Wye Valley NHS Trust

Annual accounts for the year ended 31 March 2022

Statement of Comprehensive Income

	Note	2021/22	2020/21
		£000	£000
Operating income from patient care activities	3	278,264	222,034
Other operating income	4	25,891	45,546
Operating expenses	6.1	(299,167)	(259,905)
Operating surplus from continuing operations		**4,988**	**7,675**
Finance income	11	-	-
Finance expenses	12	(6,429)	(6,350)
PDC dividends payable		(2,100)	(1,102)
Net finance costs		**(8,529)**	**(7,452)**
Other (losses)	13	(29)	-
(Deficit) / Surplus for the year from continuing operations		**(3,570)**	**223**
Other comprehensive (expense) / income			
Will not be reclassified to income and expenditure:			
Impairments	7	-	(875)
Revaluations	17	1,699	2,148
Total comprehensive (expense) / income for the period		**(1,871)**	**1,496**
Adjusted financial performance (control total basis):			
(Deficit) / Surplus for the period		(3,570)	223
Remove net impairments not scoring to the Departmental expenditure limit		9,431	3,133
Remove I&E impact of capital grants and donations		(4,368)	(91)
Remove net impact of inventories received from DHSC group bodies for COVID response		43	(918)
Adjusted financial performance surplus		**1,536**	**2,347**

Statement of Financial Position

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Intangible assets	14.1	14,226	14,474
Property, plant and equipment	15.1	109,197	106,380
Receivables	20.1	879	961
Total non-current assets		**124,302**	**121,815**
Current assets			
Inventories	19	5,092	4,406
Receivables	20.1	12,860	10,251
Cash and cash equivalents	21	39,708	42,115
Total current assets		**57,660**	**56,772**
Current liabilities			
Trade and other payables	22.1	(38,382)	(36,084)
Borrowings	23.1	(4,974)	(4,379)
Provisions	25.1	(42)	(46)
Total current liabilities		**(43,398)**	**(40,509)**
Total assets less current liabilities		**138,564**	**138,078**
Non-current liabilities			
Borrowings	23.1	(33,969)	(38,412)
Provisions	25.1	(1,564)	(1,615)
Total non-current liabilities		**(35,533)**	**(40,027)**
Total assets employed		**103,031**	**98,051**
Financed by			
Public dividend capital		261,447	254,596
Revaluation reserve		16,346	14,647
Income and expenditure reserve		(174,762)	(171,192)
Total taxpayers' equity		**103,031**	**98,051**

The notes on pages 6 to 55 form part of these accounts.

Name Glen Burley

Signature

Position Chief Executive

Date 04/08/2022

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2021 - brought forward	**254,596**	**14,647**	**(171,192)**	**98,051**
Surplus/(deficit) for the year	-	-	(3,570)	**(3,570)**
Revaluations	-	1,699	-	**1,699**
Public dividend capital received	6,851	-	-	**6,851**
Taxpayers' and others' equity at 31 March 2022	**261,447**	**16,346**	**(174,762)**	**103,031**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**30,324**	**13,374**	**(171,415)**	**(127,717)**
Surplus/(deficit) for the year	-	-	223	**223**
Impairments	-	(875)	-	**(875)**
Revaluations	-	2,148	-	**2,148**
Public dividend capital received	224,272	-	-	**224,272**
Taxpayers' and others' equity at 31 March 2021	**254,596**	**14,647**	**(171,192)**	**98,051**

Information on reserves

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

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

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

Statement of Cash Flows

	Note	2021/22 £000	2020/21 £000
Cash flows from operating activities			
Operating surplus / (deficit)		4,988	7,675
Non-cash income and expense:			
Depreciation and amortisation	6.1	8,044	6,677
Net impairments	7	9,431	3,133
Income recognised in respect of capital donations	4	(4,813)	(521)
(Increase) / decrease in receivables and other assets		(2,338)	12,653
Increase in inventories		(686)	(576)
Increase / (decrease) in payables and other liabilities		3,787	5,323
(Decrease) / Increase in provisions		(104)	76
Net cash flows from / (used in) operating activities		**18,309**	**34,440**
Cash flows from investing activities			
Interest received		-	13
Purchase of intangible assets		(2,165)	(2,733)
Purchase of PPE and investment property		(16,802)	(25,689)
Sales of PPE and investment property		27	-
Receipt of cash donations to purchase assets		4,813	159
Net cash flows from / (used in) investing activities		**(14,127)**	**(28,250)**
Cash flows from financing activities			
Public dividend capital received		6,851	224,272
Movement on loans from DHSC		-	(192,389)
Capital element of finance lease rental payments		(869)	(676)
Capital element of PFI, LIFT and other service concession payments		(3,845)	(3,710)
Interest on loans		-	(757)
Interest paid on finance lease liabilities		(230)	(264)
Interest paid on PFI, LIFT and other service concession obligations		(6,150)	(6,023)
PDC dividend paid		(2,346)	(1,045)
Net cash flows (used in) / from financing activities		**(6,589)**	**19,408**
(Decrease) / increase in cash and cash equivalents		**(2,407)**	**25,598**
Cash and cash equivalents at 1 April - brought forward		**42,115**	**16,517**
Cash and cash equivalents at 31 March	21	**39,708**	**42,115**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2021/22 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

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

Note 1.2 Going concern
These accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case.

The Trust reported deficits in its accounts from 2015/16 to 2019/20. Note 37 identifies the value of deficits incurred in recent years. In 2020/21 and 2021/22 the trust reported a small surplus on an adjusted basis, removing the impact of impairments and Government grants. The past two years have reflected a changed financial settlement related to the Covid-19 pandemic.

The high level of deficit delivered over recent years reflects the underlying structural nature of the Trust's financial deficit. The cumulative Income and Expenditure position now shows a deficit of £174.8m.

The Trust has also previously been subject to a referral by its external auditors to the Secretary of State under Section 30 of the Local Audit and Accountability Act, 2014 relating to its deficit position and an adverse value for money conclusion relating to its financial resilience. Although the Trust made a surplus in 2021/22 this was primarily due to non-recurrent factors relating to the DHSC funding the impact of COVID-19. The Trust's underlying financial position still indicates a deficit and has planned for a deficit of £27m in 2022/23. The Trust is very clear about the scale of the accumulated deficit in relation to turnover. The Trust is limited by geographical constraints that means it cannot meaningfully reconfigure services and address structural limitations on its capacity to undertake elective activity. In addition, the relatively high impact of the PFI site on Trust finances results in an unavoidable cost pressure which will continue for at least a further seven years. The Board of Directors have considered the principle of "going concern" and concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Trust which may cast significant doubt about the ability of the Trust to continue as a going concern.

Nevertheless, the Directors concluded that assessing the Trust as a going concern remained appropriate. The Trust's contractual arrangements for 2021/22 were governed by rules put in place by the DHSC due to COVID-19. Consequently the Trust has been fully funded for its activities during 2021/22 and there are no discontinued operations. Plans have been agreed for funding for 2022/23 through the Herefordshire and Worcestershire ICS and a financial plan has been prepared accordingly. The Trust's strategic partnership with South Warwickshire NHS Foundation Trust and George Eliot NHS Trust provides executive leadership and support. No decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust will have access to adequate resources in the form of support from the Department of Health (NHS Act 2006 s42a) to continue to deliver the full range of services for the foreseeable future.

Note 1.3 Charitable Funds
Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. However, the value of charitable funds held by the Trust is not deemed to be material and has therefore not been consolidated in to the accounts.

Note 1.4 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 Trust recognises income in relation to healthcare contracts based upon delivery of performance obligations carried out in relation to the contract during the year. This will include the receipt of contract payments made during the year plus accruals where deemed necessary to reflect activity delivered against contract but not invoiced before year-end.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. In 2021/22 and 2020/21, the majority of the trust's income from NHS commissioners was in the form of block contract arrangements. The Trust receives block funding from its commissioners, where funding envelopes are set at an Integrated Care System level. For the first half of the 2020/21 comparative year these blocks were set for individual NHS providers directly, but the revenue recognition principles are the same. The related performance obligation is the delivery of healthcare and related services during the period, with the trust's entitlement to consideration not varying based on the levels of activity performed.

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

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

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 1.5 Other forms of income

Grants and donations
Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.
The Trust has recognised a sigificant Government grant received as funding for the Integrated energy scheme undertaken during 2021/22.

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.

Revenue from research contracts
The Trust receives a small amount of funding for research and development, the value of which is recognised at the point of receipt of the funding.

Note 1.6 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
Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

a) Accounting valuation
A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

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

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

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

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

Note 1.7 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 1.8 Property, plant and equipment

Note 1.8.1 Recognition
Property, plant and equipment is capitalised where:
• it is held for use in delivering services or for administrative purposes
• it is probable that future economic benefits will flow to, or service potential be provided to, the trust
• it is expected to be used for more than one financial year
• the cost of the item can be measured reliably
• the item has cost of at least £5,000, or
• collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

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

Note 1.8.2 Measurement
Valuation
All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.
Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:
- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.
- Plant and Equipment - revaluation based upon the application of relevant inflation indices to gross cost and accumulated depreciation on an annual basis.
- 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 economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

- 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.

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

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

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

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

All land and buildings are restated to fair value using professional valuations in accordance with IAS 16 every five years. The last full asset valuation was undertaken as at 31 March 2018. A further desk top revaluation was carried out as at 31 March 2022. This was based on a desk-top valuation plus an assessment of the impact of building asset additions during 2021/22.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The property valuations are carried out primarily on the basis of (DRC) for specialised operational property (e.g. NHS patient treatment facilities) and Existing Use Value (EUV) for non-specialised operational property. The value of land for existing use purposes is assessed at EUV. For non-operational land including surplus land, the valuations are carried out at Market Value.

The Trust has adopted the Modern Equivalent Asset (MEA) approach for its DRC valuations rather than the previous identical replacement method. The MEA approach used to value the property will normally be based on the cost of a modern equivalent asset that has the same service potential as the existing asset and then adjusted to take account of obsolescence. In the past, functional obsolescence has not been reflected in asset valuations for the NHS.

Functional obsolescence examines a building’s design or specification and whether it may no longer fulfil the function for which it was originally designed or whether it may be much more basic than the MEA. The asset will still be capable of use but at a lower level of efficiency than the MEA, or may be capable of modification to bring it up to a current specification. Other common causes of functional obsolescence include advances in technology or legislative change. The obsolescence adjustment will reflect either the cost of upgrading, or if this is not possible, the financial consequences of the reduced efficiency compared with the modern equivalent.

The MEA approach incorporates the Building Cost Information Service Index to determine an increase or decrease in building costs which impact on the asset valuation.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

The carrying values of PPE are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The costs arising from financing the construction of PPE are not capitalised but are charged to the Statement of Comprehensive Income (SOCI) in the year to which they relate.

The Trust’s land and building valuation was first carried out by the Trust’s current valuer DVS, on a MEA “Optimised Alternative Site” method valuation, and applied on 01 April 2017. This valuation methodology has been maintained for subsequent valuations.

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance. The Trust has valued its land and buildings at fair value - non-specialised assets at existing use value and specialised operation assets at depreciated replacement cost.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. The Trust has chosen to adopt this approach for the valuation of its buildings.

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

The “desktop” valuation exercise was carried out in February 2022 with a valuation date of 31 March 2022. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 and RICS UK national supplement, commonly known together as the Red Book.

The values in the report have been used to inform the measurement of property assets at valuation in these financial statements.

Note 1.8.3 Depreciation

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.

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.

Note 1.8.4 Derecognition

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.

Note 1.8.5 Donated and grant funded assets

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

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

In 2021/22 this includes assets purchased via Government grant funding relating to the integrated energy scheme. As defined in the GAM, the trust applies the principles of donated and grant funded asset accounting to assets that the trust controls and is obtaining economic benefits from at the year-end.

Note 1.8.6 Private Finance Initiative (PFI)

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM* , are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

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

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

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined 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.

However, as the initial contract only quoted an overall value of such works per year and did not specify the individual elements of work to be undertaken, the Trust is unable to assess whether lifecycle works have been performed to the assumed timetable. Therefore, in accordance with the accounting methodology adopted in previous financial years, all costs have been charged to the year's operating expenses in line with the original contract.

The above treatment of lifecycle also identifies that there is a potential risk arising to the Trust of the assets not being in the condition prescribed by the cotract at the point at which the assets are handed back to the Trust.

Assets contributed by the NHS Trust to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the NHS Trust's Statement of Financial Position.

Note 1.8.7 Useful lives of property, plant and equipment

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

	Min life	Max life
	Years	Years
Buildings, excluding dwellings	19	41
Dwellings	21	28
Plant & machinery	5	15
Transport equipment	5	5

Information technology	3	5
Furniture & fittings	4	25

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

Note 1.9 Intangible assets

Note 1.9.1 Recognition

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

Internally generated intangible assets
Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.
Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

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

Note 1.9.2 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.

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

Note 1.9.3 Useful lives of intangible assets

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

	Min life	**Max life**
	Years	**Years**
Software licences	**3**	**7**

Note 1.10 Inventories

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

In 2021/22, the Trust continued to receive inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Note 1.11 Cash and cash equivalents

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

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

Note 1.12 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

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

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

Financial assets are classified and subsequently measured at fair value through income and expenditure.

Financial liabilities are classified and subsequently measured at fair value through income and expenditure.

Financial assets and financial liabilities at fair value through income and expenditure

The Trust has irrevocably elected to measure the following financial assets / financial liabilities at fair value through income and expenditure.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

The trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and "other receivables".

Financial liabilities

All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract 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).

The Trust differentiates between NHS and Non NHS receivables when assessing credit losses. Credit losses relating to NHS bodies are not recognised other than through the maintenance of a credit note provision to account for variable contracts where activity is not finalised. A credit provision is identified for Non NHS receivables and is based on the recognition of a proportion of longstanding receivables within the provision.

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

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

Derecognition

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

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

Note 1.13 Leases

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

The trust as a lessee

Finance leases

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

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

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

The implementation of the provisions set out in IFRS 16 are taking effect from 1 April 2022. As a result of this most of the leases curremtly identified as operating leases will be redesignated as finance leases. The scope for the treatment of leases as operating has been significantly narrowed. Note 1.24 provides further details.

Note 1.14 Provisions
The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective from 31 March 2022:

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

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective from 31 March 2022:

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

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 1.30% in real terms (prior year: minus 0.9%).

Clinical negligence costs
NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 25.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.15 Contingencies
Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in a note where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in a note, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:
• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

No contingent assets or liabilities have been identified.

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 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.

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 Early adoption of standards, amendments and interpretations

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

Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted

Under IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors the Trust is required to disclose details where a new accounting standard has been applied that has been issued but is not yet effective. Two new standards have been issued, IFRS 14, Regulatory deferral accounts is not applicable to the Trust and IFRS 15, Insurance contracts commences in April 2023 but early adoption is not permitted.

IAS 8 also notes that accounting requirements in the standards need not be applied to immaterial items, but that "it is inappropriate to make, or leave uncorrected, immaterial departures from IFRS to achieve a particular presentation of an entity's financial position, financial performance or cash flows". The Trust has complied with this.

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2022. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2022, the trust will apply the standard retrospectively without restatement and with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be defined by HM Treasury. For 2022, this rate is 0.95%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2022 for existing finance leases.

For leases commencing in 2022/23, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

From 1 April 2022, the principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to the RPIX. The PFI imputed lease liability will be remeasured when a change in the index causes a change in future imputed lease payments and that change has taken effect in the cash flow. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred. This is expected to increase the PFI liability on the statement of financial position upon transition to IFRS 16. The effect of this has not yet been quantified and further guidance is anticipated from the DHSC in 2022/23.

The trust undertook an exercise in 2021/22 to identify operating leases and to calculate the potential impact of their conversion to finance leases in terms of asset and liability recognition and future income and expenditure impact. The trust has previously maintained a register of leased equipment and a record of property leases. These records have formed the basis of information used to calculate the impact of IFRS 16. Some judgements have had to be used; the interest rate applied to leases is based on the rate advised by DHSC.

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

	£000
Estimated impact on 1 April 2022 statement of financial position	
Additional right of use assets recognised for existing operating leases	3,719
Additional lease obligations recognised for existing operating leases	(3,719)
Changes to other statement of financial position line items [If this line is material, further disclosure should be added and/or this line disaggregated]	-
Net impact on net assets on 1 April 2022	**-**
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(792)
Additional finance costs on lease liabilities	(33)
Lease rentals no longer charged to operating expenditure	676
Estimated impact on surplus / deficit in 2022/23	**(149)**
Estimated increase in capital additions for new leases commencing in 2022/23	**843**

The estimated value of capital additions for new leases commencing in 2022/23 is based upon the replacement of existing operating leases in place with new leases accounted for under IFRS 16 principles and valued accordingly in asset and liability terms.

Note 1.25 Transfers of functions to or from other NHS bodies / local government bodies

The Trust transferred the provision of its Financial Services and Procurement functions to a shared service operated on behalf of the Foundation Trust Group incorporating Wye Valley NHS Trust, South Warwickshire Foundation NHS Trust and George Eliot NHS Trust. The functions continue to be hosted by one of the members of the group.

Note 1.26 Critical judgements in applying accounting policies

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

<u>Radiotherapy unit</u>

Gloucestershire Hospitals NHS Foundation Trust (GHNHSFT) has a built a Radiotherapy unit at the County Hospital site on land owned by the Trust. GHNHSFT have financed the build. Completion of the project was delivered in 2014/15 and on completion GHNHSFT took control of the unit. The Trust receive a nominal rent for the land from GHNHSFT and the Trust will receive the unit at nil consideration at the end of the agreement 25 years after the contracts commencement. Any costs incurred by the Trust are being recovered from GHNHSFT. The Trust has determined that, as it does not control the use of the unit, it is not its asset and will not be included in its SoFP. The asset will be recognised when the asset is transferred to the Trust in 17 years time. The trust is accruing a deferred debtor over the period of the contract to reflect the eventual value of the asset transfer.

<u>Radiology MES</u>

The Trust entered in to a Managed Equipment Service with Philips for the provision of Radiology services in April 2018. The contract is operational until March 2029. The service includes the provision to replace assets over the life of the contract and is accounted for through the use of a financial model that recognises the assets and liabilities inherent within the contract and accounts for changes in assets and liabilities within the SoFP as well as recognising expenditure related to the service within the SoCI.

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:

Note 1.8 refers to the measurement of the value of Property, plant and equipment. This is based on a valuation undertaken by the Trust's professional advisor. Such valuations will always be subject to a degree of uncertainty.

The Trust reports on the value of income deferred to match outstanding performance obligations in Note 5. In accordance with IFRS 15 the Trust has sought to estimate the value of the performance obligations as part of the income deferral estimation process. This is derived from the contracts in place for the provision of goods and services in question.

Note 2 Operating Segments

The Trust reports its performance as a single business segment which relates to the provision of healthcare.

Under IFRS 8 (Operating Segments), the Trust has determined that, within its internal Business Unit management structure, one unit has similar characteristics to another and can, therefore, be aggregated under the standard. This particularly relates to the similarities of services offered by each area and the patient population that they serve. Overall, each area's main objective is the delivery of acute health care to NHS patients.

The income from external sources for the Trust is £304,155k and further analysis is provided within Notes 3 (Operating income from patient care activities) and 4 (Other operating income).

Those customers who account for income of 10% or more of the Trust's total are as follows:

Bodies covered by the NHS in England	**2021/22 £000**	2020/21 £000	**2021/22 % of total**	2020/21 % of total
NHS Herefordshire and Worcestershire CCG	216,358	170,439	71%	64%
NHS England	17,610	40,041	6%	15%

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

Note 3.1 Income from patient care activities (by nature)	**2021/22**	**2020/21**
	£000	**£000**
Acute services		
Block contract / system envelope income	187,658	146,416
High cost drugs income from commissioners (excluding pass-through costs)	14,095	14,640
Other NHS clinical income	27,720	18,837
Community services		
Block contract / system envelope income	35,006	31,722
Income from other sources (e.g. local authorities)	3,057	2,494
All services		
Private patient income	238	147
Elective recovery fund	1,895	-
Additional pension contribution central funding*	6,675	6,209
Other clinical income	1,920	1,569
Total income from activities	**278,264**	**222,034**

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

Note 3.2 Income from patient care activities (by source)

	2021/22	**2020/21**
Income from patient care activities received from:	**£000**	**£000**
NHS England	20,378	19,617
Clinical commissioning groups	228,510	182,251
NHS other	20,539	17,179
Local authorities	3,057	2,494
Non-NHS: private patients	238	147
Non-NHS: overseas patients (chargeable to patient)	10	5
Injury cost recovery scheme	203	341
Non NHS: other	276	-
Total income from activities	**278,264**	**222,034**
Of which:		
Related to continuing operations	278,264	222,034

Injury cost recovery income is subject to a provision for impairment of receivables of 23.76% to reflect expected rates of recovery.

NHS Other income includes income from Welsh NHS bodies of £16,874k (2020/21 £18,376k, some of which relates to Note 4, Other Contract Income).

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

	2021/22	2020/21
	£000	£000
Income recognised this year	10	5
Cash payments received in-year	10	5

Note 4 Other operating income

	2021/22			2020/21		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	360	-	**360**	348	-	**348**
Education and training	5,344	373	**5,717**	4,899	85	**4,984**
Reimbursement and top up funding	3,907		**3,907**	22,818		**22,818**
Receipt of capital grants and donations		4,813	**4,813**		521	**521**
Charitable and other contributions to expenditure		1,532	**1,532**		4,640	**4,640**
Other income	9,562	-	**9,562**	12,235	-	**12,235**
Total other operating income	**19,173**	**6,718**	**25,891**	**40,300**	**5,246**	**45,546**
Of which:						
Related to continuing operations			25,891			45,546

Other income includes £8.3m of cross charges to other NHS bodies including Gloucestershire Hospitals NHS Foundation Trust (£6,930k; 2020/21 £6,982k), Powys LHB recharges (£873k; 2020/21 £765k), Gloucestershire Health and Care NHS Trust, (£217k; 2020/21 £232k) and other (£259k). The balance is made up of income generation and other non-health contract related sources.

Note 5 Transaction price allocated to remaining performance obligations

	31 March 2022	31 March 2021
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	£000	£000
within one year	3,496	937
after one year, not later than five years	-	-
after five years	-	-
Total revenue allocated to remaining performance obligations	**3,496**	**937**

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.

Analysis of performance obligations	**£k**
Cancer Alliance	912
Digital Pathology	452
Health Education England	594
Research & Development	210
Other	1,328
Total	**3,496**

Note 5.1 Fees and charges

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

	2021/22	2020/21
	£000	£000
Income	-	-
Full cost	-	-
Surplus / (deficit)	**-**	**-**

[Providers should explain the nature of the service and the nature / extent of any subsidies / overcharging]

Note 6.1 Operating expenses

	2021/22	2020/21
	£000	**£000**
Purchase of healthcare from non-NHS and non-DHSC bodies	1,591	98
Staff and executive directors costs	183,958	165,714
Remuneration of non-executive directors	128	103
Supplies and services - clinical (excluding drugs costs)	28,594	24,317
Supplies and services - general	2,217	2,294
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	26,854	24,173
Inventories written down	-	635
Consultancy costs	35	33
Establishment	5,146	4,199
Premises	7,080	5,726
Transport (including patient travel)	1,017	760
Depreciation on property, plant and equipment	5,631	4,931
Amortisation on intangible assets	2,413	1,746
Net impairments	9,431	3,133
Movement in credit loss allowance: contract receivables / contract assets	302	(32)
Change in provisions discount rate(s)	48	58
Fees payable to the external auditor		
audit services- statutory audit	105	82
other auditor remuneration (external auditor only)	-	(9)
Internal audit costs	87	78
Clinical negligence	6,835	6,561
Legal fees	378	95
Insurance	93	79
Research and development	39	35
Education and training	1,092	618
Rentals under operating leases	787	952
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	12,560	11,883
Hospitality	1	1
Losses, ex gratia & special payments	253	81
Other	2,492	1,561
Total	**299,167**	**259,905**

Total Other costs include amounts relating to ICT services, £1,357k (2020/21, £1,263k); professional fees, £307k (£197k) and Other, £816k (£101k).

Note 6.2 Other auditor remuneration

	2021/22	2020/21
	£000	£000
Other auditor remuneration paid to the external auditor:		
Other non-audit services	-	(9)
Total	**-**	**(9)**

Note 6.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £1 million (2020/21: £1 million).

Note 7 Impairment of assets

	2021/22	2020/21
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	9,431	3,195
Other	-	(62)
Total net impairments charged to operating surplus / deficit	**9,431**	**3,133**
Impairments charged to the revaluation reserve	-	875
Total net impairments	**9,431**	**4,008**

The impairment to assets totalling £9,431k arise as a result of the following during the financial year:
- Annual revaluation of the Trust's estate as at 31 March 2022;
- Reduction in the valuation of Trust held Buildings of £9.431m.

Note 8 Employee benefits

	2021/22 Total £000	2020/21 Total £000
Salaries and wages	120,404	112,428
Social security costs	13,470	11,460
Apprenticeship levy	649	600
Employer's contributions to NHS pensions	21,091	20,443
Temporary staff (including agency)	30,726	23,380
Total staff costs	**186,340**	**168,311**
Of which		
Costs capitalised as part of assets	2,135	2,353

Employer contributions to NHS pensions for 2021/22 include £6.7m (2020/21 £6.2m) of contributions to reflect the increase in employer contribution rate.

Note 8.1 Retirements due to ill-health

During 2021/22 there were 4 early retirements from the trust agreed on the grounds of ill-health (none in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £368k (0k in 2020/21).

Note 9 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

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

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

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

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

Note 10 Operating leases

Note 10.1 Wye Valley NHS Trust as a lessor

The Trust acts as a lessor for land on the County Hospital site on which the Radiotherapy Unit sits. The building and facility is owned by Gloucestershire Hospitals Foundation Trust. The land is leased to the Foundation trust on a peppercorn rent and therefore no operating lease income is recognised in-year or anticipated in future years.

Note 10.2 Wye Valley NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Wye Valley NHS Trust is the lessee.

The Trust operates leasing arrangements relating to some items of medical equipment and vehicles.

The leases held include £787k (2020/21 £952k) in lease payments for a number of different items of medical equipment.

Independent advice is taken prior to the agreement of all new leases to establish that the lease contract entered in to is an operating lease as defined by principles contained within IFRS. The contingent rental in respect of the leases is governed by the individual lease agreement which sets out the lease term, annual charge and arrangements at the end of the lease period.

	2021/22	**2020/21**
	£000	**£000**
Operating lease expense		
Minimum lease payments	787	952
Total	**787**	**952**

	31 March 2022	**31 March 2021**
	£000	**£000**
Future minimum lease payments due:		
- not later than one year;	370	468
- later than one year and not later than five years;	557	861
- later than five years.	19	118
Total	**946**	**1,447**

Note 11 Finance income

Finance income represents interest received on assets and investments in the period. The trust received no income from assets and investments during 2021/22 or 2020/21.

Note 12 Finance expenditure

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

	2021/22	2020/21
	£000	£000
Interest expense:		
Finance leases	230	264
Interest on late payment of commercial debt	-	-
Main finance costs on PFI and LIFT schemes obligations	1,290	1,416
Contingent finance costs on PFI and LIFT scheme obligations	4,860	4,607
Total interest expense	**6,380**	**6,287**
Unwinding of discount on provisions	49	63
Other finance costs	-	-
Total finance costs	**6,429**	**6,350**

Note 13 Other losses

	2021/22	2020/21
	£000	£000
Losses on disposal of assets	(29)	-
Total (losses) on disposal of assets	**(29)**	**-**
Total other (losses)	**(29)**	**-**

The note above relates to the disposal of surplus IT assets to another NHS Trust wihich incurred a loss against the net book value of the assets of £29k.

Note 14.1 Intangible assets - 2021/22

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2021 - brought forward	**14,605**	**5,307**	**19,912**
Additions	659	1,506	**2,165**
Reclassifications	2,070	(2,070)	**-**
Valuation / gross cost at 31 March 2022	**17,334**	**4,743**	**22,077**
Amortisation at 1 April 2021 - brought forward	**5,438**	**-**	**5,438**
Provided during the year	2,413	-	**2,413**
Amortisation at 31 March 2022	**7,851**	**-**	**7,851**
Net book value at 31 March 2022	**9,483**	**4,743**	**14,226**
Net book value at 1 April 2021	**9,167**	**5,307**	**14,474**

Note 14.2 Intangible assets - 2020/21

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2020	**11,150**	**6,029**	**17,179**
Additions	2,733	-	**2,733**
Reclassifications	722	(722)	**-**
Valuation / gross cost at 31 March 2021	**14,605**	**5,307**	**19,912**
Amortisation at 1 April 2020 - as previously stated	**3,692**	**-**	**3,692**
Provided during the year	1,746	-	**1,746**
Amortisation at 31 March 2021	**5,438**	**-**	**5,438**
Net book value at 31 March 2021	**9,167**	**5,307**	**14,474**
Net book value at 1 April 2020	**7,458**	**6,029**	**13,487**

Note 15.1 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 - brought forward	**3,225**	**58,882**	**1,676**	**27,564**	**20,000**	**37**	**5,019**	**985**	**117,388**
Additions	-	6,883	-	486	3,097	-	1,178	4,841	**16,485**
Impairments	-	(9,638)	-	-	-	-	-	-	**(9,638)**
Reversals of impairments	115	92	-	-	-	-	-	-	**207**
Revaluations	38	(833)	68	-	311	-	-	14	**(402)**
Reclassifications	-	21,150	-	(22,717)	1,279	-	146	142	**-**
Disposals / derecognition	-	-	-	-	(323)	-	(85)	-	**(408)**
Valuation/gross cost at 31 March 2022	**3,378**	**76,536**	**1,744**	**5,333**	**24,364**	**37**	**6,258**	**5,982**	**123,632**
Accumulated depreciation at 1 April 2021 - brought forward	**-**	**-**	**-**	**-**	**8,472**	**37**	**1,804**	**695**	**11,008**
Provided during the year	-	2,169	83	-	2,378	-	879	122	**5,631**
Impairments	-	-	-	-	-	-	-	-	**-**
Reversals of impairments	-	-	-	-	-	-	-	-	**-**
Revaluations	-	(2,169)	(83)	-	141	-	-	10	**(2,101)**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(74)	-	(29)	-	**(103)**
Accumulated depreciation at 31 March 2022	**-**	**-**	**-**	**-**	**10,917**	**37**	**2,654**	**827**	**14,435**
Net book value at 31 March 2022	**3,378**	**76,536**	**1,744**	**5,333**	**13,447**	**-**	**3,604**	**5,155**	**109,197**
Net book value at 1 April 2021	**3,225**	**58,882**	**1,676**	**27,564**	**11,528**	**-**	**3,215**	**290**	**106,380**

Note 15.2 Property, plant and equipment - 2020/21

	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 2020 - as previously stated	**5,025**	**57,307**	**1,126**	**7,561**	**19,333**	**41**	**5,392**	**986**	**96,771**
Additions	-	3,390	133	21,571	4,029	-	889	30	**30,042**
Impairments	(1,800)	(2,270)	-	-	-	-	-	-	**(4,070)**
Reversals of impairments	-	62	-	-	-	-	-	-	**62**
Revaluations	-	(406)	417	-	314	-	-	16	**341**
Reclassifications	-	799	-	(1,568)	71	-	698	-	**-**
Disposals / derecognition	-	-	-	-	(3,747)	(4)	(1,960)	(47)	**(5,758)**
Valuation/gross cost at 31 March 2021	**3,225**	**58,882**	**1,676**	**27,564**	**20,000**	**37**	**5,019**	**985**	**117,388**
Accumulated depreciation at 1 April 2020 - as previously stated	**-**	**-**	**-**	**-**	**10,099**	**41**	**2,952**	**550**	**13,642**
Provided during the year	-	1,937	52	-	1,947	-	812	183	**4,931**
Impairments	-	-	-	-	-	-	-	-	**-**
Reversals of impairments	-	-	-	-	-	-	-	-	**-**
Revaluations	-	(1,937)	(52)	-	173	-	-	9	**(1,807)**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(3,747)	(4)	(1,960)	(47)	**(5,758)**
Accumulated depreciation at 31 March 2021	**-**	**-**	**-**	**-**	**8,472**	**37**	**1,804**	**695**	**11,008**
Net book value at 31 March 2021	**3,225**	**58,882**	**1,676**	**27,564**	**11,528**	**-**	**3,215**	**290**	**106,380**
Net book value at 1 April 2020	**5,025**	**57,307**	**1,126**	**7,561**	**9,234**	**-**	**2,440**	**436**	**83,129**

Note 15.3 Property, plant and equipment financing - 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
Net book value at 31 March 2022									
Owned - purchased	3,378	34,757	1,377	5,333	7,947	-	3,604	460	**56,856**
Finance leased	-	-	-	-	4,214	-	-	4,695	**8,909**
On-SoFP PFI contracts and other service concession arrangements	-	40,362	367	-	-	-	-	-	**40,729**
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	**-**
Owned - donated/granted	-	1,417	-	-	1,286	-	-	-	**2,703**
NBV total at 31 March 2022	**3,378**	**76,536**	**1,744**	**5,333**	**13,447**	**-**	**3,604**	**5,155**	**109,197**

Note 15.4 Property, plant and equipment financing - 2020/21

	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
Net book value at 31 March 2021									
Owned - purchased	3,225	18,591	1,322	27,564	6,232	-	3,215	290	**60,439**
Finance leased	-	-	-	-	4,934	-	-	-	**4,934**
On-SoFP PFI contracts and other service concession arrangements	-	38,875	354	-	-	-	-	-	**39,229**
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	**-**
Owned - donated/granted	-	1,416	-	-	362	-	-	-	**1,778**
NBV total at 31 March 2021	**3,225**	**58,882**	**1,676**	**27,564**	**11,528**	**-**	**3,215**	**290**	**106,380**

Note 16 Donations of property, plant and equipment

The Trust has received Government funding of £4,813k to develop assets as part of an integrated energy system. These have been recorded as tangible assets and the funding recorded as income in 2021/22. In 2020/21 the corresponding value of Government funding of equipment was £362k.

Note 17 Revaluations of property, plant and equipment

The Trust's estate was valued as at 31 March 2022 by Mr Neil Rayner BSc (Hons) MSc DIC MRICS, Principal Surveyor at the District Valuation Service (DVS).

The valuations took the form of a desk-top asset valuation report as at 31 March 2022. This was based on an update to the full valuation carried out as at 1 April 2017 which was based on an inspection of the properties and sites. The valuation also undertook a full valuation of assets where known changes had been identified. The valuation basis used was on an optimised MEA basis. This represented a continuation of valuation methodology. The valuation has been undertaken having regard to International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and in accordance with HM Treasury guidance, International Valuation Standards and the requirements of the Royal Institution of Chartered Surveyors (RICS) Professional Standards 2014 UK edition.

Impact of the Estate valuation

The valuation of the Trust's estate has resulted in a small increase to the value assigned to land. The valuations relating to buildings have not changed with the exception of the PFI building where the value has reduced slightly. The valuation of the new ward block on completion resulted in a significant impairment to the asset value which has been reflected in the SoCI. The valuation methodology using the optimised MEA approach to valuing specialised assets has been retained and is consistent with the prior year.

Useful economic lives (minimum to maximum applied - years)	**2021/22**	**2020/21**
Buildings (excl dwellings)	19-41	20-42
Dwellings	21-28	21-28
Plant & Machinery	5-15	5-15
Transport equipment	5-5	5-5
Information Technology	3-5	3-10
Furniture & Fittings	4-25	1-25
Intangible Assets		
Software and licences	3-7	3-7

Note 18 Disclosure of interests in other entities

The Trust retains a 14% share in Hoople Limited, established in 2011 as a joint venture between Herefordshire County Council and local health organisations. Previously the share was 16% but this has been amended to reflect the addition of Lincolnshire County Council as having an interest in the company. The value of the Trust's share in the company is estimated to be £421k (2020/21, £380k).

Note 19 Inventories

	31 March 2022	31 March 2021
	£000	£000
Drugs	1,751	1,305
Consumables	3,290	3,061
Energy	51	40
Total inventories	**5,092**	**4,406**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £29,059k (2020/21: £30,208k). Write-down of inventories recognised as expenses for the year were £0k (2020/21: £635k).

The trust has also recognised losses in pharmacy in-year relating to date-expired stocks and these have been recognised in year as losses and accounted for accordingly.

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2021/22 the Trust received £1,532k of items purchased by DHSC (2020/21: £4,640k).

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.

Note 20.1 Receivables

	31 March 2022 £000	31 March 2021 £000
Current		
Contract receivables	8,309	6,582
Allowance for impaired contract receivables / assets	(622)	(320)
Deposits and advances	-	14
Prepayments (non-PFI)	2,046	1,758
PDC dividend receivable	189	-
VAT receivable	1,256	954
Other receivables	1,682	1,263
Total current receivables	**12,860**	**10,251**
Non-current		
Contract receivables	437	380
Other receivables	442	581
Total non-current receivables	**879**	**961**
Of which receivable from NHS and DHSC group bodies:		
Current	3,963	4,199
Non-current	442	581

Note 20.2 Allowances for credit losses

	2021/22		2020/21	
	Contract receivables and contract assets	**All other receivables**	**Contract receivables and contract assets**	**All other receivables**
	£000	**£000**	**£000**	**£000**
Allowances as at 1 April - brought forward	**320**	**-**	**352**	**-**
New allowances arising	16	-	-	-
Changes in existing allowances	286	-	-	-
Reversals of allowances	-	-	(32)	-
Allowances as at 31 Mar	**622**	**-**	**320**	**-**

This applies to non-NHS debts only and also excludes Welsh NHS bodies.

Although the Trust employs the services of a debt collection agency, the impairment was calculated whilst being mindful of whether such outstanding amounts were uneconomic to recover. Furthermore, where extenuating circumstances existed which could impact on successful recovery, these were considered on a case by case basis.

Contractual cash flows have been modified without derecognition of the receivable / financial asset (IFRS 7, para 35J)

Amounts written off in the year are still subject to enforcement activity (IFRS 7, para 35L)

Note 20.3 Exposure to credit risk

Credit Provision - 2021/22	Opening balance	New provisions	Closing balance
RTA	296	277	573
General bad debt provision	24	25	49
Total	**320**	**302**	**622**

The RTA provision reflects an increased recognition of RTA income over the value of claims settled. This has resulted in an increase in the credit provision which is based on 23.76% of accrued income.
The general provision is calculated based on a set percentage of Non NHS receivables as at 31 March 2022.

Note 21 Cash and cash equivalents movements

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

	2021/22	2020/21
	£000	£000
At 1 April	**42,115**	**16,536**
Net change in year	(2,407)	25,579
At 31 March	**39,708**	**42,115**
Broken down into:		
Cash at commercial banks and in hand	47	21
Cash with the Government Banking Service	39,661	42,094
Total cash and cash equivalents as in SoFP and SoCF	**39,708**	**42,115**

Note 22.1 Trade and other payables

	31 March 2022 £000	31 March 2021 £000
Current		
Trade payables	5,452	4,711
Capital payables	3,449	4,881
Accruals	19,501	18,080
Receipts in advance and payments on account	3,893	2,546
Social security costs	1,927	1,793
Other taxes payable	1,629	1,466
PDC dividend payable	-	57
Other payables	2,531	2,550
Total current trade and other payables	**38,382**	**36,084**
Non-current		
Total non-current trade and other payables	**-**	**-**
Of which payables from NHS and DHSC group bodies:		
Current	5,656	6,506

Note 23.1 Borrowings

	31 March 2022 £000	31 March 2021 £000
Current		
Obligations under finance leases	980	534
Obligations under PFI, LIFT or other service concession contracts	3,994	3,845
Total current borrowings	**4,974**	**4,379**
Non-current		
Obligations under finance leases	3,732	4,181
Obligations under PFI, LIFT or other service concession contracts	30,237	34,231
Total non-current borrowings	**33,969**	**38,412**

Note 23.2 Reconciliation of liabilities arising from financing activities - 2021/22

	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2021	**-**	**4,715**	**38,076**	**42,791**
Cash movements:				
Financing cash flows - payments and receipts of principal	-	(869)	(3,845)	**(4,714)**
Financing cash flows - payments of interest	-	(230)	(1,290)	**(1,520)**
Non-cash movements:				
Additions	-	866	-	**866**
Application of effective interest rate	-	230	1,290	**1,520**
Carrying value at 31 March 2022	**-**	**4,712**	**34,231**	**38,943**

Note 23.3 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2020	**193,146**	**3,588**	**41,786**	**238,520**
Cash movements:				
Financing cash flows - payments and receipts of principal	(192,389)	(676)	(3,710)	**(196,775)**
Financing cash flows - payments of interest	(757)	(264)	(1,416)	**(2,437)**
Non-cash movements:				
Additions	-	1,803	-	**1,803**
Application of effective interest rate	-	264	1,416	**1,680**
Carrying value at 31 March 2021	**-**	**4,715**	**38,076**	**42,791**

Note 24 Finance leases

Note 24.1 Wye Valley NHS Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2022	31 March 2021
	£000	£000
Gross lease liabilities	**4,712**	**4,715**
of which liabilities are due:		
- not later than one year;	980	534
- later than one year and not later than five years;	3,144	2,285
- later than five years.	588	1,896
Net lease liabilities	**4,712**	**4,715**
of which payable:		
- not later than one year;	980	534
- later than one year and not later than five years;	3,144	2,285
- later than five years.	588	1,896

The above table refers to a Managed Equipment Service which commenced in April 2018. The MES was put in place to manage equipment replacement and to provide a service within the Radiology department. The equipment provided under the terms of the MES is included within the Trust SoFP. The MES agreement is for 11 years from April 2018 and allows for the replacement of equipment throughout the the duration of the contract.

Note 25.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2021	**228**	**852**	**581**	**1,661**
Change in the discount rate	5	43	-	**48**
Arising during the year	(4)	36	-	**32**
Utilised during the year	(13)	(32)	(139)	**(184)**
Unwinding of discount	6	43	-	**49**
At 31 March 2022	**222**	**942**	**442**	**1,606**
Expected timing of cash flows:				
- not later than one year;	13	29	-	**42**
- later than one year and not later than five years;	51	141	-	**192**
- later than five years.	158	772	442	**1,372**
Total	**222**	**942**	**442**	**1,606**

Legal claims relate to permanent injury benefit for three former employees which is paid quarterly until death and employer liability claims which are currently being processed by the Trust's insurers. The provision for 2021/22 has been revised using updated actuarial life tables provided by the Office for National Statistics. The discount rate applicable to these and pensions provisions has been changed to 1.55% nominal in 2021/22 (2020/21 1.25%) by HM Treasury.

The Other category relates to a provision relating to the potential tax liability on Consultant's superannuation contributions. The Trust participates in a national scheme to indemnify Consultants against additional tax liabilities.

Note 25.2 Clinical negligence liabilities

At 31 March 2022, £112,033k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Wye Valley NHS Trust (31 March 2021: £73,271k).

Note 26 Contractual capital commitments

	31 March 2022 £000	31 March 2021 £000
Property, plant and equipment	1,093	2,568
Intangible assets	502	436
Total	**1,595**	**3,004**

The Trust is engaged in a major ward development on the main Hospital site. The main ward block has been completed but there are outstanding contractual items relating to some pieces of equipment and to the demolition of older buildings no longer in use which is part of the overall contract. In addition, the Trust has contractual commitments relating to its Electronic Patient Record and Electronic Prescribing systems in development. These are identified as intangible assets.

Note 27 On-SoFP PFI, LIFT or other service concession arrangements

The PFI project involved the redevelopment of the site at Hereford County Hospital to enable the Trust to integrate its existing operations on that one site, thus ensuring that the previous sites at the General Hospital and Victoria Eye Hospital became surplus to requirements. The 30 year contract saw the Trust's PFI partner become responsible for the provision of design, construction, insurance, ongoing maintenance and hotel services at the County Hospital. Furthermore, the contract replaced some major equipment within the Radiology department.

The contract start date of the scheme was 16 April 1999 with the end of the concession period being 15 April 2029. At this date, the assets revert to the ownership of the Trust.

Under the terms of the Trust's PFI contract, its PFI partner has leased, with full title guarantee, the land at Hereford County Hospital over a period of 125 years at peppercorn rent. However, the lease will automatically cease on expiry of the PFI agreement.

Under IFRIC 12, the asset is treated as an asset of the Trust. The substance of the contract is that the Trust has a finance lease and payments comprise two elements – imputed finance lease charges and service charges. Both elements are shown in the tables below.

The information below is required by the Department of Heath for inclusion in national statutory accounts.

Note 27.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

The following obligations in respect of the PFI, LIFT or other service concession arrangements are recognised in the statement of financial position:

	31 March 2022	31 March 2021
	£000	£000
Gross PFI, LIFT or other service concession liabilities	**39,115**	**44,250**
Of which liabilities are due		
- not later than one year;	5,155	5,135
- later than one year and not later than five years;	22,633	21,931
- later than five years.	11,327	17,184
Finance charges allocated to future periods	(4,884)	(6,174)
Net PFI, LIFT or other service concession arrangement obligation	**34,231**	**38,076**
- not later than one year;	3,994	3,845
- later than one year and not later than five years;	19,458	18,141
- later than five years.	10,779	16,090

Note 27.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	31 March 2022	31 March 2021
	£000	£000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**192,004**	**194,452**
Of which payments are due:		
- not later than one year;	25,499	22,319
- later than one year and not later than five years;	108,314	94,815
- later than five years.	58,191	77,318

Note 27.3 Analysis of amounts payable to service concession operator

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

	2021/22	2020/21
	£000	£000
Unitary payment payable to service concession operator	**22,555**	**21,616**
Consisting of:		
- Interest charge	1,290	1,416
- Repayment of balance sheet obligation	3,845	3,710
- Service element and other charges to operating expenditure	11,340	10,331
- Revenue lifecycle maintenance	1,220	1,552
- Contingent rent	4,860	4,607
Total amount paid to service concession operator	**22,555**	**21,616**

Note 27.4 Payments committed to in respect of all off SOFP PFI and the lifecycle element of on SOFP PFI	**2021/22**	**2020/21**
Analysed by when PFI payments are due	**£000**	**£000**
No Later than One Year	**1,108**	1,220
Later than One Year, No Later than Five Years	**1,170**	2,216
Later than Five Years	**42**	103
Total	**2,320**	3,539

Note 27.5 Payments committed to in respect of all off SOFP PFI and the interest element of on SOFP PFI	**2021/22**	**2020/21**
Analysed by when PFI payments are due	**£000**	**£000**
No Later than One Year	**1,160**	1,290
Later than One Year, No Later than Five Years	**3,175**	3,790
Later than Five Years	**548**	1,094
Total	**4,883**	6,174

Note 27.6 Present Value Imputed 'finance lease' obligations for on SOFP PFI contracts due	**2021/22**	**2020/21**
Analysed by when PFI payments are due	**£000**	**£000**
No Later than One Year	**3,994**	3,845
Later than One Year, No Later than Five Years	**19,458**	18,141
Later than Five Years	**10,779**	16,090
Total	**34,231**	38,076

Note 27.7 Number of on SoFP PFI Contracts

Total number of on SoFP PFI contracts	1
Number of on PFI contracts which individually have a total commitments value in excess of £500m.	0

Note 27.8 PFI Lifecycle Costs

The Trust accounts for lifecycle costs in line with the operators model. All lifecycle costs are expensed due to the uncertainty in the timing of the capital programme. The capital element expensed in 2021/22 is £1,220k (2020/21 £1,552k). The future total commitments for lifecycle costs is disclosed in Note 27.4.

The current operator model does not include inflation although the future liabilities disclosed in Note 24.1 have been adjusted to reflect the impact of future years inflation assumptions.

Note 28 Financial instruments

Note 28.1 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 Trust has with its NHS 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 treasury 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. All treasury activity is subject to review by the Trust’s internal auditors.

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

In prior years the Trust has borrowed from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. The Trust's borrowing was restructured in 2020/21 when all DHSC loans were re-financed as Public Dividend Capital. This eliminated DHSC loans and risk relating to interest payments.

The Trust has entered in to an MES agreement for Radiology services and in addition holds leases for the medical equipment. These agreements incorporate implied interest rates which are fixed under the contractual agreements.

The Trust therefore has low exposure to interest rate fluctuations.

Inflation risk

The Trust's contract with its PFI provider allows for an annual uplift of non-pay related elements of the contract linked to the RPI. This represents a risk in relation to ongoing high levels of inflation.

Credit risk

Because the majority of the Trust’s revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 2021/22 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust’s operating costs are incurred under contracts with clinical commissioning groups, 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.

Note 29.1 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2022	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Trade and other receivables excluding non financial assets	8,313	-	-	**8,313**
Other investments / financial assets	-	-	-	**-**
Cash and cash equivalents	39,708	-	-	**39,708**
Total at 31 March 2022	**48,021**	**-**	**-**	**48,021**

Carrying values of financial assets as at 31 March 2021	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Trade and other receivables excluding non financial assets	6,769	-	-	**6,769**
Other investments / financial assets	-	-	-	**-**
Cash and cash equivalents	42,115	-	-	**42,115**
Total at 31 March 2021	**48,884**	**-**	**-**	**48,884**

Note 29.2 Carrying values of financial liabilities

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

Carrying values of financial liabilities as at 31 March 2022	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Obligations under finance leases	4,712	-	**4,712**
Obligations under PFI, LIFT and other service concession contracts	34,231	-	**34,231**
Trade and other payables excluding non financial liabilities	30,770	-	**30,770**
Total at 31 March 2022	**69,713**	**-**	**69,713**

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Obligations under finance leases	4,715	-	**4,715**
Obligations under PFI, LIFT and other service concession contracts	38,076	-	**38,076**
Trade and other payables excluding non financial liabilities	30,222	-	**30,222**
Total at 31 March 2021	**73,013**	**-**	**73,013**

Note 29.3 Maturity of financial liabilities

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

	31 March 2022 £000	31 March 2021 £000
In one year or less	36,905	35,891
In more than one year but not more than five years	25,777	24,216
In more than five years	11,915	19,080
Total	**74,597**	**79,187**

Note 29.4 Fair values of financial assets and liabilities

Book value (carrying value) is deemed to be a reasonable approximation of fair value for all the financial assets and liabilities disclosed.

Note 30 Losses and special payments

	2021/22		2020/21	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Bad debts and claims abandoned	421	5	496	8
Stores losses and damage to property	23	126	24	210
Total losses	**444**	**131**	**520**	**218**
Special payments				
Ex-gratia payments	34	18	29	428
Total special payments	**34**	**18**	**29**	**428**
Total losses and special payments	**478**	**149**	**549**	**646**
Compensation payments received		-		-

Note 31 Gifts

No gifts were made by the Trust in 2021/2 or 2020/21 above the disclosure threshold.

Note 32 Related parties

The Department of Health is regarded as a related party. During the year 2021/22, Wye Valley NHS 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. Those entities where transactions during the year were greater than £100k and/or outstanding balances at 31 March 2022 were greater than £50k are listed below:

NHS England
NHS Blood and Transplant Authority
NHS Resolution
Care Quality Commission
NHS Coventry and Warwickshire CCG
NHS Herefordshire & Worcestershire CCG
NHS Gloucestershire CCG
NHS Shropshire, Telford and Wrekin CCG
NHS Business Services Authority (including Pensions Scheme)
Sandwell And West Birmingham Hospitals NHS Trust
Health Education England
NHS Property Services
Royal Wolverhampton NHS Trust
Herefordshire and Worcestershire Health and Care NHS Trust
Worcestershire Acute Hospitals NHS Trust

In addition, the Trust has had a number of material transactions (within the limits defined above) with other government departments and other central and local government bodies. The largest of these transactions has been with Herefordshire Council, however, most have been with Foundation Trusts (such as South Warwickshire NHS Foundation Trust plus Gloucestershire Hospitals NHS Foundation Trust, Gloucestershire Health and Care NHS Foundation Trust, Birmingham Womens and Childrens NHS Foundation Trust and University Hospitals Birmingham NHS Foundation Trust). The Trust also engages in activity with the Welsh Assembly Government (primarily through the Welsh Health Boards) which accounts for £16.9m of income. The Trust also engages with HM Revenue and Customs in relation to income tax, NI and VAT transactions.

Note 33 Events after the reporting date

None to report.

Note 34 Better Payment Practice code

Non-NHS Payables	2021/22 Number	2021/22 £000	2020/21 Number	2020/21 £000
Total non-NHS trade invoices paid in the year	55,596	129,766	48,280	120,879
Total non-NHS trade invoices paid within target	51,731	119,776	41,800	108,958
Percentage of non-NHS trade invoices paid within target	93.0%	92.3%	86.6%	90.1%
NHS Payables				
Total NHS trade invoices paid in the year	1,256	14,507	1,284	12,538
Total NHS trade invoices paid within target	1,051	12,832	928	10,784
Percentage of NHS trade invoices paid within target	83.7%	88.5%	72.3%	86.0%

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

Note 35 External financing limit

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

	2021/22 £000	2020/21 £000
Cash flow financing	4,544	1,899
External financing requirement	**4,544**	**1,899**
External financing limit (EFL)	4,544	10,219
Under / (over) spend against EFL	**-**	**8,320**

Note 36 Capital Resource Limit

	2021/22 £000	2020/21 £000
Gross capital expenditure	18,650	32,775
Less: Disposals	(305)	-
Less: Donated and granted capital additions	(4,813)	(521)
Charge against Capital Resource Limit	**13,532**	**32,254**
Capital Resource Limit	15,131	41,573
Under / (over) spend against CRL	**1,599**	**9,319**

Note 37 Breakeven duty financial performance

	2021/22 £000	2020/21 £0
Adjusted financial performance surplus / (deficit) (control total basis)	1,536	2,347
Breakeven duty financial performance surplus / (deficit)	**1,536**	**2,347**

Note 38 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		1,165	46	(1,958)	294	1,029	844
Breakeven duty cumulative position	1,510	2,675	2,721	763	1,057	2,086	2,930
Operating income		116,785	121,544	171,898	175,798	173,450	182,637
Cumulative breakeven position as a percentage of operating income		2.3%	2.2%	0.4%	0.6%	1.2%	1.6%

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(20,456)	(37,204)	(26,158)	(42,219)	(17,058)	2,347	1,536
Breakeven duty cumulative position	(17,526)	(54,730)	(80,888)	(123,107)	(140,165)	(137,818)	(136,282)
Operating income	178,046	177,567	188,498	186,020	231,646	267,580	304,155
Cumulative breakeven position as a percentage of operating income	(9.8%)	(30.8%)	(42.9%)	(66.2%)	(60.5%)	(51.5%)	(44.8%)

Since 2008/9, the trust has faced financial challenges. Up until 2014/15 the Trust maintained a cumulative break-even/surplus position only with the assistance of non-recurrent monies. From 2015/16, the trust has not received non-recurrent funding and consequently has not attained its cumulative break-even position. The Trust made a surplus (adjusted for one-off items - impairments and Government grants) in 2021/22 as a result of the continuation of policies to fully fund NHS Trusts during the Coronavirus pandemic.

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

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

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

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

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

Accountable Officer: Glen Burley

Organisation: Wye Valley NHS Trust

Signature:

Date: 04/08/2022

Statement of directors' responsibilities in respect of the accounts

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

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

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

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

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

By order of the Board

Date 04/08/2022 Glen Burley, Chief Executive

Date 04/08/2022 Katie Osmond, Chief Finance Officer