WIRRAL COMMUNITY HEALTH AND CARE NHS FOUNDATION TRUST

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

FOREWORD TO THE ACCOUNTS

Wirral Community Health and Care NHS Foundation Trust

Accounts for the year ended 31 March 2021

The following presents the accounts for Wirral Community Health and Care NHS Foundation Trust for the year ended 31 March 2021.

These accounts have been prepared by Wirral Community Health and Care NHS Foundation Trust in accordance with the requirements set out in paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006 (the 2006 Act) in the form which NHS Improvement, the independent regulator of NHS Foundation Trusts has, with approval of the Treasury, directed.

Karen Howell, Chief Executive

21 October 2021

Statement of Comprehensive Income (SoCI)

	Note	2020/21 £000	2019/20 £000
Operating income from patient care activities	4	85,581	80,787
Other operating income		6,935	4,360
Total operating income		**92,516**	**85,147**
Operating expenses of continuing operations	5	(92,997)	(84,109)
Impairments net of (reversals)	8	(112)	430
Operating surplus/(deficit)		**(593)**	**1,468**
Finance costs			
Finance income		5	126
PDC dividend expense		0	(160)
Net finance costs		5	(34)
Gains/(losses) on disposal of assets		8	0
Surplus/(deficit) for the year		**(580)**	**1,434**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	8	(934)	0
Revaluations		32	110
Other recognised gains and losses		0	(1)
Remeasurement of net defined benefit pension scheme assets/(liabilities)		(2,777)	436
Total comprehensive income/(expense) for the period		**(4,259)**	**1,979**

The notes on pages 146 to 181 form part of these accounts.

Statement of Financial Position (SoFP)

	Note	31 March 2021 £000	31 March 2020 £000
Non-current assets			
Intangible assets	9	497	650
Property, plant and equipment	10	25,841	24,125
Receivables	13	74	184
Total non-current assets		**26,412**	**24,959**
Current assets			
Inventories	12	560	487
Receivables	13	4,929	6,331
Cash and cash equivalents	14	26,189	18,287
Total current assets		**31,678**	**25,105**
Total Assets		**58,090**	**50,064**
Current liabilities			
Trade and other payables	15	(19,074)	(12,555)
Provisions	16	(192)	(22)
Other liabilities	15	(655)	(112)
Total current liabilities		**(19,921)**	**(12,689)**
Total assets less current liabilities		**38,169**	**37,375**
Non-current liabilities			
Other liabilities	7.3	(13,762)	(10,235)
Total non-current liabilities		**(13,762)**	**(10,235)**
Total assets employed		**24,407**	**27,140**
Financed by taxpayers' equity			
Public dividend capital		2,224	698
Revaluation reserve		1,941	2,843
Income and expenditure reserve		20,242	23,599
Total taxpayers' and others' equity		**24,407**	**27,140**

The financial statements and notes on pages 142 to 181 were approved by the Audit Committee, on behalf of the Board, on 21 October 2021. They are signed on its behalf by:

Karen Howell, Chief Executive

21 October 2021

Statement of Changes in Taxpayers' Equity (SoCITE)

	Total Taxpayers' Equity £000	Public Dividend Capital £000	Revaluation Reserve £000	Income and Expenditure Reserve £000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**27,140**	**698**	**2,843**	**23,599**
Surplus/(deficit) for the year	**(580)**	0	0	(580)
Net impairments	**(934)**	0	(934)	0
Revaluations - property, plant and equipment	**32**	0	32	0
Remeasurements of defined net benefit pension scheme liability/asset	**(2,777)**	0	0	(2,777)
Public dividend capital received	**1,526**	1,526	0	0
Taxpayers' and others' equity at 31 March 2021	**24,407**	**2,224**	**1,941**	**20,242**
Taxpayers' and others' equity at 1 April 2019	**24,939**	**477**	**2,734**	**21,729**
Surplus/(deficit) for the year	**1,434**	0	0	1,434
Revaluations - property, plant and equipment	**110**	0	110	0
Other recognised gains and losses	**(1)**	0	(1)	0
Remeasurements of defined net benefit pension scheme liability/asset	**436**	0	0	436
Public dividend capital received	**221**	221	0	0
Taxpayers' and others' equity at 31 March 2020	**27,140**	**698**	**2,843**	**23,599**

Statement of Cash Flows (SoCF)

	Note	2020/21 £000	2019/20 £000
Cash flows from operating activities			
Operating surplus/(deficit)		(593)	1,468
Non-cash or non-operating income and expense:			
Depreciation and amortisation	5	2,405	2,220
Impairments and reversals	5	112	(430)
On SoFP pension liability - employer contributions paid less net charge to the SOCI	7.3	750	1,749
(Increase)/decrease in receivables		1,701	491
(Increase)/decrease in inventories		(73)	(16)
Increase/(decrease) in trade and other payables		4,492	(1,153)
Increase/(decrease) in other liabilities		543	(37)
Increase/(decrease) in provisions		170	(256)
Other movements in operating cash flows		0	(1)
Net cash generated from/(used in) operations		**9,507**	**4,035**
Cash flows from investing activities			
Interest received		5	126
Purchase of intangible assets		(273)	(151)
Purchase of property, plant and equipment		(2,682)	(2,693)
Proceeds from sales of property, plant and equipment		8	0
Net cash generated from/(used in) investing activities		**(2,942)**	**(2,718)**
Cash flows from financing activities			
Public dividend capital received		1,526	221
PDC dividend (paid)/refunded		(189)	(132)
Net cash generated from/(used in) financing activities		**1,337**	**89**
Increase/(decrease) in cash and cash equivalents		**7,902**	**1,406**
Cash and cash equivalents at 1 April - brought forward		**18,287**	**16,880**
Cash and cash equivalents at 31 March		**26,189**	**18,287**

Notes to the Accounts

1. Accounting policies and other information

1.1. Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DHSC GAM 2020/21, issued by the DHSC. 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 DHSC 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.

1.2. 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.

1.3. 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 DHSC 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 Cheshire and Merseyside Health and Care Partnership (An integrated care system (ICS) with effect from 1 April 2022). The Trust continues to provide community services that are part of the ICS forward looking plans. No circumstances were identified causing the Directors to doubt the continued provision of NHS services.

This year the Trust reported a small operating deficit of £593k and recorded an accounting deficit of £4.3m, primarily due to recognition of pension scheme remeasurements. As disclosed in note 3, when excluding the impact of impairments, non-cash elements of the Local Government pension scheme costs and the net impact of centrally procured DHSC inventory, the Trust achieved an underlying trading surplus of £88k which is slightly above the forecast position agreed within the ICS.

Income from Commissioners was largely based on the simplified block payments system introduced in response to the COVID-19 pandemic, which improved liquidity and cash flow during the year. Additional costs due to the pandemic were supported on an actual cost reimbursement basis for the first half the year and on an advance block payment basis for the second half of the year. This enabled the Trust to maintain a strong liquid cash position to support the sustainability of the Trust.

For 2021/22 the current financial funding arrangements will remain in place for the first half of the year and it is expected that they will continue on a similar basis in the second half of the year (H2).

Key assumptions include

- the overarching framework for H2
- national support provided to ICS to be allocated on a similar basis in H2
- achievement of cost improvement savings

Prior to the pandemic, the Trust had a strong business plan in place to secure sustainability and these plans are in the process of being re-based incorporating the new funding mechanisms so as to ensure the long-term sustainability of the Trust is maintained.

The Trust has produced its financial plans based on these assumptions which have been approved by the Trust Board. The control target for the first half of the 2021/22 year agreed with commissioners/ICS as a breakeven position. This includes a savings/operational efficiency target of £854k for the first half of 2021/22. It is expected that the level of savings will be higher in H2, with an anticipated overall savings programme of £2.145m for the whole of the 2021/22 financial year and similar levels in 2022/23. This compares to efficiency targets of a similar value in years pre-COVID. The Trust has a proven track record of consistently meeting the performance and control totals set by the regulator and over the last 5 years has delivered surpluses to support the sustainability of the Trust. Therefore, the Trust is reasonably assured of the achievability of this target.

Our going concern assessment is made up to 30 September 2022. This includes assessment of the first half of the 2022/23 financial year. NHS operating and financial guidance is not yet issued for that year, and so the Trust has assumed that;

- service requirements will remain broadly unchanged over the period,
- the Trust expenditure to meet these requirements will remain stable,
- the income received from commissioners and the ICS will match the block funding received in 2020/21
- savings will be on a similar level in 2022/23 as in 2021/22, and
- capital development plans and capital expenditure cash requirements will progress in line with the current timetable.

The Trust has maintained strong liquidity throughout 2020/21. Cash levels have been augmented by the prepayment of pandemic response funding during 2020/21. At the end of March 2021, the available cash in the Trust's bank exceeded £26m. Taking into account the end of prepayment arrangements and the capital plans of the Trust, cash levels will remain robust to support the needs of the Trust. The Trust has prepared a cash forecast modelled on the above expectations for funding during the going concern period to 31 August 2022. The cash forecast shows sufficient liquidity for the Trust to continue to operate during that period.

Interim support can be accessed if it were required, but there is currently no such identified requirement.

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.

1.4. Critical accounting judgments and key sources of estimation uncertainty

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

1.5. Critical judgments in applying accounting policies

In the process of applying the Trust's accounting policies, management has not been required to make any judgements, apart from those involving estimations, which have had a significant effect on the amounts recognised in the financial statements.

1.6. Key sources of estimation uncertainty

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global pandemic on 11 March 2020, has and continues to impact global financial markets with travel, movement and operational restrictions implemented by many countries. Market activity has been affected in many sectors. Although this may imply a new stage of the crisis, these factors are not unprecedented in the same way as the initial impact.

Under these conditions, the following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in estimation uncertainty in the carrying amounts of assets and liabilities within the next financial year:

- Valuation and impairment of non-financial assets – the Trust assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The key area of uncertainty relates to the Trust's valuation of its land and buildings. Further details are provided in Note 10. The land and buildings were revalued by Cushman and Wakefield (DTZ Debenham Tie Leung Ltd) as at 31 March 2021. Unlike 2019/20, the valuation provided was not reported on the basis of 'material valuation uncertainty.'
- Asset lives – the Trust estimates the asset lives of intangible and tangible assets. For buildings, the Trust uses the estimate of remaining useful economic life provided by the Trust's valuer. For medical equipment and IT intangible and tangible assets these are reviewed within the Trust by the Deputy Director of IM&T and relevant departments.
- Pension liabilities – the Trust estimates the potential pension scheme liability arising from membership of the Merseyside Pension Fund. This is based on estimated life expectancy of members and current and future performance of investments and is therefore subject to significant uncertainty. The Pension Fund has reported that there are various factors that affect the complexity of valuation and the realisable value of assets. The Trust has considered the stated valuation range provided by the Pension Fund and consider that the assets are reported on the best available information and that the impact of maximum increases and decreases within the range would not have a material impact on the Trust share of Pension Fund assets.

1.7. Revenue

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The DHSC 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.

2020/21

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

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

Comparative period (2019/20)

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

In 2019/20, the Provider Sustainability Fund and Financial Recovery Fund enabled providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

For 2020/21 and 2019/20

In the application of IFRS 15 a number of practical expedients offered in the Standard have been employed. These are as follows:

- 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;
- The DHSC 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;
- The DHSC 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.

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.

1.8. Employee Benefits

1.8.1. Short-term employee benefits

Salaries, wages and employment-related payments, including payments arising from the apprenticeship levy, are recognised in the period in which the service is received from employees. The cost of leave 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.

1.8.2. Pension costs

NHS Pensions

Past and present employees are covered by the provisions of the NHS Pensions Scheme (the scheme). The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is 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, the scheme is accounted for as though it were a defined contribution scheme and the cost to the NHS body of participating in a scheme is taken as equal to the contributions payable to the scheme for the accounting period. Employer's pension cost contributions are charged to operating expenses as and when they become due.

For early retirements other than those due to ill-health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

The scheme is subject to a full actuarial valuation every four years and an accounting valuation every year.

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

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

1.9. Expenditure on other goods and services
Expenditure on other goods and services is recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable. Expenditure is recognised in the Statement of Comprehensive Income except where it results in the creation of a non-current asset such as property, plant and equipment.

1.10. Property, plant and equipment

1.10.1. Recognition
Property, plant and equipment is capitalised if:

- 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 will be supplied to the Trust;
- It is expected to be used for more than one financial year;
- The cost of the item can be measured reliably, and either
    - the item has cost of at least £5,000; or
    - collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
    - items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their individual useful economic lives.

1.10.2. Valuation
All property, plant and equipment is measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

1.10.3. Revaluation

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

- Land and non-specialised buildings – market value for existing use;
- Specialised buildings – depreciated replacement cost on a modern equivalent asset (MEA) 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 an MEA basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements of the service being provided.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there.

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

1.10.4. 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. Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised.

1.11. Intangible assets

1.11.1. Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust’s business or which arise from contractual or other legal rights.

They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably; and where the cost is at least £5,000.

Software which is integral to the operating of hardware, for example 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, for example application software, is capitalised as an intangible asset.

Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use;
- The intention to complete the intangible asset and use it;
- The ability to sell or use the intangible asset;
- How the intangible asset will generate probable future economic benefits or service potential;
- The availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.11.2. Measurement

Intangible assets acquired separately are initially recognised 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. The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria for recognition are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (MEA basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

Revaluations and impairments are treated in the same manner as for property, plant and equipment.

1.12. Depreciation, amortisation and impairments

Freehold land, assets under construction or development and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible assets, less any residual value, on a straight-line basis over their estimated useful lives. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end. Any assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life, unless the Trust expects to acquire the asset at the end of the lease term, in which case the asset is depreciated in the same manner as for owned assets.

At each financial year end, the Trust checks whether there is any indication that its property, plant and equipment or intangible assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.
A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. 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.

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

1.13.1. The Trust as lessee
Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Comprehensive Income.

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.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.13.2. The Trust as lessor
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.

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.

1.14. Inventories

Inventories are valued at the lower of cost and net realisable value, using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.
In 2020/21, the Trust received inventories including personal protective equipment from the DHSC 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.

1.15. 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.

1.16. Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

1.17. Clinical negligence costs

NHS Resolution (the trading name of the NHS Litigation Authority NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which in return settles all clinical negligence claims. The contribution is charged to expenditure. 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 in note 17 but is not recognised in the Trust's accounts.

1.18. 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 as and when they become due.

1.19. Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingent liabilities and contingent assets are disclosed at their present value.

1.20. Financial assets

Financial assets are recognised when the Trust becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Trust has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.
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.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income; and
- Financial assets at fair value through profit and loss.

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

1.20.1. Financial assets at amortised cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable and other simple debt instruments. This is the only category of financial assets relevant to the Trust.

The Trust's financial assets at amortised cost comprise:

- Cash and cash equivalents;
- NHS receivables;
- Other receivables; and
- Accrued income.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

1.20.2. Impairment

For all financial assets measured at amortised cost, lease receivables and contract assets, the Trust recognises a loss allowance representing expected credit losses on the financial instrument.

The Trust adopts the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For any other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2), and otherwise at an amount equal to 12-month expected credit losses (stage 1).

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. The Trust therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies.

Additionally, the DHSC provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and the Trust does not normally recognise loss allowances for stage 1 or stage 2 impairments against these bodies.

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 the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

1.21. Financial liabilities

Financial liabilities are recognised when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been extinguished, that is, the obligation has been discharged or cancelled or has expired.

1.21.1. Other financial liabilities

All of the Trust's financial liabilities are classified as other financial liabilities.

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability.

1.22. Value Added Tax

Most of the activities of the Trust are outside the scope of value added tax (VAT). Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.23. Public Dividend Capital (PDC) and PDC dividend

PDC is a type of public sector equity finance, which represents the DHSC's investment in the Trust. HM Treasury has determined that, being issued under statutory authority rather than under contract, PDC is not a financial instrument within the meaning of IAS 32.

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the DHSC as PDC dividend. The charge is calculated at the real rate set by the Secretary of State with the consent of HM Treasury (currently 3.5%) on the average relevant net assets of the Trust. Relevant net assets are calculated as the value of all assets less all liabilities, except for:

- Donated and grant funded assets;
- Average daily cash balances held with the Government Banking Service (GBS) and National Loans Fund deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility;
- Approved expenditure on COVID-19 capital assets; and
- Any PDC dividend balance receivable or payable.

The average relevant net assets are calculated as a simple average of opening and closing relevant net assets.

The PDC dividend policy issued by the DHSC can be found by following the link 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 DHSC, 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 thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

1.24. 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, including losses which would have been made good through insurance cover had the Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

The losses and special payments note (note 20) is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

1.25. Early adoption of standards, amendments and interpretations

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

1.26. Standards, amendments and interpretations in issue but not yet effective or adopted

The DHSC GAM does not require the following IFRS Standards and Interpretations to be applied in 2020/21. These Standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2022/23, and the government implementation date for IFRS 17 still subject to HM Treasury consideration:

- IFRS 16 Leases – The Standard is effective from 1 April 2022 as adapted and interpreted by the FReM.
- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM: early adoption is not therefore permitted.

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 on 1 April 2022. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2022, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 0.91% but this may change between now and the 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 any existing finance leases.

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

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

2. Operating Segments

The services provided by the Trust are interdependent and therefore the Board considers that the Trust has only one operating segment, that of the provision of health and social care.

3. Reconciliation from the Statement of Comprehensive Income to the recognised system financial position

	2020/21 £000	2019/20 £000
Surplus/(deficit) for the period	(580)	1,434
Normalising adjustments:		
Add back all I&E impairments/(reversals)	112	(430)
Remove non-cash element of on-SoFP pension costs	750	1,749
Remove net impact of DHSC centrally procured inventories	(194)	0
Trading (deficit)/surplus for the period	**88**	**2,753**
Comprising:		
Provider Sustainability Fund income	0	990
COVID-19 funding	2,611	0
COVID-19 expenditure	(2,911)	0
Underlying surplus	388	1,763
	88	**2,753**

4. Operating income

4.1. Operating income (by source)

	2020/21 £000	2019/20 £000
Income from patient care activities received from:		
NHS England	7,573	6,465
Clinical commissioning groups	49,888	45,973
NHS Foundation Trusts	3,511	3,471
NHS Trusts	18	2
Local authorities	24,428	24,468
Injury cost recovery scheme	151	243
Non-NHS: other	12	165
Total income from patient care activities (by source)	**85,581**	**80,787**
Other operating income		
Education and training (excluding notional apprenticeship levy income)	2,744	1,381
Non-patient care services to other bodies	901	0
Provider Sustainability Fund	0	990
Reimbursement and top up funding	121	0
Charitable and other income	382	629
Contributions to expenditure - consumables (inventory) donated from DHSC group bodies for COVID response	1,341	0
Rental revenue from operating leases	1,446	1,360
Total other operating income	**6,935**	**4,360**
Total operating income	**92,516**	**85,147**

4.2. Operating income (by nature)

	2020/21 £000	2019/20 £000
Community services		
Block contract / system envelope income	53,910	50,220
Income from other sources (e.g. local authorities)	27,957	27,941
All services		
Additional pension contribution central funding*	2,348	2,218
Other clinical income**	1,366	408
Total income from patient care activities (by nature)	**85,581**	**80,787**
Total other operating income	6,935	4,360
Total operating income	**92,516**	**85,147**

*The revaluation of public sector pensions schemes resulted in a 6.3% increase (14.38% to 20.68% including admin levy) in the employer contribution rate for the NHS Pensions Scheme. A transitional approach was agreed whereby an employer rate of 20.68% would apply from 1 April 2019, however in 2020/21 (as in 2019/20) the NHS Business Service Authority would only collect 14.38% from employers. Central payments have been made by NHS England and the DHSC for their respective proportions of the outstanding 6.3% on local employers' behalf. The full cost and related funding have been recognised in these accounts.

**Other clinical income in 2020/21 includes additional funding received for the annual leave accrual and Flowers corrective payment funding.

4.3. Income from activities arising from commissioner requested services

Under the terms of its provider license, the Trust is required to analyse the level of income from activities that has arisen from Commissioner requested and non-Commissioner requested services. However, unlike Acute Trusts, as a Community Trust, no Commissioner requested services are defined in the provider license. The table below reflects the core contracts to Local Authorities, CCGs and NHS England.

	2020/21 £000	2019/20 £000
Core contracts		
CCGs	47,399	40,938
Local authorities	24,032	23,829
NHS England	5,120	3,315
Total core contracts	**76,551**	**68,082**
Other services	15,965	17,065
Total operating income	**92,516**	**85,147**

5. Operating expenses

	2020/21	2019/20
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	1,080	929
Purchase of healthcare from non-NHS and non-DHSC bodies	593	502
Staff and executive directors' costs	67,620	63,151
Non-executive directors	95	95
Supplies and services - clinical (excluding drugs costs)	4,768	4,619
Supplies and services – clinical: utilisation of consumables donated from DHSC group bodies for COVID response	1,037	0
Supplies and services - general	947	702
Drugs costs (drugs inventory consumed and purchase of non-inventory drugs)	339	746
Inventories written down (including consumables donated from DHSC group bodies for COVID response)	233	0
Consultancy	613	262
Establishment	2,230	2,194
Premises - business rates collected by local authorities	352	301
Premises - other	2,803	2,170
Transport (business travel only)	121	142
Depreciation	1,979	1,640
Amortisation	426	580
Movement in credit loss allowance: contract receivables/assets and other receivables	212	287
Provisions arising/released in year	170	10
Audit fees payable to the external auditor:		
- Audit services - statutory audit	76	52
- Other auditor remuneration (payable to external auditor only)	0	9
Internal audit - non-staff	71	65
Clinical negligence - amounts payable to NHS Resolution (premium)	207	130
Legal fees	59	112
Insurance	89	109
Education and training - non-staff	2,569	1,287
Operating lease expenditure (net)	3,722	3,366
Car parking and security	317	278
Hospitality	3	3
Other losses and special payments - non-staff	3	20
Other services (e.g. external payroll)	263	348
Operating expenditure	**92,997**	**84,109**
Impairments net of (reversals)	112	(430)
Total operating expenditure	**93,109**	**83,679**

The external auditors' liability is limited to £2,000,000.

6. Operating leases

6.1. Trust as lessee

The majority of the Trust's operating leases are in respect of properties which are owned by NHS Property Services.

	2020/21		
	Total	**Buildings**	**Other**
	£000	**£000**	**£000**
Operating lease expense			
Minimum lease payments	2,745	2,651	94
Service charges	977	977	0
Total	**3,722**	**3,628**	**94**
Future minimum lease payments due:			
- not later than one year	2,689	2,631	58
- later than one year and not later than five years	10,016	9,896	120
- later than five years	28,104	28,104	0
Total	**40,809**	**40,631**	**178**

	2019/20		
	Total	**Buildings**	**Other**
	£000	**£000**	**£000**
Operating lease expense			
Minimum lease payments	2,556	2,523	33
Service charges	810	810	0
Total	**3,366**	**3,333**	**33**
Future minimum lease payments due:			
- not later than one year	2,682	2,635	47
- later than one year and not later than five years	9,475	9,452	23
- later than five years	29,205	29,205	0
Total	**41,362**	**41,292**	**70**

6.2. Trust as lessor

The majority of rental agreements are in respect of Trust-owned properties occupied by other NHS organisations. Several contracts are now negotiated on a rolling basis with up to one years' notice and therefore there is no contractual obligation after one year.

	2020/21	**2019/20**
	£000	**£000**
Operating lease revenue		
Minimum lease payments	1,446	1,360
Total	**1,446**	**1,360**
Future minimum lease receipts due:		
- not later than one year	1,067	1,320
- later than one year and not later than five years	822	1,017
- later than five years	806	1,084
Total	**2,695**	**3,421**

7. Employee benefits

	2020/21 £000	2019/20 £000
Salaries and wages	51,239	46,504
Social security costs	4,278	3,972
Apprenticeship levy	228	215
Pension cost - employer contributions to NHS pension scheme	5,404	5,057
Pension cost - employer contributions paid by NHSE on provider's behalf (6.3%)	2,348	2,218
Pension cost - other	2,014	2,738
Termination benefits	43	251
Temporary staff - agency/contract staff	2,625	2,196
Total staff costs	**68,179**	**63,151**
Included within:		
Costs capitalised as part of assets	559	0
Total employee benefits excl. capitalised costs	**67,620**	**63,151**

7.1. Exit packages

During 2020/21 no voluntary redundancies were agreed (2019/20: none, £nil). One compulsory redundancy was agreed in relation to the Phlebotomy service at a total cost of £43,371 (2019/20: 15, £251,196).

7.2. Pension costs – NHS Pension Scheme

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

7.3. Pension costs – Local Government Pension Scheme

On 1 June 2017 Wirral Metropolitan Borough Council transferred its Adult and Social Care services to the Trust. As part of this agreement 206 staff were transferred under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Of these employees 158 are active members of the Merseyside Pension Fund. Therefore, with effect from 1 June 2017 the Trust became an admitted member of the pension scheme.

The Merseyside Pension Fund is a multi-employer scheme operated under the regulatory framework for the Local Government Pension Scheme (LGPS). The governance of the scheme is the responsibility of the Fund Pensions Committee, which comprises representatives from participating employers. Policy is determined in accordance with the Public Service Pensions Act 2013. Unlike the NHS Pension Scheme this is a funded defined benefit final salary scheme where the scheme assets and liabilities of each scheme member can be separately identified. The Trust and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. This is subject to actuarial review by the fund's actuaries, Mercer.

Wirral Metropolitan Borough Council has provided guarantees to the Trust, indemnifying them against pension liabilities over the period of the contract (except for early retirements where the Trust will bear any additional costs arising from these specific arrangements). Therefore, the Trust recognises a contingent asset, disclosed in note 16, for the total liabilities arising from the latest actuarial review.

The Pension Fund have reported that there are various factors that affect the complexity of valuation and the realisable value of assets. The Trust considered the stated valuation range provided by the Pension Fund and concluded that the assets were reported on the best available information and that the impact of maximum increases and decreases within the range would not have a material impact on the Trust share of Pension Fund assets.

7.3.1 Changes in the defined benefit obligation and fair value of plan assets during the year

	2020/21 £000	2019/20 £000
Present value of the defined benefit obligation at 1 April	**(30,964)**	**(27,151)**
Current service cost	(1,486)	(1,638)
Interest cost	(744)	(700)
Contribution by plan participants	(319)	(325)
Remeasurement of the net defined benefit (liability)/asset:		
- Actuarial (gains)/losses	(5,953)	(561)
Benefits paid	323	193
Past service costs*	0	(782)
Present value of the defined benefit obligation at 31 March	**(39,143)**	**(30,964)**
Plan assets at fair value at 1 April	**20,729**	**18,229**
Interest income	510	469
Remeasurement of the net defined benefit (liability)/asset:		
- Actuarial gains/(losses)	3,176	997
Administration expenses	(25)	(25)
Contributions by the employer	995	927
Contributions by the plan participants	319	325
Benefits paid	(323)	(193)
Plan assets at fair value at 31 March	**25,381**	**20,729**
Plan surplus/(deficit) at 31 March	**(13,762)**	**(10,235)**

*Past service cost included McCloud impact (£756k) and GMP indexation (£26k).

7.3.2 Reconciliation of the present value of the defined benefit obligation and the plan assets to the assets and liabilities recognised in the SoFP

	31 March 2021 £000	31 March 2020 £000
Present value of the defined benefit obligation	(39,143)	(30,964)
Plan assets at fair value	25,381	20,729
Net defined benefit (obligation)/asset recognised in the SoFP at 31 March	**(13,762)**	**(10,235)**
Total net (liability)/asset after the impact of reimbursement rights as at 31 March	**(13,762)**	**(10,235)**

7.3.3 Amounts recognised in the SoCI

	2020/21 £000	2019/20 £000
Current service cost	(1,486)	(1,638)
Interest expense/income	(259)	(256)
Past service cost	0	(782)
Total net (charge)/gain recognised in SoCI	**(1,745)**	**(2,676)**
Comprising:		
Contributions made by the Trust recognised in SoCI	(995)	(927)
Liability arising from actuarial adjustments guaranteed by Wirral MBC	(750)	(1,749)
	(1,745)	**(2,676)**

7.3.4 Actuarial assumptions

	2020/21		2019/20	
	Start of period	**End of period**	**Start of period**	**End of period**
Financial assumptions				
Inflation	2.1%	2.7%	2.2%	2.1%
Rate of salary increase	3.6%	4.2%	3.7%	3.6%
Rate of pensions increase	2.2%	2.8%	2.3%	2.2%
Discount rate	2.4%	2.1%	2.5%	2.4%
Post retirement mortality assumptions (normal health)				
Non-retired members				
Female	25.9 years	26.0 years	27.9 years	25.9 years
Male	22.5 years	22.6 years	25.2 years	22.5 years
Retired members				
Female	24.0 years	24.1 years	25.0 years	24.0 years
Male	20.9 years	21.0 years	22.2 years	20.9 years

7.4. Retirements due to ill-health

During 2020/21 there was one (at a total value of £23,701) early retirement from the Trust on the grounds of ill-health (2019/20: two, £156,300). The cost of early retirements is borne by the Trust, but where this is due to ill-health these costs are met by the NHS Pension Scheme. There were no early retirements from the Local Government Pension Scheme (2019/20: nil).

8. Impairment of assets

During 2020/21 the Trust reviewed its non-current assets and, following the advice of the Trust's valuers, made the following impairment adjustments to the Trust's land and buildings. No impairments were identified in any other class of tangible or intangible assets.

	2020/21		
	Net impairments £000	Impairments £000	Reversals £000
Impairments and (reversals) charged to operating surplus/deficit			
Changes in market price	112	223	(111)
Total impairments and (reversals) charged to operating surplus/deficit	**112**	**223**	**(111)**
Total net impairments charged to revaluation reserve	934	934	0
Total impairments and (reversals)	**1,046**	**1,157**	**(111)**

	2019/20		
	Net impairments £000	Impairments £000	Reversals £000
Impairments and (reversals) charged to operating surplus/deficit			
Changes in market price	(430)	83	(513)
Total impairments and (reversals) charged to operating surplus/deficit	**(430)**	**83**	**(513)**
Total impairments and (reversals)	**(430)**	**83**	**(513)**

9. Intangible assets

	Total (Software licences) £000
2020/21	
Valuation/gross cost at 1 April 2020 - brought forward	**2,594**
Additions - purchased	273
Valuation/gross cost at 31 March 2021	**2,867**
Accumulated amortisation at 1 April 2020 - brought forward	**1,944**
Provided during the year	426
Accumulated amortisation at 31 March 2021	**2,370**
Net book value at 31 March 2021	**497**

2019/20	Total (Software licences) £000
Valuation/gross cost at 1 April 2019 - brought forward	**2,443**
Additions - purchased	151
Valuation/gross cost at 31 March 2020	**2,594**
Accumulated amortisation at 1 April 2019 - brought forward	**1,458**
Provided during the year	580
Reclassifications*	(94)
Accumulated amortisation at 31 March 2020	**1,944**
Net book value at 31 March 2020	**650**

*Classification amendment between intangible assets and property, plant and equipment.

9.1. Economic life of intangible assets

The economic life of intangible assets is based on assessment of the individual asset within three to five years.

10. Property, plant and equipment – 2020/21

2020/21	Total £000	Land £000	Buildings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000
Valuation/gross cost at 1 April 2020 - brought forward	**28,895**	**1,127**	**19,139**	**97**	**1,823**	**13**	**6,246**	**450**
Additions - purchased	**4,709**	0	1,079	1,420	34	0	2,176	0
Impairments charged to operating expenses	**(304)**	0	(304)	0	0	0	0	0
Impairments charged to the revaluation reserve	**(1,317)**	0	(1,317)	0	0	0	0	0
Reversal of impairments credited to operating expenses	**97**	97	0	0	0	0	0	0
Revaluations	**32**	32	0	0	0	0	0	0
Disposals	**(13)**	0	0	0	0	(13)	0	0
Valuation/gross cost at 31 March 2021	**32,099**	**1,256**	**18,597**	**1,517**	**1,857**	**0**	**8,422**	**450**
Accumulated depreciation at 1 April 2020 - brought forward	**4,770**	**0**	**30**	**0**	**1,045**	**13**	**3,262**	**420**
Provided during the year	**1,979**	0	487	0	158	0	1,318	16
Impairments charged to operating expenses	**(81)**	0	(81)	0	0	0	0	0
Impairments charged to the revaluation reserve	**(383)**	0	(383)	0	0	0	0	0
Reversal of impairments credited to operating expenses	**(14)**	0	(14)	0	0	0	0	0
Disposals	**(13)**	0	0	0	0	(13)	0	0
Accumulated depreciation at 31 March 2021	**6,258**	**0**	**39**	**0**	**1,203**	**0**	**4,580**	**436**

10.1. Property, plant and equipment – 2019/20

2019/20	Total £000	Land £000	Buildings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000
Valuation/gross cost at 1 April 2019 - brought forward	**26,676**	**1,127**	**18,467**	**0**	**1,543**	**13**	**5,076**	**450**
Additions - purchased	**2,137**	0	590	97	280	0	1,170	0
Impairments charged to operating expenses	**(125)**	0	(125)	0	0	0	0	0
Reversal of impairments credited to operating expenses	**146**	0	146	0	0	0	0	0
Revaluations	**61**	0	61	0	0	0	0	0
Valuation/gross cost at 31 March 2020	**28,895**	**1,127**	**19,139**	**97**	**1,823**	**13**	**6,246**	**450**
Accumulated depreciation at 1 April 2019 - brought forward	**3,494**	**0**	**19**	**0**	**895**	**13**	**2,172**	**395**
Provided during the year	**1,640**	0	465	0	150	0	996	29
Impairments charged to operating expenses	**(42)**	0	(42)	0	0	0	0	0
Reversal of impairments credited to operating expenses	**(367)**	0	(367)	0	0	0	0	0
Revaluations	**(49)**	0	(49)	0	0	0	0	0
Reclassifications	**94**	0	4	0	0	0	94	(4)
Accumulated depreciation at 31 March 2020	**4,770**	**0**	**30**	**0**	**1,045**	**13**	**3,262**	**420**

10.2. Property, plant and equipment financing – 2020/21

	Total £000	Land £000	Buildings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000
2020/21								
Net book value (NBV) at 31 March 2021								
Owned - purchased	**25,841**	1,256	18,558	1,517	654	0	3,842	14
NBV total at 31 March 2021	**25,841**	**1,256**	**18,558**	**1,517**	**654**	**0**	**3,842**	**14**

10.3. Property, plant and equipment financing – 2019/20

	Total £000	Land £000	Buildings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000
2019/20								
Net book value (NBV) at 31 March 2020								
Owned - purchased	**24,125**	1,127	19,109	97	778	0	2,984	30
NBV total at 31 March 2020	**24,125**	**1,127**	**19,109**	**97**	**778**	**0**	**2,984**	**30**

10.4. Valuation of land and buildings

The Trust's land and buildings comprise several health centres and clinics across the Wirral. As disclosed in note 1, the estate was revalued by Cushman and Wakefield (DTZ Debenham Tie Leung Ltd) as at 31 March 2021. The valuation has been based on existing use value using the depreciated replacement cost approach as certain properties are specialised in nature. The valuers have assumed that the replacement would be with a modern equivalent asset, which may in some cases be a smaller property.

As a result of the COVID-19 outbreak, the valuation provided by Cushman and Wakefield (DTZ Debenham Tie Leung Ltd) in 2019/20 was reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to that valuation than would normally be the case. However, the inclusion of the 'material valuation uncertainty' declaration did not mean that the valuation could not be relied upon. COVID-19 has not impacted NHS property values to the same extent as other property sectors, for example leisure and retail, the demand for which, at least in the short-term, has significantly reduced. There has been no reduction in the occupancy/use, and therefore demand, for the Trust's property. Furthermore, the property valuations provided on a depreciated replacement cost basis, with the exception of any land components, were based on comparable build cost information published by the RICS Building Cost Information Service (BCIS) up to and including the valuation date of 31 March 2020. It was not anticipated that any subsequent fluctuations in this information would significantly influence the output produced. The valuer has continued to exercise professional judgement in providing their valuations and this remains the best information available to the Trust.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date 31 March 2021 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, this latest valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 the importance of the valuation date is highlighted.

10.5. Economic life of property, plant and equipment

The economic life of property, plant and equipment, is based on assessment of the individual asset or, in the case of buildings, the advice of the Trust's valuers.

	Min life Years	**Max life Years**
Buildings	5	43
Plant & machinery	5	15
Transport equipment	3	7
Information technology	3	10
Furniture & fittings	5	24

11. Capital commitments

At 31 March 2021 the Trust had £8,410,582 capital commitments (31 March 2020: £27,203).

12. Inventories

	2020/21 Consumables £000	2019/20 Consumables £000
Carrying value at 1 April - brought forward	**487**	**471**
Additions	3,448	3,165
Additions (donated) - from DHSC	1,341	0
Inventories consumed (recognised in expenses)	(4,483)	(3,149)
Write-down of inventories recognised as an expense	(233)	0
Carrying value at 31 March	**560**	**487**

13. Trade and other receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables (IFRS 15): invoiced	2,574	4,308
Contract receivables (IFRS 15): not yet invoiced/non-invoiced	1,591	1,503
Allowance for impaired contract receivables/assets and other receivables	(833)	(650)
Prepayments (revenue)	1,244	834
PDC dividend receivable	229	40
VAT receivable	124	76
Other receivables	0	220
Total current receivables	**4,929**	**6,331**
Non-current		
Contract receivables (IFRS 15): not yet invoiced/non-invoiced	113	0
Other receivables	0	235
Allowance for impaired contract receivables/assets and other receivables	(39)	(51)
Total non-current receivables	**74**	**184**
Of which receivable from NHS and DHSC group bodies:		
Current	2,229	1,698
Non-current	0	0

13.1. Provision for impairment of receivables

	Total £000
Allowance for credit losses at 1 April 2020 - brought forward	701
New allowances arising	655
Reversals of allowances (where receivable is collected in-year)	(443)
Utilisation of allowances (where receivable is written off)	(41)
Total allowance for credit losses at 31 March 2021	**872**
Allowance for credit losses at 1 April 2019 - brought forward	531
New allowances arising	429
Reversals of allowances (where receivable is collected in-year)	(142)
Utilisation of allowances (where receivable is written off)	(117)
Total allowance for credit losses at 31 March 2020	**701**

14. Cash and cash equivalents

	2020/21 £000	2019/20 £000
At 1 April	18,287	16,880
Net change in year	7,902	1,407
At 31 March	**26,189**	**18,287**
Broken down into:		
Cash at commercial banks and in hand	1	1
Cash with the Government Banking Service	26,188	18,286
Total cash and cash equivalents as in SoFP	**26,189**	**18,287**
Total cash and cash equivalents as in SoCF	**26,189**	**18,287**

15. Trade and other payables

	31 March 2021 £000	31 March 2020 £000
Current		
Trade payables	2,128	3,129
Capital payables (including capital accruals)	2,123	96
Accruals (revenue costs only)	11,907	7,372
Annual leave accrual	887	0
Social security costs	737	700
Other taxes payable	502	462
Other payables	790	796
Total current trade and other payables	**19,074**	**12,555**
Of which payable to NHS and DHSC group bodies:	**1,372**	**2,540**

	31 March 2021 £000	31 March 2020 £000
Other current liabilities		
Deferred income: contract liability (IFRS 15)	655	77
Deferred income: other (non-IFRS 15)	0	35
Total other current liabilities	**655**	**112**
Other non-current liabilities		
Net defined benefit pension scheme liability	13,762	10,235
Total other non-current liabilities	**13,762**	**10,235**
Total other liabilities	**14,417**	**10,347**

16. Provisions for liabilities and charges

	31 March 2021 £000	31 March 2020 £000
Legal claims	192	22
Total	**192**	**22**

Legal claims include a number of small individual cases relating to compensation claims, employment disputes and potential tax liabilities.

£246,978 is included in the provisions of NHS Resolution at 31 March 2021 in respect of clinical negligence liabilities (31 March 2020: £110,382).

16.1. Provisions for liabilities and charges - analysis

	2020/21 Total (Legal Claims) £000
At 1 April 2020 - brought forward	**22**
Arising during the year	**175**
Reversed unused	**(5)**
At 31 March 2021	**192**
Expected timing of cash flows:	
- not later than one year	**192**
Total	**192**

17. Contingencies

17.1. Contingent liabilities

The Trust has £3,425 contingent liabilities relating to NHS Resolution cases as at 31 March 2021 (31 March 2020: £10,500). There have been no other contingent liabilities recognised at 31 March 2021 (31 March 2020: nil).

17.2. Contingent assets

In 2020/21 the Trust identified a contingent asset of £13,762,000. This represents a contractual guarantee by Wirral Metropolitan Borough Council to underwrite losses to the Trust arising from actuarial valuation of the Merseyside Pension Fund relating to members of the scheme who transferred to the Trust on 1 June 2017. This asset is equal to the liability on the pension scheme disclosed in note 7.3.

18. Financial instruments

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups and the way those Clinical Commissioning Groups are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the Finance Department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

18.1. 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.

18.2. Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2021 are in receivables from customers, as disclosed in the trade and other receivables note.

18.3. Liquidity risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups, which are financed from resources voted annually by Parliament and other public sector bodies. The Trust funds its capital expenditure from funds available from generated surpluses for the provision of public sector services. The Trust is not, therefore, exposed to significant liquidity risks.

18.4. Carrying value of financial assets and liabilities

IFRS 9 Financial Instruments as interpreted and adapted by the DHSC GAM was applied retrospectively from 1 April 2018 without restatement of comparatives. IFRS 9 replaced IAS 39 and introduced a revised approach to classification and measurement of financial assets and financial liabilities and a new forward-looking expected loss impairment model.

	Financial assets at amortised cost	
	31 March 2021	31 March 2020
	£000	£000
Financial assets per the SoFP:		
Receivables (excluding non-financial assets) - with DHSC group bodies	2,000	1,658
Receivables (excluding non-financial assets) - with other bodies	1,406	3,907
Cash and cash equivalents	26,189	18,287
Total as at 31 March	**29,595**	**23,852**

	Financial liabilities at amortised cost	
	31 March 2021	31 March 2020
	£000	£000
Financial liabilities per the SoFP:		
Trade and other payables (excluding non-financial liabilities) - with DHSC group bodies	1,372	2,540
Trade and other payables (excluding non-financial liabilities) - with other bodies	14,744	8,076
Total as at 31 March	**16,116**	**10,616**

19. Related party transactions

Wirral Community Health and Care NHS Foundation Trust is a public interest body authorised by NHS Improvement, the regulator of Foundation Trusts.

The Department of Health and Social Care is a related party as the parent department of the Trust. The Trust has material transactions related NHS clinical commissioning groups, NHS Foundation Trusts and other NHS organisations in the normal course of business.

The table below includes material transactions with these bodies in the financial year:

Organisation	Income £000	Expenditure £000	Receivables Outstanding £000	Payables Outstanding £000
2020/21				
Wirral University Teaching Hospital NHS Foundation Trust	3,876	1,088	155	125
NHS Cheshire CCG	1,506	8	1	0
NHS Liverpool CCG	2,486	0	0	0
NHS Wirral CCG	46,791	0	7	28
NHS England	5,345	19	1,233	292
Bridgewater Community Healthcare NHS Foundation Trust	0	932	0	78
Cheshire & Wirral Partnership NHS Foundation Trust	161	901	77	628
NHS Property Services	0	1,626	0	54
Health Education England	2,802	0	518	0
Department of Health and Social Care	0	0	0	0
Total	**62,967**	**4,574**	**1,991**	**1,205**
2019/20				
Wirral University Teaching Hospital NHS Foundation Trust	3,852	1,140	341	351
NHS West Cheshire CCG	1,228	0	16	0
NHS Wirral CCG	44,194	142	306	1,098
NHS England	5,287	210	750	28
Bridgewater Community Healthcare NHS Foundation Trust	0	929	0	76
Cheshire & Wirral Partnership NHS Foundation Trust	229	1,274	169	781
NHS Property Services	0	1,155	0	13
Health Education England	1,350	0	11	0
Department of Health and Social Care	0	0	0	0
Total	**56,140**	**4,850**	**1,593**	**2,347**

Additionally, the Trust has material transactions with local government bodies – principally Wirral Metropolitan Borough Council and Cheshire East Council, the NHS Pension Scheme and HMRC.

Gerald Meehan became a non-Executive Director on 1 February 2019. He also undertakes work as an adviser for the Cheshire and Merseyside Health and Care Partnership. This is the Integrated Care System (ICS) for Cheshire. The Advisory role is in relation to the involvement of Local Government within the ICS. The Trust paid £32,000 as a contribution to the management costs of the partnership for the 2020/21 financial year (2019/20: £32,000).

Chris Bentley became a non-Executive Director in February 2019. With effect from 1 September 2019 he has undertaken work as an advisor to the Equity and Health Inequalities Teams of NHS England/Improvement and Public Health England, separately and together. Both are related parties to the Trust.

Declarations of interest are given at the start of each meeting by staff members. No other related parties have been identified.

The Trust's Council of Governors are drawn from a range of local stakeholders including patient groups, the local councils, CCGs and other Trusts. Therefore many, by nature of their appointment, have interest in organisations with whom the Trust contracts. A register of interests is maintained and declarations of interest are given at each Governor meeting.

20. Losses and special payments

During the period the Trust made 25 special payments with a total value of £3,553 (2019/20: 9 at a value of £20,429). Of these, none related to a case handled by NHS Resolution (2019/20: 1, £2,712). The Trust wrote off 64 receivable balances in the period with a total value of £40,994 (2019/20: 12 with a total value of £120,229) and there were no cases involving a loss of cash (2019/20: 2, £60).

21. Event after the Statement of Financial Position date

No adjustments have been made to the financial statements as a result of events occurring after the reporting date.