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NHS Trust

Annual Accounts
2022/23

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The Royal Wolverhampton NHS Trust

Annual accounts for the year ended 31 March 2023

CONTENTS

Foreword to the Accounts

Financial Review - year ended 31 March 2023

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	
	2022-23	**2021-22**
To break even on income and expenditure, taking one year with another	Surplus of £29.419m	Surplus of £12.309m
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	Achieved
To remain within a Capital Resource Limit set by the Department of Health and Social Care	Achieved	Under-spent by £0.026m
To pay 95% of non-NHS trade creditors within 30 days	94%	91%

Kevin Stringer
Group Chief Financial Officer
22 June 2023

Statement of the Chief Executive’s responsibilities as the accountable officer of the Trust

The Chief Executive of NHS England 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.

22 June 2023

Prof David Loughton CBE,Group Chief Executive

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. Safeguarded 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

22 June 2023

Prof David Loughton CBE,
Group Chief Executive

22 June 2023

Kevin Stringer

Group Chief Financial Officer

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 2023 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 2023 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 for Health and Social Care with the consent of HM Treasury on 23 June 2022 as being relevant to NHS Trusts in England and included in the Department of Health and Social Care Group Accounting Manual 2022/23; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

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 either cease the Trust's services or 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 associated with the continuity of services provided by the Trust 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; and
- 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.

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.

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.

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 the existence of year-end manual accruals.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to expenditure and unusual cash and borrowings postings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.
- Inspecting a sample of transactions in the period prior to 31 March 2023 to verify expenditure has been recognised in the correct accounting period.
- Evaluating a sample of manual accruals posted as at 31 March 2023 and verifying accruals are appropriate and accurately recorded.

Identifying and responding to risks of material misstatement related to 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.

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

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

The Trust is subject to laws and regulations that directly affect the financial statements, including the financial reporting aspects of NHS 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 Directors are responsible for the other information, which comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.

Annual Governance Statement

We are required by the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2022/23. We have nothing to report in this respect.

Remuneration and Staff Reports

In our opinion the parts of the Remuneration and Staff Reports subject to audit have been properly prepared in all material respects, in accordance with the Department of Health and Social Care Group Accounting Manual 2022/23.

Directors' and Accountable Officer's responsibilities

As explained more fully in the statement set out on page 110, 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 either cease the services provided by the Trust or 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 109 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 110, 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(2A) 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 planned our work and 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 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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

23 June 2023

GOVERNANCE STATEMENT 2022-2023
Organisational Code: RL4

The Royal Wolverhampton NHS Trust

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.

The Trust has adopted the revised NHS Governance Code Guidance that reflects the UK Corporate Governance Code, and is monitoring compliance with relevant principles of good practice. This Governance Statement demonstrates how the Trust has had regard to the principles set out in the Code for the Trust for the financial year ended 31 March 2023.

Black Country Integrated Care System

The Royal Wolverhampton NHS Trust is proud to be part of the Healthier Futures, Black Country Integrated Care System (ICS). The formal establishment of the ICS on 1 July 2022 creates the framework for the integration of health and care in the Black Country. The Integrated Care Partnership, Integrated Care Board our provider collaboratives and place-based partnerships are working together to positively impact the health and lives of those in our local communities. Our collective purpose is to :

1. Improve outcomes in population health and healthcare
2. Tackle inequalities in outcomes, experience and access
3. Enhance productivity and value for money
4. Help the NHS support broader social and economic development

The NHS is now actively working with local authorities at place and system level, to understand and collate our initiatives, aiming to improve the lives of Black Country people. Over the last year we have made progress as we begin to understand each other as partners and recognise that whilst one organisation will take a lead at times, the understanding and value of integrated working allows for collective support to become available. Building trust, both with our care partners and the public is essential, with the common objective of improving health, care and prospects across the entirety of the Black Country.

Our Integrated Care Partnership has now published the Black Country Integrated Care Strategy which sets out how we will work together to meet the health and wellbeing needs of local people. The strategy which is available to download online, builds on and compliments the work of the Health and Wellbeing Boards in each area, but looks at the additionality that can be achieved through system level working.

The themes of **Healthier People - Healthier Places - Healthier Futures** provide a framework for the strategy~:

1. **Healthier People-** Black Country people face a range of health challenges and poorer health outcomes. This strategy sets the context for how we can work together to improve these.
2. **Healthier Places-** The Black Country is a place where **1,202,528** people live in nearly 500,000 homes on about 138 sq. mi. / 360 km2 of land. Today, it's a place where there are almost 40,000 businesses, with over 450,000 jobs, generating £17.2billion gross value added per annum. These are tremendous resources, and it is the power that comes from the strength of the communities in these places which will drive much of our work.
3. **Healthier Futures**- One of the purposes of a strategy is to look ahead. It is recognised that it takes time to tackle the wider determinants of health and improve health life expectancy.

None of this can happen overnight, and in our Black Country Integrated Care Partnership, we have worked hard to begin the journey we are on. We are building on our previous achievements in developing a Healthier Future Partnership between the NHS and the Councils initially. This strategy identifies key priority areas for us to work together on so that we can properly understand their issues and find the solutions to the challenges that we all face.

1. Workforce retention and recruitment
2. Children and families
3. Social Care System

4. Mental Health and emotional wellbeing

This is a new way of working for health and care across the Black Country. But it is an evolution rather than a revolution, and there is an enormous amount of value that can be taken from learning from each other. Together, we will take action when we foresee benefits for our population, and we will celebrate when improvements in health and care are achieved. However, the importance of integrated working allows for us to face the challenges and opportunities we have together.

The Royal Wolverhampton NSH Trust is committed to working with partners moving forwards to use our collective resources to plan and deliver joined up health and care services, and to improve the lives of people who live and work in the Black Country.

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 2023 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.

Reporting to the Trust Board are a number of assurance committees 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 the consequences of the Covid 19 Pandemic and subsequent activity pressures continues to have a residual impact on some routine processes and work plans.

Trust Board

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

A high attendance rate by Directors was recorded during the year. The Chairman's term of office commenced from April 2019 and was renewed before the end of the term. On 31 March 2023 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, 3 from a minority ethnic background.

At each meeting, the Trust Board considered reports on:

- Quality and safety
- Serious incidents
- Operational performance
- Financial issues and performance
- The progress of the Financial Recovery Group
- 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 Group 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 2022-2023 were:

- The continuing operational legacy and impact of the Covid-19 Pandemic
- the recovery and restoration of services
- the support of the Group senior team operationally
- 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, robotics and technology in improving healthcare,
- the continuation of the development of a clinical quality improvement programme,
- the 5-year capital programme revisions and agile responses to changing capital expenditure priorities, including significant investment in a solar farm,
- 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, National Maternity Scheme, National Board Development team, 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
- Board turnover during the year has resulted in a greater proportion of new non-executives who have been following induction and briefing regarding their roles and the Trust
- Directors are now mainly 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 Group Chief Executive on a variety of matters.

Capacity to handle risk

The Trust has approved a Risk Management Framework that describes the overall systems, structures, processes, and reporting that underpins internal controls and the means by which assurance on risk management is provided to the Board. These key documents also describe the leadership, accountability, roles and responsibilities that govern the management of risks across the organisation. More granular detail on the operation of the systems and processes at service, division and Trust levels; as well as procedural instructions on incident management and investigation, risk identification and escalation, training requirements etc is provided in the Risk Management and Patient Safety Reporting Policy (OP10). An audit of fulfilment of key measures of the Risk Management Framework and Policy is conducted to provide assurance and to inform system, process review and training.

Bespoke Risk Management training packages are developed for all staff and for senior managers and regularly reviewed, compliance monitored and reported to maintain conformity and adequate levels of knowledge for implementation.

The risk and control framework

The Trust manages 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 (eg incident, complaint, claim, audit, and compliance).
- Using committee/subgroup reporting to inform the risk registers.
- Reviewing external/independent accounts of Trust performance to inform risk status (e.g. Care Quality Commission 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 and categorisation matrix for risk grading and escalation.
- Monitoring controls through positive and negative assurance and treatment actions for each risk, to mitigate and manage residual risks.
- Developing and implementing a risk management and patient safety reporting policy (OP10) across the Trust.
- Refinement of risk management training made available to all staff (including senior managers).

The Trust operates three levels of risk register in order to identify and manage risks (the Board Assurance Framework, Corporate Risk Register/Trust Risk Register and local (service level) risk registers). This method of risk review allows a bottom up and top-down approach to inform the Assurance framework. The approach is holistic as it includes all risks to the organisation including strategic, corporate, clinical, Health and Safety, business, marketing and financial risks; and standardised in the methods of assessment, grading and escalation from local to Corporate/Trust level register for management.

Part of the Trust internal audit program is an annual review of the functioning of the Trust Risk Register and Board Assurance Framework.

The Trust has developed a CQC Compliance framework for assessing on-going compliance with CQC Fundamental standards of care and Core Service inspection tools based on the 5 key questions of Safe, Caring, Effective, Responsive and Well Led. The assessment of compliance uses a combination of quality performance indicators, clinical audits and observational ward and department visits to measure on-going compliance with care quality and standards. The Trust uses the CQC rating characteristics to make judgements about compliance with the fundamental standards of care and judgments are cross checked and challenged at Divisional Performance meetings and by Executives at Trust level groups. The CQC compliance framework allows for information to be triangulated between self-assessment, performance results and the observation of care standards, enabling the escalation of assurance and/or risks, action to be reported to Board. In addition, the Trust commissioned an externally led review against the Well Led standards and key lines of enquiry.

Data security risk are also managed in line with OP10, and documented and assessed following the Trust risk management process. All potential data security incidents are logged using the Trusts incident management system, scored, and investigated accordingly. Data security risks are also assessed for high risk processing in projects and services via the data protection impact assessment process, and mitigated accordingly. Current risks trends included increases patterns of information disclosed in error, due to increase in remote working and increased in cyber related activity which is a predominant across the NHS.

Under the NHS Provider License condition 4, the Trust self assessment has identified a principle risk in relation to understanding and agreeing the system financial plan for 2023/24 as it affects the Trust, given recently issued guidance and final agreement of capital and revenue plans. A Financial Recovery Plan is in place and agreed as part of the system financial plan. Further detailed work is underway in relation to mitigating the potential risks.

Therefore the Board is satisfied that:
(a) The Trust operates efficiently, economically and effectively and has received an unqualified value for money opinion from its External Auditors.
(b) Timely and effective operational reports are received and dealt with through the Trust's Sub-Committee structure.
(c) The Trust is compliant to the various standards and has no restrictions applied by any of these regulators.
(d) The Trust remains a going concern and this is confirmed by External Audit.
(e) Timely, up to date, comprehensive information is received by itself and the Sub-Committees.
(f) There is a clear Board Assurance Framework and Trust Risk Register in place to identify and manage material risks and compliance.
(g) There is regular, timely and comprehensive information on its business plans and contracts. The internal audit provider is external to the Trust and has an annual plan which is reported to the Audit Committee.
(h) Complies with its legal requirements.
(i) The External Auditors at the end of 2022/23 issued a report saying there were no significant weaknesses with regard to the Trust's processes on Value for Money. There is a risk on financial sustainability as this relates to the uncertainty of the medium term plans for the Black Country system. This will require future financial planning with other providers within the Black Country system and the ICB when it is established.

Risk statement and summary for 22/23.

Actual and potential risks are identified from numerous reactive and proactive sources including incidents, complaints, claims, trends, investigations, compliance standards/benchmarks, audits, assessments/ inspections, cost improvement programmes (CIP) and many more. A quality impact assessment is conducted within processes including service changes, CIP and business case approvals. Risks identified are graded and managed within the Trust Risk framework including risk impacts for ‘do nothing’ options. Incident reporting is encouraged as a means of highlighting adverse events, areas for learning and improvement and is an essential component to continuous improvement. There have been no incident benchmark reports produced by the National Learning and reporting system for the year period 22/23. Reports are expected to re commence with the launch of the new Learning from patient safety events system (LFPSE) in the coming year 2023/24.

The Trust has in place a number of control measures to ensure that short, medium and long-term workforce strategies and staffing systems are in place which assure the Board that staffing processes are safe, sustainable and effective. The Trust has in place a "Safer Staffing Policy" which sets out how staffing levels are set which includes the bi-annual nurse staffing review reported to board. The Trust develops medium to long term workforce plans and recruitment plans aligned to the same. There are a range of systems in plan to ensure safe staffing levels on a short term basis, including daily monitoring alongside acuity with robust temporary staffing arrangements should and gaps be identified.

The trust is fully compliant with the registration requirements of the Care Quality Commission and with the required notification of changes within its services.

The trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance) within the past twelve months, as required by the '*Managing Conflicts of Interest in the NHS*' guidance.

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

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The trust has undertaken risk assessments and has plans in place which take account of the 'Delivering a Net Zero Health Service' report under the Greener NHS programme. The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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 Performance and Finance Committee, Regular reporting at Operational and Divisional meetings on financial performance

- Finance and Recovery Group 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

SUMMARY OF SERIOUS INCIDENT REQUIRING INVESTIGATIONS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2022-2023.

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 2022-2023. Any incidents that are still being investigated for the period 2022-23 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.

Date incident occurred (Month)	Nature of incident	No. of data subjects	Description/ Nature of data involved	Further action on information risk
August 2022	Cyber incident	None affected	Ransomware attack against Advanced Health and Care Limited (Advanced). Advanced act as a data processor for Royal Wolverhampton NHS Trust and provide services the Trust which were impacted. No data is known to be compromised but the systems were unavailable for a period of time whilst the supplier was investigating.	Technical remediation were put in place before system was made available again. During this time business continuity plans were enacted to maintain service provision.

Incidents classified at lower severity level - Incidents classified at severity level 1 are aggregated and provided in table below. Please note this is not all incidents, just level ones against the below listed categories:

SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2022-2		
Category	**Breach Type**	**Total**
A	Corruption or inability to recover electronic data	5
B	Disclosed in Error	107
C	Lost in Transit	3
D	Lost or stolen hardware	1

E	Lost or stolen paperwork	16
F	Non-secure Disposal – hardware	0
G	Non-secure Disposal – paperwork	5
H	Uploaded to website in error	1
I	Technical security failing (including hacking)	2
J	Unauthorised access/disclosure	12
		152

Data Protection and Security Toolkit Return 2022 - 2023 – final submission.

The Royal Wolverhampton NHS Trust RL4 Standards Met

Alfred Squire	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
Oxley Surgery	M92014 - Standards Met
Tettenhall Road Medical Practice	M92640- Standards Met

An internal audit of the DSP toolkit in March 2023 had provided adequate assurance of the processes and evidence that is in place to support the DSP toolkit submission.

Looking forward to 2023/24 Data security and Protection

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

The Trust remains focused on embedding principles of privacy by design into Trust processes, from procurement to digital innovation and service redesign. This program of work will be monitored though the committees below.

- The Trust has several committees dedicated to reviewing assurance in relation to DSPT and GDPR, chaired by senior board members.
- The Chief Medical Officer is the Trust's trained Caldicott guardian, and is responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information-sharing. The Guardian plays a key role in ensuring that Trust satisfies the highest practical standards for handling patient identifiable information, and Chairs the IG Steering group.
- The Chief Financial Officer is the Trust's Senior Information Risk Officer (SIRO) and is responsible for monitoring the Trust's overall information risk, ensuring we have a robust incident reporting process for information risks. The SIRO reports to the Trust Board and provides advice on the matter of information risk. The SIRO is also a member of the IG steering Group and co-chair of the GDPR implementation group.

- The Trust has an assigned Data Protection Officer who acts independently to ensure compliance with the GDPR as well as monitoring its application across the Trust. The DPO has a reporting line into the Caldicott Guardian through to the Trust board.
- The Trust is in the process of implementation a robust asset management system and defining establishing clear responsibilities for Information Asset Owners across the Trust to facilitate robust and timely escalation of information risk escalation to the SIRO.
- All trust staff receive appropriate annual training to ensure data security and protection principles are embedded within their understanding.

Review of effectiveness

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, Audit Committee and the Quality Governance Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has maintained applied and reviewed the effectiveness with its system of internal control in relation to the Trust Board and its Committees including the commissioning of an externally led review. The Audit Committee has maintained applied and reviewed its functioning and audit programme. All Board Committees have reviewed their effectiveness.

- At the time of reporting, data validation is in progress. Unvalidated data indicates that 202 local audits were completed during 2022/23. 155 audits involved standards to be assessed against (the remaining 47 were projects of a service evaluation, quality improvement or scoping nature), and of those 36 (23%) were deemed to be fully compliant, 8 (5%) were deemed to show significant non-compliance and the remaining 111 (72%) were minor or moderate non-compliance. Of the 202 that were completed, 186 were rated by the directorate as having had a positive impact.

- The Annual Internal Audit opinion for the period 1 April 2022 to 31 March 2023 stated that the organisation has an adequate and effective framework for risk management, governance and internal control. However, it has been identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Conclusion

Having reviewed the information relating to internal control, I have concluded that there are no significant internal control issues identified relating to this annual report period.

Accountable Officer: Prof. David Loughton CBE, Group Chief Executive Officer
Organisation: The Royal Wolverhampton NHS Trust,
Date: 22 June 2023

Statement of Comprehensive Income

	Note	2022/23	2021/22
		£000	£000
Operating income from patient care activities	3	732,589	677,356
Other operating income	4	167,302	139,914
Operating expenses	7, 9	(857,919)	(791,608)
Operating surplus/(deficit) from continuing operations		**41,972**	**25,662**
Finance income	11	1,991	86
Finance expenses	12	(2,723)	(2,177)
PDC dividends payable		(11,918)	(11,282)
Net finance costs		**(12,650)**	**(13,373)**
Other gains / (losses)	13	97	20
Surplus / (deficit) for the year from continuing operations		**29,419**	**12,309**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations	17	13,060	19,265
Fair value gains/(losses) on financial assets mandated at fair value through OCI	19	(149)	(1,269)
Total comprehensive income / (expense) for the period		**42,330**	**30,305**

Statement of Financial Position

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Intangible assets	14	5,860	6,462
Property, plant and equipment	15	472,740	416,282
Right of use assets	18	13,999	-
Other investments / financial assets	19	12	161
Receivables	21	6,049	6,671
Total non-current assets		**498,660**	**429,576**
Current assets			
Inventories	20	8,347	8,253
Receivables	21	59,603	33,800
Cash and cash equivalents	22	69,264	84,918
Total current assets		**137,214**	**126,971**
Current liabilities			
Trade and other payables	23	(114,267)	(106,224)
Borrowings	25	(6,047)	(2,101)
Provisions	26	(4,109)	(7,428)
Other liabilities	24	(10,424)	(8,204)
Total current liabilities		**(134,847)**	**(123,957)**
Total assets less current liabilities		**501,027**	**432,591**
Non-current liabilities			
Trade and other payables	23	(287)	(86)
Borrowings	25	(12,885)	(5,475)
Provisions	26	(1,780)	(2,308)
Total non-current liabilities		**(14,952)**	**(7,869)**
Total assets employed		**486,075**	**424,722**
Financed by			
Public dividend capital		305,676	286,653
Revaluation reserve		109,197	96,137
Financial assets reserve		(1,418)	(1,269)
Other reserves		190	190
Income and expenditure reserve		72,430	43,011
Total taxpayers' equity		**486,075**	**424,722**

The notes on pages 28 to 61 form part of these accounts.

Name Prof David Loughton, CBE
Position Chief Executive
Date 22 June 2023

Statement of Changes in Equity for the year ended 31 March 2023

	Public dividend capital	Revaluation reserve	Financial assets reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2022 - brought forward	**286,653**	**96,137**	**(1,269)**	**190**	**43,011**	**424,722**
Surplus/(deficit) for the year	0	0	0	0	29,419	**29,419**
Revaluations	0	13,060	0	0	0	**13,060**
Fair value gains/(losses) on financial assets mandated at fair value through OCI	0	0	(149)	0	0	**(149)**
Public dividend capital received	19,023	0	0	0	0	**19,023**
Taxpayers' and others' equity at 31 March 2023	**305,676**	**109,197**	**(1,418)**	**190**	**72,430**	**486,075**

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

	Public dividend capital	Revaluation reserve	Financial assets reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000	£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**

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Financial assets reserve

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

Merger reserve

This 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

	Note	**2022/23**	2021/22
		£000	£000
Cash flows from operating activities			
Operating surplus / (deficit)		41,972	25,662
Non-cash income and expense:			
Depreciation and amortisation	7.1	29,531	23,279
Net impairments	8	(788)	(3,234)
Income recognised in respect of capital donations	4	(29,253)	(5,666)
(Increase) / decrease in receivables and other assets		(24,900)	(857)
(Increase) / decrease in inventories		(94)	549
Increase / (decrease) in payables and other liabilities		7,208	24,488
Increase / (decrease) in provisions		(3,856)	2,752
Net cash flows from / (used in) operating activities		**19,821**	66,973
Cash flows from investing activities			
Interest received		1,991	86
Purchase and sale of financial assets / investments		-	(1,430)
Purchase of intangible assets		(610)	(1,784)
Purchase of PPE and investment property		(64,114)	(23,334)
Sales of PPE and investment property		185	20
Receipt of cash donations to purchase assets		29,166	643
Net cash flows from / (used in) investing activities		**(33,382)**	(25,799)
Cash flows from financing activities			
Public dividend capital received		19,023	4,636
Capital element of lease liability repayments		(4,055)	(196)
Capital element of PFI, LIFT and other service concession payments		(1,905)	(1,816)
Interest element of lease liability repayments		(124)	(15)
Interest paid on PFI, LIFT and other service concession obligations		(2,589)	(2,170)
PDC dividend (paid) / refunded		(12,443)	(11,045)
Net cash flows from / (used in) financing activities		**(2,093)**	(10,606)
Increase / (decrease) in cash and cash equivalents		**(15,655)**	30,568
Cash and cash equivalents at 1 April - brought forward		**84,918**	54,351
Cash and cash equivalents at 31 March	22.1	**69,264**	84,918

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 2022/23 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 England 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. Funding envelopes are set at an Integrated Care System (ICS) level. The majority of the Trust's income is earned from NHS commissioners in the form of fixed payments to fund an agreed level of activity.

In 2022/23 fixed payments are set at a level assuming the achievement of elective activity targets. These payments are accompanied by a variable-element to adjust income for actual activity delivered on elective services and advice and guidance services. Where actual elective activity delivered differs from the agreed level set in the fixed payments, the variable element either increases or reduces the income earned by the Trust at a rate of 75% of the tariff price. In 2021/22 income earned by the system for elective recovery was distributed between individual entities by local agreement. Income earned from the fund in 2021/22 was accounted for as variable consideration.

The Trust also receives income from commissioners under Commissioning for Quality Innovation (CQUIN) and Best Practice Tariff (BPT) schemes. Delivery under these schemes is part of how care is provided to patients. As such CQUIN and BPT payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the overall contract with the commissioner. In 2022/23 payment under these schemes is included in fixed payments from commissioners based on assumed achievement of criteria. [Where variable element of API contracts has operated locally:] Adjustments for actual performance are made through the variable element of the contract payments.

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 West Midlands Clinical Research Network, which comprises the majority of the Trust's Research and Development Income.

NHS injury cost recovery scheme

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

Note 1.4 Other forms of income

Grants and donations

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grant is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.5 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employer, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as they become due.

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

Local Government Pension Scheme

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

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

Note 1.6 Expenditure on other goods and services

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

Note 1.7 Discontinued operations

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

Note 1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

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

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

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

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

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

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

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 a finance cost 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 is shown in the table below:

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

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.

Note 1.9 Intangible assets

Recognition

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

Internally generated intangible assets

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

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

Software

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

Measurement

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

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

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

Amortisation

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

Useful lives of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives 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.

The Trust receives 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 leasing arrangements 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 income and expenditure 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 2022/23 this is 24.86% (2020/21 23.76 %).

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
A lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. An adaptation of the relevant accounting standard by HM Treasury for the public sector means that for NHS bodies, this includes lease-like arrangements with other public sector entities that do not take the legal form of a contract. It also includes peppercorn leases where consideration paid is nil or nominal (significantly below market value) but in all other respects meet the definition of a lease. The trust does not apply lease accounting to new contracts for the use of intangible assets.

The Trust determines the term of the lease term with reference to the non-cancellable period and any options to extend or terminate the lease which the Trust is reasonably certain to exercise.

The Trust as a lessee
Recognition and initial measurement

At the commencement date of the lease, being when the asset is made available for use, the Trust recognises a right of use asset and a lease liability.

The right of use asset is recognised at cost comprising the lease liability, any lease payments made before or at commencement, any direct costs incurred by the lessee, less any cash lease incentives received. It also includes any estimate of costs to be incurred restoring the site or underlying asset on completion of the lease term.

The lease liability is initially measured at the present value of future lease payments discounted at the interest rate implicit in the lease. Lease payments includes fixed lease payments, variable lease payments dependent on an index or rate and amounts payable under residual value guarantees. It also includes amounts payable for purchase options and termination penalties where these options are reasonably certain to be exercised.

Where an implicit rate cannot be readily determined, the Trust's incremental borrowing rate is applied. This rate is determined by HM Treasury annually for each calendar year. A nominal rate of 0.95% applied to new leases commencing in 2022 and 3.51% to new leases commencing in 2023.

The Trust does not apply the above recognition requirements to leases with a term of 12 months or less or to leases where the value of the underlying asset is below £5,000, excluding any irrecoverable VAT. Lease payments associated with these leases are expensed on a straight-line basis over the lease term or other systematic basis. Irrecoverable VAT on lease payments is expensed as it falls due.

Subsequent measurement
As required by a HM Treasury interpretation of the accounting standard for the public sector, the Trust employs a revaluation model for subsequent measurement of right of use assets, unless the cost model is considered to be an appropriate proxy for current value in existing use or fair value, in line with the accounting policy for owned assets. Where consideration exchanged is identified as significantly below market value, the cost model is not considered to be an appropriate proxy for the value of the right of use asset.

The Trust subsequently measures the lease liability by increasing the carrying amount for interest arising which is also charged to expenditure as a finance cost and reducing the carrying amount for lease payments made. The liability is also remeasured for changes in assessments impacting the lease term, lease modifications or to reflect actual changes in lease payments. Such remeasurements are also reflected in the cost of the right of use asset. Where there is a change in the lease term or option to purchase the underlying asset, an updated discount rate is applied to the remaining lease payments.

The Trust as a lessor

The Trust assesses each of its leases and classifies them as either a finance lease or an operating lease. 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.

Where the Trust is an intermediate lessor, classification of the sublease is determined with reference to the right of use asset arising from the headlease.

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

Income from operating leases is recognised on a straight-line basis or another systematic 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.

Initial application of IFRS 16

IFRS 16 Leases as adapted and interpreted for the public sector by HM Treasury has been applied to these financial statements with an initial application date of 1 April 2022. IFRS 16 replaces *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations.

The standard has been applied using a modified retrospective approach with the cumulative impact recognised in the income and expenditure reserve on 1 April 2022. Upon initial application, the provisions of IFRS 16 have only been applied to existing contracts where they were previously deemed to be a lease or contain a lease under IAS 17 and IFRIC 4. Where existing contracts were previously assessed not to be or contain a lease, these assessments have not been revisited.

The Trust as lessee

For continuing leases previously classified as operating leases, a lease liability was established on 1 April 2022 equal to the present value of future lease payments discounted at the Trust's incremental borrowing rate of 0.95%. A right of use asset was created equal to the lease liability and adjusted for prepaid and accrued lease payments and deferred lease incentives recognised in the statement of financial position immediately prior to initial application. Hindsight has been used in determining the lease term where lease arrangements contain options for extension or earlier termination.

No adjustments have been made on initial application in respect of leases with a remaining term of 12 months or less from 1 April 2022 or for leases where the underlying assets has a value below £5,000. No adjustments have been made in respect of leases previously classified as finance leases.

The Trust as lessor

Leases of owned assets where the Trust is lessor were unaffected by initial application of IFRS 16. For existing arrangements where the Trust is an intermediate lessor, classification of all continuing sublease arrangements has been reassessed with reference to the right of use asset.

2021/22 comparatives

Comparatives for leasing transactions in these accounts have not been restated on an IFRS 16 basis. Under IAS 17 the classification of leases as operating or finance leases still applicable to lessors under IFRS 16 also applied to lessees. In 2021/22 lease payments made by the Trust in respect of leases previously classified as operating leases were charged to expenditure 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 2023:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	3.27%	0.47%
Medium-term	After 5 years up to 10 years	3.20%	0.70%
Long-term	After 10 years up to 40 years	3.51%	0.95%
Very long-term	Exceeding 40 years	3.00%	0.66%

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 2023:

	Inflation rate	Prior year rate
Year 1	7.40%	4.00%
Year 2	0.60%	2.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of 1.70% in real terms (prior year: minus 1.30%).

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 26.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.15 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 27 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 2**7**, 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 mor 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 wi 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 Climate change levy

Expenditure on the climate change levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption .

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 2022/23.

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

IFRS 16 Leases - application of liability measurement principles to PFI and other service concession arrangements
From 1 April 2023, the measurement principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to a price index representing the rate of inflation. The PFI liability will be remeasured when a change in the index causes a change in future repayments and that change has taken effect in the cash flow. Such remeasurements will be recognised as a financing cost. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred.

Initial application of these principles will be on 1 April 2023 using a modified retrospective approach with the cumulative impact taken to reserves. This is expected to result in an increased PFI liability on the statement of financial position. The effect of this has not yet been quantified.

IFRS 17 Insurance Contracts
Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM: early adoption is not therefore permitted. This would be applicable from 1st April 2025 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:

21/22:

-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 2023 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. In 20/21, the valuation and the associated data was based on all in forecast Tender Price Index (TPI) as at 31 March 2022. A change this year is the valuer has considered both the BCIS All-in Tender Price Index (TPI), the General Building Cost Index (BCI), along with the PUBSEC TPI Index which is a smoothed version of the All-in TPI specifically referencing public sector construction projects. This was agreed with a number of consultancy firms, with an indexation factor of 7.5 utilised in 22/23. 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 West 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 25 NHS Trusts (including this Trust), 6 Integrated Care Boards plus 3 Universities. The total income for the Network is c.£29.5m. 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**	
		2022-23	2021-22	**2022-23**	2021-22	**2022-23**	2021-22
		£000	£000	**£000**	£000	**£000**	£000
Income		**870,422**	787,398	**29,469**	29,872	**899,891**	817,270
Surplus/(Deficit)							
	Segment surplus/(deficit)	**(732)**	(2,091)	**0**	0	**(732)**	(2,091)
	Common costs	**(840,271)**	(772,999)	**(29,469)**	(29,872)	**(869,740)**	(802,871)
Surplus/(Deficit)		**29,419**	12,309	**0**	0	**29,419**	12,309
Net Assets:							
	Segment net assets	**486,075**	424,722	**0**	0	**486,075**	424,722

Note that Healthcare Services for 21-22 has been restated as was incorrectly stated in 21-22 accounts.

Note 3 Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	2022/23 £000	2021/22 £000
Acute services		
Income from commissioners under API contracts*	545,593	526,014
High cost drugs income from commissioners (excluding pass-through costs)	58,446	54,154
Other NHS clinical income	1,805	1,690
Community services		
Income from commissioners under API contracts*	46,684	45,062
Income from other sources (e.g. local authorities)	8,246	7,989
All services		
Private patient income	423	67
Elective recovery fund	21,394	12,256
Agenda for change pay award central funding***	18,702	-
Additional pension contribution central funding**	20,779	19,057
Other clinical income	10,517	11,067
Total income from activities	**732,589**	**677,356**

*Aligned payment and incentive contracts are the main form of contracting between NHS providers and their commissioners. More information can be found in the 2022/23 National Tariff payments system documents.

https://www.england.nhs.uk/publication/past-national-tariffs-documents-and-policies/

**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.

*** In March 2023 the government announced an additional pay offer for 2022/23, in addition to the pay award earlier in the year. Additional funding was made available by NHS England for implementing this pay offer for 2022/23 and the income and expenditure has been included in these accounts as guided by the Department of Health and Social Care and NHS England. In May 2023 the government confirmed this offer will be implemented as a further pay award in respect of 2022/23 based on individuals in employment at 31 March 2023.

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2022/23 £000	2021/22 £000
NHS England	**200,913**	158,252
Clinical commissioning groups	**122,642**	501,636
Integrated care boards	**385,186**	-
Other NHS providers	**1,805**	1,690
NHS other	**894**	342
Local authorities	**8,476**	7,989
Non-NHS: private patients	**423**	67
Non-NHS: overseas patients (chargeable to patient)	**376**	150
Injury cost recovery scheme	**939**	780
Non NHS: other	**10,935**	6,450
Total income from activities	**732,589**	677,356
Of which:		
Related to continuing operations	**732,589**	677,356

Clinical commissioning groups ceased to exist from 30th June 2022, and replaced on 1st July 2022 with Integrated care boards.

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

	2022/23 £000	2021/22 £000
Income recognised this year	**376**	150
Cash payments received in-year	**96**	75
Amounts added to provision for impairment of receivables	**325**	115
Amounts written off in-year	**52**	134

Note 4 Other operating income

	2022/23			2021/22		
	Contract income	**Non-contract income**	**Total**	Contract income	Non-contract income	Total
	£000	**£000**	**£000**	£000	£000	£000
Research and development	**30,264**	**0**	**30,264**	29,885	0	29,885
Education and training	**24,280**	**1,104**	**25,384**	20,323	1,026	21,349
Non-patient care services to other bodies	**52,054**	**0**	**52,054**	48,465	0	48,465
Reimbursement and top up funding	**4,737**	**0**	**4,737**	10,647	0	10,647
Income in respect of employee benefits accounted on a gross basis	**8,431**	**0**	**8,431**	5,645	0	5,645
Receipt of capital grants and donations and peppercorn leases	**0**	**29,253**	**29,253**	0	5,666	5,666
Charitable and other contributions to expenditure***	**0**	**1,454**	**1,454**	0	1,875	1,875
Support from the Department of Health and Social Care for mergers**	**0**	**0**	**0**	0	6,000	6,000
Revenue from operating leases	**0**	**716**	**716**	0	693	693
Other income*	**15,009**	**0**	**15,009**	9,689	0	9,689
Total other operating income	**134,775**	**32,527**	**167,302**	124,654	15,260	139,914
Of which:						
Related to continuing operations			**167,302**			139,914

* 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

	2022/23	2021/22
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	**0**	0
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 2023	31 March 2022
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	**£000**	£000
within one year	**0**	0
after one year, not later than five years	**0**	0
after five years	**0**	0
Total revenue allocated to remaining performance obligations	**0**	0

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

Note 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.

	2022/23	2021/22
	£000	£000
Income	**4,969**	3,794
Full cost	**(4,008)**	(3,136)
Surplus / (deficit)	**961**	658

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 Operating leases - The Royal Wolverhampton NHS Trust as lessor

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

The Trust has applied IFRS 16 to account for lease arrangements from 1 April 2022 without restatement of comparatives. Comparative disclosures in this note are presented on an IAS 17 basis. This includes a different maturity analysis of future minimum lease receipts under IAS 17 compared to IFRS 16.

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

Note 6.1 Operating lease income

	2022/23	2021/22
	£000	£000
Lease receipts recognised as income in year:		
Minimum lease receipts	**716**	693
Total in-year operating lease income	**716**	693

Note 6.2 Future lease receipts

	31 March 2023
	£000
Future minimum lease receipts due at 31 March 2023:	
- not later than one year	**638**
- later than one year and not later than two years	**80**
- later than two years and not later than three years	**80**
- later than three years and not later than four years	**80**
- later than four years and not later than five years	**68**
- later than five years	**264**
Total	**1,210**

	31 March 2022
	£000
Future minimum lease receipts due at 31 March 2022:	
- not later than one year;	352
- later than one year and not later than five years;	-
- later than five years.	-
Total	352

Note 7.1 Operating expenses

	2022/23	2021/22
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	**5,285**	4,030
Purchase of healthcare from non-NHS and non-DHSC bodies	**4,592**	5,745
Staff and executive directors costs**	**535,511**	488,000
Remuneration of non-executive directors	**198**	209
Supplies and services - clinical (excluding drugs costs)*	**94,816**	95,302
Supplies and services - general	**11,566**	9,967
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	**72,304**	65,730
Inventories written down	**11**	1
Consultancy costs	**155**	901
Establishment	**8,121**	8,405
Premises	**28,874**	28,791
Transport (including patient travel)	**2,963**	2,349
Depreciation on property, plant and equipment and right of use assets	**28,319**	22,431
Amortisation on intangible assets	**1,212**	848
Net impairments	**(788)**	(3,234)
Movement in credit loss allowance: contract receivables / contract assets	**829**	73
Change in provisions discount rate(s)	**(145)**	0
Fees payable to the external auditor		
audit services- statutory audit	**121**	96
Internal audit costs	**143**	183
Clinical negligence	**17,380**	15,528
Legal fees	**570**	94
Insurance	**149**	89
Research and development	**28,109**	27,882
Education and training	**11,224**	9,815
Operating lease expenditure (comparative only)	**0**	3,203
Redundancy	**29**	0
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	**2,551**	2,590
Car parking & security	**1,170**	1,389
Losses, ex gratia & special payments	**97**	22
Other services, e.g. external payroll	**30**	(22)
Other	**2,523**	1,191
Total	**857,919**	791,608
Of which:		
Related to continuing operations	**857,919**	791,608

* 22/23 includes £1,552k (21/22 £2,473k) of donated inventories of DHSC centrally procured consumables: personal protective equipment in support of Covid-19 pandemic which have been consumed

** 22/23 includes pay award accrual of £19,260k (21/22 £0k). 21/22 includes £6,606k 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. During 22/23, £9,578k of annual leave accrual has been released due to significant reduction in annual leave carried forward into 23/24, this release has been offset by additional staff costs.

Note 7.2 Other auditor remuneration

	2022/23	2021/22
	£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**	0
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**	0

Note 7.3 Limitation on auditor's liability
The limitation on auditor's liability for external audit work is £1 million (2021/22: £2 million).

Note 8 Impairment of assets

	2022/23	2021/22
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	**(788)**	(3,234)
Total net impairments charged to operating surplus / deficit	**(788)**	(3,234)
Impairments charged to the revaluation reserve	**0**	0
Total net impairments	**(788)**	(3,234)

The impairments relate to the impact of the desktop valuation of the Trusts land and buildings as at 31 March 2023 and 31 March 2022. 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 9 Employee benefits

	2022/23	2021/22
	Total	Total
	£000	£000
Salaries and wages	**431,776**	392,850
Social security costs	**43,414**	37,304
Apprenticeship levy	**2,062**	1,868
Employer's contributions to NHS pensions	**68,507**	62,798
Temporary staff (including agency)	**7,639**	8,209
Total gross staff costs	**553,398**	503,029
Recoveries in respect of seconded staff	**(1,119)**	(834)
Total staff costs	**552,279**	502,195
Of which		
Costs capitalised as part of assets	**836**	682

Note 9.1 Retirements due to ill-health
During 2022/23 there were 5 early retirements from the trust agreed on the grounds of ill-health (1 in the year ended 31 March 2022). The estimated additional pension liabilities of these ill-health retirements is £279k (£89k in 2021/22).

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

Note 10 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State 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 2023, is based on valuation data as 31 March 2022, updated to 31 March 2023 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 actuarial valuation as at 31 March 2020 is currently underway and will set the new employer contribution rate due to be implemented from April 2024.

Note 11 Finance income

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

	2022/23	2021/22
	£000	£000
Interest on bank accounts	**1,991**	86
Total finance income	**1,991**	86

Note 12.1 Finance expenditure

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

	2022/23	2021/22
	£000	£000
Interest expense:		
Interest on lease obligations	**124**	15
Main finance costs on PFI and LIFT schemes obligations	**387**	476
Contingent finance costs on PFI and LIFT scheme obligations	**2,202**	1,694
Total interest expense	**2,713**	2,185
Unwinding of discount on provisions	**10**	(8)
Total finance costs	**2,723**	2,177

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

	2022/23	2021/22
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	**0**	21

Note 13 Other gains / (losses)

	2022/23	2021/22
	£000	£000
Gains on disposal of assets	**97**	20
Total other gains / (losses)	**97**	20

Note 14.1 Intangible assets - 2022/23

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2022 - brought forward	**7,192**	**4,325**	**11,517**
Additions	**195**	**415**	**610**
Reclassifications	**3,458**	**(3,458)**	**0**
Valuation / gross cost at 31 March 2023	**10,845**	**1,282**	**12,127**
Amortisation at 1 April 2022 - brought forward	**5,055**	**0**	**5,055**
Provided during the year	**1,212**	**0**	**1,212**
Amortisation at 31 March 2023	**6,267**	**0**	**6,267**
Net book value at 31 March 2023	**4,578**	**1,282**	**5,860**
Net book value at 1 April 2022	2,137	4,325	6,462

Note 14.2 Intangible assets - 2021/22

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2021 - as previously stated	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 - as previously stated	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 15.1 Property, plant and equipment - 2022/23

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2022 - brought forward	**21,041**	**320,914**	**1,574**	**25,545**	**109,563**	**841**	**25,458**	**8,724**	**513,660**
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	**0**	**0**	**0**	**0**	**(2,116)**	**0**	**0**	**0**	**(2,116)**
Additions	**0**	**1,172**	**0**	**62,875**	**2,858**	**122**	**596**	**305**	**67,928**
Impairments	**(677)**	**(344)**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,021)**
Reversals of impairments	**0**	**1,809**	**0**	**0**	**0**	**0**	**0**	**0**	**1,809**
Revaluations	**(4,056)**	**4,088**	**28**	**0**	**0**	**0**	**0**	**0**	**60**
Reclassifications	**0**	**4,945**	**0**	**(14,010)**	**5,243**	**0**	**1,574**	**2,297**	**49**
Disposals / derecognition	**0**	**0**	**0**	**0**	**(3,979)**	**(21)**	**0**	**0**	**(4,000)**
Valuation/gross cost at 31 March 2023	**16,308**	**332,584**	**1,602**	**74,410**	**111,569**	**942**	**27,628**	**11,326**	**576,369**
Accumulated depreciation at 1 April 2022 - brought forward	**0**	**0**	**0**	**0**	**72,468**	**638**	**17,898**	**6,374**	**97,378**
IFRS 16 implementation - reclassification of existing finance leased assets to right of use assets	**0**	**0**	**0**	**0**	**(1,127)**	**0**	**0**	**0**	**(1,127)**
Provided during the year	**0**	**12,906**	**94**	**0**	**7,991**	**56**	**2,783**	**460**	**24,290**
Revaluations	**0**	**(12,906)**	**(94)**	**0**	**0**	**0**	**0**	**0**	**(13,000)**
Disposals / derecognition	**0**	**0**	**0**	**0**	**(3,891)**	**(21)**	**0**	**0**	**(3,912)**
Accumulated depreciation at 31 March 2023	**0**	**0**	**0**	**0**	**75,441**	**673**	**20,681**	**6,834**	**103,629**
Net book value at 31 March 2023	**16,308**	**332,584**	**1,602**	**74,410**	**36,128**	**269**	**6,947**	**4,492**	**472,740**
Net book value at 1 April 2022	**21,041**	**320,914**	**1,574**	**25,545**	**37,095**	**203**	**7,560**	**2,350**	**416,282**

Note 15.2 Property, plant and equipment - 2021/22

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2021 - as previously stated	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	-
Disposals / derecognition	0	0	0	0	(4,739)	(78)	(6,904)	-	(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 - as previously stated	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 15.3 Property, plant and equipment financing - 31 March 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Owned - purchased	**16,308**	**322,234**	**1,602**	**41,510**	**29,333**	**269**	**6,941**	**4,467**	**422,664**
On-SoFP PFI contracts and other service concession arrangements	**0**	**9,017**	**0**	**0**	**3,871**	**0**	**0**	**0**	**12,888**
Owned - donated/granted	**0**	**1,333**	**0**	**32,900**	**2,924**	**0**	**6**	**25**	**37,188**
Total net book value at 31 March 2023	**16,308**	**332,584**	**1,602**	**74,410**	**36,128**	**269**	**6,947**	**4,492**	**472,740**

Note 15.4 Property, plant and equipment financing - 31 March 2022

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
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
Total net book value at 31 March 2022	21,041	320,914	1,574	25,545	37,095	203	7,560	2,350	416,282

Note 15.5 Property plant and equipment assets subject to an operating lease (Trust as a lessor) - 31 March 2023

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Subject to an operating lease	0	-	0	0	0	0	0	0	**-**
Not subject to an operating lease	16,308	332,584	1,602	74,410	36,128	269	6,947	4,492	**472,740**
Total net book value at 31 March 2023	**16,308**	**332,584**	**1,602**	**74,410**	**36,128**	**269**	**6,947**	**4,492**	**472,740**

Note 16 Donations of property, plant and equipment

For the year ended 31 March 2023, The Department of Health and Social Care donated £87k (21/22 £1,060k) of assets to the Trust in response to the Covid-19 pandemic and The Royal Wolverhampton NHS Trust Charity donated £701k (21/22 £75k) 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 desktop valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2023 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. In 21/22, the valuation and the associated data was based on all in forecast Tender Price Index (TPI) as at 31 March 2022. A change this year is the valuer has considered both the BCIS All-in Tender Price Index (TPI), the General Building Cost Index (BCI), along with the PUBSEC TPI Index which is a smoothed version of the All-in TPI specifically referencing public sector construction projects. This was agreed with a number of consultancy firms, with an indexation factor of 7.5% utilised in 22/23. Future revaluations of the Trust's property may result in further material changes to the carrying value of non-current assets.

The Trust has performed sensitivity analyses of reasonably possible changes in the significant assumptions. The sensitivity table is based on an illustrative % change, however the estimates may vary by greater amounts. The Trust considers the assets valuation to be a key estimate. The reported value of owned assets would change as follows should there be a change in these underlying assumptions on the basis that all other factors remain unchanged:

Assumption	**Assumption value**	**Sensitivity (+ 1%) (£000)**	**Sensitivity (- 1%) (£000)**
Build Cost Index	375.18	3,209	(3,209)
Obsolescence Factor for Sustainability and ESG	2.5%	(3,344)	3,344
Land value / acre	£450-900k	160	(160)

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 Leases - The Royal Wolverhampton NHS Trust as a lessee

This note details information about leases for which the Trust is a lessee.

The Trust is a lessee for a number of NHS properties and various pieces of equipment, including equipment under Managed Service Contracts.

The Trust has applied IFRS 16 to account for lease arrangements from 1 April 2022 without restatement of comparatives. Comparative disclosures in this note are presented on an IAS 17 basis.

Note 18.1 Right of use assets - 2022/23

	Property (land and buildings) £000	Plant & machinery £000	Total £000	Of which: leased from DHSC group bodies £000
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets	0	2,116	**2,116**	0
IFRS 16 implementation - adjustments for existing operating leases / subleases	4,959	7,625	**12,584**	4,607
Additions	0	5,242	**5,242**	0
Remeasurements of the lease liability	0	(738)	**(738)**	0
Revaluations	0	1,102	**1,102**	0
Reclassifications	0	(49)	**(49)**	0
Valuation/gross cost at 31 March 2023	**4,959**	**15,298**	**20,257**	**4,607**
IFRS 16 implementation - reclassification of existing finance leased assets from PPE or intangible assets	0	1,127	**1,127**	0
Provided during the year	2,031	1,998	**4,029**	1,957
Revaluations	0	1,102	**1,102**	0
Accumulated depreciation at 31 March 2023	**2,031**	**4,227**	**6,258**	**1,957**
Net book value at 31 March 2023	**2,928**	**11,071**	**13,999**	**2,650**
Net book value of right of use assets leased from other DHSC group bodies	2,650	0	2,650	2,650

Note 18.2 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position. A breakdown of borrowings is disclosed in note 25.1.

	2022/23
	£000
Carrying value at 31 March 2022	**894**
IFRS 16 implementation - adjustments for existing operating leases	**12,584**
Lease additions	**5,242**
Lease liability remeasurements	**(738)**
Interest charge arising in year	**124**
Lease payments (cash outflows)	**(4,179)**
Carrying value at 31 March 2023	**13,927**

Lease payments for short term leases, leases of low value underlying assets and variable lease payments not dependent on an index or rate are recognised in operating expenditure.

These payments are disclosed in Note 7.1. Cash outflows in respect of leases recognised on-SoFP are disclosed in the reconciliation above.

Income generated from subleasing right of use assets in £0k and is included within revenue from operating leases in note 4.

Note 18.3 Maturity analysis of future lease payments at 31 March 2023

	Total	Of which leased from DHSC group bodies:
	31 March 2023	31 March 2023
	£000	£000
Undiscounted future lease payments payable in:		
- not later than one year;	**4,329**	**2,099**
- later than one year and not later than five years;	**8,346**	**469**
- later than five years.	**2,045**	**0**
Total gross future lease payments	**14,720**	**2,568**
Finance charges allocated to future periods	**(793)**	**(16)**
Net lease liabilities at 31 March 2023	**13,927**	**2,552**
Of which:		
Leased from other DHSC group bodies		**2,552**

Note 18.4 Maturity analysis of finance lease liabilities at 31 March 2022 (IAS 17 basis)

The following table details the maturity of obligations under leases the trust previously determined to be finance leases under IAS 17 at 31 March 2022.

	31 March 2022
	£000
Undiscounted future lease payments payable in:	
- not later than one year;	211
- later than one year and not later than five years;	746
- later than five years.	0
Total gross future lease payments	957
Finance charges allocated to future periods	(63)
Net finance lease liabilities at 31 March 2022	894
of which payable:	
- not later than one year;	196
- later than one year and not later than five years;	698
- later than five years.	0
Total of future minimum sublease payments to be received at the reporting date	0

Note 18.5 Commitments in respect of operating leases at 31 March 2022 (IAS 17 basis)

This note discloses costs incurred in 2021/22 and commitments as at 31 March 2022 for leases the trust previously determined to be operating leases under IAS 17.

	2021/22
	£000
Operating lease expense	
Minimum lease payments	3,203
Total	3,203

	31 March 2022
	£000
Future minimum lease payments due:	
- not later than one year;	3,731
- later than one year and not later than five years;	7,421
- later than five years.	1,274
Total	12,426
Future minimum sublease payments to be received	-

Note 18.6 Initial application of IFRS 16 on 1 April 2022

IFRS 16 as adapted and interpreted for the public sector by HM Treasury has been applied to leases in these financial statements with an initial application date of 1 April 2022.

The standard has been applied using a modified retrospective approach without the restatement of comparatives. Practical expedients applied by the Trust on initial application are detailed in the leases accounting policy in note 13.

Lease liabilities created for existing operating leases on 1 April 2022 were discounted using the weighted average incremental borrowing rate determined by HM Treasury as 0.95%.

Reconciliation of operating lease commitments as at 31 March 2022 to lease liabilities under IFRS 16 as at 1 April 2022

	1 April 2022
	£000
Operating lease commitments under IAS 17 at 31 March 2022	**12,426**
Impact of discounting at the incremental borrowing rate	
IAS 17 operating lease commitment discounted at incremental borrowing rate	**11,685**
Other adjustments:	
Rent increases/(decreases) reflected in the lease liability, not previously reflected in the IAS 17 commitment	**899**
Finance lease liabilities under IAS 17 as at 31 March 2022	**894**
Total lease liabilities under IFRS 16 as at 1 April 2022	**13,478**

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

	2022/23	2021/22
	£000	£000
Carrying value at 1 April - brought forward	**161**	0
Acquisitions in year	**0**	1,430
Movement in fair value through OCI	**(149)**	(1,269)
Carrying value at 31 March	**12**	161

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 2023 the Trust recognised the shares at the price provided by Sensyne (now names Arcturis Data Ltd) due to the delisting of the company. As at 31st March 2022 the Trust recognised the shares at the provide provided by AIM listed valuation.

Note 20 Inventories

	31 March 2023	31 March 2022
	£000	£000
Drugs	**2,827**	2,502
Consumables	**5,049**	5,409
Energy	**307**	165
Other	**164**	177
Total inventories	**8,347**	8,253
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £85,269k (2021/22: £83,640k). Write-down of inventories recognised as expenses for the year were £11k (2021/22: £1k).

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 2022/23 the Trust received £1,454k of items purchased by DHSC (2021/22: £1,875k).

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 21.1 Receivables

	31 March 2023	31 March 2022
	£000	£000
Current		
Contract receivables	**52,543**	28,993
Allowance for impaired contract receivables / assets	**(2,501)**	(1,765)
Prepayments (non-PFI)	**4,952**	3,869
PDC dividend receivable	**724**	199
VAT receivable	**2,340**	1,450
Other receivables	**1,545**	1,054
Total current receivables	**59,603**	33,800
Non-current		
Prepayments (non-PFI)	**18**	17
PFI lifecycle prepayments	**4,634**	4,877
Other receivables	**1,397**	1,777
Total non-current receivables	**6,049**	6,671
Of which receivable from NHS and DHSC group bodies:		
Current	**43,332**	20,680
Non-current	**1,397**	1,777

Note 21.2 Allowances for credit losses

	2022/23	2021/22
	Contract receivables and contract assets	Contract receivables and contract assets
	£000	£000
Allowances as at 1 April - brought forward	**1,765**	1,838
New allowances arising	**1,035**	431
Changes in existing allowances	**7**	10
Reversals of allowances	**(213)**	(368)
Utilisation of allowances (write offs)	**(93)**	(146)
Allowances as at 31 Mar 2023	**2,501**	1,765

Note 21.3 Exposure to credit risk

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

	31 March 2023	31 March 2022
	Trade and other receivables	Trade and other receivables
Ageing of impaired financial assets	**£000**	£000
0-30 days	**125**	28
31-60 days	**122**	44
61-90 days	**34**	27
91-180 days	**320**	168
Over 181 days	**1,900**	1,498
Total	**2,501**	1,765
Ageing of non-impaired financial assets past their due date		
0-30 days	**2,131**	190
31-60 days	**185**	158
61-90 days	**460**	55
91-180 days	**557**	237
Over 181 days	**2,059**	2,089
Total	**5,392**	2,729

Note 22.1 Cash and cash equivalents movements

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

	2022/23	2021/22
	£000	£000
At 1 April	**84,918**	54,351
Net change in year	**(15,655)**	30,567
At 31 March	**69,264**	84,918
Broken down into:		
Cash at commercial banks and in hand	**42**	35
Cash with the Government Banking Service	**69,222**	84,883
Total cash and cash equivalents as in SoFP	**69,264**	84,918
Total cash and cash equivalents as in SoCF	**69,264**	84,918

Note 22.2 Third party assets held by the trust

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

	31 March 2023	31 March 2022
	£000	£000
Bank balances	**-**	0
Monies on deposit	**40**	0
Total third party assets	**40**	0

Note 23.1 Trade and other payables

	31 March 2023	31 March 2022
	£000	£000
Current		
Trade payables	**14,554**	12,135
Capital payables	**20,366**	17,110
Accruals	**60,274**	58,787
Social security costs	**5,961**	5,790
VAT payables	**90**	108
Other taxes payable	**5,784**	5,393
Pension contributions payable	**6,651**	6,131
Other payables	**587**	770
Total current trade and other payables	**114,267**	106,224
Non-current		
Other payables	**287**	86
Total non-current trade and other payables	**287**	86
Of which payables from NHS and DHSC group bodies:		
Current	**6,123**	3,899
Non-current	**0**	0

Note 23.2 Early retirements in NHS payables above

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

	31 March 2023	31 March 2023	31 March 2022	31 March 2022
	£000	Number	£000	Number
- to buy out the liability for early retirements over 5 years	**0**		0	
- number of cases involved		**0**		0

Note 24 Other liabilities

	31 March 2023	31 March 2022
	£000	£000
Current		
Deferred income: contract liabilities	10,424	8,204
Total other current liabilities	10,424	8,204
Non-current		
Total other non-current liabilities	0	0

Note 25.1 Borrowings

	31 March 2023	31 March 2022
	£000	£000
Current		
Lease liabilities*	4,095	196
Obligations under PFI, LIFT or other service concession contracts	1,952	1,905
Total current borrowings	6,047	2,101
Non-current		
Lease liabilities*	9,832	698
Obligations under PFI, LIFT or other service concession contracts	3,053	4,777
Total non-current borrowings	12,885	5,475

* The Trust has applied IFRS 16 to lease arrangements within these accounts from 1 April 2022 without restatement of comparatives. More information about leases and the impact of this change in accounting policy can be found in note 18.

Note 25.2 Reconciliation of liabilities arising from financing activities - 2022/23

	Lease Liability	PFI and LIFT schemes	Total
	£000	£000	£000
Carrying value at 1 April 2022	894	6,682	7,576
Cash movements:			
Financing cash flows - payments and receipts of principal	(4,055)	(1,905)	(5,960)
Financing cash flows - payments of interest	(124)	(387)	(511)
Non-cash movements:			
Impact of implementing IFRS 16 on 1 April 2022	12,584	0	12,584
Additions	5,242	228	5,470
Lease liability remeasurements	(738)	0	(738)
Application of effective interest rate	124	387	511
Carrying value at 31 March 2023	13,927	5,005	18,932

Note 25.3 Reconciliation of liabilities arising from financing activities - 2021/22

	Lease Liability	PFI and LIFT schemes	Total
	£000	£000	£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	894	6,682	7,576

Note 26.1 Provisions for liabilities and charges analysis

	Pensions: injury benefits	Legal claims	Other	Total
	£000	**£000**	**£000**	**£000**
At 1 April 2022	**574**	**183**	**8,978**	**9,736**
Change in the discount rate	(145)	0	(1,251)	(1,396)
Arising during the year	36	166	3,320	3,522
Utilised during the year	(44)	(81)	(2,395)	(2,520)
Reversed unused	0	(61)	(3,429)	(3,490)
Unwinding of discount	10	0	28	38
At 31 March 2023	**431**	**207**	**5,251**	**5,889**
Expected timing of cash flows:				
- not later than one year;	48	207	3,854	4,109
- later than one year and not later than five years;	161	0	111	272
- later than five years.	222	0	1,286	1,508
Total	**431**	**207**	**5,251**	**5,889**

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 26.2 Clinical negligence liabilities

At 31 March 2023, £265,121k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Royal Wolverhampton NHS Trust (31 March 2022: £403,557k).

Note 27 Contingent assets and liabilities

	31 March 2023	31 March 2022
	£000	£000
Net value of contingent liabilities	**0**	0
Net value of contingent assets	**0**	876

In 2021/22 the contingent asset consisted of: 1) £301k for VAT claims for salary sacrifice car arrangements; and 2) £575k for Fleming VAT reclaims.

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 received in 22/23.

In 2021/22 contingent assets also consisted of Fleming VAT reclaims. The Fleming VAT reclaims 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 appeal for any additional Fleming VAT reclaims, that the Trust were standing behind, lost their appeal in 2022/23 and the Trust's advisor believed that any successful outcome was unlikely, hence the Trust withdrew their appeal.

Note 28 Contractual capital commitments

	31 March 2023	31 March 2022
	£000	£000
Property, plant and equipment	**41,964**	20,280
Total	**41,964**	20,280

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.

From 1 April 2023, the measurement principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to [a price index representing the rate of inflation]. The PFI liability will be remeasured when a change in the index causes a change in future repayments and that change has taken effect in the cash flow. Such remeasurements will be recognised as a financing cost. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred.

Initial application of these principles will be on 1 April 2023 using a modified retrospective approach with the cumulative impact taken to reserves. This is expected to result in an increased PFI liability on the statement of financial position. The effect of this has not yet been quantified.

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 2023	31 March 2022
	£000	£000
Gross PFI, LIFT or other service concession liabilities	**6,147**	8,243
Of which liabilities are due		
- not later than one year;	**1,952**	1,905
- later than one year and not later than five years;	**3,363**	4,395
- later than five years.	**832**	1,943
Finance charges allocated to future periods	**(1,142)**	(1,561)
Net PFI, LIFT or other service concession arrangement obligation	**5,005**	6,682
- not later than one year;	**1,952**	1,905
- later than one year and not later than five years;	**2,681**	3,565
- later than five years.	**372**	1,212

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 2023	31 March 2022
	£000	£000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**66,018**	71,617
Of which payments are due:		-
- not later than one year;	**7,856**	6,959
- later than one year and not later than five years;	**27,646**	26,972
- later than five years.	**30,516**	37,686

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:

	2022/23	2021/22
	£000	£000
Unitary payment payable to service concession operator	**7,023**	6,454
Consisting of:		
- Interest charge	**387**	476
- Repayment of balance sheet obligation	**1,905**	1,816
- Service element and other charges to operating expenditure	**2,529**	2,468
- Contingent rent	**2,202**	1,694
Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment	**22**	122
Total amount paid to service concession operator	**7,045**	6,576

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 2023 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

Carrying values of financial assets as at 31 March 2023	**Held at amortised cost**	**Held at fair value through I&E**	**Held at fair value through OCI**	**Total book value**
	£000	**£000**	**£000**	**£000**
Trade and other receivables excluding non financial assets	**51,561**	**0**	**0**	**51,561**
Other investments / financial assets	**0**	**0**	**12**	**12**
Cash and cash equivalents	**69,264**	**0**	**0**	**69,264**
Total at 31 March 2023	**120,825**	**0**	**12**	**120,837**

Carrying values of financial assets as at 31 March 2022	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
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

The Trust recognises Sensyne Plc shares as Fair Value through OCI. As at 31 March 2023 the Trust recognised the shares at the price provided by Sensyne (now named Arcturis Data Ltd) due to the delisting of the company. 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

Carrying values of financial liabilities as at 31 March 2023	**Held at amortised cost**	**Held at fair value through I&E**	**Total book value**
	£000	**£000**	**£000**
Obligations under leases	13,927	0	**13,927**
Obligations under PFI, LIFT and other service concession contracts	5,005	0	**5,005**
Trade and other payables excluding non financial liabilities	90,154	0	**90,154**
Total at 31 March 2023	**109,086**	**0**	**109,086**

Carrying values of financial liabilities as at 31 March 2022	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Obligations under 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

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 2023	31 March 2022
	£000	£000
In one year or less	**102,062**	90,148
In more than one year but not more than five years	**11,996**	5,227
In more than five years	**2,877**	1,943
Total	**116,935**	97,318

Note 31 Losses and special payments

	2022/23		2021/22	
	Total number of cases	**Total value of cases**	Total number of cases	Total value of cases
	Number	**£000**	Number	£000
Losses				
Cash losses	**13**	**8**	10	7
Fruitless payments and constructive losses	**0**	**0**	1	1
Bad debts and claims abandoned	**22**	**111**	38	146
Stores losses and damage to property	**1**	**51**	0	0
Total losses	**36**	**170**	49	154
Special payments				
Ex-gratia payments	**54**	**99**	42	70
Special severance payments	**1**	**20**	0	0
Total special payments	**55**	**119**	42	70
Total losses and special payments	**91**	**289**	91	224
Compensation payments received				

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.

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 2022/23 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 and Solihull Mental Health NHS Foundation Trust
Birmingham Community Healthcare NHS Foundation Trust
Birmingham Women's and Children's NHS Foundation Trust
Black Country Healthcare NHS Foundation Trust
Midlands Partnership NHS Foundation Trust
The Dudley Group NHS Foundation Trust
University Hospitals Birmingham NHS Foundation Trust
West Midlands Ambulance Service University NHS Foundation Trust
Sandwell And West Birmingham Hospitals NHS Trust
Shrewsbury and Telford Hospital NHS Trust
University Hospitals Coventry And Warwickshire NHS Trust
University Hospitals of North Midlands NHS Trust
Walsall Healthcare NHS Trust
Worcestershire Acute Hospitals NHS Trust
NHS Birmingham and Solihull ICB
NHS Black Country ICB
NHS Shropshire, Telford and Wrekin ICB
NHS Staffordshire and Stoke-on-Trent ICB
NHS Black Country and West Birmingham CCG (demised 01/07/22)
NHS Cannock Chase CCG (demised 01/07/22)
NHS Shropshire, Telford and Wrekin CCG (demised 01/07/22)
NHS South East Staffs and Seisdon Peninsula CCG (demised 01/07/22)
NHS Stafford and Surrounds CCG (demised 01/07/22)
NHS England
UK Health Security Agency
Health Education England
NHS Resolution
Community Health Partnerships
HM Revenue & Customs - Other taxes and duties and NI contributions
NHS Pension Scheme
Welsh Health bodies - Powys Local Health Board
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

	2022/23	**2022/23**	2021/22	2021/22
Non-NHS Payables	**Number**	**£000**	Number	£000
Total non-NHS trade invoices paid in the year	**127,805**	**454,826**	123,679	366,116
Total non-NHS trade invoices paid within target	**116,274**	**428,205**	108,875	332,035
Percentage of non-NHS trade invoices paid within target	**91.0%**	**94.1%**	88.0%	90.7%
NHS Payables				
Total NHS trade invoices paid in the year	**3,753**	**57,272**	3,977	53,863
Total NHS trade invoices paid within target	**2,656**	**49,798**	2,730	46,695
Percentage of NHS trade invoices paid within target	**70.8%**	**86.9%**	68.6%	86.7%

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

	2022/23	2021/22
	£000	£000
Cash flow financing	**28,718**	(27,944)
External financing requirement	**28,718**	(27,944)
External financing limit (EFL)	**28,718**	(27,944)
Under / (over) spend against EFL	**0**	0

Note 35 Capital Resource Limit

	2022/23	2021/22
	£000	£000
Gross capital expenditure	**73,042**	35,082
Less: Disposals	**(88)**	0
Less: Donated and granted capital additions	**(29,253)**	(5,666)
Charge against Capital Resource Limit	**43,701**	29,416
Capital Resource Limit	**43,701**	29,442
Under / (over) spend against CRL	**-**	26

For 22/23 CRL target was met with no under or over spend. For 21/22 £26k underspend, (0.08% of CRL) which was within tolerance of CRL target achievement.

Note 36 Breakeven duty financial performance

	2022/23
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	**90**
IFRIC 12 breakeven adjustment	**273**
Breakeven duty financial performance surplus / (deficit)	**363**

Note 37 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£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	153
Breakeven duty cumulative position	(7,438)	597	8,561	17,858	26,546	34,437	38,100	38,253
Operating income		289,830	306,023	374,417	384,917	394,045	461,810	509,405
Cumulative breakeven position as a percentage of operating income		0.2%	2.8%	4.8%	6.9%	8.7%	8.3%	7.5%

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	8,542	4,327	3,021	5,735	243	4,454	363
Breakeven duty cumulative position	46,795	51,122	54,143	59,877	60,121	64,574	64,937
Operating income	536,028	548,538	592,975	676,114	743,285	817,270	899,891
Cumulative breakeven position as a percentage of operating income	8.7%	9.3%	9.1%	8.9%	8.1%	7.9%	7.2%

NHS England 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 England, in a manner consistent with previous years in this note.

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