetings and ad hoc arrangements. Emergency planning arrangements have been invoked. This includes being involved in multi-agency command structures to co-ordinate key areas of focus, manage risks and support timely decision making and responding to the many national countermeasures.

Due to the pressures presented by COVID-19, business continuity management has been evoked, as planned staffing remains under pressure and supply chain of essential equipment has at times been tested to the extreme. A COVID-19 email box was established and is still in situ and monitored by Emergency Planning to manage the flow of information, supported by a series of subject matter experts who receive requests and respond.

The Trust has established plans in place supported by service continuity plans, with further updates being planned for. It should be noted that a number of training, exercises and testing events have been cancelled due to the COVID-19 response. The Trust events will be rescheduled at an appropriate time.

Other activities have been undertaken to improve emergency preparedness response for the Trust; development of a Trust induction DVD on emergency preparedness for all staff, improvement of EPRR intranet site and the development of an electronic grab pack for Strategic and Tactical commanders to use in the event of responding to an emergency incident.

**EU Exit.** From the 1 February 2020 the UK entered into a transition period which started the withdrawal process from the EU until the 31 December 2020. Due to the many different EPRR streams the NHS adopted a single operational response model to respond to the EU Exit, COVID-19 and winter pressures. The EU Exit transition period has now ended with nil impact reported to the Trust to date. However, the Trust has continued to maintain its current level of preparedness in case of potential further impacts on service delivery over coming months.

**EPRR Assurance.** The assurance process changed slightly due to COVID-19. The Trust in 2019/2020 EPRR Core Standards self-assessment achieved a Fully Compliant status, these are continually under review.

The Trust has responded well to the many challenges that have been presented and continues to improve its response, COVID-19 being the biggest challenge.

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

### **Health and Safety at Work**

The Trust Health and Safety risk profile has been maintained and shows compliance with 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.

During 2020/21 there has been a focus on ensuring Covid Safe risk assessments are in place for staff who continue to work on site, and this will continue into 2021/22 as more staff return to work.

There has been an 18.1% reduction in the number of health and safety incidents when comparing 2019/20 to 2020/21. Total incidents reduced from 597 in 2019/20 to 489 in 2020/21. Focus has remained on the high incident reporting areas; ensuring investigations are undertaken where needed and risk assessments reviewed to improve control measures. Emphasis continues on sharing lessons identified across the Trust, using various forums, including the Safety Representative Forum, and our Risk Newsletter 'Risky Business' and direct email depending which method is felt most suitable at the time.

The top 5 reported health and safety related incidents for the year are:

Category	19/20	20/21	DoT
Slips, trips & falls - Staff	197	147	↑ 20%
Sharps injury	196	179	↑ 1%
Contact	122	74	↑ 40%
Manual handling activity	80	91	→ 11%
Hazardous substances	59	64	→ 9%

An additional category to highlight which has shown a deterioration is Occupational Health:

Category	19/20	20/21	DoT
Occupational health	21	72	↓ 71%

Occupational health incidents for this reporting period.

- Face mask irritations/allergy
- Potential outbreaks of Covid 19

### 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 2020/21.
3. The Trust has published through a link 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 as per the revised required timescales of the Information Governance Toolkit. (see Data Protection and security Toolkit Return section of this report).

### Head of Internal Audit Opinion

"Our overall opinion for the period 1 April 2020 to 31 March 2021 is that based on the scope of reviews undertaken and the sample tests completed during the period, Significant assurance with some 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 Primary Care Governance, Continuous Quality Improvement, the Allocate system and Consultant Job Planning. 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."

## 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.

## 10. Conclusion

No significant internal control issues have been identified during 2020/21.



**Accountable Officer:** Prof. David Loughton CBE  
**Organisation:** The Royal Wolverhampton NHS Trust,  
**Date:** 9 June 2021

## Statement of Comprehensive Income

		2020/21	2019/20
	Note	£000	£000
Operating income from patient care activities	3	588,601	549,223
Other operating income	4	154,684	126,891
Operating expenses	6, 8	<u>(734,130)</u>	<u>(656,732)</u>
<b>Operating surplus/(deficit) from continuing operations</b>		<b>9,155</b>	<b>19,382</b>
Finance income	11	26	186
Finance expenses	12	(2,105)	(2,126)
PDC dividends payable		<u>(10,003)</u>	<u>(10,589)</u>
<b>Net finance costs</b>		<b>(12,082)</b>	<b>(12,529)</b>
Other gains / (losses)	13	34	53
<b>Surplus / (deficit) for the year from continuing operations</b>		<b>(2,893)</b>	<b>6,906</b>
<b>Surplus / (deficit) for the year</b>		<b>(2,893)</b>	<b>6,906</b>
<b>Other comprehensive income</b>			
<b>Will not be reclassified to income and expenditure:</b>			
Revaluations	17	12,488	3,561
<b>May be reclassified to income and expenditure when certain conditions are met:</b>			
<b>Total comprehensive income / (expense) for the period</b>		<b>9,595</b>	<b>10,467</b>
<b>Adjusted financial performance (control total basis):</b>			
Surplus / (deficit) for the period		(2,893)	6,906
Remove net impairments not scoring to the Departmental expenditure limit		5,658	(1,408)
Remove I&E impact of capital grants and donations		(1,709)	156
Remove 2018/19 post audit PSF reallocation (2019/20 only)		0	(511)
Remove net impact of inventories received from DHSC group bodies for COVID response		<u>(813)</u>	<u>0</u>
<b>Adjusted financial performance surplus / (deficit)</b>		<b>243</b>	<b>5,143</b>

## Statement of Financial Position

		31 March 2021	31 March 2020
	Note	£000	£000
<b>Non-current assets</b>			
Intangible assets	14	5,526	2,609
Property, plant and equipment	15	382,916	348,384
Receivables	19	7,326	6,532
<b>Total non-current assets</b>		<b>395,768</b>	<b>357,525</b>
<b>Current assets</b>			
Inventories	18	8,802	6,901
Receivables	19	29,136	60,820
Cash and cash equivalents	20	54,351	12,045
<b>Total current assets</b>		<b>92,289</b>	<b>79,766</b>
<b>Current liabilities</b>			
Trade and other payables	21	(79,979)	(68,910)
Borrowings	23	(2,012)	(2,032)
Provisions	25	(4,592)	(5,084)
Other liabilities	22	(3,659)	(3,300)
<b>Total current liabilities</b>		<b>(90,242)</b>	<b>(79,326)</b>
<b>Total assets less current liabilities</b>		<b>397,815</b>	<b>357,965</b>
<b>Non-current liabilities</b>			
Trade and other payables	21	(58)	(68)
Borrowings	23	(5,576)	(7,223)
Provisions	25	(2,399)	(1,859)
<b>Total non-current liabilities</b>		<b>(8,033)</b>	<b>(9,150)</b>
<b>Total assets employed</b>		<b>389,782</b>	<b>348,815</b>
<b>Financed by</b>			
Public dividend capital		282,017	250,646
Revaluation reserve		76,872	64,384
Other reserves		190	190
Income and expenditure reserve		30,703	33,595
<b>Total taxpayers' equity</b>		<b>389,782</b>	<b>348,815</b>

The notes on pages 44 to 77 form part of these accounts.

Name  
Position  
Date

David Loughton  
Chief Executive  
9 June 2021





## Statement of Changes in Equity for the year ended 31 March 2021

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2020 - brought forward	250,646	64,384	190	33,595	348,815
Surplus/(deficit) for the year	0	0	0	(2,893)	(2,893)
Revaluations	0	12,488	0	0	12,488
Public dividend capital received	31,371	0	0	0	31,371
Taxpayers' and others' equity at 31 March 2021	<u>282,017</u>	<u>76,872</u>	<u>190</u>	<u>30,703</u>	<u>389,782</u>

## 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
Taxpayers' and others' equity at 1 April 2019 - restated	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	<u>250,646</u>	<u>64,384</u>	<u>190</u>	<u>33,595</u>	<u>348,815</u>

## **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

	2020/21	2019/20
Note	£000	£000
<b>Cash flows from operating activities</b>		
Operating surplus / (deficit)	9,155	19,382
<b>Non-cash income and expense:</b>		
Depreciation and amortisation	6.1 21,230	20,508
Net impairments	7 5,658	(1,327)
Income recognised in respect of capital donations	4 (1,949)	(102)
(Increase) / decrease in receivables and other assets	31,355	(26,314)
(Increase) / decrease in inventories	(1,901)	(294)
Increase / (decrease) in payables and other liabilities	4,946	14,826
Increase / (decrease) in provisions	54	1,792
<b>Net cash flows from / (used in) operating activities</b>	<b>68,548</b>	<b>28,471</b>
<b>Cash flows from investing activities</b>		
Interest received	26	186
Purchase of intangible assets	(3,681)	(646)
Purchase of PPE and investment property	(39,784)	(31,223)
Sales of PPE and investment property	34	53
Receipt of cash donations to purchase assets	179	102
<b>Net cash flows from / (used in) investing activities</b>	<b>(43,226)</b>	<b>(31,528)</b>
<b>Cash flows from financing activities</b>		
Public dividend capital received	31,371	13,461
Capital element of finance lease rental payments	(211)	(165)
Capital element of PFI, LIFT and other service concession payments	(1,836)	(1,818)
Interest paid on finance lease liabilities	(16)	(13)
Interest paid on PFI, LIFT and other service concession obligations	(2,094)	(2,116)
PDC dividend (paid) / refunded	(10,230)	(10,234)
<b>Net cash flows from / (used in) financing activities</b>	<b>16,984</b>	<b>(885)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>42,306</b>	<b>(3,942)</b>
<b>Cash and cash equivalents at 1 April - brought forward</b>	<b>12,045</b>	<b>15,987</b>
<b>Cash and cash equivalents at 1 April - restated</b>	<b>12,045</b>	<b>15,987</b>
<b>Cash and cash equivalents at 31 March</b>	20.1 <b>54,351</b>	<b>12,045</b>

## 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 2020/21 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. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case.

The Trust has prepared its financial plans and cash flow forecasts for the coming year on the assumption that funding will be received from the Department of Health and Social Care consistent with the revised funding arrangements in response to the COVID-19 pandemic. Discussions to date indicate this funding will be forthcoming. These funds are expected to be sufficient to enable the Trust to meet its obligations as they fall due and will be accessed through the nationally agreed process published by NHS Improvement and the Department of Health and Social Care.

The Board of Directors has therefore concluded that these financial statements should be prepared on a going concern basis as there is a reasonable expectation that the Trust will have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements.

#### 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).

#### Revenue from NHS contracts

The accounting policies for revenue recognition and the application of IFRS 15 are consistently applied. The contracting arrangements in the NHS changed between 2019/20 and 2020/21 affecting the application of the accounting policy under IFRS 15. This difference in application is explained below.

#### 2020/21

The main source of income for the Trust is contracts with commissioners for health care services. In 2020/21, the majority of the Trust's income from NHS commissioners was in the form of block contract arrangements. During the first half of the year the Trust received block funding from its commissioners. For the second half of the year, block contract arrangements were agreed at a Sustainability and Transformation Partnership level. The related performance obligation is the delivery of healthcare and related services during the period, with the Trust's entitlement to consideration not varying based on the levels of activity performed.

The Trust has received additional income outside of the block and system envelopes to reimburse specific costs incurred and other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

#### Comparative period (2019/20)

In the comparative period (2019/20), the Trust's contracts with NHS commissioners included those where the Trust's entitlement to income varied according to services delivered. A performance obligation relating to delivery of a spell of health care was generally satisfied over time as healthcare was received and consumed simultaneously by the customer as the Trust performed it. The customer in such a contract was the commissioner, but the customer benefited as services were provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligned with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that were substantially the same and had a similar pattern of transfer. At the year end, the Trust accrued income relating to activity delivered in that year, where a patient care spell was incomplete. This accrual was disclosed as a contract receivable as entitlement to payment for work completed was 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.

In 2019/20, the Provider Sustainability Fund and Financial Recovery Fund enabled 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.

#### For 2020/21 and 2019/20

##### **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.

## **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 grant 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 employer, 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 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, e.g., 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 (i.e. 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 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 have 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 the criteria in IFRS 5 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 and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. 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.

In 2020/21 this includes assets donated to the Trust by the Department of Health and Social Care as part of the response to the coronavirus pandemic. As defined in the GAM, the Trust applies the principle of donated asset accounting to assets that the Trust controls and is obtaining economic benefits from at the year end.

#### **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	2	69
Dwellings	5	30
Plant & machinery	1	15
Transport equipment	5	7
Information technology	4	5
Furniture & fittings	9	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 when it meets the requirements set out in IAS 38.

### *Software*

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

In 2020/21, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Allowances acquired under the scheme are recognised as intangible assets.

### **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 Financial assets and financial liabilities**

#### **Recognition**

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

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, i.e., when receipt or delivery of the goods or services is made.

### **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 2020/21 this is 22.43% (2019/20 21.79%).

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 1.13 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 1.14 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 2021:

		<b>Nominal rate</b>
Short-term	Up to 5 years	Minus 0.02%
Medium-term	After 5 years up to 10 years	0.18%
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 2021:

	<b>Inflation rate</b>
Year 1	1.20%
Year 2	1.60%
Into perpetuity	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.95% 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 25.2 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 1.15 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 26 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 26 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 1.16 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, with certain additions and deductions as defined in the PDC dividend policy issued by the Department of Health and Social Care. This policy is available at <https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts>.

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 of the audit of the annual accounts.

### **Note 1.17 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 1.18 Carbon Reduction Commitment scheme (CRC)**

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



The carrying amount of the liability at the financial year end will therefore reflect the 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 1.19 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 transaction is accounted for as a transfer by absorption. The assets and liabilities transferred are recognised in the accounts using the book value 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 1.23 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2020/21.

### Note 1.24 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 2022. 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 2022, 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. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 0.91% but this may change between now and adoption of the standard. 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 2022 for existing finance leases.

For leases commencing in 2022/23, 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.

The implementation date for IFRS 16 in the NHS was revised to 1 April 2022 in November 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity from April 2022 and beyond, a quantification of the expected impact of applying the standard in 2022/23 is currently impracticable. However, the Trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

The Trust has estimated the impact of applying IFRS 16 in 2022/23 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

	<b>£000</b>
<b>Estimated impact on 1 April 2022 Statement of Financial Position</b>	
Additional right of use assets recognised for existing operating leases	4,397
Additional lease obligations recognised for existing operating leases	<u>(3,840)</u>
<b>Net impact on net assets on 1 April 2022</b>	<b><u>557</u></b>
<b>Estimated in-year impact in 2022/23</b>	
Additional depreciation on right of use assets	(2,016)
Additional finance costs on lease liabilities	(55)
Lease rentals no longer charged to operating expenditure	<u>1,974</u>
<b>Estimated impact on surplus / deficit in 2022/23</b>	<b><u>(97)</u></b>
<b>Estimated increase in capital additions for new leases commencing in 2022/23</b>	<b><u>1,774</u></b>

In the estimates above the following discount rates have been applied: HM Treasury incremental borrowing rate (a nominal rate) of 0.91% is to be applied for leases commencing in the 2021 calendar year under IFRS 16. For leases commencing in the 2020 calendar year the incremental borrowing rate is 1.27%.

### **IFRS 17 Insurance Contracts**

Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM: early adoption is not therefore permitted. This would be applicable from 1st April 2023 and replaces IFRS 4 Insurance Contracts on accounting for insurance contracts. This standard is expected to have no material impact on the Trusts' financial statements.

### **Note 1.25 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 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 1.26 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.

#### **-Valuation of Non-Current Assets**

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 full valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2021 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 2021. Future revaluations of the Trust's property may result in further material changes to the carrying value of non-current assets.

## 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 Commissioner. 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.£28m. 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	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Income	<b>715,316</b>	649,200	<b>27,969</b>	26,914	<b>743,285</b>	676,114
Surplus/(Deficit)						
Segment surplus/(deficit)	<b>(2,079)</b>	(1,940)	<b>0</b>	0	<b>(2,079)</b>	(1,940)
Common costs	<b>(716,130)</b>	(640,354)	<b>(27,969)</b>	(26,914)	<b>(744,099)</b>	(667,268)
Surplus/(Deficit)	<b>(2,893)</b>	6,906	<b>0</b>	0	<b>(2,893)</b>	6,906
Net Assets:						
Segment net assets	<b>389,839</b>	348,815	<b>0</b>	0	<b>389,839</b>	348,815

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)

	2020/21 £000	2019/20 (Restated) £000	2019/20 £000
<b>Acute services</b>			
Block contract / system envelope income*	<b>456,878</b>	419,041	311,080
High cost drugs income from commissioners (excluding pass-through costs)	<b>46,707</b>	46,330	46,330
Other NHS clinical income	<b>1,389</b>	1,574	109,535
<b>Community services</b>			
Block contract / system envelope income*	<b>44,545</b>	43,332	43,332
Income from other sources (e.g. local authorities)	<b>7,844</b>	8,033	8,033
<b>All services</b>			
Private patient income	<b>220</b>	1,020	1,020
Additional pension contribution central funding**	<b>17,865</b>	16,555	16,555
Other clinical income	<b>13,153</b>	13,338	13,338
<b>Total income from activities</b>	<b>588,601</b>	<b>549,223</b>	<b>549,223</b>

\*As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and providers and their commissioners moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework built on these arrangements but with a greater focus on system partnership and providers derived most of their income from these system envelopes. Comparatives in this note are presented to be comparable with the current year activity. This does not reflect the contracting and payment mechanisms in place during the prior year.

\*\*The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. Since 2019/20, NHS providers have 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)**

	2020/21	2019/20
<b>Income from patient care activities received from:</b>	<b>£000</b>	<b>£000</b>
NHS England	147,630	147,919
Clinical commissioning groups	420,755	380,927
Other NHS providers	1,389	1,574
NHS other	380	342
Local authorities	7,844	8,619
Non-NHS: private patients	220	1,020
Non-NHS: overseas patients (chargeable to patient)	376	260
Injury cost recovery scheme	610	1,418
Non NHS: other	9,397	7,144
<b>Total income from activities</b>	<b>588,601</b>	<b>549,223</b>
<b>Of which:</b>		
Related to continuing operations	588,601	549,223

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

	2020/21	2019/20
	<b>£000</b>	<b>£000</b>
Income recognised this year	376	260
Cash payments received in-year	43	132
Amounts added to provision for impairment of receivables	311	(27)
Amounts written off in-year	34	16

**Note 4 Other operating income**

	2020/21			2019/20		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	28,297	0	28,297	29,671	0	29,671
Education and training	19,366	737	20,103	16,639	721	17,360
Non-patient care services to other bodies	45,029	0	45,029	44,159	0	44,159
Provider sustainability fund (2019/20 only)	0	0	0	7,957	0	7,957
Marginal rate emergency tariff funding (2019/20 only)	0	0	0	2,254	0	2,254
Reimbursement and top up funding	30,980	0	30,980	0	0	0
Income in respect of employee benefits accounted on a gross basis	5,246	0	5,246	6,185	0	6,185
Receipt of capital grants and donations	0	1,949	1,949	0	102	102
Charitable and other contributions to expenditure***	0	12,457	12,457	0	0	0
Support from the Department of Health and Social Care for mergers**	0	3,000	3,000	0	6,000	6,000
Rental revenue from operating leases	0	745	745	0	922	922
Other income*	6,878	0	6,878	12,281	0	12,281
<b>Total other operating income</b>	<b>135,796</b>	<b>18,888</b>	<b>154,684</b>	<b>119,146</b>	<b>7,745</b>	<b>126,891</b>
<b>Of which:</b>						
Related to continuing operations			154,684			126,891

\* 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.

\*\*\* Donated inventories of DHSC centrally procured consumables: personal protective equipment in support of Covid-19 pandemic.

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

	2020/21	2019/20
	<b>£000</b>	<b>£000</b>
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	2,608	1,712

**Note 5.2 Transaction price allocated to remaining performance obligations**

	31 March 2021	31 March 2020
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	<b>£000</b>	<b>£000</b>
within one year	0	0
after one year, not later than five years	0	0
after five years	0	0
<b>Total revenue allocated to remaining performance obligations</b>	<b>0</b>	<b>0</b>

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 5.3 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.

	2020/21	2019/20
	£000	£000
Income	3,154	5,958
Full cost	(3,858)	(3,068)
<b>Surplus / (deficit)</b>	<b>(704)</b>	<b>2,890</b>

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 6.1 Operating expenses

	2020/21	2019/20
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	3,909	3,694
Purchase of healthcare from non-NHS and non-DHSC bodies	3,940	1,391
Staff and executive directors costs**	450,083	406,288
Remuneration of non-executive directors	142	102
Supplies and services - clinical (excluding drugs costs)*	82,763	70,502
Supplies and services - general	10,247	10,877
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	56,546	56,932
Inventories written down	347	0
Consultancy costs	1,568	1,389
Establishment	8,218	5,894
Premises	27,820	23,084
Transport (including patient travel)	2,074	2,455
Depreciation on property, plant and equipment	20,466	19,846
Amortisation on intangible assets	764	662
Net impairments	5,658	(1,327)
Movement in credit loss allowance: contract receivables / contract assets	519	(651)
Audit fees payable to the external auditor		
audit services- statutory audit	66	63
other auditor remuneration (external auditor only)	10	6
Internal audit costs	30	170
Clinical negligence	15,267	12,718
Legal fees	1,353	557
Insurance	163	177
Research and development	25,634	25,740
Education and training	8,581	7,219
Rentals under operating leases	2,855	2,407
Redundancy	104	993
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	3,025	2,403
Car parking & security	1,507	1,290
Losses, ex gratia & special payments	90	0
Other services, e.g. external payroll	151	0
Other	230	1,851
<b>Total</b>	<b>734,130</b>	<b>656,732</b>
<b>Of which:</b>		
Related to continuing operations	734,130	656,732

\* Includes £11.3m of donated inventories of DHSC centrally procured consumables: personal protective equipment in support of Covid-19 pandemic which have been consumed.

\*\* Includes £5.0m annual leave accrual due to excess annual leave carried forward (above normal level) as a result of Covid-19 pandemic. This has been fully funded and is included within Other clinical income.

## Note 6.2 Other auditor remuneration

	2020/21	2019/20
	£000	£000
<b>Other auditor remuneration paid to the external auditor:</b>		
1. Audit of accounts of any associate of the Trust	0	0
2. Audit-related assurance services	10	6
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
<b>Total</b>	<b>10</b>	<b>6</b>

## Note 6.3 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2020/21 or 2019/20.

## Note 7 Impairment of assets

	2020/21	2019/20
	£000	£000
<b>Net impairments charged to operating surplus / deficit resulting from:</b>		
Abandonment of assets in course of construction	0	81
Changes in market price	5,658	(1,408)
<b>Total net impairments charged to operating surplus / deficit</b>	<b>5,658</b>	<b>(1,327)</b>
<b>Total net impairments</b>	<b>5,658</b>	<b>(1,327)</b>

The impairments relate to the impact of the full valuation of the Trusts land and buildings as at 31 March 2021, 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. Impairments are due to a reduction in the value of a number of the Trusts' building assets where no revaluation reserve balance exists.

## Note 8 Employee benefits

	2020/21	2019/20
	Total	Total
	£000	£000
Salaries and wages	363,648	323,477
Social security costs	34,165	31,042
Apprenticeship levy	1,630	1,605
Employer's contributions to NHS pensions	58,975	54,543
Termination benefits	182	1,074
Temporary staff (including agency)	5,282	7,358
<b>Total gross staff costs</b>	<b>463,882</b>	<b>419,099</b>
Recoveries in respect of seconded staff	(832)	0
<b>Total staff costs</b>	<b>463,050</b>	<b>419,099</b>
<b>Of which</b>		
Costs capitalised as part of assets	641	600

## Note 8.1 Retirements due to ill-health

During 2020/21 there were 3 early retirements from the Trust agreed on the grounds of ill-health (2 in the year ended 31 March 2020). The estimated additional pension liabilities of these ill-health retirements is £103k (£65k in 2019/20).

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



## **Note 9 Pension costs**

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care 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 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 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 to 20.6% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

## Note 10 Operating leases

### Note 10.1 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.

	2020/21 £000	2019/20 £000
<b>Operating lease revenue</b>		
Minimum lease receipts	745	922
<b>Total</b>	<b>745</b>	<b>922</b>
	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
<b>Future minimum lease receipts due:</b>		
- not later than one year;	442	579
- later than one year and not later than five years;	253	703
<b>Total</b>	<b>695</b>	<b>1,282</b>

### Note 10.2 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:

	2020/21 £000	2019/20 £000
<b>Operating lease expense</b>		
Minimum lease payments	2,855	2,407
<b>Total</b>	<b>2,855</b>	<b>2,407</b>
	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
<b>Future minimum lease payments due:</b>		
- not later than one year;	1,981	2,030
- later than one year and not later than five years;	4,395	6,392
<b>Total</b>	<b>6,376</b>	<b>8,422</b>

**Note 11 Finance income**

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

	<b>2020/21</b>	2019/20
	<b>£000</b>	£000
Interest on bank accounts	<u>26</u>	<u>186</u>
<b>Total finance income</b>	<b><u>26</u></b>	<b><u>186</u></b>

**Note 12.1 Finance expenditure**

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

	<b>2020/21</b>	2019/20
	<b>£000</b>	£000
<b>Interest expense:</b>		
Finance leases	16	13
Main finance costs on PFI and LIFT schemes obligations	467	547
Contingent finance costs on PFI and LIFT scheme obligations	<u>1,627</u>	<u>1,569</u>
<b>Total interest expense</b>	<b><u>2,110</u></b>	<b><u>2,129</u></b>
Unwinding of discount on provisions	(6)	(3)
Other finance costs	<u>1</u>	<u>0</u>
<b>Total finance costs</b>	<b><u>2,105</u></b>	<b><u>2,126</u></b>

**Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015**

	<b>2020/21</b>	2019/20
	<b>£000</b>	£000
Total liability accruing in year under this legislation as a result of late payments	10	4

**Note 13 Other gains / (losses)**

	<b>2020/21</b>	2019/20
	<b>£000</b>	£000
Gains on disposal of assets	<u>34</u>	<u>53</u>
<b>Total gains / (losses) on disposal of assets</b>	<b><u>34</u></b>	<b><u>53</u></b>
<b>Total other gains / (losses)</b>	<b><u>34</u></b>	<b><u>53</u></b>

#### Note 14.1 Intangible assets - 2020/21

	Software licences £000	Intangible assets under construction £000	Total £000
<b>Valuation / gross cost at 1 April 2020 - brought forward</b>	5,600	824	6,424
Additions	620	3,061	3,681
Reclassifications	1,106	(1,106)	0
<b>Valuation / gross cost at 31 March 2021</b>	<b>7,326</b>	<b>2,779</b>	<b>10,105</b>
<b>Amortisation at 1 April 2020 - brought forward</b>	3,815	0	3,815
Provided during the year	764	0	764
<b>Amortisation at 31 March 2021</b>	<b>4,579</b>	<b>0</b>	<b>4,579</b>
<b>Net book value at 31 March 2021</b>	<b>2,747</b>	<b>2,779</b>	<b>5,526</b>
<b>Net book value at 1 April 2020</b>	1,785	824	2,609

#### Note 14.2 Intangible assets - 2019/20

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

#### Note 14.3 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 least £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 15.1 Property, plant and equipment - 2020/21**

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Valuation/gross cost at 1 April 2020 - brought forward</b>	9,599	276,943	1,497	24,964	92,380	828	25,401	6,865	438,477
Additions	0	2,727	0	34,672	8,402	0	2,036	331	48,168
Impairments	0	(10,136)	0	0	0	0	0	0	(10,136)
Reversals of impairments	0	4,478	0	0	0	0	0	0	4,478
Revaluations	4,413	(3,159)	37	0	0	0	0	0	1,291
Reclassifications	0	40,948	0	(48,600)	4,381	51	2,743	477	0
Disposals / derecognition	0	0	0	0	(510)	0	0	0	(510)
<b>Valuation/gross cost at 31 March 2021</b>	<b>14,012</b>	<b>311,801</b>	<b>1,534</b>	<b>11,036</b>	<b>104,653</b>	<b>879</b>	<b>30,180</b>	<b>7,673</b>	<b>481,768</b>
<b>Accumulated depreciation at 1 April 2020 - brought forward</b>	0	0	0	0	63,670	600	19,905	5,918	90,093
Provided during the year	0	11,131	66	0	6,751	57	2,272	189	20,466
Revaluations	0	(11,131)	(66)	0	0	0	0	0	(11,197)
Disposals / derecognition	0	0	0	0	(510)	0	0	0	(510)
<b>Accumulated depreciation at 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,911</b>	<b>657</b>	<b>22,177</b>	<b>6,107</b>	<b>98,852</b>
<b>Net book value at 31 March 2021</b>	<b>14,012</b>	<b>311,801</b>	<b>1,534</b>	<b>11,036</b>	<b>34,742</b>	<b>222</b>	<b>8,003</b>	<b>1,566</b>	<b>382,916</b>
<b>Net book value at 1 April 2020</b>	9,599	276,943	1,497	24,964	28,710	228	5,496	947	348,384

**Note 15.2 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 - as previously stated	9,236	269,953	1,502	19,911	88,256	836	21,848	6,783	418,325
Valuation / gross cost at 1 April 2019 - restated	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)
<b>Valuation/gross cost at 31 March 2020</b>	<b>9,599</b>	<b>276,943</b>	<b>1,497</b>	<b>24,964</b>	<b>92,380</b>	<b>828</b>	<b>25,401</b>	<b>6,865</b>	<b>438,477</b>
<b>Accumulated depreciation at 1 April 2019 - as previously stated</b>	0	0	0	0	59,931	616	17,638	5,685	83,870
<b>Accumulated depreciation at 1 April 2019 - restated</b>	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)
<b>Accumulated depreciation at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,670</b>	<b>600</b>	<b>19,905</b>	<b>5,918</b>	<b>90,093</b>
<b>Net book value at 31 March 2020</b>	<b>9,599</b>	<b>276,943</b>	<b>1,497</b>	<b>24,964</b>	<b>28,710</b>	<b>228</b>	<b>5,496</b>	<b>947</b>	<b>348,384</b>
<b>Net book value at 1 April 2019</b>	9,236	269,953	1,502	19,911	28,325	220	4,210	1,098	334,455

**Note 15.3 Property, plant and equipment financing - 2020/21**

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
<b>Net book value at 31 March 2021</b>									
Owned - purchased	14,012	302,362	1,534	11,036	28,995	222	8,003	1,551	367,715
Finance leased	0	0	0	0	1,185	0	0	0	1,185
On-SoFP PFI contracts and other service concession arrangements	0	8,620	0	0	2,230	0	0	0	10,850
Owned - donated/granted	0	819	0	0	2,332	0	0	15	3,166
<b>NBV total at 31 March 2021</b>	<b>14,012</b>	<b>311,801</b>	<b>1,534</b>	<b>11,036</b>	<b>34,742</b>	<b>222</b>	<b>8,003</b>	<b>1,566</b>	<b>382,916</b>

**Note 15.4 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
<b>Net book value at 31 March 2020</b>									
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/granted	0	784	0	0	593	0	0	17	1,394
<b>NBV total at 31 March 2020</b>	<b>9,599</b>	<b>276,943</b>	<b>1,497</b>	<b>24,964</b>	<b>28,710</b>	<b>228</b>	<b>5,496</b>	<b>947</b>	<b>348,384</b>

## Note 16 Donations of property, plant and equipment

For the year ended 31 March 2021, The Department of Health and Social Care donated £1,770,000 of assets to the Trust in response to the Covid-19 pandemic and The Royal Wolverhampton NHS Trust Charity donated £179,000 of assets to the Trust.

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

## Note 17 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 full valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2021 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 2021.

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 18 Inventories

	31 March 2021 £000	31 March 2020 £000
Drugs	2,151	2,244
Consumables	6,344	4,277
Energy	132	197
Other	175	183
<b>Total inventories</b>	<b>8,802</b>	<b>6,901</b>
<b>of which:</b>		
Held at fair value less costs to sell	0	0

Inventories recognised in expenses for the year were £65,712k (2019/20: £71,967k). Write-down of inventories recognised as expenses for the year were £347k (2019/20: £0k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2020/21 the Trust received £12,457k of items purchased by DHSC.

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

These inventories at the year end have been measured at market prices, to reflect the net realisable value of the inventory. Where market prices are lower than the cost prices incurred by DHSC on Trusts' behalf, the difference has been recorded as a write-down of the inventory value.



**Note 19.1 Receivables**

	<b>31 March 2021 £000</b>	31 March 2020 £000
<b>Current</b>		
Contract receivables	21,851	55,677
Allowance for impaired contract receivables / assets	(1,838)	(1,336)
Prepayments (non-PFI)	4,379	3,820
PDC dividend receivable	436	209
VAT receivable	3,287	1,707
Other receivables	1,021	743
<b>Total current receivables</b>	<b>29,136</b>	<b>60,820</b>
<b>Non-current</b>		
Prepayments (non-PFI)	18	18
PFI lifecycle prepayments	5,451	5,213
Other receivables	1,857	1,301
<b>Total non-current receivables</b>	<b>7,326</b>	<b>6,532</b>
<b>Of which receivable from NHS and DHSC group bodies:</b>		
Current	15,417	46,147
Non-current	1,857	1,301

Contract receivables have decreased during 2020/21 financial year as a result of the financial regime started on 1 April 2020 due to the Covid-19 pandemic. This has resulted in prompt payment due to the large block contract

**Note 19.2 Allowances for credit losses**

	<b>2020/21</b>	2019/20
	<b>Contract receivables and contract assets £000</b>	Contract receivables and contract assets £000
<b>Allowances as at 1 April - brought forward</b>	<b>1,336</b>	2,003
<b>Allowances as at 1 April - restated</b>	<b>1,336</b>	2,003
New allowances arising	612	434
Changes in existing allowances	212	(184)
Reversals of allowances	(305)	(901)
Utilisation of allowances (write offs)	(17)	(16)
<b>Allowances as at 31 Mar 2021</b>	<b>1,838</b>	1,336

**Note 19.3 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.

	<b>31 March 2021 other £000</b>	31 March 2020 other £000
Ageing of impaired financial assets		
0-30 days	27	66
31-60 days	55	38
61-90 days	33	82
91-180 days	187	108
Over 181 days	1,536	1,042
Total	<b>1,838</b>	<b>1,336</b>
Ageing of non-impaired financial assets past their due date		
0-30 days	104	1,428
31-60 days	226	427
61-90 days	83	164
91-180 days	150	596
Over 181 days	2,239	2,204
Total	<b>2,802</b>	<b>4,819</b>

## Note 20.1 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.

	2020/21	2019/20
	£000	£000
<b>At 1 April</b>	<b>12,045</b>	15,988
Net change in year	<b>42,306</b>	(3,943)
<b>At 31 March</b>	<b>54,351</b>	12,045
<b>Broken down into:</b>		
Cash at commercial banks and in hand	21	67
Cash with the Government Banking Service	<b>54,330</b>	11,978
<b>Total cash and cash equivalents as in SoFP</b>	<b>54,351</b>	12,045
<b>Total cash and cash equivalents as in SoCF</b>	<b>54,351</b>	12,045

## Note 20.2 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	31 March
	2021	2020
	£000	£000
Monies on deposit	1	3
<b>Total third party assets</b>	<b>1</b>	<b>3</b>

## Note 21.1 Trade and other payables

	31 March	31 March
	2021	2020
	£000	£000
<b>Current</b>		
Trade payables	6,630	15,375
Capital payables	10,780	4,308
Accruals	47,840	35,047
Social security costs	5,074	4,669
VAT payables	129	141
Other taxes payable	4,140	3,629
Other payables	6,286	5,741
<b>Total current trade and other payables</b>	<b>80,879</b>	68,910
<b>Non-current</b>		
Other payables	58	68
<b>Total non-current trade and other payables</b>	<b>58</b>	68
<b>Of which payables from NHS and DHSC group bodies:</b>		
Current	6,995	8,359
Non-current	42	50

**Note 22 Other liabilities**

	31 March 2021 £000	31 March 2020 £000
<b>Current</b>		
Deferred income: contract liabilities	3,659	3,300
<b>Total other current liabilities</b>	<u>3,659</u>	<u>3,300</u>
<b>Non-current</b>		
<b>Total other non-current liabilities</b>	<u>0</u>	<u>0</u>

**Note 23.1 Borrowings**

	31 March 2021 £000	31 March 2020 £000
<b>Current</b>		
Obligations under finance leases	196	196
Obligations under PFI, LIFT or other service concession contracts	1,816	1,836
<b>Total current borrowings</b>	<u>2,012</u>	<u>2,032</u>
<b>Non-current</b>		
Obligations under finance leases	893	1,105
Obligations under PFI, LIFT or other service concession contracts	4,683	6,118
<b>Total non-current borrowings</b>	<u>5,576</u>	<u>7,223</u>

**Note 23.2 Reconciliation of liabilities arising from financing activities - 2020/21**

	Loans from DHSC £000	Other loans £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2020	0	0	1,301	7,954	9,255
<b>Cash movements:</b>					
Financing cash flows - payments and receipts of principal	0	0	(211)	(1,836)	(2,047)
Financing cash flows - payments of interest	0	0	(16)	(467)	(483)
<b>Non-cash movements:</b>					
Additions	0	0	0	143	143
Application of effective interest rate	0	0	16	467	483
Other changes	0	0	(1)	238	237
<b>Carrying value at 31 March 2021</b>	<u>0</u>	<u>0</u>	<u>1,089</u>	<u>6,499</u>	<u>7,588</u>

**Note 23.3 Reconciliation of liabilities arising from financing activities - 2019/20**

	Loans from DHSC £000	Other loans £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2019	0	0	1,466	8,529	9,995
Carrying value at 1 April 2018 - restated	0	0	1,466	8,529	9,995
<b>Cash movements:</b>					
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)
<b>Non-cash movements:</b>					
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
<b>Carrying value at 31 March 2020</b>	<u>0</u>	<u>0</u>	<u>1,301</u>	<u>7,954</u>	<u>9,255</u>

## Note 24 Finance leases

### Note 24.1 The Royal Wolverhampton NHS Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	31 March 2021 £000	31 March 2020 £000
<b>Gross lease liabilities</b>	<b>1,166</b>	1,396
of which liabilities are due:		
- not later than one year;	211	211
- later than one year and not later than five years;	822	833
- later than five years.	133	352
Finance charges allocated to future periods	(77)	(95)
<b>Net lease liabilities</b>	<b>1,089</b>	1,301
of which payable:		
- not later than one year;	196	196
- later than one year and not later than five years;	768	775
- later than five years.	125	330
Total of future minimum sublease payments to be received at the reporting date	0	0
Contingent rent recognised as expense in the period	0	0

### Note 25.1 Provisions for liabilities and charges analysis

	Pensions:			
	injury benefits £000	Legal claims £000	Other £000	Total £000
<b>At 1 April 2020</b>	600	208	6,135	6,943
Arising during the year	22	211	3,448	3,681
Utilised during the year	(31)	(136)	(675)	(842)
Reversed unused	0	(52)	(2,733)	(2,785)
Unwinding of discount	(6)	0	0	(6)
<b>At 31 March 2021</b>	<b>585</b>	<b>231</b>	<b>6,175</b>	<b>6,991</b>
<b>Expected timing of cash flows:</b>				
- not later than one year;	43	231	4,318	4,592
- later than one year and not later than five years;	175	0	0	175
- later than five years.	367	0	1,857	2,224
<b>Total</b>	<b>585</b>	<b>231</b>	<b>6,175</b>	<b>6,991</b>

Other includes: provisions for the possible return of money received by the Trust for contractual income, provisions for payments to be made regarding HR issues and provisions for VAT payments to HMRC.

### Note 25.2 Clinical negligence liabilities

At 31 March 2021, £228,529k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Royal Wolverhampton NHS Trust (31 March 2020: £194,222k).

### Note 26 Contingent assets and liabilities

	31 March 2021 £000	31 March 2020 £000
<b>Value of contingent liabilities</b>		
<b>Net value of contingent liabilities</b>	<b>0</b>	0
<b>Net value of contingent assets</b>	<b>876</b>	575

In 2020/21, The Trust has submitted a VAT claim totalling £301k to H.M. Revenue and Customs under s.41(3) of the VAT Act 1994 in relation to cars that it leased to employees under salary sacrifice arrangements. This was in addition to the Fleming VAT reclaims. These totalled 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 2021.

### Note 27 Contractual capital commitments

	31 March 2021 £000	31 March 2020 £000
Property, plant and equipment	5,087	20,745
<b>Total</b>	<b>5,087</b>	20,745

## Note 28 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 28.1 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 2021 £000	31 March 2020 £000
<b>Gross PFI, LIFT or other service concession liabilities</b>	<b>8,181</b>	<b>10,081</b>
<b>Of which liabilities are due</b>		
- not later than one year;	1,816	1,836
- later than one year and not later than five years;	4,334	4,907
- later than five years.	2,031	3,339
Finance charges allocated to future periods	(1,682)	(2,127)
<b>Net PFI, LIFT or other service concession arrangement obligation</b>	<b>6,499</b>	<b>7,954</b>
- not later than one year;	1,816	1,836
- later than one year and not later than five years;	3,508	3,902
- later than five years.	1,175	2,217

### Note 28.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	31 March 2021 £000	31 March 2020 £000
<b>Total future payments committed in respect of the PFI, LIFT or other service concession arrangements</b>	<b>77,418</b>	<b>83,785</b>
<b>Of which payments are due:</b>		
- not later than one year;	6,424	6,325
- later than one year and not later than five years;	26,314	25,956
- later than five years.	44,680	51,504

### Note 28.3 Analysis of amounts payable to service concession operator

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

	2020/21 £000	2019/20 £000
<b>Unitary payment payable to service concession operator</b>	<b>6,321</b>	<b>6,171</b>
<b>Consisting of:</b>		
- Interest charge	467	547
- Repayment of balance sheet obligation	1,836	1,818
- Service element and other charges to operating expenditure	2,391	2,237
- Contingent rent	1,627	1,569
Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment	634	166
<b>Total amount paid to service concession operator</b>	<b>6,955</b>	<b>6,337</b>

## **Note 29 Financial instruments**

### **Note 29.1 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 2021 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 29.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2021	Held at	Total
	amortised	book value
	cost	book value
	£000	£000
Trade and other receivables excluding non financial assets	21,034	21,034
Cash and cash equivalents	54,351	54,351
<b>Total at 31 March 2021</b>	<b>75,385</b>	<b>75,385</b>

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

## Note 29.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2021	Held at	Total
	amortised	book value
	cost	book value
	£000	£000
Obligations under finance leases	1,089	1,089
Obligations under PFI, LIFT and other service concession contracts	6,499	6,499
Trade and other payables excluding non financial liabilities	65,308	65,308
<b>Total at 31 March 2021</b>	<b>72,896</b>	<b>72,896</b>

Carrying values of financial liabilities as at 31 March 2020	Held at	Total
	amortised	book value
	cost	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
<b>Total at 31 March 2020</b>	<b>63,926</b>	<b>63,926</b>

## Note 29.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

	31 March	31 March
	2021	2020
	£000	restated*
In one year or less	67,277	56,718
In more than one year but not more than five years	5,214	5,740
In more than five years	2,164	3,691
<b>Total</b>	<b>74,655</b>	<b>66,148</b>

\* This disclosure has previously been prepared using discounted cash flows. The comparatives have therefore been restated on an undiscounted basis.

## Note 29.5 Fair values of financial assets and liabilities

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



**Note 30 Losses and special payments**

	2020/21		2019/20	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
<b>Losses</b>				
Cash losses	12	6	1	0
Fruitless payments and constructive losses	2	71	3	0
Bad debts and claims abandoned	33	17	21	17
<b>Total losses</b>	<b>47</b>	<b>94</b>	<b>25</b>	<b>17</b>
<b>Special payments</b>				
Ex-gratia payments	42	142	48	106
<b>Total special payments</b>	<b>42</b>	<b>142</b>	<b>48</b>	<b>106</b>
<b>Total losses and special payments</b>	<b>89</b>	<b>236</b>	<b>73</b>	<b>123</b>

**Note 31 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 2020/21 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 NHS Foundation Trust  
 Black Country Healthcare NHS Foundation Trust  
 Midlands Partnership NHS Foundation Trust  
 The Dudley Group NHS Foundation Trust  
 University Hospitals Birmingham NHS Foundation Trust  
 Sandwell And West Birmingham Hospitals NHS Trust  
 Shrewsbury and Telford Hospital NHS Trust  
 University Hospitals Coventry And Warwickshire NHS Trust  
 University Hospitals of North Midlands NHS Trust  
 Walsall Healthcare NHS Trust  
 Worcestershire Acute Hospitals NHS Trust  
 NHS Birmingham and Solihull CCG  
 NHS Cannock Chase CCG  
 NHS Dudley CCG  
 NHS Herefordshire and Worcestershire CCG  
 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 Wolverhampton CCG  
 NHS Walsall CCG  
 NHS England (Core & Regional Offices)  
 Health Education England  
 NHS Resolution (formerly NHS Litigation Authority)  
 Community Health Partnerships  
 Department of Health and Social Care  
 HM Revenue & Customs - Other taxes and duties and NI contributions  
 HM Revenue & Customs - VAT  
 NHS Pension Scheme  
 NHS Blood and Transplant  
 Wolverhampton City Council

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 32 Events after the reporting date**

The Royal Wolverhampton NHS Trust signed a five-year non-exclusive Strategic Research Agreement (SRA) with Sensyne Health plc. The agreement will enable the ethical application of clinical AI research to improve patient care and accelerate research into new medicines. Research will be undertaken to the highest standards of information governance and data security in accordance with NHS principles, the UK Government Code of Practice and data protection legislation. All data supplied to Sensyne will be anonymised by the Trust beforehand and the provision of the data will operate under an agreed Data Processing Protocol ("DPP") under the Trust's ethical oversight.

The Trust received 1,428,571 ordinary shares in Sensyne Health plc representing 0.9% of the existing issued share capital of Sensyne on 4 May 2021. The Trust will also receive from Sensyne an investment of up to £250,000 per year over the 5-year term of the contract for specific investments in NHS information technology to enable the curation and analysis of data under the SRA. The Trust will receive a royalty on revenues that are generated by Sensyne from the research undertaken under the SRA. The financial return the Trust receives from Sensyne will be reinvested back into the NHS to fund patient care. The Trust has entered into a lock-up agreement whereby it has agreed not to dispose of any shares for a period of two years from the date the shares are issued.

The Trust joins the partnership with 9 other NHS Trusts where Sensyne Health has signed SRAs bringing the total share ownership held by NHS Trusts in Sensyne to 13.3%. Sensyne Health also has additional project specific Data Access Agreements with a further NHS Trust in the UK and a health organisation in Scotland. The Trust received approval for this agreement from Department of Health and Social Care on 30 March 2021.

**Note 33 Better Payment Practice code**

	2020/21	2020/21	2019/20	2019/20
<b>Non-NHS Payables</b>	<b>Number</b>	<b>£000</b>	Number	£000
Total non-NHS trade invoices paid in the year	112,679	350,828	114,108	315,653
Total non-NHS trade invoices paid within target	88,793	306,637	45,464	193,308
Percentage of non-NHS trade invoices paid within target	78.8%	87.4%	39.8%	61.2%
<b>NHS Payables</b>				
Total NHS trade invoices paid in the year	4,688	50,677	3,221	45,722
Total NHS trade invoices paid within target	2,152	31,311	1,121	24,857
Percentage of NHS trade invoices paid within target	45.9%	61.8%	34.8%	54.4%

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 34 External financing limit**

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

	2020/21	2019/20
	£000	£000
Cash flow financing	(12,982)	15,420
<b>External financing requirement</b>	<b>(12,982)</b>	<b>15,420</b>
External financing limit (EFL)	(7,370)	18,046
<b>Under / (over) spend against EFL</b>	<b>5,612</b>	<b>2,626</b>

**Note 35 Capital Resource Limit**

	2020/21	2019/20
	£000	£000
Gross capital expenditure	51,849	29,533
Less: Donated and granted capital additions	(1,949)	(102)
<b>Charge against Capital Resource Limit</b>	<b>49,900</b>	<b>29,431</b>
Capital Resource Limit	50,701	29,431
<b>Under / (over) spend against CRL*</b>	<b>801</b>	<b>0</b>

\* For 2020/21 there is an underspend against CRL of £801k which was expected from NHSI/E. This underspend is PDC paid to the Trust (in June 20) in respect of costs the Trust incurred in 2019/20 and self-funded. The PDC paid over in 2020/21 was a 'cash top-up' and the Trust has prudently used the PDC to reimburse its cash balances.

**Note 36 Breakeven duty financial performance**

	2020/21
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	243
<b>Breakeven duty financial performance surplus / (deficit)</b>	<b>243</b>

### Note 37 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		8,035	7,964	9,297	8,688	7,891	3,663
Breakeven duty cumulative position	(7,438)	597	8,561	17,858	26,546	34,437	38,100
Operating income		289,830	306,023	374,417	384,917	394,045	461,810
<b>Cumulative breakeven position as a percentage of operating income</b>		0.2%	2.8%	4.8%	6.9%	8.7%	<b>8.3%</b>
		2015/16	2016/17	2017/18	2018/19	2019/20	<b>2020/21</b>
		£000	£000	£000	£000	£000	<b>£000</b>
Breakeven duty in-year financial performance		153	8,542	4,327	3,021	5,735	<b>243</b>
Breakeven duty cumulative position		38,253	46,795	51,122	54,143	59,877	<b>60,121</b>
Operating income		509,405	536,028	548,538	592,975	676,114	<b>743,285</b>
<b>Cumulative breakeven position as a percentage of operating income</b>		7.5%	8.7%	9.3%	9.1%	8.9%	<b>8.1%</b>

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.