

**The Princess Alexandra Hospital NHS Trust
Annual Accounts for year ended
31 March 2021**

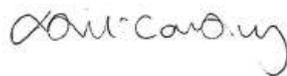
Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

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

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

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

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



Chief Executive _____

Date: 11 June 2021

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



Chief Executive

Date: 11 June 2021



Finance Director

Date: 11 June 2021

Independent Auditor's Report To The Directors Of The Princess Alexandra Hospital NHS Trust

Qualified Opinion

We have audited the financial statements of The Princess Alexandra Hospital NHS Trust for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Trust's Statement of Comprehensive Income, the Trust Statement of Financial Position, the Trust Statement of Changes in Taxpayers' Equity, the Trust Statement of Cash Flows and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 HM Treasury's Financial Reporting Manual (the 2020/21 FReM) as contained in the Department of Health and Social Care Group Accounting Manual 2020/21 and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to the National Health Service in England (the Accounts Direction).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of The Princess Alexandra Hospital NHS Trust as at 31 March 2021 and of its expenditure and income for the year then ended; a
- have been prepared properly in accordance with the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012) and the Accounts Directions issued thereunder.

Basis for qualified opinion

Due to the restrictions on movement imposed as a result of the Coronavirus pandemic, in 2019/20 the Trust was unable to undertake, and we were unable to observe, the counting of physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 March 2020, which are included as comparatives in the balance sheet at £4.565 million, by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary the year ended 31 March 2021.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of 12 months to 30 June 2022 from when the financial statements are authorised for issue.

Independent Auditor's Report To The Directors Of The Princess Alexandra Hospital NHS Trust (continued)

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report 2020 – 2021, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the comparative inventory quantities of £4.565 million held at 31 March 2020. We have concluded that where the other information refers to the comparative inventory balance, it may be materially misstated for the same reason.

Opinion on other matters prescribed by the Health Services Act 2006

Basis for qualification on the Remuneration Report

The Remuneration Report, set out on pages 73 to 82, does not disclose the total accrued pension, Accrued Lump Sum and the Cash Equivalent Transfer Value for the Acting Chief Medical Officer and Medical Director because the NHS Business Services Authority did not request the information from the NHS Pensions Agency.

Qualified opinion on the Remuneration Report

Except for the reasons set out in the basis for qualification on the Remuneration report, in our opinion the part of the Remuneration Report subject to audit has been prepared properly in accordance with requirements of the National Health Service Act 2006.

Opinion on the Staff Report

In our opinion the part of the Staff Report subject to audit has been prepared properly in accordance with requirements of the National Health Service Act 2006.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the governance statement does not comply with the NHS Improvement's guidance; or
- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or

Independent Auditor's Report To The Directors Of The Princess Alexandra Hospital NHS Trust (continued)

- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibilities of the Directors and Accountable Officer

As explained more fully in the Statement of Directors' Responsibilities in respect of the Accounts, set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to cease operations, or has no realistic alternative but to do so.

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for ensuring that the financial statements are prepared in a format directed by the Secretary of State and for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibility for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Trust and determined that the most significant are the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012), as well as relevant employment laws of the United Kingdom. In addition, the Trust has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection and health & safety.

Independent Auditor's Report To The Directors Of The Princess Alexandra Hospital NHS Trust (continued)

- We understood how The Princess Alexandra Hospital NHS Trust is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit and those charged with governance and obtaining and reviewing documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our review of the Trust's board minutes, through enquiry of employees to verify Trust policies, and through the inspection of HR Policies and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of the Trust's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we reviewed the Trust's manual year end receivable and payable accruals, challenging assumptions and corroborating the income and expenditure to appropriate evidence. We tested year-end cut-off arrangements by selecting samples of income and expenditure from either side of the 31 March 2021 balance sheet date and reviewing to supporting evidence to ensure these were recorded in the appropriate financial year. We also undertook cut-off testing of expenditure as at month 6 of the financial year to establish whether the Trust had incorrectly included expenditure relating to later months that would trigger Reimbursement and top-up funding for that period of the financial year that it would otherwise not be entitled to.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Trust's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the population of manual journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report To The Directors Of The Princess Alexandra Hospital NHS Trust (continued)

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the Trust had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of The Princess Alexandra Hospital NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Board of Directors of The Princess Alexandra Hospital NHS Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose. Our audit work has been undertaken so that we might state to the Directors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson
Ernst + Young LLP

Debbie Hanson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton

17-Jun-21

Statement of Comprehensive Income

	Note	2020/21 £000's	2019/20 £000's
Operating income from patient care activities	3	267,835	246,747
Other operating income	4	47,287	41,744
Operating expenses	6	(308,104)	(286,048)
Operating surplus from continuing operations		7,018	2,443
Finance income	11	-	85
Finance expenses	12	(18)	(2,032)
PDC dividends payable	22	(3,034)	-
Net finance costs		(3,052)	(1,947)
Surplus for the year from continuing operations		3,966	496
Other comprehensive income			
Revaluations		-	613
Other recognised gains and losses		1	117
Total comprehensive income for the period		1	730
Adjusted financial performance (control total basis):			
Surplus for the period		3,966	496
Net impairments not scoring to DHSC expenditure limit		341	-
Net impact of inventories received from DHSC for COVID response		(655)	-
Remove I&E impact of capital grants and donations		(1,836)	(78)
Remove 2018/19 post audit PSF reallocation		-	(368)
Adjusted financial performance surplus		1,816	50

The Princess Alexandra Hospital NHS Trust
Annual Accounts 2020/21

Statement of Financial Position

	Note	31 March 2021 £000's	31 March 2020 £000's
Non-current assets			
Intangible assets	14	7,169	7,633
Property, plant and equipment	15	137,845	117,405
Receivables	18	1,189	692
Total non-current assets		146,203	125,730
Current assets			
Inventories	17	5,697	4,565
Receivables	18	8,381	49,837
Cash and cash equivalents	19	65,242	1,144
Total current assets		79,320	55,546
Current liabilities			
Trade and other payables	20	(49,070)	(27,068)
Borrowings	22	(30)	(150,958)
Provisions	24	(1,142)	(1,186)
Other liabilities	21	(2,180)	(1,158)
Total current liabilities		(52,422)	(180,370)
Total assets less current liabilities		173,101	906
Non-current liabilities			
Borrowings	22	(10)	(40)
Provisions	24	(1,077)	(767)
Total non-current liabilities		(1,087)	(807)
Total assets employed		172,014	99
Financed by			
Public dividend capital		320,559	133,863
Revaluation reserve		591	19,343
Income and expenditure reserve		(149,136)	(153,107)
Total taxpayers' equity		172,014	99

The notes on pages 13 to 49 form part of these accounts.

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Chief Executive

11 June 2021
Date

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000's	£000's	£000's	£000's
Taxpayers' equity at 1 April 2020	133,863	19,343	(153,107)	99
Surplus for the year	-	-	3,966	3,966
Other transfers between reserves	-	(5)	5	-
Impairments	-	(18,748)	-	(18,748)
Revaluations	-	-	-	-
Other recognised gains and losses	-	1	-	1
Public dividend capital received	186,696	-	-	186,696
Taxpayers' equity at 31 March 2021	320,559	591	(149,136)	172,014
Taxpayers' equity at 1 April 2019	130,918	18,626	(153,616)	(4,072)
Surplus for the year	-	-	496	496
Other transfers between reserves	-	(13)	13	-
Revaluations	-	613	-	613
Other recognised gains and losses	-	117	-	117
Public dividend capital received	2,945	-	-	2,945
Taxpayers' equity at 31 March 2020	133,863	19,343	(153,107)	99

Public Dividend Capital

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

Income and Expenditure Reserve

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

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.

Statement of Cash Flows

	Note	2020/21 £000's	2019/20 £000's
Cash flows from operating activities			
Operating surplus		7,018	2,443
Non-cash income and expense:			
Depreciation and amortisation	6	10,451	9,385
Net impairments	7	341	-
Income recognised in respect of capital donations	4	(1,857)	(98)
Decrease / (increase) in receivables and other assets		41,230	(30,746)
Increase in inventories		(1,132)	(50)
Increase in payables and other liabilities		11,374	3,989
Increase in provisions		273	1,015
Net cash flows from / (used in) operating activities		67,698	(14,062)
Cash flows from investing activities			
Interest received		4	85
Purchase of intangible assets		(446)	(522)
Purchase of PPE and investment property		(35,562)	(13,042)
Net cash flows from / (used in) investing activities		(36,004)	(13,479)
Cash flows from financing activities			
Public dividend capital received		186,696	2,945
Movement on loans from DHSC		(150,467)	26,511
Capital element of finance lease rental payments		(30)	(20)
Interest on loans		(461)	(1,937)
PDC dividend paid		(3,309)	-
Cash flows used in other financing activities		(25)	(11)
Net cash flows from financing activities		32,404	27,488
Increase / (decrease) in cash and cash equivalents		64,098	(53)
Cash and cash equivalents at 1 April		1,144	1,197
Cash and cash equivalents at 31 March	19	65,242	1,144

Notes to the Accounts

Note 1. Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2020/21 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Note 1.1.1 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 1.1.2 Going concern

These accounts have been prepared on a going concern basis, in accordance with the definition as set out in section 4 of the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM) which outlines the interpretation of IAS1 'Presentation of Financial Statements' as "the anticipated continuation of the provision of a service in the future, as evidenced by the inclusion of financial provision for that service in published documents".

The Directors of the Trust have considered whether there are any local or national policy decisions that are likely to affect the continued funding and provision of services by the Trust. The Trust is a member of the Hertfordshire and West Essex Integrated Care System (ICS). The ICS has published its Strategic Delivery Plan and NHS Long Term Plan response for the five year period 2020/21 - 2024/25 and this plan includes the continued provision of services by the Trust. In addition, the Trust continues to develop an Outline Business Case to build a new hospital, which is being supported by a variety of stakeholders. No circumstances were identified causing the Directors to doubt the continued provision of NHS services.

For the 2020/21 financial year, the Trust achieved a surplus of £1.8m against a planned deficit of £0.4m. Income from our local Clinical Commissioning Groups was largely based on the adapted finance regime introduced in response to the COVID-19 pandemic and this provided predictability and improved cash flow with the Trust finishing the year with a £65.2m cash balance. Additional costs arising from the pandemic were reimbursed in the first half the year and incorporated into a block payment basis for the second half of the year.

In April 2020, the DHSC and NHS England and NHS Improvement (NHSE/I) announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue loans as at 31 March 2020 were extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow their repayment. Consequently, the Trust received PDC of £146.2m to repay these loans which had accumulated from prior year deficits. In addition, capital loans of £4.3m were also extinguished and replaced with PDC and therefore total net assets increased by £150.5m. This strengthened the value of the Trust's Statement of Financial Position and means that the Trust is no longer required to generate surpluses to service this historic debt.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

For 2021/22 the current financial funding arrangements will remain in place for the first half of the year, with additional funding to support elective recovery post COVID.

The national financial arrangements for the second half of the year are not fully known at this stage and while the implications of COVID-19 should be greatly reduced, there is likely to be some ongoing effect and, potentially, additional funding for this. The Trust's income is largely based on commissioner block contracts which will continue throughout the second half of the year. Reducing the Trust's underlying cost base and increasing efficiencies is essential with the focus on delivering a cost-improvement programme of £6.7m (or 2.2%). In 2019/20, the Trust achieved £9.9m (or 3.4%) of cost improvements and therefore is reasonably assured of being able to achieve this target.

The Trust has prepared a cash forecast modelled on the above expectations for funding during the going concern period to 30 June 2022. The cash forecast shows sufficient liquidity for the Trust to continue to operate during that period with no need to borrow. In addition, the Trust has access to working capital arrangements should the need for this arise. In conclusion, these factors, and the anticipated future provision of services in the public sector, support the Trust's adoption of the going concern basis for the preparation of the accounts.

Note 1.2 Critical judgements in applying accounting policies

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

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

- Adoption of the going concern basis (see note 1.1.2)
- Classification of leases as finance or operating leases. Leases have been reviewed to determine if they are classified as operating or finance leases in line with IAS17. Critical judgements include whether the ownership transfers at the end of the term, the level of risk transfer, whether the lease term is for a major part of the economic life of the asset and whether the present value of the minimum lease payment is substantially all of the fair value of the asset.

Department of Health and Social Care guidance specifies that the Trust's land and buildings should be valued on the basis of depreciated replacement cost, applying the Modern Equivalent Asset (MEA) concept. The MEA is defined as "the cost of a modern replacement asset that has the same productive capacity as the property being valued." Therefore the MEA is not a valuation of the existing land and buildings that the Trust holds, but a theoretical valuation for accounting purposes of what the Trust could need to spend in order to replace the current assets. The MEA valuation approach continues to be adopted by the Trust (Note 1.7.2). The Valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust. The valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Note 1.2.1 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:

Provisions (Note 24)

Provisions have been made for legal and constructive obligations of uncertain timing or amount as at the reporting date where the liability meets the recognition criteria of IAS 37. These are based on judgements and estimates of future cash flows and are dependent on future events. Any differences between expectations and the actual future liability will be accounted for in the period when such determination is made.

Public liability claims are based on information received from the NHS Resolution (NHSR, previously NHS Litigation Authority) which handles claims on behalf of the Trust. For cases not yet concluded, provision, or contingent liability, is made according to NHSR assessment of expected outcomes.

Pensions provisions are based on information received from NHS Pension Agency (part of NHS Business Services Authority).

Other provisions for legal and constructive obligations (including employment) are made by management, and informed by professional opinion. Provisions are made where past events are known and settlement by the Trust is probable and a reliable estimate can be made. As actual settlement is not known at the reporting date provisions are calculated on the best information available on likely settlement at the date the Accounts are approved.

Accruals

At the end of each accounting period management review expenditure items that are outstanding and estimate the amount to be accrued in financial statements. Accruals are generally based on estimates and judgements of historical trends and outcomes. Any variation in prior periods has not been material to the Accounts.

Inventories

In 2019/20 the Trust was unable to perform a complete stocktake of all inventory items, specifically the impact of COVID led to an inability to access some clinical areas e.g. Theatres. For those areas not counted in 2019/20 the Trust performed a mid year stocktake count during September 2021. In addition, during March 2021 the Trust has re-performed a full inventory count of all inventory held. To ensure completeness and accuracy of inventory verification this exercise was supported by a suitably qualified third party. The final value of the stockholding was £5.7m. This compares to the previous calculated stock value of £4.6m. The increase in inventory includes consumables and drugs increases totalling £0.5m. In addition during 2020/21, and as part of the response to COVID the Trust received 'Push' deliveries of Personal Protective Equipment (PPE). The cost of this PPE was funded centrally with the closing stock of PPE inventory recorded as held by the Trust. The value of this stock is £0.6m.

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. IAS 1 states that specific disclosure requirements as set out in individual standards or interpretations need not be satisfied if the information is not material, and on that basis the Trust has not consolidated its Charitable Funds.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Note 1.4 Revenue

Note 1.4.1 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.

Revenue from NHS contracts

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

Current Year (2020/21)

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

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

Comparative period (2019/20)

In the comparative period (2019/20), the Trust's contracts with NHS commissioners included those where the Trust's entitlement to income varied according to services delivered. A performance obligation relating to delivery of a spell of health care was generally satisfied over time as healthcare was received and consumed simultaneously by the customer as the Trust performed it. The customer in such a contract was the commissioner, but the customer benefited as services were provided to their patient.

Even where a contract could be broken down into separate performance obligations, healthcare generally aligned with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that were substantially the same and had a similar pattern of transfer. At the year end, the Trust accrued income relating to activity delivered in that year, where a patient care spell was incomplete. This accrual was disclosed as a contract receivable as entitlement to payment for work completed was usually only dependent on the passage of time.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

For 2020/21 and 2019/20

Where the effects of practical expedients mandated by the GAM are material, these should be disclosed as accounting policies. These include: (1) As per paragraph 121 of the Standard the Trust does not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less. (2) The GAM does not require the Trust to disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date. (3) The GAM has mandated the exercise of the practical expedient offered in C7A of the Standard that requires the Trust to reflect the aggregate effect of all contracts modified before the date of initial application.

Revenue from research contracts

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

NHS injury cost recovery scheme

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

Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF)

In 2019/20, the Provider Sustainability Fund and Financial Recovery Fund enabled providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration. A revised financial regime was established for 2020/21 and PSF and PRF were not included within the revised regime.

Note 1.4.2 Other income

Grants and donations

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

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Apprenticeship service income

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

Note 1.5 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs - NHS Pension Scheme

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

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

Note 1.6 Expenditure on other goods and services

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

Note 1.7 Property, plant and equipment

Note 1.7.1 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 costs at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually cost 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.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

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

Note 1.7.2 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 (i.e. operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

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

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

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.

The valuation exercise was carried out from 13 January 2021 to 31 March 2021 with the valuation date being 31 March 2021. Valuations were undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted, and applied by the HMT Treasury FReM compliant with Department of Health Group Manual for Accounts. They are also prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation - Global Standards 2017 and RICS UK National Supplement, commonly known together as the 'Red Book'.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Impact of COVID-19 on valuation

In applying the RICS Valuation Global Standards the valuer has recognised the outbreak of the COVID-19 pandemic on the 11 March 2020. The valuer recognises the pandemic, and the measures taken to tackle COVID-19 continue to affect economies and real estate market. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuer's valuation is not reported as subject to 'material uncertainty' as defined by the RICS valuation - global standard.

In respect of the total value of estate, being the aggregate of current values, including depreciated replacement cost, of operating properties, the fair values of non-operational properties and excluding leased properties as at 31 March 2021 may be taken to be £89.985m. These values can be apportioned between land £8.150m and buildings £81.835m. On the basis, and for the reasons outlined above, the Board of Directors are content that the valuation used is reasonable and materially valid.

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.

Depreciation

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

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

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating expenditure.

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

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

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

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 1.7.3 De-recognition

Assets intended for disposal are reclassified as 'held for sale' once the criteria in IFRS 5 are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their fair value less costs to sell. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Note 1.7.4 Donated and grant funded assets

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

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

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

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Note 1.7.5 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Buildings	15	30
Plant & machinery	5	15
Transport equipment	3	7
Information technology	5	8
Furniture & fittings	5	15

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 1.8 Intangible assets

Note 1.8.1 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 when it meets the requirements set out in IAS 38.

Software

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

Note 1.8.2 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".

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Amortisation

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

Note 1.8.3 Useful economic life of intangible assets

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

	Min life Years	Max life Years
Information technology	5	8
Development expenditure	8	8

Note 1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method.

In 2020/21, the Trust received push 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 1.10 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 1.11 Financial assets and financial liabilities

Note 1.11.1 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 the Office of National Statistics (ONS).

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

Note 1.11.2 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.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

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

- Financial assets are classified as fair value through income and expenditure.
- Financial liabilities classified as fair value through income and expenditure.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income as a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Financial assets measured at fair value through other comprehensive income

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

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

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive Income.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

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 a 12 month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit loss if the credit risk assessed for the financial asset significantly increases (stage 2).

All outstanding non-NHS receivables over one year old are included in the credit loss allowance. Any receivable relating to prescription charges that are over six months old plus any receivable where the Trust considers there to be a high risk of being uncollectable are included. The amount included for Injury Cost Recovery receivables follows the DHSC GAM guidance (an allowance of 22.43% of outstanding receivables is included - was previously 21.79% in 2019/20).

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.

Note 1.11.3 De-recognition

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 1.12 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 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 as 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.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Note 1.12.1 The Trust as lessee

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability 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.

Note 1.12.2 The Trust as lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Trust's net investment outstanding in respect of the leases.

Operating lease

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Note 1.13 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 the discount rates published and mandated by HM Treasury. The discounted rate used by the Trust for Early Retirements is minus 0.95% in real terms (2019/20 rate was minus 0.50%).

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 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.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Note 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 26 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 26, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

Note 1.15 Public Dividend Capital

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

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

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, with certain additions and deductions as defined in the PDC dividend policy issued by the Department of Health and Social Care. This policy is available at

<https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts>.

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

Note 1.16 Value Added Tax (VAT)

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 1.17 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 1.18 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.

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Note 1.18 Foreign exchange (continued)

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

- monetary items are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1.19 Third party assets

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

Note 1.20 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 1.21 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 1.22 Early adoption of standards, amendments and interpretations

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

Notes to the Accounts

Note 1. Accounting policies and other information (continued)

Note 1.23 Standards, amendments and interpretations in issue but not yet effective or adopted

In light of COVID-19 pressures, HM Treasury and the Financial Reporting Advisory Board (FRAB) have decided that IFRS 16 implementation in the public sector will be deferred until 2021/22.

Note 1.24 Early adoption of standards, amendments and interpretations

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

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

IFRS 16 Leases

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

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

On transition to IFRS 16 on 1 April 2022, the Trust will apply the standard retrospectively 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. Currently this rate is 0.91% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. 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.

Note 1.25 Standards, amendments and interpretations in issue but not yet effective or adopted (cont.)

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's
Estimated impact on 1 April 2022 statement of financial position	
Additional right of use assets recognised for existing operating leases	18,492
Net impact on net assets on 1 April 2022	18,492
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(1,450)
Additional finance costs on lease liabilities	(216)
Lease rentals no longer charged to operating expenditure	1,484
Estimated impact on surplus / deficit in 2022/23	(182)

Note 2. Operating Segments

The nature of the Trust's services is the provision of healthcare. Similar methods are used to provide services across locations, since all policies, procedures and governance arrangements are Trust wide. As a Trust, all services are subject to the same regulatory environment and standards set out by our external performance managers. Accordingly the Trust operates one segment.

Note 3. Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	2020/21	2019/20
	£000's	£000's
Acute Services		
Block contract / system envelope income*	255,169	222,400
High cost drugs income from commissioners (excluding pass-through costs)	1,631	14,077
Other NHS clinical income	1,923	912
All services		
Private patient income	175	290
Additional pension contribution central funding**	7,061	6,440
Other clinical income	1,876	2,628
Total patient income from activities	267,835	246,747

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

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

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Note 3.2 Income from patient care activities (by source)

	2020/21	2019/20
	£000's	£000's
Income from patient care activities received from:		
NHS England	29,662	29,937
Clinical commissioning groups	236,425	215,150
Department of Health and Social Care	22	27
Other NHS providers	955	490
NHS other	1	103
Local authorities	-	19
Non-NHS: private patients	175	290
Non-NHS: overseas patients (chargeable to patient)	100	93
Injury cost recovery scheme	495	638
Total income from activities	267,835	246,747

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

	2020/21	2019/20
	£000's	£000's
Income recognised this year	100	93
Cash payments received in-year	92	43
Amounts added to provision for impairment of receivables	199	38
Amounts written off in-year	1	1

Note 4. Other operating income

	2020/21	2019/20
	£000's	£000's
Other operating income from contracts with customers		
Research and development	543	632
Education and training	7,644	6,772
Non-patient care services to other bodies	2,782	2,706
Provider sustainability fund (2019/20 only)	-	5,787
Financial recovery fund (2019/20 only)	-	21,829
Marginal rate emergency tariff funding (2019/20 only)	-	548
Reimbursement and top up funding	27,454	
Other income	1,318	3,271
Other non-contract operating income		
Receipt of capital grants and donations	1,857	98
Charitable and other contributions to expenditure	4,888	-
Rental revenue from operating leases	801	101
Total other operating income	47,287	41,744

Note 5. Additional information on contract revenue (IFRS 15) recognised in the period

	2020/21	2019/20
	£000's	£000's
Revenue recognised in the reporting period that was included within contract liabilities at the previous period end	613	656

Note 6. Operating expenses

	2020/21	2019/20
	£000's	£000's
Purchase of healthcare from NHS and DHSC bodies	2,426	4,741
Purchase of healthcare from non-NHS and non-DHSC bodies	4,768	3,880
Staff and executive directors costs	203,722	193,119
Remuneration of non-executive directors	114	94
Supplies and services - clinical (excluding drugs costs)	22,152	19,864
Supplies and services - general	3,133	3,395
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	21,087	20,189
Consultancy and professional services	3,419	3,532
Establishment	2,249	1,618
Premises	14,219	10,328
Transport (including patient travel)	652	816
Depreciation on property, plant and equipment	8,520	7,494
Amortisation on intangible assets	1,931	1,891
Net impairments	341	-
Movement in credit loss allowance: contract receivables / contract assets	526	158
Change in provisions discount rate	5	7
Audit fees payable to the external auditor		
audit services - statutory audit	138	73
Internal audit costs	89	104
Clinical negligence	13,010	9,924
Legal fees	382	416
Insurance	165	117
Education and training	710	741
Rentals under operating leases	2,624	2,292
Redundancy	35	11
Car parking & security	802	459
Hospitality	12	1
Losses, ex gratia & special payments	297	73
Other external services	199	276
Other	377	435
Total	308,104	286,048

During 2020/21 some items of operating expenditure were impacted by the response to COVID-19. For some items of expenses this led to comparative increases in expenditure and in some cases expenditure reduced when compared to 2019/20.

Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2 million (2019/20: £2 million).

Note 7. Impairment of assets

	2020/21 £000's	2019/20 £000's
Net impairments charged to operating surplus		
Changes in market price	341	-
Total net impairments charged to operating surplus	341	-
Impairments charged to the revaluation reserve	18,748	-
Total net impairments	19,089	-

Note 8. Employee benefits

	2020/21 £000's	2019/20 £000's
Salaries and wages	136,950	124,956
Social security costs	12,456	12,319
Apprenticeship levy	606	605
Employer's contributions to NHS pensions	23,171	21,144
Pension cost - other	36	35
Temporary staff (including agency)	33,141	35,865
Total gross staff costs	206,360	194,924
Total staff costs	206,360	194,924
Of which, included above		
Costs capitalised as part of assets	2,603	1,794
Redundancy	35	11
Total staff and executive directors costs	203,722	193,119

Note 8.1 Retirements due to ill-health

During 2020/21 there were three retirements from the Trust agreed on the grounds of ill-health (three in 2019/20). The estimated additional pension liabilities of these ill-health retirements is £147k (£151k in 2019/20).

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

Note 9. Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. 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.

Note 9. Pension costs (continued)

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling

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

NEST Pension Scheme

Where staff are not eligible for, or choose to opt out of, the NHS Pensions Scheme, they are entitled to join the National Employment Savings Trust (NEST) scheme.

NEST is a government-backed, defined contribution pension scheme set up to make sure that every employer can easily access a workplace pension scheme. The employer's contribution rate in 2020/21 was 3% (2019/20: 3%)

Note 10. Operating leases

Note 10.1 The Trust as a lessor

This note discloses income generated in operating lease agreements where the Trust is the lessor.

	2020/21 £000's	2019/20 £000's
Operating lease revenue		
Minimum lease receipts	801	101
Total	801	101
	31 March 2021 £000's	31 March 2020 £000's
Future minimum lease receipts due:		
- not later than one year;	311	101
- later than one year and not later than five years;	247	247
- later than five years.	146	146
Total	704	494

Note 10.2 The Princess Alexandra Hospital NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where The Princess Alexandra Hospital NHS Trust is the lessee.

	2020/21 £000's	2019/20 £000's
Operating lease expense		
Minimum lease payments	2,624	2,292
Total	2,624	2,292
	31 March 2021 £000's	31 March 2020 £000's
Future minimum lease payments due:		
- not later than one year;	1,881	2,089
- later than one year and not later than five years;	6,381	6,942
- later than five years.	8,606	9,320
Total	16,868	18,351

Note 11. Finance income

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

	2020/21 £000's	2019/20 £000's
Interest on bank accounts	-	85
Total finance income	-	85

Note 12. Finance expenditure

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

	2020/21 £000's	2019/20 £000's
Interest expense:		
Loans from the Department of Health and	-	2,019
Total interest expense	-	2,019
Unwinding of discount on provisions	(7)	2
Other finance costs	25	11
Total finance costs	18	2,032

Note 12.1 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

There were nil interest charges on late payments in 2020/21 (nil in 2019/20)

Note 13. Other gains / (losses)

There were no gains or losses from disposals of assets in 2020/21 (nil in 2019/20)

Note 14.1 Intangible assets - 2020/21

	Internally generated information technology £000's	Development expenditure £000's	Total £000's
Valuation / gross cost at 1 April 2020	116	15,295	15,411
Additions	1,467	-	1,467
Valuation / gross cost at 31 March 2021	1,583	15,295	16,878
Amortisation at 1 April 2020	36	7,742	7,778
Provided during the year	3	1,928	1,931
Amortisation at 31 March 2021	39	9,670	9,709
Net book value at 31 March 2021	1,544	5,625	7,169
Net book value at 1 April 2020	80	7,553	7,633

Note 14.2 Intangible assets - 2019/20

	Internally generated information technology £000's	Development expenditure £000's	Total £000's
Valuation / gross cost at 1 April 2019	48	14,860	14,908
Additions	68	435	503
Valuation / gross cost at 31 March 2020	116	15,295	15,411
Amortisation at 1 April 2019	21	5,866	5,887
Provided during the year	15	1,876	1,891
Amortisation at 31 March 2020	36	7,742	7,778
Net book value at 31 March 2020	80	7,553	7,633
Net book value at 1 April 2019	27	8,994	9,021

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Note 15.1 Property, plant and equipment - 2020/21	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Valuation/gross cost at 1 April 2020	8,150	80,176	11,637	28,028	279	21,480	1,169	150,919
Additions	-	9,762	25,018	9,064	-	4,169	36	48,049
Impairments	-	(19,089)	-	-	-	-	-	(19,089)
Reclassifications	-	17,340	-	(17,404)	64	-	-	-
Valuation/gross cost at 31 March 2021	8,150	88,189	36,655	19,688	343	25,649	1,205	179,879
Accumulated depreciation at 1 April 2020	-	569	-	19,701	109	12,011	1,124	33,514
Provided during the year	-	3,192	-	2,243	27	3,046	12	8,520
Accumulated depreciation at 31 March 2021	-	3,761	-	21,944	136	15,057	1,136	42,034
Net book value at 31 March 2021	8,150	84,428	36,655	(2,256)	207	10,592	69	137,845
Net book value at 1 April 2020	8,150	79,607	11,637	8,327	170	9,469	45	117,405
Note 15.2 Property, plant and equipment - 2019/20	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Valuation / gross cost at 1 April 2019	8,150	80,445	1,849	26,520	76	18,068	1,169	136,277
Additions	-	1,772	9,854	1,739	132	3,412	-	16,909
Revaluations	-	(2,107)	-	-	-	-	-	(2,107)
Reclassifications	-	66	(66)	(71)	71	-	-	-
Disposals / derecognition	-	-	-	(160)	-	-	-	(160)
Valuation/gross cost at 31 March 2020	8,150	80,176	11,637	28,028	279	21,480	1,169	150,919
Accumulated depreciation at 1 April 2019 - as previously stated	-	535	-	17,783	28	9,440	1,114	28,900
Provided during the year	-	2,754	-	2,149	10	2,571	10	7,494
Revaluations	-	(2,720)	-	-	-	-	-	(2,720)
Reclassifications	-	-	-	(71)	71	-	-	-
Disposals / derecognition	-	-	-	(160)	-	-	-	(160)
Accumulated depreciation at 31 March 2020	-	569	-	19,701	109	12,011	1,124	33,514
Net book value at 31 March 2020	8,150	79,607	11,637	8,327	170	9,469	45	117,405
Net book value at 1 April 2019	8,150	79,910	1,849	8,737	48	8,628	55	107,377

Note 16.3 Property, plant and equipment financing - 2020/21

	Land £000's	Buildings excluding dwellings £000's	Assets under construction £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
Net book value at 31 March 2021								
Owned - purchased	8,150	84,428	19,251	13,071	143	10,592	69	135,704
Finance leased	-	-	-	71	-	-	-	71
Owned - donated/granted	-	-	-	2,070	-	-	-	2,070
NBV total at 31 March 2021	8,150	84,428	19,251	15,212	143	10,592	69	137,845

Note 16.4 Property, plant and equipment financing - 2019/20

	Land £000's	Buildings excluding dwellings £000's	Assets under construction £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
Net book value at 31 March 2020								
Owned - purchased	8,150	79,607	11,637	8,110	170	9,469	45	117,188
Finance leased	-	-	-	83	-	-	-	83
Owned - donated/granted	-	-	-	134	-	-	-	134
NBV total at 31 March 2020	8,150	79,607	11,637	8,327	170	9,469	45	117,405

Note 16.4 Donations of property, plant and equipment

The Trust did not receive any donated assets from The PAH NHS Trust Charitable Fund (Registered Charity No 10547745) during 2020/21 (2019/20 £98k).

Note 16.5 Revaluations of property, plant and equipment

The Trust has undertaken a revaluation of land and buildings as at 31 March 2021 (see note 1.7.2). This work was performed by Mr Giles Awford BSc (Hons) MRICS, Principal Surveyor, District Valuer Services (DVS), the specialist property arm of the Valuation Office Agency (VOA). The valuation has been undertaken in accordance with International Finance Reporting Standard (IFRS) as interpreted by the HM Financial Reporting Manual (FRM) compliant with the DHSC Group Manual for Accounts (DHSC GAM). The valuation approach continues to adopt the Modern Equivalent Asset (MEA) concept. DHSC guidance specifies that land and buildings should be valued on the basis of depreciated replacement cost, applying the MEA concept. MEA is defined as 'the cost of a modern replacement asset that has the same productive capacity as the property being valued'. Therefore MEA is not a valuation of the existing land and buildings that the Trust holds but a theoretical valuation for accounting purposes of what the Trust could need to spend in order to replace the current assets.

Note 17. Inventories

	31 March 2021 £000's	31 March 2020 £000's
Drugs	1,668	1,451
Consumables	3,983	3,046
Energy	46	32
Other	-	36
Total inventories	5,697	4,565

Inventories recognised in expenses for the year were £34,467k (2019/20: £31,347k). Write-down of inventories recognised as expenses for the year were £0k (2019/20: £0k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2020/21 the Trust received £4,888k of items purchased by DHSC, of which £655k was held as stock at 31 March 21. 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 18. Receivables

	31 March 2021 £000's	31 March 2020 £000's
Current		
Contract receivables	6,242	47,666
Allowance for impaired contract receivables / assets	(1,689)	(1,193)
Prepayments (non-PFI)	1,725	1,241
Interest receivable	-	4
PDC dividend receivable	275	-
VAT receivable	1,655	1,406
Other receivables	173	208
Total current receivables	8,381	49,332
Non-current		
Contract receivables	576	692
Other receivables	613	505
Total non-current receivables	1,189	1,197
Of which receivable from NHS and DHSC group bodies:		
Current	3,607	44,659
Non-current	613	505

Note 18.1 Allowances for credit losses

	2020/21 £000's	2019/20 £000's
Allowances as at 1 April - brought forward	1,193	1,066
New allowances arising	555	175
Reversals of allowances	(29)	(17)
Utilisation of allowances (write offs)	(30)	(31)
Allowances as at 31 March 2021	1,689	1,193

Note 19. Cash and cash equivalents movements

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

	2020/21	2019/20
	£000's	£000's
At 1 April	1,144	1,197
Net change in year	64,098	(53)
At 31 March	65,242	1,144
Broken down into:		
Cash at commercial banks and in hand	12	22
Cash with the Government Banking Service	65,230	1,122
Total cash and cash equivalents as in SoFP / SoCF	65,242	1,144

Note 19.1 Third party assets held by the Trust

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

	2020/21	2019/20
	£000's	£000's
Bank balances	18	16
Total third party assets	18	16

Note 20. Trade and other payables

	31 March	31 March
	2021	2020
	£000's	£000's
Current		
Trade payables	7,545	8,598
Capital payables	18,407	6,757
Accruals	18,781	9,258
Social security costs	2,008	1,863
Other taxes payable	1,719	347
Other payables	610	245
Total current trade and other payables	49,070	27,068
Of which payables from NHS and DHSC group bodies:		
Current	3,562	4,663

Note 20.1 Early retirements in NHS payables above

There are no early retirements included in NHS payables (nil in 2019/20)

Note 21. Other liabilities

	31 March 2021 £000's	31 March 2020 £000's
Current		
Deferred income: contract liabilities	2,180	1,158
Total other current liabilities	2,180	1,158

Note 22. Borrowings

	31 March 2021 £000's	31 March 2020 £000's
Current		
Loans from DHSC	-	150,928
Obligations under finance leases	30	30
Total current borrowings	30	150,958
Non-current		
Obligations under finance leases	10	40
Total non-current borrowings	10	40

Note 22.1 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans £000's	Finance £000's	Total £000's
Carrying value at 1 April 2020	150,928	70	150,998
Cash movements:			
Payments and receipts of principal	(150,467)	(30)	(150,497)
Payments of interest	(461)	-	(461)
Carrying value at 31 March 2021	-	40	40

As part of the revised 2020/21 financial regime, all outstanding loans were converted to PDC and this has increased average net assets of the Trust. Interest was therefore not payable in 2020/21, but there was dividend payable of £3,034k.

Note 22.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans £000's	Finance £000's	Total £000's
Carrying value at 1 April 2019	124,335	-	124,335
Cash movements:			
Payments and receipts of principal	26,511	(20)	26,491
Payments of interest	(1,937)	-	(1,937)
Non-cash movements:			
Application of effective interest rate	2,019	-	2,019
Other changes	-	90	90
Carrying value at 31 March 2020	150,928	70	150,998

Note 23. Finance leases

Note 23.1 The Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	31 March 2021 £000's	31 March 2020 £000's
Gross lease liabilities	40	71
of which liabilities are due:		
not later than one year;	30	30
later than one year and not later than five years;	10	41
later than five years.	-	-
Finance charges allocated to future periods	-	(1)
Net lease liabilities	40	70
of which payable:		
not later than one year;	30	30
later than one year and not later than five years;	10	40
later than five years.	-	-

Note 24. Provisions for liabilities and charges analysis

	Pensions: early departure costs £000's	Legal claims £000's	Other £000's	Total £000's
At 1 April 2020	842	302	809	1,953
Change in the discount rate	2	-	3	5
Arising during the year	1	541	260	802
Utilised during the year	(70)	(10)	(134)	(214)
Reversed unused	(240)	(27)	(53)	(320)
Unwinding of discount	(4)	-	(3)	(7)
At 31 March 2021	531	806	882	2,219
Expected timing of cash flows:				
not later than one year;	67	806	269	1,142
later than one year and not later than five years;	266	-	613	879
later than five years.	198	-	-	198
Total	531	806	882	2,219

Note 25. Clinical negligence liabilities

At 31 March 2021 £121.1m was included in provisions of NHS Resolution in respect of clinical negligence liabilities of the Trust (31 March 2020: £107.9m).

Note 26. Contingent assets and liabilities

	31 March 2021 £000's	31 March 2020 £000's
Value of contingent liabilities		
NHS Resolution legal claims	(37)	(38)
Employment tribunal and other employee related litigation	<u>(416)</u>	<u>(128)</u>
Gross value of contingent liabilities	<u>(453)</u>	<u>(166)</u>

Note 27. Contractual capital commitments

	31 March 2021 £000's	31 March 2020 £000's
Property, plant and equipment	<u>9,237</u>	<u>8,265</u>
Total	<u>9,237</u>	<u>8,265</u>

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 activities. Because of the continuing service provider relationship that the Trust has with Commissioners and the way 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 financial reporting standards mainly apply.

The Trust's cash management operations are undertaken by the finance department within parameters defined formally within the Trust's standing financial instructions and policies agreed by the Board of Directors. The Trust's 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

The Trust can borrow from the government for capital expenditure, subject to approval from NHS Improvement. The borrowings are for 1-25 years, in line with the life of the associated assets, and interest charges at the national loans fund rate, fixed for the life of the loan.

The Trust can also borrow from the government for revenue support funding, subject to approval from NHS Improvement. Interest rates are confirmed by the lender (Department of Health and Social Care) at the point borrowing is undertaken. The Trust therefore has low exposure to interest rate fluctuations.

Note 28.1 Financial risk management (continued)

Credit risk

A majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk.

Liquidity risk

The Trust's operating costs are incurred under contracts with Commissioners, which are financed from resources voted annually by Parliament. The Trust mainly funds its capital from internally generated funds. The Trust is therefore not exposed to significant liquidity risks.

Note 28.2 Carrying values of financial assets

Carrying values of financial assets held at amortised cost	31 March 2021 £000's	31 March 2020 £000's
Trade and other receivables excluding non financial assets	5,915	47,377
Cash and cash equivalents	65,242	1,144
Total at 31 March	71,157	48,521

Note 28.3 Carrying values of financial liabilities

Carrying values of financial liabilities held at amortised cost	31 March 2021 £000's	31 March 2020 £000's
Loans from the Department of Health and Social Care	-	150,928
Obligations under finance leases	40	70
Trade and other payables excluding non financial liabilities	45,343	24,858
Total at 31 March	45,383	175,856

Note 28.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual

	31 March 2021 £000's	31 March 2020 £000's
In one year or less	45,373	175,816
In more than one year but not more than five years	10	41
In more than five years	-	-
Total	45,383	175,857

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

Note 28.5 Fair values of financial assets and liabilities

The carrying value of financial liabilities is at book value (carrying value) as it is considered that this is a reasonable approximation of fair value.

Note 29. Losses and special payments

	2020/21		2019/20	
	Total number of cases Number	Total value of cases £000's	Total number of cases Number	Total value of cases £000's
Losses				
Cash losses	-	-	2	4
Fruitless payments	2	126	-	-
Bad debts and claims abandoned	1,133	30	31	32
Stores losses and damage to property	3	47	3	33
Total losses	1,138	203	36	69
Special payments				
Compensation under court order or legally binding arbitration award	8	47	4	9
Ex-gratia payments	14	15	5	3
Total special payments	22	62	9	12
Total losses and special payments	1,160	265	45	81
Compensation payments received		0		0

Note 30. Related parties

In accordance with IAS 24 and paragraphs 5.179-5.183 of the GAM the Trust is required to disclose the main entities within the public sector that the Trust has had dealings with. The Department of Health and Social Care are regarded as a parent department. Related parties include:

- The Department of Health and Social Care
- Other NHS Providers
- CCGs and NHS England
- NHS West Essex
- NHS East and North Hertfordshire
- NHS England
- NHS Resolution
- NHS Business Service Authority
- Other Health Bodies and Government Departments
- HM Revenue and Customs
- NHS Blood and Transplant Service
- NHS Professionals
- NHS Pensions Agency
- NHS England and NHS Improvement
- Health Education England
- NHS Property Services
- Local Authorities

Note 30. Related parties (continued)

All Board members and the most senior managers of the Trust with key controlling influence have been requested to confirm any material related party transactions, including any transactions of close family members. The Trust also maintains a hospitality and declaration of interest register.

Name of Related Party	Name of Trust Employee	Title of Trust Employee	Relationship with Related Party	Expenditure with related party £000's	Income from related party £000's	Amounts owed to related party £000's	Amounts due from related party £000's
Addenbrooke's Charitable Trust	Helen Howe	Associate Non-Executive Director	Trustee	0	0	0	0
Anglia Ruskin University	John Keddie	Non-Executive Director	Governor	145	24	142	0
Anglia Ruskin University	James McLeish	Director of Quality Improvement	Family member an employee	145	24	142	0
Care Quality Commission	Ahmed Soliman	Associate Medical Director - Urgent Care	Specialist Clinical Advisor	163	0	0	0
Holly House Hospital	John Hogan	Non-Executive Director	Private Practice	55	0	55	0
St Clare Hospice	Monica Bose	Consultant Gastroenterologist	Trustee	29	0	9	0
University of Suffolk	Steve Clarke	Chairman	Independent Director	0	0	0	0
East of England Ambulance Service	James McLeish	Director of Quality Improvement	Family member an employee	42	0	21	0
Barts Health NHS Trust	John Hogan	Non-Executive Director	Consultant Cardiologist	329	503	404	339

PAH NHS Trust Charitable funds (Registered Charity 10547745). The Trust receives revenue and capital payments from this charity and certain Trustees are also members of the Trust Board. The charity's objective is to provide support both generally and in certain areas of the Trust's activities. During the year the charity contributed £235k (unaudited) to the Trust (2019/20 £286k).

Note 31. Prior Period Adjustments

There have been no prior period adjustments with IAS8 that has required restatement of comparative information due to either changes in accounting policy or material prior period error.

Note 32. Events after the reporting date

The Trust has no other adjusting events after the end of the reporting period. The Accounts were approved by the Board of Directors on 11 June 2021.

Note 33. Better Payment Practice code

	2020/21	2020/21	2019/20	2019/20
	Number	£000's	Number	£000's
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	45,928	109,532	49,002	76,083
Total non-NHS trade invoices paid within target	<u>39,957</u>	<u>92,948</u>	<u>43,722</u>	<u>64,320</u>
Percentage of non-NHS trade invoices paid within target	<u>87.0%</u>	<u>84.9%</u>	<u>89.2%</u>	<u>84.5%</u>
NHS Payables				
Total NHS trade invoices paid in the year	2,296	53,313	2,227	56,446
Total NHS trade invoices paid within target	<u>1,912</u>	<u>48,878</u>	<u>1,805</u>	<u>47,379</u>
Percentage of NHS trade invoices paid within target	<u>83.3%</u>	<u>91.7%</u>	<u>81.1%</u>	<u>83.9%</u>

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

Note 34. External financing limit

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

	2020/21	2019/20
	£000's	£000's
External financing limit (EFL)	(27,899)	30,083
Cashflow financing	<u>(27,899)</u>	<u>29,489</u>
Unadjusted EFL	<u>-</u>	<u>594</u>
Adjusted financial performance (management control total basis):		
CT Scanner funding deferred to 20/21 included in 19/20 limit		<u>(447)</u>
Underspend against EFL	<u>-</u>	<u>147</u>

Note 35. Capital Resource Limit

	2020/21 £000's	2019/20 £000's
Gross capital expenditure	49,516	17,412
Less: Donated and granted capital additions	(1,857)	(98)
Charge against Capital Resource Limit	47,659	17,314
Capital Resource Limit	47,659	17,721
Unadjusted CRL	-	407
Adjusted financial performance (management control total)		
CT scanner funding deferred to 2020/21 included in 2019/20 limit	-	(447)
COVID CRL support for 2019/20 adjusted in 2020/21	-	509
Underspend against CRL	-	469

Note 36. Breakeven duty and financial performance

Note 36.1 Breakeven duty by Control Total

	Control Target £000's	Actual Outturn £000's	Under- spend £000's
Net Control Total - 2020/21	(391)	1,816	2,207
Net Control Total - 2019/20	(6,168)	50	6,218

Note 36.2 Breakeven duty financial performance

	2020/21 £000's
Adjusted financial performance surplus (control total basis)	1,816
Breakeven duty financial performance surplus	1,816

Note 36.3. Breakeven duty rolling assessment

	1997/98 to £000's	2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's
Breakeven duty in-year financial performance		511	415	461	122	(16,403)	(21,998)
Breakeven duty cumulative position	1,536	2,047	2,462	2,923	3,045	(13,358)	(35,356)
Operating income		172,171	179,388	180,790	184,568	177,739	190,478
Cumulative breakeven position as a percentage of operating income		1.19%	1.37%	1.62%	1.65%	-7.52%	-18.56%

	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Breakeven duty in-year financial performance	(37,714)	(26,715)	(28,435)	(16,542)	418	1,816
Breakeven duty cumulative position	(73,070)	(99,785)	(128,220)	(144,762)	(144,344)	(142,528)
Operating income	196,124	209,742	213,231	236,700	288,491	315,122
Cumulative breakeven position as a percentage of operating income	-37.26%	-47.58%	-60.13%	-61.16%	-50.03%	-45.23%

The amounts in the above tables in respect of 2005/06 to 2008/09 inclusive have not been restated to IFRS and remain on a UK GAAP basis.