



Annual Accounts 2021/22

MEDICINE

Doctor

The Royal Wolverhampton NHS Trust - Annual Accounts 2021-22

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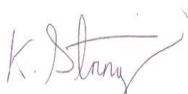
Foreword to the Accounts

Financial Review - year ended 31 March 2022

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

| Financial Target | Actual Performance | |
|-----------------------------------------------------------------------------------------------|------------------------|-------------------------|
| | 2021-22 | 2020-21 |
| To break even on income and expenditure, taking one year with another | Surplus of £12.309m | Deficit of £2.893m |
| 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 | Achieved | Under-spent by £5.612m |
| To remain within a Capital Resource Limit set by the Department of Health and Social Care | Under-spent by £0.026m | Under-spent by £0.801m* |
| To pay 95% of non-NHS trade creditors within 30 days | 91% | 87% |

* 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
07 June 2022

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS 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.



Prof David Loughton CBE

Signed.....Chief Executive

Date.....07 June 2022.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

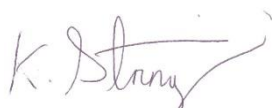
The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS trust's performance, business model and strategy

By order of the Board



07 June 2022

Prof David Loughton CBE, Chief Executive



07 June 2022

Kevin Stringer, Finance Director



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 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2022 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 2021/22.

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 above conclusions are 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 statutory break-even duties and/or control totals 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 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.

On this audit we did not identify a fraud risk related to revenue recognition due to the block nature of the funding provided to the Trust during the year. We therefore assessed that there was limited opportunity for the Trust to manipulate the income that was reported.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted and approved by the same user, unusual postings to expenditure and unusual revenue postings.
- Assessing significant estimates for bias.
- Inspecting a sample of transactions in the period prior to 31 March 2022 to verify expenditure has been recognised in the correct accounting period.
- Evaluating a sample of accruals posted as at 31 March 2022 and verifying accruals are complete, appropriate and accurately recorded.

Identifying and responding to risks of material misstatement related 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 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.

Firstly, the Trust is subject to laws and regulations that directly affect the financial statements including the National Health Service Act 2006 and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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.
- in our opinion that report has been prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2021/22.

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 2021/22. 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 2021/22.

Directors' and Accountable Officer's responsibilities

As explained more fully in the statement set out on page 5, the directors are responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity. As explained more fully in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, on Page 4 the Accountable Officer is responsible for ensuring that annual statutory accounts are prepared in a format directed by the Secretary of State.

Auditor's responsibilities

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Under the Code of Audit Practice, we are required to report 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, 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 its 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.

We have nothing to report in this respect.

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 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

A handwritten signature in blue ink that reads 'S Brown'.

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

14 June 2022

GOVERNANCE STATEMENT 2021-2022

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 implementation 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 Walsall Healthcare NHS Trust Board, 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 2022.

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

The Royal Wolverhampton NHS Trust is proud to join 14 other health and care organisations as part of the Healthier Futures Integrated Care System (ICS) serving the 1.5 million people in the Black Country and West Birmingham. Working with other key partners, people and communities, the partnership aims to improve the health and wellbeing of local people by working together 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

During the last 12 months the partnership has played a key role in responding to COVID-19 and our focus now shifts to supporting our communities, staff and the wider system of health and care to recover from it.

HEALTHIER FUTURES PARTNERSHIP- Statement from the Independent Chair

This year we have once again seen real strength in the health and care services locally. Despite providing hospital care for over 8,500 people affected by COVID-19, NHS services have continued to provide other emergency and routine care and treatment. There have been over 7.4 million primary care appointments, over 18,000 babies born, more than 1,200 urgent heart surgeries, over 2,400 hip/knee operations and around 700,000 mental health contacts. Our partners in West Midlands Ambulance Service have responded to over 650,000 999 and 111 calls. Many services have had to adjust the way that they have worked to respond to demands and to keep staff and patients safe. I recognise how hard some of these changes have been for those using services, but they have been necessary in these unprecedented times, and they have ensured we have been able to be there for those most at need, when they need us most.

Health and care services have been working tirelessly to keep people safe in their own homes, promoting independence, supporting rehabilitation, and preventing emergency admissions by wrapping care around people as close to home as possible. These efforts have not only protected those who have been receiving this excellent care but also protected services from becoming overwhelmed, thus protecting others who need them too. We have over 300 care homes in the Black Country and West Birmingham and many more carers visiting people at home. My thanks go to all of those working in care for their fantastic work.

Our thriving community and voluntary sector have continued to work tirelessly to provide essential companionship and support to communities to remain strong throughout the pandemic. All four community and voluntary sector councils have come together to form an alliance which will provide resilience to their offer of support and allow them to grow stronger over the coming years.

With over 2.5 million doses delivered since December 2020, perhaps the greatest example of our partnership working has been our vaccination programme. We have opened over 100 vaccination sites, ranging from GP surgeries and pharmacies, to community halls, places of worship and of course some of our larger centres. There have been over 70 volunteers helping these sites to work well and many, many more clinical leaders, vaccinators, administrative staff and others supporting the roll-out. Recognising the hesitancy and some areas of low uptake, this year we have adopted a grass roots level of engagement. Community COVID-19 Champions have worked with local authority, voluntary and community groups and NHS staff to reach communities and take a targeted approach to getting the right information to people who need it. This network of trusted voices has undoubtedly made a difference and it is a model which has been highlighted in several national reports as best practice. I am pleased to see that through partnership working we are seeing those

hesitant continuing to come forward and get the lifesaving vaccine.

Another highlight for me this year has been the collective work of our people board. The collective expertise of health and care leaders in this space has resulted in over 600 international nurses joining our system, many apprentice opportunities being created across all our partner organisations, many training opportunities, awareness sessions to support those with protected characteristics, a raft of health and wellbeing support for our workforce and events put on that celebrate those working so hard on the frontline, including a really successful event to mark Black History Month. This is an area which will continue to gather momentum over the coming year as we combine efforts to make the Black Country the best place to work.

This last year has affected us all in many ways and we have seen the far-reaching terrible impact of COVID-19 on local people and communities. There is however a positive that we should take from the fact that this pandemic has brought public health issues to the forefront and the positive impact we can have when we work better together. Across the Black Country and West Birmingham, we have some of the country's most deprived neighbourhoods, some of the worst health outcomes and poorer than average life expectancy. It is no coincidence that we have seen a bigger impact than many areas from COVID-19 but it is something which we indisputably need to work together to address. This pandemic has focused our partnerships attention on the inequalities that exist for some of our communities such as those who are black, Asian and minority ethnic. As we focus on restoring services we are looking to ensure that we create a system which is weighted to support those most vulnerable, improves access and reduces these inequalities. We are committed to working with partners and communities to create an environment in which local people can live healthier lives and to make a concerted effort to reach out to those with poorer access to improve health outcomes and reduce the inequality gap.

Throughout the last 12 months, much like the previous year, the strong relationships across our partnership have ensured we have been in the best position to tackle the COVID-19 pandemic. It is true though that our partnership is only as great as the people within it, and despite the most tumultuous of years those working across health and care have dug deep to keep services going and to protect those most vulnerable. On behalf of our partnership I want to recognise the strength, the compassion, commitment and determination of our people and say thank you to each and every one of you for all you have done, and continue to do.

Looking to the future, we have made good progress towards establishing the future Integrated Care Board (ICB) and our new Integrated Care Partnership (ICP) ready for the Health and Care Bill to be enacted in July 2022. These changes will also see the movement of West Birmingham Place to the Birmingham and Solihull Integrated Care System. Our commitment is to work with colleagues in Bsol to make that transition a smooth one and for there to be minimal disruption for the people in West Birmingham. I am delighted to say that we have recruited new Board Members for the ICB, these new appointments, with their strong personal motivations and experiences, will bring different ideas, perspectives, and backgrounds to create a stronger and more creative environment, forge ever stronger partnerships across our area, and deliver a healthier future in the Black Country.

Our strength comes from the relationships we have with each other, and this will continue to grow as our system builds new partnerships and collaboratives. Together we exist to benefit local people, and through our continued collaboration, I am confident we can deliver truly integrated health and care services of which everyone in the Black Country can be justifiably proud.

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

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 2022 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 Covid 19 Pandemic there has been some and still has adverse impacts 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.

Trust Board

The Trust Board has met virtually and monthly as planned (except in September 2021). 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. On 31 March 2022 the Board comprised 5 female and 6 male Executive Directors (Chief Officers); none from a minority ethnic background; and 7 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 2021-2022 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).

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 previous year.

As well as meeting formally, the whole Trust Board meets every other 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 the Chief Executive on a variety of matters.

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, R Edwards (to September 2021) and Professor L Toner (from September 2021)

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
- Ophthalmology departmental waiting list and follow up management systems.
- Data security protection
- Waiting list management policy adherence
- Novel digital project contracts management
- Key financial controls

Most of the audits and reviews were completed to plan. Where not completed they were planned for completion early in 2022-23.

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.

Innovation Committee

Members: Professor A Pandyan, R Dunshea.

The aims of the Committee are to provide the Trust Board with an independent and objective review of the Trust's innovation and research developments.

Each meeting received reports from the executive and senior clinical leads on the initiation of strategic innovation development projects. Presentations were received on developments and projects including:

- Babylon system (digital primary care)
- Sensyne health informatics system
- Digital innovation projects
- Artificial intelligence clinical applications in radiology and cardiovascular services
- Covid 19 research projects
- Placed based integrated care system (One Wolverhampton).

It also was briefed on the progress to set up the Institute of Health Innovation, a partnership with the University of Wolverhampton.

These developments 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 three times during the year and was quorate. The contributions from a broad range of clinical and IT disciplines were greatly appreciated.

Quality Governance Assurance Committee (QGAC)

Members: Chair – R Edwards, L Toner, A Pandyan

Aims & Objectives of the Committee

To provide assurance to the Board that patient care is of the highest achievable standard and in accordance with all statutory and regulatory requirements. To provide assurance of proactive management and early detection of risks across the Trust.

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. The agenda includes core reporting items such as the Integrated Quality and Performance report, the Board Assurance Framework, Trust Risk Register and Subgroup reports, and tailored to include risk triggered reporting items including the Cancer Recovery Action plan.

During 2021 NEDs 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 2021-2022, the Committee met virtually on 10 occasions, with 0 cancelled. There were no meetings held in July or December.

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.

Routine reporting:

- Board Assurance Framework (BAF) – Bi Monthly
- Trust Risk Register (TRR) – Bi Monthly
- Integrated Quality and Performance Report – Monthly
- Continuous Quality Improvement Report – Bi Annually
- Cancer Recovery Action Plan – Monthly
- NPSA NRLS Organisational Feedback Report – Annual
- Internal Audit Opinion – Annual
- Internal Audit Plan - Annual

Assurance reporting.

- External Reviews Registry report – Biannually
- CQC Compliance Report – Biannually
- Litigation and Inquests Report – Annually
- Clinical Audit Plan – Biannually
- Data Security & Protection Toolkit – Annually
- Health & Safety Assurance Report – Bi-Annually
- Quality Account – Annual
- Infection Prevention BAF – Quarterly
- Maternity Services Governance Report inc. Ockendon Action Plan – Quarterly
- Perinatal mortality – Quarterly

Themed Review

- Learning from Deaths update report – Quarterly

- Safeguarding Assurance Report (Adults and Children) – Biannually

From June 2021 the Trust merged its former Compliance Oversight Group (COG) and Quality and Safety Intelligence Group (QSIG) into a single meeting titled the Quality and Safety Assurance Group. QGAC receives reports from the Chair of the Quality and Safety Assurance Group and the minutes of the meetings, which provide assurance through detailed reviews of compliance and risk. The chair of QSAG escalate to QGAC issues and assurances they obtain from the groups reporting to them. QSAG normally meet each month, but during peaks of Covid-19 these meetings were suspended. QGAC did not receive their Chairs' reports at the meetings in January 2022.

QGAC raised items to the Board from groups reporting to QSAG concerning the following:

Alerts: Cancer performance, 104-day harm reviews and effects of delays, Never Event, Stroke targets, Emergency Department attendances, delays, and Ambulance breaches, increase in maternity demand and acuity RTT performance decline due to Covid impacts and the number of patients waiting over 52 weeks, Emergency Department 12 hours breaches

Advisories: targeted attention being applied to late observations, Post Covid Recovery, VTE compliance, Mental Capacity risk escalation, challenges with patient discharges into the care home sector and/or in securing social care packages is resulting in longer stays in Hospital, Mental health bed availability.

Assurances: Caesarean section rates, Midwife to Birth ratio has returned to Birth rate plus ratios, Covid Vaccination progress, Duty of Candour Compliance, Sepsis performance, UKAS accreditation Microbiology, Well Led Report – assurance on action closure.

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 advises 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 the TRR. The Committee continues to review and evolve a BAF and Trust Risk Register heatmap as a quick reference to highlight areas for Risk Management focus.

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 – all metrics remain red (Jul 21, Sept 21, and Oct 21) and Cancer performance remains problematic in respect of most sites, and it is not clear when and how this will improve given the mandatory vaccinations and challenges recruiting to specialities (Nov 21). Cancer waits are improving in some areas (Nov 21). Lack of improvement in the Stroke metrics, apart from the increased availability of TIA Clinics (Feb 22).

Stroke Patients assessed and treated within 24 hours - Performance fell to 3.5% from 45.86% in March and is the 5th consecutive month that the 60% target has not been met. (May 21) Performance went down further from 3.5% in April to 2.88% in May to 1.63% in June. (Jul 21). Stroke performance has not improved as it had been expected to (Nov 21).

Referrals have been fluctuating at a concerning high level month on month but have now reached as high as 144% of normal levels. This posed a significant challenge to the recovery of the backlog as well as putting pressure on all other elements of the pathway, e.g., outpatients, diagnostics, and surgery (Jul 21). Performance declined in August due to Covid impacts and annual leave/Bank holiday and the number of patients waiting over 52 weeks is likely to increase further (Sept 21).

Emergency department

High demand has continued, coupled with lack of bed availability resulting in breaches of 12-hour trolley waits (17 in August). (Sept 21). ED breaches over 12 hours affected 16 patients with Ambulance handover breaches continue to be high for both the 30-60 and >60 minutes (Oct 21). Ongoing concerns remain regarding the ED delays and Ambulance breaches (Nov 21). Ambulance breaches continue but are improving (Feb 22).

Increase in maternity demand and acuity - this has been seen across the region and is being reported on regionally (SitRep) so that high risk mothers can be moved to where there is capacity to care for them (Sept 21)

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

Emergency Caesarean section rates - this has reduced to 19.3% from 23.5% (May 21), Offering of Covid vaccinations to pregnant women was being received well and has national interest (May 21). Covid HCAI reviews and RCAs progressing (May 21).

Cancer: Breast 2 week wait booking within standard (13 days) thanks to support from neighbouring trusts, a welcome outcome of an Integrated Care System approach to sharing resources to ensure equal access for patients across the Black Country & West Birmingham (Sept 21). VTE - the standard of over 95% of assessments was maintained for a fourth month (Sept 21).

Late observations improved and are now 4.68% (Oct 21), VTE continues to show overall compliance of 95.03% (Oct 21). Paediatrics have shown a decrease in young people requiring mental health support. (Oct 21). Ockendon Report has been received by the Trust and whilst not available for QGAC to view, it was reported that of the 150 standards the trust has been asked to provide more evidence for only 6 of the standards. (Oct 21).

There has been a decrease in the rate of elective C-Sections from 15.3% to 13.2% (Nov 21). Diagnostic performance is improving slowly with independent sector support and an additional mobile unit on site at RWT. (Nov 21). Work being undertaken in primary care towards admission avoidance which would support discharge delays. The increasing use of the virtual ward and a range of digital solutions is helping to manage a challenging situation. (Nov 21)

Improvement in stroke metrics continue (Mar 21).

Committee Non-executive Members

QGAC exchanges information with other Committees, for example discussions with Finance & Performance regarding monitoring trends from complaints, incidents, and readmissions in respect of the impact on patients of implementing the restoration and recovery plans to meet set targets.

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.

Finance and Performance Committee

Committee Members:

Non-Executive Director M Martin - Chair

Non-Executive Director S Rawlings

Non-Executive Director J Hemans

Non-Executive Director J Dunn

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 support the Trust's Financial strategy, performance and business development.

The Committee met monthly during the year and considered in detail:

- The Trust's financial position
- The progress of the capital programme
- The impact of Covid 19 on Performance
- The performance aspects of the Trust Board's quality and performance report.

The Committee also considered:

- The Cancer Action Plan
- The Financial Recovery Board report which includes progress on the Cost Improvement Programme
- The Sustainability and Transformation Programme (STP)
- The Contracting & Business Development Updates
- The Annual Budget/Income Expenditure Plan
- The Cash Flow Report
- The Temporary Staffing Dashboard
- The Local Clinical Research Network (LCRN) finance report
- The Procurement reports
- The 5 Year Capital Plan
- The Backlog Maintenance Programme
- Other matters associated with operational finance and budgeting.

This 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.

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

- 1) The late agreement of financial budgets due to the delays in funding allocations being agreed for both half years.
- 2) The recovery plan for restoring services after Covid, especially for cancer referrals
- 3) The management of the Capital budget due to shortages of labour, materials, and rising prices.

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

- 1) The effectiveness of the Integrated Supplies and Procurement Department in making significant savings and the successful set up of the eCatalogue and ecommerce systems.
- 2) The Cost Improvement programme delivered 104% of the target (albeit a large proportion was non-recurrent).
- 3) The work plans being implemented around theatre operating levels.

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

- 1) The set-up of the Estates Capital Contractor Framework to enable the Trust to proceed quickly with capital projects as they are agreed.
- 2) The approval of the Outline Business Case for the new Enterprise Patient Record system, which will include a new Patient Administration System.
- 3) The Trust exceeded the H2 Elective Recovery Fund threshold of 89% with an achievement of 107%.

Committee Non-executive Members

The Chair of the Committee is a member of the Audit Committee, which helps to maintain the flow of information/understanding and risk management 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.

People and Organisational Development (POD) 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 Trust's 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
- Skills
- Leadership & organisational effectiveness
- Engagement & Culture
- Wellbeing
- Productivity

Frequency of Meetings and Main Focus

During 2021-2022, the Committee met 6 times (bi-monthly). The Committee considered progress updates on:

- Executive Workforce Report including update from Model Hospital
- National update on workforce
- Workforce Resourcing & Productivity (including Retention)
- Staff Engagement and Surveys and Communications Agenda
- Employee Relations and Improving People Practices

- Education & Training & Apprenticeships & Leadership
- Equalities, Diversity & Inclusion
- Workforce Planning
- Health & Wellbeing
- Risk
- Board Assurance Framework and
- Committee

Activity

The Committee received and discussed reports on:

- The Black Country and West Birmingham STP / ICS Level Updates
- The Wellbeing Guardian – Review of Health and Wellbeing Support for Staff – Response to the COVID-19 Pandemic – Lessons Learned
- Equalities: WRES and WDES Data
- Model Health Service Update – EDI Update
- Digital Workforce Impacts
- Six High Impact Actions on Recruitment – NHS E/I Race Equality Strategy
- The Race Equality Code Assessment Implementation
- Update on the Implementation of eRoster for AHPs
- Workforce and Organisational Development Strategic Objectives 2021-22
- Job Planning Progress and Update
- Staff Engagement & Survey – Pulse Checks
- RCN Nursing Workforce Standards 2021
- NHS Oversight Metrics for 2021/22
- Model Clinical Fellowship Programme Template Contract
- Non-Medical Staff Bank Worker Agreement
- Nurse Culture Survey
- Black Internships – Evaluation
- Age Profile
- The Future of NHS Human Resources and Organisational Development
- Civility and Respect
- Workforce Disability Equality Standards – 2020 Data Analysis
- Equality, Diversity, and Inclusion Plan
- Case Study – The Portering Department
- Meeting Schedule Review
- Workforce Targets and Thresholds for 2021 – 2022

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:

- 1) Job Planning – need to have a full and regular update on the plans and progress on its implementation
- 2) Embedding the learning from the Case Study

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. Implementation of e-job planning, e-leave & medical e-roster
2. Continued progress in growing the workforce
3. Black Internship Programme
4. Development of an EDI Delivery Plan
5. Growth of the Employee Voice Groups
6. Establishment of Employee Voice Groups
7. Development of the Inclusive Recruitment Toolkit
8. Focus on the Wellbeing agenda, both pre and post Covid
9. Implementation of MH First Aiders
10. Review and implementation of workforce thresholds and targets
11. EDI Delivery Plan

Remuneration Committee

Members: M Martin (Chair), S Field, J Hemans, S Rawlings, L Toner, J Dunn, L Cowley

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 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 2021/2022, the Committee continued to benefit from the dedicated support of an in-house Charity Manager 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 the Executives attend, along with Divisional Medical Directors and Heads of Service. High attendance rates were recorded at all these meetings.

Frequency of meetings and main focus

During 2021-2022, 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

Clinical Ethics Committee

Members: Prof. L Toner (Chair), Prof. S Field

The Clinical Ethics Committee has struggled to meet during the year due to operational pressures, member availability, developmental sessions being delayed due to changes in speaker availability and a lack of referrals. Based on this the Chair, Medical Director and Company Secretary undertook a review of the role and function of the Committee and determined that it be recommended that it is reformed as a Group reporting to the Quality Governance Assurance Committee. This change will take place during 22/23.

Freedom to Speak Up (FTSU)

The Royal Wolverhampton NHS Trust has been committed to its Freedom to Speak Up (FTSU) journey and the Guardian role since October 2016. The FTSU Guardian is an independent role and focuses on creating an open and honest reporting culture, enabling staff to talk about anything that could compromise good patient care. The Trust Board have shown their full commitment and support to embed FTSU within the organisation.

FTSU Objectives

RWT set out the below five objectives to achieve a well- led speaking up organisation.

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

Close working with key leaders and stakeholders has enabled the Trust to meet these objectives. However, further improvements are required to ensure RWT is meeting and sustaining its local set objectives and those of those of the National Guardians Office (NGO) and NHS England & Improvement (NHSEI).

FTSU Updates

The FTSU Guardian Team has expanded in 2022; we now have a Lead FTSU Guardian and a Deputy FTSU Guardian (1.8FTE). Actions taken to build on the recommendations to Trust Board in December 2021 include updating our FTSU action plan, refreshing our communications plan, updating our referral, recording, and monitoring processes and refreshing our Speak Up Champion volunteer role. We have supported a multi-disciplinary approach to creating a healthy workplace culture that promotes compassionate leadership, restorative and just culture and civility and respect. We will contribute to staff and management training in this area.

FTSU Data

The Trust FTSU data has been recorded for the Financial year 2021/22. This will be reported to the Trust Board and to the National Guardians Office (NGO) as 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 and NHS England and Improvement.

Table 13: Total Number of FTSU cases and themes

| 2020/21 | Total number of cases brought to Freedom to Speak Up Guardians and Champions | Number of cases raised anonymously | Number of cases with an element of patient safety/quality | Number of cases related to behaviours, including bullying/harassment | Number of cases where people indicate that they are suffering detriment as a result of speaking |
|--------------|------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Q1 2021/22 | 38 | 5 | 6 | 20 | 4 |
| Q2 2021/22 | 28 | 3 | 3 | 24 | 4 |
| Q3 2021/22 | 30 | 3 | 7 | 13 | 11 |
| Q4 2021/22 | 27 | 3 | 7 | 20 | 4 |
| Total | 123 | 14 | 23 | 77 | 23 |

There has been a slight increase in the number of cases being reported to the Guardian and the number of cases that relate to bullying, harassment and workplace culture remain high.

The key priorities for this year will be to obtain a more detailed understanding of the workplace culture issues that are increasing year on year. The Guardians will work closely with staff from across our disciplines of EDI, OD and HR to triangulate these themes and to contribute to the work on culture change, which intersects with creating a culture where speaking up becomes business as usual.

Risk Assessment

The Trust Board has approved a Governance and Risk Management Assurance Framework which identifies that the Chief Executive has overall responsibility for risk management within the Trust. Within the framework (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 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 21/22 at the following frequencies:

- QGAC – Bimonthly
- Trust Board – Bimonthly
- Finance & Performance Committee - Monthly
- Delegated Committees – Monthly
- TMC review TRR –Bimonthly
- 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 49 risks on the BAF and TRR were managed during the year 2022 - 2022, of these 26

were new risks identified in year.

There were 26 new risks added onto the TRR in 21/22 including in the following areas (for example): Increase in Covid cases, National Issue: Placental Histology for Livebirths, Provision of Mental Health beds, Portable Incubator and Ventilator replacement, Backlog of Ophthalmology Review Patients, Radiographer workforce at critical levels, First Aid Provision at RWT, Hip screening – New standards, Cancer backlog, Shortage of Band 5 Community Nurses, Delays with getting Patient Information reviewed and ratified, Point of Care testing staffing level and Histology Cases Breaching Turnaround Time Target.

There was 1 new risk added onto the BAF in 21/22; SR15 (Impact of future funding flows resulting in potential deficit position & financial challenge) introduced in November 21.

There were 13 risks closed as of 31 March 2022, the remaining 36 to be carried forward to 2022/23.

There were 3 Risks on the Board Assurance Framework (BAF) and 6 on Trust Risk Register (TRR). The BAF risks relate to Cancer Recovery Performance, the potentially adverse impact of the Covid-19 outbreaks, and future funding stream changes that might adversely impact achieving financial balance.

The Risk and Control Framework

The Board-approved Governance and Risk Management Framework aims to:

- Produce and challenge evidence-based assurance
- Provide clear accountability from Ward to Board
- Provide examples of risk development
- Achieve continuous Quality and Safety improvements through sound systems, processes, and outcomes
- Describe and thereby strengthen governance arrangements from Ward to Board
- Maintain adherence to regulatory, performance and contractual standards including Care Quality Commission, NHS Improvement/NHS England (NHSI/E) Commissioners, NHS Resolution, National Patient Safety Agency, Department of Health et al.
- Describe the aggregation and reporting of Risk information
- Support a culture that is open to sharing learning, best practice and continuously improve the patient experience and healthcare
- Support the work to reduce adverse incidents, patient harm, litigation, and claims

We seek to identify risks through all available intelligence sources including proactive and reactive assessment of risk, independent review, external review, and assessment. The risk management process is supported by several policies which direct on risk assessment, incident reporting and investigation, mandatory training, health and safety, data protection, 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, along with Governance processes for tracking dates for policy review.

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 Advisory Internal Audit of the Board Assurance Framework (March 2022) concluded that the Trust has developed a well-defined platform to support strategic decision making and risk management. The report highlighted positive attributes of the Trust's BAF as well as three areas for further improvement including new risks to be considered and aligning with best practice in terms of detail and independent assurances used within the BAF.

Board Committees

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 takes a continuous improvement approach to its Risk Management and Governance arrangements to progress its assurance. During 2021/22 the Trust reviewed its Quality structure and reporting schedule to enhance the oversight given to the performance monitoring of quality and safety within care services. The function of the Trust's Governance infrastructure is regularly evaluated to ensure a fit for future Governance service.

Risk Management training - A Risk Management e-training package for senior managers and staff has been reviewed in line with updated Trust Policies and to align with the new Patient Safety syllabus. The package is made available to staff on the Trust Intranet site.

During 2021/22 the Trust developed a risk heatmap as a visual aid to recognising and managing the level and age of risks on the register. The heatmap continues to be developed with the inclusion of target grades to be set for the mitigation of risks. A monthly Risk Register Review Meeting continues monitor and challenge the management of risks, timeliness of risk escalation with a focus in year on the progression of longstanding risks on the register.

Assurance Priorities 2022/23

Implement systems, processes and training falling from the National Patient Safety Strategy
Undertake an independent Well Led Review at the Trust

Challenges 2022/23

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 continues to be the reduction of waiting list backlogs to return to national target achievement, the unpredictable surges in capacity and demand and staffing impact created by the Covid Pandemic.

The Trust continues to work in partnership with Walsall Healthcare Trust to develop integrated care services and models for corporate support structures. This work will be subject to the financial constraints as well change processes scheduled over the course of 22/23 financial year.

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 several KLOE questions (Key Lines of Enquiry).

The Trust was engaged with three CQC TMA type calls relating to Medicines Management, Maternity Core Service and Children & Young People's Core Service. All received satisfactory outcomes and no concerns were raised from the CQC.

The CQC carried out a desk based announced inspection review at 2 GP practices as a follow up inspection to 2019/2020. The CQC has now rated safe as good for both.

Over the year various notifications were submitted to CQC relating to a change of nominated individual due to structure changes, temporary suspension of activity and closure due to Covid, removal of GP practices in Primary Care, addition of new service, and Covid vaccination delivery across different sites.

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 2021/22 to assess ongoing compliance with Care Quality Commission (CQC) regulations due to the Covid-19 pandemic. Six QRVs have however been undertaken during this period. CQC Strategy 2021 has been launched, new approach to inspection. RWT have attended webinars regularly to ensure participation.

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 a dedicated website a real time 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 have a set of sustainability plans and strategies that supports the NHS Net Zero Carbon targets and commitments. The Green Plan ensures that the trusts continue to comply with its obligations under the Climate Change Act, Delivering Net Zero National Health Service, and the Adaptation Reporting requirements. The Trust has undertaken climate change impact assessments and has put in place an adaptation plan in accordance with emergency preparedness and civil contingency requirements. The adaptation plan sets out action to address the effects of climate change that are already being experienced, observed, or anticipated, even if globally nations do meet their carbon emissions targets.

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 circa £4.434m, 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 2021-22

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 2021-2022. Any incidents that are still being investigated for the period 2021-22 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 14

| Table X: Incidents reported on NHS Digital's incident reporting tool during 2021-22 | | | | |
|--------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Date incident occurred (Month) | Nature of incident | No. of data subjects | Description/ Nature of data involved | Further action on information risk |
| May 2021 | Security Failing – Organisational or Procedural | 10 | A member of staff posted a picture on social media which contained a patient list in the background | The individual was contacted immediately when it became known and the post was removed. |
| November | Unauthorised access to records | 1 | A member of staff was found accessing a patient record unauthorised. | Investigation was undertaken. |
| December | Unauthorised access to records | 1 | A member of staff was found to be accessing patient records unauthorised. | Investigation was undertaken and the member of staff undertook disciplinary proceedings. |

Incidents

All incidents reported within the Trust are aggregated and provided in table below:

| Table X: Summary of personal data related incidents in 2021-22 | |
|-----------------------------------------------------------------------|--------------|
| Category Breach Type | Total |
| Corruption or inability to recover electronic data | 3 |
| Data Quality | 19 |
| Disclosed in error | 143 |
| Lost in transit | 3 |
| Lost or stolen hardware | 5 |
| Lost or stolen paperwork | 22 |
| Misfiling | 28 |
| Non-secure disposal – hardware | 2 |

| | |
|--------------------------------------------------|------------|
| Non-secure disposal – paperwork | 4 |
| Security Failing – Organisational or Procedural | 13 |
| Security Failing – Technical (including hacking) | 2 |
| Uploaded to website in error | 0 |
| Unauthorised access / disclosure | 13 |
| TOTAL | 257 |

Data Protection and Security Toolkit Return 2021/ 2022 – Final Submission

Due to COVID-19, NHS Digital delayed the submission of the toolkit for 2021-22 to allow trusts to focus on the submission without impact on the response to the pandemic. As the NHS response to the pandemic has continued into 2021-22 the decision was made by NHS Digital to retain the submission of the DPST as June 2022.

The results for the final submission for 2021-22 were:

The Royal Wolverhampton NHS Trust RL4 Standards Met
 Alfred Squire Road 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

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 2021/2022.

The Trust’s quality priorities for 2021/2022 were selected as part of a consultation process with 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.

A variety of data reporting systems remained the source of information for the Quality Account 2021/22. For example, the incident and complaints data was extracted from the quality and safety intelligence system. In addition, information was validated with individual leads, for example, the governance team, patient experience team, infection prevention & control team and performance team.

The 2021/22 Quality Account identifies the Trusts performance against the improvement priorities pledged last year. The pledges for improvement in the coming year are clearly identified and are based on areas that our intelligence indicates are priorities for quality improvement.

Each year, a draft version of the Quality Account is approved by directors via the internal governance processes prior to being shared with the Local Authority’s Overview and Scrutiny Committee, Healthwatch and Commissioners. In addition, the Quality Account is subject to a limited assurance review by the Trust’s independent auditors prior to the final version being shared with the Trust Board for approval and subsequently published.

The Quality Account outlines the progress made against the 2021/22 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, a variety of surveys, CQC inspection outcomes, key improvement priorities and views of the staff, patients, public and key stakeholders.

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 dominated NHS organisations in 2020/2021, today this is still the case. We do however have more priorities we are required to respond to.

The COVID 19 virus continues to present NHS Providers with substantial clinical challenges due to the virus continuing to evolve and potential risks around a new variant.

The Trust continues to work in collaboration with the local health care economy, through ad hoc arrangements.

We continue to maintain the established COVID-19 email box to manage the external flow of information still being requested, supported by a series of Trust subject matter experts. The COVID-19 status in the UK is still at Level 4. (Level 4 epidemic in general circulation, transmission high or rising exponentially).

Command and Control Structure used during COVID-19 is still in place and can be invoked if needed.

The Trust, as part of its resilience, to respond to an emergency already has established plans in place, along with business continuity arrangements, supported by local service continuity plans, which are continually being updated. Other activities have been undertaken to improve access to emergency preparedness response information and the EPRR intranet site.

EPRR Assurance. The assurance process changed slightly due to COVID-19. The Trust in 2021/2022 EPRR Core Standards self-assessment achieved a partial compliant status. The Trust is currently working through the gaps identified, to ensure the Trust is Fully Compliant in 2022/2023

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 2021/22 there has been a continuous focus on ensuring Covid Safe risk assessments are in place for staff who continue to work on site and has been integral for managing staff returning to site during the year. There has also been focus for ensuring risks relating to staff working at home/hybrid working are managed relating to Display Screen Equipment (DSE) risk management. This system review has been undertaken by Health and Safety Team in conjunction with Occupational Health and Procurement and is planned to be launched in the first quarter of 2022/23.

The top 4 incident types relating to health and safety at the Trust remain consistent and generally static with previous years. These are:

- Sharps
- Slips Trips and Falls (STFs)
- Manual Handling (inanimate and patient handling combined)
- Contact

There are specialist groups that have been identified to undertake analysis of the above incidents to identify any areas the Trust can look to reduce incidents of these types in future. All outcomes of will be reported to the Health & Safety Steering Group (HSSG) for oversight.

Assurance processes have been strengthened through improvements to monitoring systems, key performance indicators including risk assessment status, reactive incident monitoring, RIDDOR reportable incidents, communications, and training all of which are being reported at bi-monthly Health & Safety Steering Group (HSSG), to Divisional Governance and through to Trust Board (via Quality Safety Assurance Group (QSAG), Quality Governance Assurance Group (QGAC) and Trust Management Committee (TMC)

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 2022-23.
- 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. 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 2021/22.
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 continue to prepare for climate change, demonstrating action on the green plan, the adaptation plan, and the NHS Net Zero Carbon goal to ensure that policies, programmes, and investment decisions consider the possible extent of climate change. 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 2021 to 31 March 2022 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) (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 2021/22.



Accountable Officer: Prof. David Loughton CBE
Organisation: The Royal Wolverhampton NHS Trust,
Date: 07 June 2022

Statement of Comprehensive Income

| | | 2021/22 | 2020/21 |
|----------------------------------------------------------------------------------|------|-----------------------------|------------------------------|
| | Note | £000 | £000 |
| Operating income from patient care activities | 3 | 677,356 | 588,601 |
| Other operating income | 4 | 139,914 | 154,684 |
| Operating expenses | 6, 8 | <u>(791,608)</u> | <u>(734,130)</u> |
| Operating surplus/(deficit) from continuing operations | | <u>25,662</u> | <u>9,155</u> |
| Finance income | 11 | 86 | 26 |
| Finance expenses | 12 | (2,177) | (2,105) |
| PDC dividends payable | | <u>(11,282)</u> | <u>(10,003)</u> |
| Net finance costs | | <u>(13,373)</u> | <u>(12,082)</u> |
| Other gains / (losses) | 13 | <u>20</u> | <u>34</u> |
| Surplus / (deficit) for the year | | <u><u>12,309</u></u> | <u><u>(2,893)</u></u> |
| Other comprehensive income | | | |
| Will not be reclassified to income and expenditure: | | | |
| Revaluations | 17 | 19,265 | 12,488 |
| Fair value gains/(losses) on financial assets mandated at fair value through OCI | 18 | <u>(1,269)</u> | <u>0</u> |
| Total comprehensive income / (expense) for the period | | <u><u>30,305</u></u> | <u><u>9,595</u></u> |

Statement of Financial Position

| | | 31 March 2022 | 31 March 2021 |
|----------------------------------------------|------|-------------------------|------------------------|
| | Note | £000 | £000 |
| Non-current assets | | | |
| Intangible assets | 14 | 6,462 | 5,526 |
| Property, plant and equipment | 15 | 416,282 | 382,916 |
| Other investments / financial assets | 18 | 161 | 0 |
| Receivables | 20 | 6,671 | 7,326 |
| Total non-current assets | | <u>429,576</u> | <u>395,768</u> |
| Current assets | | | |
| Inventories | 19 | 8,253 | 8,802 |
| Receivables | 20 | 33,800 | 29,136 |
| Cash and cash equivalents | 21 | 84,918 | 54,351 |
| Total current assets | | <u>126,971</u> | <u>92,289</u> |
| Current liabilities | | | |
| Trade and other payables | 22 | (106,224) | (79,979) |
| Borrowings | 24 | (2,101) | (2,012) |
| Provisions | 26 | (7,428) | (4,592) |
| Other liabilities | 23 | (8,204) | (3,659) |
| Total current liabilities | | <u>(123,957)</u> | <u>(90,242)</u> |
| Total assets less current liabilities | | <u>432,591</u> | <u>397,815</u> |
| Non-current liabilities | | | |
| Trade and other payables | 22 | (86) | (58) |
| Borrowings | 24 | (5,475) | (5,576) |
| Provisions | 26 | (2,308) | (2,399) |
| Total non-current liabilities | | <u>(7,869)</u> | <u>(8,033)</u> |
| Total assets employed | | <u>424,722</u> | <u>389,782</u> |
| Financed by | | | |
| Public dividend capital | | 286,653 | 282,017 |
| Revaluation reserve | | 96,137 | 76,872 |
| Financial assets reserve | | (1,269) | 0 |
| Other reserves | | 190 | 190 |
| Income and expenditure reserve | | 43,011 | 30,703 |
| Total taxpayers' equity | | <u>424,722</u> | <u>389,782</u> |

The notes on pages 42 to 76 form part of these accounts.



| | |
|----------|-----------------|
| Name | David Loughton |
| Position | Chief Executive |
| Date | 07 June 2022 |

Statement of Changes in Equity for the year ended 31 March 2022

| | Public dividend capital £000 | Revaluation reserve £000 | Financial assets reserve £000 | Other reserves £000 | Income and expenditure reserve £000 | Total £000 |
|----------------------------------------------------------------------------------|---------------------------------------|--------------------------------|----------------------------------------|---------------------------|----------------------------------------------|----------------|
| Taxpayers' and others' equity at 1 April 2021 - brought forward | 282,017 | 76,872 | 0 | 190 | 30,703 | 389,782 |
| Surplus/(deficit) for the year | 0 | 0 | 0 | 0 | 12,309 | 12,309 |
| Revaluations | 0 | 19,265 | 0 | 0 | 0 | 19,265 |
| Fair value gains/(losses) on financial assets mandated at fair value through OCI | 0 | 0 | (1,269) | 0 | 0 | (1,269) |
| Public dividend capital received | 4,636 | 0 | 0 | 0 | 0 | 4,636 |
| Taxpayers' and others' equity at 31 March 2022 | 286,653 | 96,137 | (1,269) | 190 | 43,011 | 424,722 |

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

| | Public dividend capital £000 | Revaluation reserve £000 | Financial assets reserve £000 | Other reserves £000 | Income and expenditure reserve £000 | Total £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 | 0 | (2,893) | (2,893) |
| Revaluations | 0 | 12,488 | 0 | 0 | 0 | 12,488 |
| Public dividend capital received | 31,371 | 0 | 0 | 0 | 0 | 31,371 |
| Taxpayers' and others' equity at 31 March 2021 | 282,017 | 76,872 | 0 | 190 | 30,703 | 389,782 |

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 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 legacy reserve reflects balances formed on previous mergers 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

| | 2021/22 | 2020/21 |
|---------------------------------------------------------------------|-----------------|-----------------|
| Note | £000 | £000 |
| Cash flows from operating activities | | |
| Operating surplus / (deficit) | 25,662 | 9,155 |
| Non-cash income and expense: | | |
| Depreciation and amortisation | 6.1 23,279 | 21,230 |
| Net impairments | 7 (3,234) | 5,658 |
| Income recognised in respect of capital donations | 4 (5,666) | (1,949) |
| (Increase) / decrease in receivables and other assets | (857) | 31,355 |
| (Increase) / decrease in inventories | 549 | (1,901) |
| Increase / (decrease) in payables and other liabilities | 24,488 | 4,946 |
| Increase / (decrease) in provisions | 2,752 | 54 |
| Net cash flows from / (used in) operating activities | 66,973 | 68,548 |
| Cash flows from investing activities | | |
| Interest received | 86 | 26 |
| Purchase and sale of financial assets / investments | (1,430) | 0 |
| Purchase of intangible assets | (1,784) | (3,681) |
| Purchase of PPE and investment property | (23,334) | (39,784) |
| Sales of PPE and investment property | 20 | 34 |
| Receipt of cash donations to purchase assets | 643 | 179 |
| Net cash flows from / (used in) investing activities | (25,799) | (43,226) |
| Cash flows from financing activities | | |
| Public dividend capital received | 4,636 | 31,371 |
| Capital element of finance lease rental payments | (196) | (211) |
| Capital element of PFI, LIFT and other service concession payments | (1,816) | (1,836) |
| Interest paid on finance lease liabilities | (15) | (16) |
| Interest paid on PFI, LIFT and other service concession obligations | (2,170) | (2,094) |
| PDC dividend (paid) / refunded | (11,045) | (10,230) |
| Net cash flows from / (used in) financing activities | (10,606) | 16,984 |
| Increase / (decrease) in cash and cash equivalents | 30,568 | 42,306 |
| Cash and cash equivalents at 1 April - brought forward | 54,351 | 12,045 |
| Cash and cash equivalents at 31 March | 84,918 | 54,351 |

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 2021/22 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. 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 main source of income for the Trust is contracts with commissioners for health care services. In 2021/22 and 2020/21, the majority of the Trust's income from NHS commissioners was in the form of block contract arrangements. The Trust receives block funding from its commissioners, where funding envelopes are set at an Integrated Care System level. For the first half of the 2020/21 comparative year these blocks were set for individual NHS providers directly, but the revenue recognition principles are the same. 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 also receives additional income outside of the block payments to reimburse specific costs incurred and, in 2020/21, other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

In 2021/22, the Elective Recovery Fund enabled systems to earn income linked to the achievement of elective activity targets including funding any increased use of independent sector capacity. Income earned by the system is distributed between individual entities by local agreement. Income earned from the fund is accounted for as variable consideration.

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

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, eg, plant and equipment, then these components are treated as separate assets and depreciated over their own useful lives.

Subsequent expenditure

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

Measurement

Valuation

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

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

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

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

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and 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.

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.

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 and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with 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 | Max life |
|--------------------------------|-----------------|-----------------|
| | Years | Years |
| Buildings, excluding dwellings | 1 | 68 |
| Dwellings | 4 | 29 |
| Plant & machinery | 5 | 15 |
| Transport equipment | 5 | 7 |
| Information technology | 4 | 5 |
| Furniture & fittings | 10 | 10 |

The minimum useful economic life of 1 year is applied to any component part or a building as part of the valuation process, when the Trust has an intention to dispose, or has declared a building element vacant.

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

Measurement

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

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

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

Amortisation

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

Useful lives of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives is 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 and 2021/22, 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.

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

Classification and measurement

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

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

Financial assets are classified as subsequently measured at amortised cost or fair value through other comprehensive income

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.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to income and expenditure, except where the Trust elected to measure an equity instrument in this category on initial recognition.

The Trust has irrevocably elected to measure the following equity instruments at fair value through other comprehensive income:

-Sensyne Shares on the basis the Trust are holding these shares as an investment and not for trading. Any subsequent fair value movements from initial recognition will therefore be a reserves movement.

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 2021/22 this is 23.76% (2020/21 22.43%).

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 from 31 March 2022:

| | | Nominal rate | Prior year rate |
|----------------|-------------------------------|--------------|-----------------|
| Short-term | Up to 5 years | 0.47% | Minus 0.02% |
| Medium-term | After 5 years up to 10 years | 0.70% | 0.18% |
| Long-term | After 10 years up to 40 years | 0.95% | 1.99% |
| Very long-term | Exceeding 40 years | 0.66% | 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 from 31 March 2022:

| | Inflation rate | Prior year rate |
|-----------------|----------------|-----------------|
| Year 1 | 4.00% | 1.20% |
| Year 2 | 2.60% | 1.60% |
| Into perpetuity | 2.00% | 2.00% |

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 1.30% in real terms (prior year: minus 0.95%).

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 26.1 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 27 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 27, 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 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

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

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

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

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.19 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 1.24 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2021/22.

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

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 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 without restatement and 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. For 2022, this rate is 0.95%. 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 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:

| | £000 |
|-------------------------------------------------------------------------------------|--------------|
| Estimated impact on 1 April 2022 statement of financial position | |
| Additional right of use assets recognised for existing operating leases | 12,635 |
| Additional lease obligations recognised for existing operating leases | (12,635) |
| Net impact on net assets on 1 April 2022 | 0 |
| Estimated in-year impact in 2022/23 | |
| Additional depreciation on right of use assets | (4,605) |
| Additional finance costs on lease liabilities | (178) |
| Lease rentals no longer charged to operating expenditure | 4,664 |
| Estimated impact on surplus / deficit in 2022/23 | (119) |
| Estimated increase in capital additions for new leases commencing in 2022/23 | 6,132 |

In the estimates above the following discount rates have been applied: HM Treasury incremental borrowing rate (a nominal rate) of 0.95% is to be applied for leases commencing in the 2022 calendar year under IFRS 16. For leases commencing or remeasured in the 2021 calendar year the incremental borrowing rate is 0.91%.

Other standards, amendments and interpretations

IFRS 17 Insurance Contracts:

Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FRoM: 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 NHS Trusts' financial statements.

Note 1.26 Critical judgements in applying accounting policies

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

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

-Leases

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

Note 1.27 Sources of estimation uncertainty

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

-Useful Economic Lives

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

-Provisions

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

-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 desktop valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2022 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.£29.9m. The Network operates on a break even basis. Income for this segment derives from Research and Development (contract) as disclosed in Note 4 of the accounts.

| | Healthcare Services | | Clinical Research Network: West Midlands | | Total | |
|---------------------------|---------------------|-----------------|---------------------------------------------|-----------------|------------------|-----------------|
| | 2021-22 £000 | 2020-21 £000 | 2021-22 £000 | 2020-21 £000 | 2021-22 £000 | 2020-21 £000 |
| Income | 817,270 | 715,316 | 29,872 | 27,969 | 847,142 | 743,285 |
| Surplus/(Deficit) | | | | | | |
| Segment surplus/(deficit) | (2,091) | (2,079) | 0 | 0 | (2,091) | (2,079) |
| Common costs | (802,870) | (716,130) | (29,872) | (27,969) | (832,742) | (744,099) |
| Surplus/(Deficit) | 12,309 | (2,893) | 0 | 0 | 12,309 | (2,893) |
| Net Assets: | | | | | | |
| Segment net assets | 424,722 | 389,782 | 0 | 0 | 424,722 | 389,782 |

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 1.1

| Note 3.1 Income from patient care activities (by nature) | 2021/22 £000 | 2020/21 £000 |
|--------------------------------------------------------------------------|-----------------|-----------------|
| Acute services | | |
| Block contract / system envelope income | 526,014 | 456,878 |
| High cost drugs income from commissioners (excluding pass-through costs) | 54,154 | 46,707 |
| Other NHS clinical income | 1,690 | 1,389 |
| Community services | | |
| Block contract / system envelope income | 45,062 | 44,545 |
| Income from other sources (e.g. local authorities) | 7,989 | 7,844 |
| All services | | |
| Private patient income | 67 | 220 |
| Elective recovery fund | 12,256 | 0 |
| Additional pension contribution central funding* | 19,057 | 17,865 |
| Other clinical income | 11,067 | 13,153 |
| Total income from activities | 677,356 | 588,601 |

*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)

| | 2021/22 | 2020/21 |
|-----------------------------------------------------------|----------------|----------------|
| Income from patient care activities received from: | £000 | £000 |
| NHS England | 158,252 | 147,630 |
| Clinical commissioning groups | 501,636 | 420,755 |
| Other NHS providers | 1,690 | 1,389 |
| NHS other | 342 | 380 |
| Local authorities | 7,989 | 7,844 |
| Non-NHS: private patients | 67 | 220 |
| Non-NHS: overseas patients (chargeable to patient) | 150 | 376 |
| Injury cost recovery scheme | 780 | 610 |
| Non NHS: other | 6,450 | 9,397 |
| Total income from activities | 677,356 | 588,601 |
| Of which: | | |
| Related to continuing operations | 677,356 | 588,601 |

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

| | 2021/22 | 2020/21 |
|----------------------------------------------------------|-------------|-------------|
| | £000 | £000 |
| Income recognised this year | 150 | 376 |
| Cash payments received in-year | 75 | 43 |
| Amounts added to provision for impairment of receivables | 115 | 311 |
| Amounts written off in-year | 134 | 34 |

Note 4 Other operating income

| | 2021/22 | | | 2020/21 | | |
|---------------------------------------------------------------------|-----------------|---------------------|----------------|-----------------|---------------------|----------------|
| | Contract income | Non-contract income | Total | Contract income | Non-contract income | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Research and development | 29,885 | 0 | 29,885 | 28,297 | 0 | 28,297 |
| Education and training | 20,323 | 1,026 | 21,349 | 19,366 | 737 | 20,103 |
| Non-patient care services to other bodies | 48,465 | 0 | 48,465 | 45,029 | 0 | 45,029 |
| Reimbursement and top up funding | 10,647 | 0 | 10,647 | 30,980 | 0 | 30,980 |
| Income in respect of employee benefits accounted on a gross basis | 5,645 | 0 | 5,645 | 5,246 | 0 | 5,246 |
| Receipt of capital grants and donations | 0 | 5,666 | 5,666 | 0 | 1,949 | 1,949 |
| Charitable and other contributions to expenditure*** | 0 | 1,875 | 1,875 | 0 | 12,457 | 12,457 |
| Support from the Department of Health and Social Care for mergers** | 0 | 6,000 | 6,000 | 0 | 3,000 | 3,000 |
| Rental revenue from operating leases | 0 | 693 | 693 | 0 | 745 | 745 |
| Other income* | 9,689 | 0 | 9,689 | 6,878 | 0 | 6,878 |
| Total other operating income | 124,654 | 15,260 | 139,914 | 135,796 | 18,888 | 154,684 |
| Of which: | | | | | | |
| Related to continuing operations | | | 139,914 | | | 154,684 |

* 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

| | 2021/22 | 2020/21 |
|------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| | £000 | £000 |
| Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end | 0 | 2,608 |
| Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods | 0 | 0 |

Note 5.2 Transaction price allocated to remaining performance obligations

| | 31 March | |
|--------------------------------------------------------------------------------------------------------------|----------|---------------|
| | 2022 | 31 March 2021 |
| | £000 | £000 |
| Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised: | | |
| within one year | 0 | 0 |
| after one year, not later than five years | 0 | 0 |
| after five years | 0 | 0 |
| Total revenue allocated to remaining performance obligations | 0 | 0 |

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

Note 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.

| | 2021/22 | 2020/21 |
|----------------------------|-------------------|---------------------|
| | £000 | £000 |
| Income | 3,794 | 3,154 |
| Full cost | <u>(3,136)</u> | <u>(3,858)</u> |
| Surplus / (deficit) | <u>658</u> | <u>(704)</u> |

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

| | 2021/22 | 2020/21 |
|---------------------------------------------------------------------------------|-----------------------|-----------------------|
| | £000 | £000 |
| Purchase of healthcare from NHS and DHSC bodies | 4,030 | 3,909 |
| Purchase of healthcare from non-NHS and non-DHSC bodies | 5,745 | 3,940 |
| Staff and executive directors costs** | 488,000 | 450,083 |
| Remuneration of non-executive directors | 209 | 142 |
| Supplies and services - clinical (excluding drugs costs)* | 95,302 | 82,763 |
| Supplies and services - general | 9,967 | 10,247 |
| Drug costs (drugs inventory consumed and purchase of non-inventory drugs) | 65,730 | 56,546 |
| Inventories written down | 1 | 347 |
| Consultancy costs | 901 | 1,568 |
| Establishment | 8,405 | 8,218 |
| Premises | 28,791 | 27,820 |
| Transport (including patient travel) | 2,349 | 2,074 |
| Depreciation on property, plant and equipment | 22,431 | 20,466 |
| Amortisation on intangible assets | 848 | 764 |
| Net impairments | (3,234) | 5,658 |
| Movement in credit loss allowance: contract receivables / contract assets | 73 | 519 |
| Fees payable to the external auditor | | |
| audit services- statutory audit | 96 | 66 |
| other auditor remuneration (external auditor only) | 0 | 10 |
| Internal audit costs | 183 | 30 |
| Clinical negligence | 15,528 | 15,267 |
| Legal fees | 94 | 1,353 |
| Insurance | 89 | 163 |
| Research and development | 27,882 | 25,634 |
| Education and training | 9,815 | 8,581 |
| Rentals under operating leases | 3,203 | 2,855 |
| Redundancy | 0 | 104 |
| Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) | 2,590 | 3,025 |
| Car parking & security | 1,389 | 1,507 |
| Losses, ex gratia & special payments | 22 | 90 |
| Other services, eg external payroll | (22) | 151 |
| Other | 1,191 | 230 |
| Total | <u>791,608</u> | <u>734,130</u> |
| Of which: | | |
| Related to continuing operations | 791,608 | 734,130 |

* 21/22 includes £2,473k (20/21 £11.3m) of donated inventories of DHSC centrally procured consumables: personal protective equipment in support of Covid-19 pandemic which have been consumed

** 21/22 includes £6.6m additional (additional to 20/21) annual leave accrual due to excess annual leave carried forward (above normal level) as a result of Covid-19 pandemic. 20/21 included £5.0m annual leave accrual and was fully funded and included within Other clinical income.

Note 6.2 Other auditor remuneration

| | 2021/22 | 2020/21 |
|---------------------------------------------------------------------------------|----------|-----------|
| | £000 | £000 |
| Other auditor remuneration paid to the external auditor: | | |
| 1. Audit of accounts of any associate of the Trust | 0 | 0 |
| 2. Audit-related assurance services | 0 | 10 |
| 3. Taxation compliance services | 0 | 0 |
| 4. All taxation advisory services not falling within item 3 above | 0 | 0 |
| 5. Internal audit services | 0 | 0 |
| 6. All assurance services not falling within items 1 to 5 | 0 | 0 |
| 7. Corporate finance transaction services not falling within items 1 to 6 above | 0 | 0 |
| 8. Other non-audit services not falling within items 2 to 7 above | 0 | 0 |
| Total | 0 | 10 |

Note 6.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2 million (2020/21: £2 million).

Note 7 Impairment of assets

| | 2021/22 | 2020/21 |
|-------------------------------------------------------------------------------|-----------------------|---------------------|
| | £000 | £000 |
| Net impairments charged to operating surplus / deficit resulting from: | | |
| Changes in market price | <u>(3,234)</u> | <u>5,658</u> |
| Total net impairments charged to operating surplus / deficit | <u>(3,234)</u> | <u>5,658</u> |
| Impairments charged to the revaluation reserve | <u>0</u> | <u>0</u> |
| Total net impairments | <u>(3,234)</u> | <u>5,658</u> |

The impairments relate to the impact of the desktop valuation of the Trusts land and buildings as at 31 March 2022 and a full valuation of the Trusts land and buildings as at 31 March 2021. Both valuations were undertaken 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

| | 2021/22 | 2020/21 |
|------------------------------------------|-----------------------|-----------------------|
| | Total | Total |
| | £000 | £000 |
| Salaries and wages | 392,850 | 363,648 |
| Social security costs | 37,304 | 34,165 |
| Apprenticeship levy | 1,868 | 1,630 |
| Employer's contributions to NHS pensions | 62,798 | 58,975 |
| Termination benefits | 0 | 182 |
| Temporary staff (including agency) | 8,209 | 5,282 |
| Total gross staff costs | <u>503,029</u> | <u>463,882</u> |
| Recoveries in respect of seconded staff | <u>(834)</u> | <u>(832)</u> |
| Total staff costs | <u>502,195</u> | <u>463,050</u> |
| Of which | | |
| Costs capitalised as part of assets | 682 | 641 |

Note 8.1 Retirements due to ill-health

During 2021/22 there was 1 early retirement from the Trust agreed on the grounds of ill-health (3 in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £89k (£103k in 2020/21).

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. 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 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 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 also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially 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.

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports>.

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.

| | 2021/22 £000 | 2020/21 £000 |
|------------------------------------------------------|-----------------------------------|--------------------------|
| Operating lease revenue | | |
| Minimum lease receipts | 693 | 745 |
| Total | <u>693</u> | <u>745</u> |
| | 31 March 2022 £000 | 31 March 2021 £000 |
| Future minimum lease receipts due: | | |
| - not later than one year; | 352 | 442 |
| - later than one year and not later than five years; | 0 | 253 |
| Total | <u>352</u> | <u>695</u> |

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:

| | 2021/22 £000 | 2020/21 £000 |
|------------------------------------------------------|-----------------------------------|--------------------------|
| Operating lease expense | | |
| Minimum lease payments | 3,203 | 2,855 |
| Total | <u>3,203</u> | <u>2,855</u> |
| | 31 March 2022 £000 | 31 March 2021 £000 |
| Future minimum lease payments due: | | |
| - not later than one year; | 3,731 | 1,981 |
| - later than one year and not later than five years; | 7,421 | 4,395 |
| - later than five years. | 1,274 | 0 |
| Total | <u>12,426</u> | <u>6,376</u> |
| Future minimum sublease payments to be received | 0 | 0 |

Note 11 Finance income

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

| | 2021/22 | 2020/21 |
|-----------------------------|------------------|------------------|
| | £000 | £000 |
| Interest on bank accounts | <u>86</u> | <u>26</u> |
| Total finance income | <u>86</u> | <u>26</u> |

Note 12.1 Finance expenditure

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

| | 2021/22 | 2020/21 |
|-------------------------------------------------------------|---------------------|---------------------|
| | £000 | £000 |
| Interest expense: | | |
| Finance leases | 15 | 16 |
| Main finance costs on PFI and LIFT schemes obligations | 476 | 467 |
| Contingent finance costs on PFI and LIFT scheme obligations | <u>1,694</u> | <u>1,627</u> |
| Total interest expense | <u>2,185</u> | <u>2,110</u> |
| Unwinding of discount on provisions | (8) | (6) |
| Other finance costs | <u>0</u> | <u>1</u> |
| Total finance costs | <u>2,177</u> | <u>2,105</u> |

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

| | 2021/22 | 2020/21 |
|--------------------------------------------------------------------------------------|----------------|-----------|
| | £000 | £000 |
| Total liability accruing in year under this legislation as a result of late payments | <u>21</u> | <u>10</u> |

Note 13 Other gains / (losses)

| | 2021/22 | 2020/21 |
|-------------------------------------|------------------|------------------|
| | £000 | £000 |
| Gains on disposal of assets | <u>20</u> | <u>34</u> |
| Total other gains / (losses) | <u>20</u> | <u>34</u> |

Note 14.1 Intangible assets - 2021/22

| | Software licences £000 | Intangible assets under construction £000 | Total £000 |
|-----------------------------------------------------------------|------------------------------|----------------------------------------------------|---------------|
| Valuation / gross cost at 1 April 2021 - brought forward | 7,326 | 2,779 | 10,105 |
| Additions | 38 | 1,746 | 1,784 |
| Reclassifications | 200 | (200) | 0 |
| Disposals / derecognition | (372) | 0 | (372) |
| Valuation / gross cost at 31 March 2022 | 7,192 | 4,325 | 11,517 |
| Amortisation at 1 April 2021 - brought forward | 4,579 | 0 | 4,579 |
| Provided during the year | 848 | 0 | 848 |
| Disposals / derecognition | (372) | 0 | (372) |
| Amortisation at 31 March 2022 | 5,055 | 0 | 5,055 |
| Net book value at 31 March 2022 | 2,137 | 4,325 | 6,462 |
| Net book value at 1 April 2021 | 2,747 | 2,779 | 5,526 |

Note 14.2 Intangible assets - 2020/21

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

Note 15.1 Property, plant and equipment - 2021/22

| | 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 2021 - brought forward | 14,012 | 311,801 | 1,534 | 11,036 | 104,653 | 879 | 30,180 | 7,673 | 481,768 |
| Additions | 0 | 1,361 | 0 | 23,861 | 7,228 | 40 | 246 | 562 | 33,298 |
| Impairments | (1) | (388) | 0 | 0 | 0 | 0 | 0 | 0 | (389) |
| Reversals of impairments | 463 | 3,160 | 0 | 0 | 0 | 0 | 0 | 0 | 3,623 |
| Revaluations | 6,567 | 474 | 40 | 0 | 0 | 0 | 0 | 0 | 7,081 |
| Reclassifications | 0 | 4,506 | 0 | (9,352) | 2,421 | 0 | 1,936 | 489 | 0 |
| Disposals / derecognition | 0 | 0 | 0 | 0 | (4,739) | (78) | (6,904) | 0 | (11,721) |
| Valuation/gross cost at 31 March 2022 | 21,041 | 320,914 | 1,574 | 25,545 | 109,563 | 841 | 25,458 | 8,724 | 513,660 |
| Accumulated depreciation at 1 April 2021 - brought forward | 0 | 0 | 0 | 0 | 69,911 | 657 | 22,177 | 6,107 | 98,852 |
| Provided during the year | 0 | 12,098 | 86 | 0 | 7,296 | 59 | 2,625 | 267 | 22,431 |
| Revaluations | 0 | (12,098) | (86) | 0 | 0 | 0 | 0 | 0 | (12,184) |
| Disposals / derecognition | 0 | 0 | 0 | 0 | (4,739) | (78) | (6,904) | 0 | (11,721) |
| Accumulated depreciation at 31 March 2022 | 0 | 0 | 0 | 0 | 72,468 | 638 | 17,898 | 6,374 | 97,378 |
| Net book value at 31 March 2022 | 21,041 | 320,914 | 1,574 | 25,545 | 37,095 | 203 | 7,560 | 2,350 | 416,282 |
| Net book value at 1 April 2021 | 14,012 | 311,801 | 1,534 | 11,036 | 34,742 | 222 | 8,003 | 1,566 | 382,916 |

Note 15.2 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 |
|------------------------------------------------------------------------|---------------|------------------------------------------|-------------------|--------------------------------------|------------------------------|--------------------------------|-----------------------------------|---------------------------------|----------------|
| Valuation / gross cost at 1 April 2020 - as previously stated | 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) |
| Valuation/gross cost at 31 March 2021 | 14,012 | 311,801 | 1,534 | 11,036 | 104,653 | 879 | 30,180 | 7,673 | 481,768 |
| Accumulated depreciation at 1 April 2020 - as previously stated | 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) |
| Accumulated depreciation at 31 March 2021 | 0 | 0 | 0 | 0 | 69,911 | 657 | 22,177 | 6,107 | 98,852 |
| Net book value at 31 March 2021 | 14,012 | 311,801 | 1,534 | 11,036 | 34,742 | 222 | 8,003 | 1,566 | 382,916 |
| Net book value at 1 April 2020 | 9,599 | 276,943 | 1,497 | 24,964 | 28,710 | 228 | 5,496 | 947 | 348,384 |

Note 15.3 Property, plant and equipment financing - 2021/22

| | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construction £000 | Plant & machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|--------------------------------------------------------------------|---------------|---------------------------------------------|-------------------|--------------------------------------|------------------------------|--------------------------------|-----------------------------------|---------------------------------|----------------|
| Net book value at 31 March 2022 | | | | | | | | | |
| Owned - purchased | 21,041 | 311,219 | 1,574 | 21,014 | 28,924 | 203 | 7,560 | 2,336 | 393,871 |
| Finance leased | 0 | 0 | 0 | 0 | 989 | 0 | 0 | 0 | 989 |
| On-SoFP PFI contracts and other service concession arrangements | 0 | 8,847 | 0 | 0 | 4,126 | 0 | 0 | 0 | 12,973 |
| Owned - donated/granted | 0 | 848 | 0 | 4,531 | 3,056 | 0 | 0 | 14 | 8,449 |
| NBV total at 31 March 2022 | 21,041 | 320,914 | 1,574 | 25,545 | 37,095 | 203 | 7,560 | 2,350 | 416,282 |

Note 15.4 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 |
|--------------------------------------------------------------------|---------------|---------------------------------------------|-------------------|--------------------------------------|------------------------------|--------------------------------|-----------------------------------|---------------------------------|----------------|
| Net book value at 31 March 2021 | | | | | | | | | |
| 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 |
| NBV total at 31 March 2021 | 14,012 | 311,801 | 1,534 | 11,036 | 34,742 | 222 | 8,003 | 1,566 | 382,916 |

Note 16 Donations of property, plant and equipment

For the year ended 31 March 2022, The Department of Health and Social Care donated £1,060k (20/21 £1,770k) of assets to the Trust in response to the Covid-19 pandemic and The Royal Wolverhampton NHS Trust Charity donated £75k (20/21 £179k) of assets to the Trust.

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 Other investments / financial assets (non-current)

| | 2021/22 | 2020/21 |
|----------------------------------------------------|------------|----------|
| | £000 | £000 |
| Carrying value at 1 April - brought forward | 0 | 0 |
| Acquisitions in year | 1,430 | 0 |
| Movement in fair value through OCI | (1,269) | 0 |
| Carrying value at 31 March | 161 | 0 |

The Trust received 1,428,571 ordinary shares in Sensyne Health plc representing 0.9% of the existing issued share capital of Sensyne on 4th May 2021 as consideration for signing 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 recognises Sensyne Plc shares as Fair Value through OCI. As at 31 March 2022 the Trust recognised the shares at the AIM listed valuation.

Note 19 Inventories

| | 31 March | 31 March |
|---------------------------------------|--------------|--------------|
| | 2022 | 2021 |
| | £000 | £000 |
| Drugs | 2,502 | 2,151 |
| Consumables | 5,409 | 6,344 |
| Energy | 165 | 132 |
| Other | 177 | 175 |
| Total inventories | 8,253 | 8,802 |
| of which: | | |
| Held at fair value less costs to sell | 0 | 0 |

Inventories recognised in expenses for the year were £83,640k (2020/21: £65,712k). Write-down of inventories recognised as expenses for the year were £1k (2020/21: £347k).

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 2021/22 the Trust received £1,875k of items purchased by DHSC (2020/21: £12,457k). 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 20.1 Receivables

| | 31 March 2022 | 31 March 2021 |
|------------------------------------------------------------|---------------|---------------|
| | £000 | £000 |
| Current | | |
| Contract receivables | 28,993 | 21,851 |
| Allowance for impaired contract receivables / assets | (1,765) | (1,838) |
| Prepayments (non-PFI) | 3,869 | 4,379 |
| PDC dividend receivable | 199 | 436 |
| VAT receivable | 1,450 | 3,287 |
| Other receivables | 1,054 | 1,021 |
| Total current receivables | 33,800 | 29,136 |
| Non-current | | |
| Prepayments (non-PFI) | 17 | 18 |
| PFI lifecycle prepayments | 4,877 | 5,451 |
| Other receivables | 1,777 | 1,857 |
| Total non-current receivables | 6,671 | 7,326 |
| Of which receivable from NHS and DHSC group bodies: | | |
| Current | 20,680 | 15,417 |
| Non-current | 1,777 | 1,857 |

Note 20.2 Exposure to credit risk

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

| | 31 March 2022 | 31 March 2021 |
|-------------------------------------------------------------|-----------------------------|-----------------------------|
| | Trade and other receivables | Trade and other receivables |
| | £000 | £000 |
| Ageing of impaired financial assets | | |
| 0-30 days | 28 | 27 |
| 31-60 days | 44 | 55 |
| 61-90 days | 27 | 33 |
| 91-180 days | 168 | 187 |
| Over 181 days | 1,498 | 1,536 |
| Total | 1,765 | 1,838 |
| Ageing of non-impaired financial assets past their due date | | |
| 0-30 days | 190 | 104 |
| 31-60 days | 158 | 226 |
| 61-90 days | 55 | 83 |
| 91-180 days | 237 | 150 |
| Over 181 days | 2,089 | 2,239 |
| Total | 2,729 | 2,802 |

Note 21.1 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.

| | 2021/22 | 2020/21 |
|---------------------------------------------------|---------------|---------|
| | £000 | £000 |
| At 1 April | 54,351 | 12,045 |
| Net change in year | 30,567 | 42,306 |
| At 31 March | 84,918 | 54,351 |
| Broken down into: | | |
| Cash at commercial banks and in hand | 35 | 21 |
| Cash with the Government Banking Service | 84,883 | 54,330 |
| Total cash and cash equivalents as in SoFP | 84,918 | 54,351 |
| Total cash and cash equivalents as in SoCF | 84,918 | 54,351 |

Note 21.2 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 2022 | 31 March 2021 |
|---------------------------------|---------------|---------------|
| | £000 | £000 |
| Monies on deposit | 0 | 1 |
| Total third party assets | 0 | 1 |

Note 22.1 Trade and other payables

| | 31 March 2022 | 31 March 2021 |
|----------------------------------------------------------|----------------|---------------|
| | £000 | £000 |
| Current | | |
| Trade payables | 12,135 | 8,604 |
| Capital payables | 17,110 | 10,780 |
| Accruals | 58,787 | 44,966 |
| Social security costs | 5,790 | 5,074 |
| VAT payables | 108 | 129 |
| Other taxes payable | 5,393 | 4,140 |
| Other payables | 6,901 | 6,286 |
| Total current trade and other payables | 106,224 | 79,979 |
| Non-current | | |
| Other payables | 86 | 58 |
| Total non-current trade and other payables | 86 | 58 |
| Of which payables from NHS and DHSC group bodies: | | |
| Current | 3,899 | 6,827 |
| Non-current | 0 | 42 |

Note 22.2 Early retirements in NHS payables above

The payables note above includes amounts in relation to early retirements as set out below:

| | 31 March 2022 | 31 March 2022 | 31 March 2021 | 31 March 2021 |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | £000 | Number | £000 | Number |
| - to buy out the liability for early retirements over 5 years | 0 | | 0 | |
| - number of cases involved | | 0 | | 0 |

Note 23 Other liabilities

| | 31 March 2022 £000 | 31 March 2021 £000 |
|--------------------------------------------|-----------------------------------|--------------------------|
| Current | | |
| Deferred income: contract liabilities | 8,204 | 3,659 |
| Total other current liabilities | 8,204 | 3,659 |
| Non-current | | |
| Total other non-current liabilities | 0 | 0 |

Note 24.1 Borrowings

| | 31 March 2022 £000 | 31 March 2021 £000 |
|-------------------------------------------------------------------|-----------------------------------|--------------------------|
| Current | | |
| Obligations under finance leases | 196 | 196 |
| Obligations under PFI, LIFT or other service concession contracts | 1,905 | 1,816 |
| Total current borrowings | 2,101 | 2,012 |
| Non-current | | |
| Obligations under finance leases | 698 | 893 |
| Obligations under PFI, LIFT or other service concession contracts | 4,777 | 4,683 |
| Total non-current borrowings | 5,475 | 5,576 |

Note 24.2 Reconciliation of liabilities arising from financing activities - 2021/22

| | Finance leases £000 | PFI and LIFT schemes £000 | Total £000 |
|-----------------------------------------------------------|------------------------------------|------------------------------------------|-----------------------|
| Carrying value at 1 April 2021 | 1,090 | 6,499 | 7,589 |
| Cash movements: | | | |
| Financing cash flows - payments and receipts of principal | (196) | (1,816) | (2,012) |
| Financing cash flows - payments of interest | (15) | (476) | (491) |
| Non-cash movements: | | | |
| Additions | 0 | 1,999 | 1,999 |
| Application of effective interest rate | 15 | 476 | 491 |
| Other changes | 1 | 0 | 1 |
| Carrying value at 31 March 2022 | 895 | 6,682 | 7,577 |

Note 24.3 Reconciliation of liabilities arising from financing activities - 2020/21

| | Finance leases £000 | PFI and LIFT schemes £000 | Total £000 |
|-----------------------------------------------------------|------------------------------------|------------------------------------------|-----------------------|
| Carrying value at 1 April 2020 | 1,301 | 7,954 | 9,255 |
| Cash movements: | | | |
| Financing cash flows - payments and receipts of principal | (211) | (1,836) | (2,047) |
| Financing cash flows - payments of interest | (16) | (467) | (483) |
| Non-cash movements: | | | |
| Additions | 0 | 143 | 143 |
| Application of effective interest rate | 16 | 467 | 483 |
| Other changes | (1) | 238 | 237 |
| Carrying value at 31 March 2021 | 1,090 | 6,499 | 7,589 |

Note 25 Finance leases

Note 25.1 The Royal Wolverhampton NHS Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

| | 31 March 2022 | 31 March 2021 |
|--------------------------------------------------------------------------------|---------------|---------------|
| | £000 | £000 |
| Gross lease liabilities | 957 | 1,166 |
| of which liabilities are due: | | |
| - not later than one year; | 211 | 211 |
| - later than one year and not later than five years; | 746 | 822 |
| - later than five years. | 0 | 133 |
| Finance charges allocated to future periods | (63) | (77) |
| Net lease liabilities | 894 | 1,089 |
| of which payable: | | |
| - not later than one year; | 196 | 196 |
| - later than one year and not later than five years; | 698 | 768 |
| - later than five years. | 0 | 125 |
| Total of future minimum sublease payments to be received at the reporting date | 0 | 1,166 |
| Contingent rent recognised as expense in the period | 0 | 0 |

Note 26 Provisions for liabilities and charges analysis

| | Pensions: injury benefits | Legal claims | Other | Total |
|------------------------------------------------------|------------------------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 |
| At 1 April 2021 | 585 | 231 | 6,175 | 6,991 |
| Arising during the year | 40 | 135 | 4,919 | 5,094 |
| Utilised during the year | (43) | (103) | (1,054) | (1,200) |
| Reversed unused | 0 | (80) | (1,062) | (1,142) |
| Unwinding of discount | (8) | 0 | 0 | (8) |
| At 31 March 2022 | 574 | 183 | 8,978 | 9,735 |
| Expected timing of cash flows: | | | | |
| - not later than one year; | 44 | 183 | 7,201 | 7,428 |
| - later than one year and not later than five years; | 169 | 0 | 95 | 264 |
| - later than five years. | 362 | 0 | 1,682 | 2,044 |
| Total | 574 | 183 | 8,978 | 9,735 |

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, clinicians pension tax and provisions for VAT payments to HMRC.

Note 26.1 Clinical negligence liabilities

At 31 March 2022, £403,557k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Royal Wolverhampton NHS Trust (31 March 2021: £228,529k).

Note 27 Contingent assets and liabilities

| | 31 March 2022 | 31 March 2021 |
|--------------------------------------------|---------------|---------------|
| | £000 | £000 |
| Net value of contingent liabilities | 0 | 0 |
| Net value of contingent assets | 876 | 876 |

In 2020/21, The Trust 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 2022

Note 28 Contractual capital commitments

| | 31 March 2022 | 31 March 2021 |
|-------------------------------|---------------|---------------|
| | £000 | £000 |
| Property, plant and equipment | 20,280 | 5,087 |
| Total | 20,280 | 5,087 |

Note 29 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 29.1 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 | |
|-------------------------------------------------------------------------|-----------------|----------------|
| | 2022 | 31 March 2021 |
| | £000 | £000 |
| Gross PFI, LIFT or other service concession liabilities | 8,243 | 8,181 |
| Of which liabilities are due | | |
| - not later than one year; | 1,905 | 1,816 |
| - later than one year and not later than five years; | 4,395 | 4,334 |
| - later than five years. | 1,943 | 2,031 |
| Finance charges allocated to future periods | (1,561) | (1,682) |
| Net PFI, LIFT or other service concession arrangement obligation | 6,682 | 6,499 |
| - not later than one year; | 1,905 | 1,816 |
| - later than one year and not later than five years; | 3,565 | 3,508 |
| - later than five years. | 1,212 | 1,175 |

Note 29.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

| | 31 March | |
|-------------------------------------------------------------------------------------------------------------|-----------------|---------------|
| | 2022 | 31 March 2021 |
| | £000 | £000 |
| Total future payments committed in respect of the PFI, LIFT or other service concession arrangements | 71,617 | 77,418 |
| Of which payments are due: | | |
| - not later than one year; | 6,959 | 6,424 |
| - later than one year and not later than five years; | 26,972 | 26,314 |
| - later than five years. | 37,686 | 44,680 |

Note 29.3 Analysis of amounts payable to service concession operator

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

| | 2021/22 | 2020/21 |
|------------------------------------------------------------------------------------------------------------------------------|----------------|---------|
| | £000 | £000 |
| Unitary payment payable to service concession operator | 6,454 | 6,321 |
| Consisting of: | | |
| - Interest charge | 476 | 467 |
| - Repayment of balance sheet obligation | 1,816 | 1,836 |
| - Service element and other charges to operating expenditure | 2,468 | 2,391 |
| - Contingent rent | 1,694 | 1,627 |
| Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment | 122 | 634 |
| Total amount paid to service concession operator | 6,576 | 6,955 |

Note 30 Financial instruments

Note 30.1 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 2022 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 30.2 Carrying values of financial assets

| | Held at amortised cost £000 | Held at fair value through I&E £000 | Held at fair value through OCI £000 | Total book value £000 |
|----------------------------------------------------------------|--------------------------------------|----------------------------------------------|----------------------------------------------|-----------------------------|
| Carrying values of financial assets as at 31 March 2022 | | | | |
| Trade and other receivables excluding non financial assets | 28,247 | 0 | 0 | 28,247 |
| Other investments / financial assets | 0 | 0 | 161 | 161 |
| Cash and cash equivalents | 84,918 | 0 | 0 | 84,918 |
| Total at 31 March 2022 | 113,165 | 0 | 161 | 113,326 |
| | | | | |
| Carrying values of financial assets as at 31 March 2021 | | | | |
| Trade and other receivables excluding non financial assets | 21,034 | 0 | 0 | 21,034 |
| Cash and cash equivalents | 54,351 | 0 | 0 | 54,351 |
| Total at 31 March 2021 | 75,385 | 0 | 0 | 75,385 |

The Trust recognises Sensyne Plc shares as Fair Value through OCI. As at 31 March 2022 the Trust recognised the shares at the AIM listed valuation reduced for a discount to reflect they are not completely liquid as the Trust is subject to an up to 2 year lock in period.

Note 30.3 Carrying values of financial liabilities

| | Held at amortised cost £000 | Held at fair value through I&E £000 | Total book value £000 |
|---------------------------------------------------------------------|--------------------------------------|----------------------------------------------|-----------------------------|
| Carrying values of financial liabilities as at 31 March 2022 | | | |
| Obligations under finance leases | 894 | 0 | 894 |
| Obligations under PFI, LIFT and other service concession contracts | 6,682 | 0 | 6,682 |
| Trade and other payables excluding non financial liabilities | 88,118 | 0 | 88,118 |
| Total at 31 March 2022 | 95,694 | 0 | 95,694 |
| | | | |
| Carrying values of financial liabilities as at 31 March 2021 | | | |
| Obligations under finance leases | 1,089 | 0 | 1,089 |
| Obligations under PFI, LIFT and other service concession contracts | 6,499 | 0 | 6,499 |
| Trade and other payables excluding non financial liabilities | 65,308 | 0 | 65,308 |
| Total at 31 March 2021 | 72,896 | 0 | 72,896 |

Note 30.4 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 2022 £000 | 31 March 2021 £000 |
|----------------------------------------------------|--------------------------|--------------------------|
| In one year or less | 90,148 | 67,277 |
| In more than one year but not more than five years | 5,227 | 5,214 |
| In more than five years | 1,943 | 2,164 |
| Total | 97,318 | 74,655 |

Note 31 Losses and special payments

| | 2021/22 | | 2020/21 | |
|--------------------------------------------|-----------------|-------------|-----------------|--------------|
| | Total | Total value | Total | Total value |
| | number of cases | of cases | number of cases | of cases |
| | Number | £000 | Number | £000 |
| Losses | | | | |
| Cash losses | 10 | 7 | 12 | 6 |
| Fruitless payments and constructive losses | 1 | 1 | 2 | 71 |
| Bad debts and claims abandoned | 38 | 146 | 48 | 17 |
| Total losses | 49 | 154 | 62 | 94 |
| Special payments | | | | |
| Ex-gratia payments | 42 | 70 | 44 | 1,577 |
| Total special payments | 42 | 70 | 44 | 1,577 |
| Total losses and special payments | 91 | 224 | 106 | 1,671 |
| Compensation payments received | | 0 | | 0 |

Losses and special payments are charged to the relevant headings on an accrual basis, including losses which would have been made good through insurance cover had the Trust not been bearing its own risk.

Details of cases individually over £300k

For 20/21 a special payment of £1,435k was accrued for nationally agreed Overtime Correction payment (Flowers judgment) and the Trust received associated income based on nationally generated estimates. These payments were considered special payments for which HM Treasury approval was sought nationally by NHS England on local employers' behalf, including the Trust. As the losses and special payments note is prepared on an accruals basis, these amounts should be disclosed.

Note 32 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 2021/22 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
 Birmingham Women's and Children's NHS Foundation
 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
 University Hospitals of North Midlands NHS Trust
 Walsall Healthcare NHS Trust
 Worcestershire Acute Hospitals NHS Trust
 NHS Birmingham and Solihull CCG
 NHS Black Country and West Birmingham CCG
 NHS Cannock Chase CCG
 NHS Herefordshire and Worcestershire CCG
 NHS Shropshire, Telford and Wrekin CCG
 NHS South East Staffs and Seisdon Peninsula CCG
 NHS Stafford and Surrounds CCG
 NHS England
 UK Health Security Agency
 Health Education England
 NHS Resolution
 Community Health Partnerships
 Department of Health and Social Care
 Midlands Regional Office
 HM Revenue & Customs - Other taxes and duties and NI
 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 33 Better Payment Practice code

| | 2021/22 | 2021/22 | 2020/21 | 2020/21 |
|---------------------------------------------------------|----------------|----------------|---------|---------|
| Non-NHS Payables | Number | £000 | Number | £000 |
| Total non-NHS trade invoices paid in the year | 123,679 | 366,116 | 112,679 | 350,828 |
| Total non-NHS trade invoices paid within target | <u>108,875</u> | <u>332,035</u> | 88,793 | 306,637 |
| Percentage of non-NHS trade invoices paid within target | <u>88.0%</u> | <u>90.7%</u> | 78.8% | 87.4% |
| NHS Payables | | | | |
| Total NHS trade invoices paid in the year | 3,977 | 53,863 | 4,688 | 50,677 |
| Total NHS trade invoices paid within target | <u>2,730</u> | <u>46,695</u> | 2,152 | 31,311 |
| Percentage of NHS trade invoices paid within target | <u>68.6%</u> | <u>86.7%</u> | 45.9% | 61.8% |

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

| | 2021/22 | 2020/21 |
|-----------------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Cash flow financing | (27,944) | (12,982) |
| Finance leases taken out in year | 0 | 0 |
| Other capital receipts | 0 | 0 |
| External financing requirement | <u>(27,944)</u> | <u>(12,982)</u> |
| External financing limit (EFL) | (27,944) | (7,370) |
| Under / (over) spend against EFL | <u>0</u> | <u>5,612</u> |

Note 35 Capital Resource Limit

| | 2021/22 | 2020/21 |
|----------------------------------------------------|---------------|---------------|
| | £000 | £000 |
| Gross capital expenditure | 35,082 | 51,849 |
| Less: Disposals | 0 | 0 |
| Less: Donated and granted capital additions | (5,666) | (1,949) |
| Plus: Loss on disposal from capital grants in kind | 0 | 0 |
| Charge against Capital Resource Limit | <u>29,416</u> | <u>49,900</u> |
| Capital Resource Limit | 29,442 | 50,701 |
| Under / (over) spend against CRL | <u>26</u> | <u>801</u> |

For 21/22 there is an underspend against CRL of £26k underspend (0.08% of CRL target was underspent) which was within tolerance of CRL target achievement.

For 20/21 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 19/20 and self-funded. The PDC paid over in 20/21 was a 'cash top-up' and the Trust has prudently used the PDC to reimburse its cash balances.

Note 36 Breakeven duty financial performance

| | 2021/22 |
|--------------------------------------------------------------------------|--------------|
| | £000 |
| Adjusted financial performance surplus / (deficit) (control total basis) | 4,454 |
| Breakeven duty financial performance surplus / (deficit) | <u>4,454</u> |

Note 37 Breakeven duty rolling assessment

| | 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 |
| Cumulative breakeven position as a percentage of operating income | | 0.2% | 2.8% | 4.8% | 6.9% | 8.7% | 8.3% |

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Breakeven duty in-year financial performance | 153 | 8,542 | 4,327 | 3,021 | 5,735 | 243 | 4,454 |
| Breakeven duty cumulative position | 38,253 | 46,795 | 51,122 | 54,143 | 59,877 | 60,121 | 64,574 |
| Operating income | 509,405 | 536,028 | 548,538 | 592,975 | 676,114 | 743,285 | 817,270 |
| Cumulative breakeven position as a percentage of operating income | 7.5% | 8.7% | 9.3% | 9.1% | 8.9% | 8.1% | 7.9% |

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

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