Meeting title:	**Trust Board**			**Public Trust Board paper F1**		
Date of the meeting:	**6 October 2022**					
Title:	**2020/21 Accounts**					
Report presented by:	Lorraine Hooper, Chief Financial Officer					
Report written by:	Simon Linthwaite, Deputy Director of Finance					
Action – this paper is for:	Decision/Approval	x	Assurance	X	Update	
Where this report has been discussed previously	Audit Committee – 31 August 2022					

To your knowledge, does the report provide assurance or mitigate any significant risks? If yes, please detail which
The submission of the Annual Accounts to DHSC is a statutory responsibility. The Annual Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and accounting policies. Their preparation has been guided by the 2020/21 DHSC Group Accounting Manual (GAM). They represent a 'true and fair view' of the Trust's activities in 2020/21, although recognising that the Accounts have received an overall modified adverse audit opinion.

Impact assessment
The paper presents the submission of 20/21 audited Annual Accounts for approval by the Trust Board. The 2021/22 Accounts audit will commence once handover of audit files has taken place from Grant Thornton to KPMG, to allow for return to a 'normal' year end reporting cycle for 22/23.

Acronyms used
Trust Account Consolidation (TACS) Provider Financial Returns (PFRS)

Purpose of the Report

This paper presents the Audited Annual Accounts for the University Hospitals of Leicester NHS Trust for the year ending 31 March 2021.

Recommendation

The Trust Board is asked to:

- Approve the adoption of the Audited Accounts (refer **Appendix A**)
- Approve the Annual Report, including the Remuneration Report.
- Approve the Letter of Representation (Refer **Appendix B**)

1. Executive Summary

The paper presents the submission of 20/21 audited Annual Accounts for adoption by the Trust Board. The Annual Accounts have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) and accounting policies. They represent a 'true and fair view' of the Trust's activities in 2020/21, although recognising that the Accounts have received a modified adverse audit opinion.

With the exception of this 3 year cumulative breakeven financial duty, the Trust achieved its statutory financial duties, including delivering in year financial balance and maintaining capital spending cash and borrowing within the limits set by DHSC. The Trust delivered a £57.3m reported surplus before adjustment for capital donations and grants, which reduced the adjusted financial performance (control total) to £46.2m surplus. This improved position largely reflected the funding regime in operation in 2020/21, in response to the Covid pandemic, with nationally mandated block payments replacing normal contract mechanisms to cover the cost of services. This ensured that NHS organisations had sufficient funding to respond to the pandemic and could focus on delivering safe patient care during this challenging time.

The draft Accounts for 2020/21 were submitted in accordance with the national timetable (June 2021) but prepared and submitted at the same time as the 2019/20 Accounts re-statement work was underway, so there was no available time to take any lessons learned from the 2019/20 Accounts preparation into 2020/21 Accounts exercise. Despite this compressed timeline and overall adverse audit opinion secured, the Trust has been able to demonstrate a significant improvement across a number of areas of the accounts (including securing an improved audit opinion) compared with the disclaimer opinion received in 2019/20. Whilst officers recognise there is still more work to do, we are clear where those further actions are required, which will form the basis of the financial improvement plan, as UHL enters the next phase on its journey towards achieving a qualified by exception audit opinion and ultimately an unqualified audit opinion.

Unsurprisingly there was material swing in the reported financial position in 2020/21 from draft Accounts to Audited accounts. The financial position improved by £29.8m. This movement largely arose from the re-patriation of expenditure into the previous financial year (2019/20) as a result of the 2019/20 balance sheet re-statement, to ensure that the costs were accounted for in the correct accounting period. Across both financial years, the Trust reported a net deterioration of £16.1m compared with the draft Accounts that were originally submitted to NHSI for the purposes of NHS consolidation.

The net worth of the Trust, as demonstrated by the balance sheet (capital employed) increased by £433.1m, was driven by the extinguishing of revenue loans and their replacement by Public Dividend Capital (PDC) (£350m), further PDC issued to support investment in capital schemes of £23m, combined with the surplus generated for the year of £57.3m.

A copy of the full and final audited Accounts are enclosed in **<u>Appendix A</u>** for approval by the Trust Board.

2. Introduction

The Annual Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and accounting policies and on a going concern basis. Their preparation has been guided by the 2020/21 DHSC Group Accounting Manual (GAM). They represent a 'true and fair view of the Trust's activities in 2020/21, although recognising that the Accounts have received an overall modified adverse audit opinion. All policies are in accordance with those previously approved by the Audit Committee.

The Accounts are presented for both the 'Trust' and 'Group', including the consolidation of the Trust's subsidiary Trust Group Holdings (TGH Ltd) and UHL Charity.

In summary, the following information is presented in the enclosed appendices:

Appendix	**Subject**
A	Final Accounts
B	Letter of Representation

3. High Level Analytical Review of the 2020/21 Accounts

3.1 Executive Summary of Financial Performance

The Trust is required to meet certain financial duties in order to provide assurance to the taxpayer on how public funds have been managed. Each NHS Trust is required to ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account. With the exception of this 3 year cumulative breakeven financial duty, the Trust achieved its statutory financial duties, including delivering in year financial balance and maintaining capital spending cash and borrowing within the limits set by DHSC, as set out in the table below.

Statutory Duty	**Description**	**Target**	**Performance**	**Variance**	**Duty**
		£m	£m	£m	£m
Adjusted Financial Performance	ICS Financial Control Total Delivered	(B/E)	46.2	46.2	Met
Reported Surplus before impairment and impact of capital donations/grants (Break Even Duty)	Expenditure does not exceed income	(B/E)	57.3	57.3	Met
External Finance Limit (EFL)	How much more (or less) cash UHL can spend over the amount it generates from its activities.	61.7	120.9	59.2	Met

Capital Absorption Rate	UHL is required to pay a dividend to DHSC of 3.5% of its average relevant net assets (Cost of Capital)	3.50%	3.50%	0.0	Met
Revised Capital Resource Limit (CRL)	UHL must not spend more than the limit set	67.3	62.6	4.7	Met

The external financing limit is effectively a borrowing target (ie an increase or repayment of borrowing in year). The target of £61.7m would have reflected the planned break-even position with the favourable variance largely driven by the operating cash surplus. The Trust made gross investment in its capital infrastructure of £72.5m in 2020/21, offset by the donated capital funding received of £9.9m, in arriving at the net capital expenditure of £62.6m, which was set against the available CRL.

3.2 Income and Expenditure

As a result of the Covid-19 pandemic, the funding regime for the organisation changed in 2020/21; with the organisation's income established on a block contract basis combined with funding top ups to support the expenditure run rates and to address specific Covid-19 related items, such as the additional cost of personal protective equipment - PPE.

The position was enhanced by:
- Donations of capital items from charitable funds, together with donations of Covid equipment and consumables from NHSE (£11m).
- Reduced expenditure across a range of areas due to the reduced activity, in particular, clinical supplies and services (£13m) and premises costs (£7m). The impact of the Covid-19 pandemic affected activity levels due to the reduction in the planned care program.

The Trust delivered a £57.3m reported surplus before adjustment for the impact of impairment reversals (£0.1m), the removal of capital donations and grants (£9.4m), and the net impacted of PPE consumables donated by Department of Health (£1.7m). These factors resulted in an adjusted financial performance total of £46.2m surplus. The Trust had a much smaller efficiency target for 2020/21, as a result of Covid and delivered £8.8m in line with that plan.

A copy of the final audited Accounts are enclosed **Appendix A** and the key movements in the re-stated SOCI position are summarised shown below. A significant component of the costs previously included in the draft 20/21 Accounts submission were repatriated to 2019/20, to ensure that the costs were accounted for in the correct accounting period. This is also set out in the table below.

The restatement of the 19/20 Accounts deteriorated the 19/20 deficit by £45.9m to £154.4m. By contrast the 20/21 surplus improved by £29.8m to £46.2M to partially mitigate this adverse movement, resulting in a cumulative net deterioration across both years £16.1m (£11.1m reported to the Audit committee in December 21), comprised of the following main factors:

- Write off of assets no longer in use £5.0m
- Additional VAT provision in relation to the IBM Contract & MES £3.1m
- Additional Flowers provision £2.9m
- Property re-Valuation – Non operating items (Depreciation. PDC) £1.5m
- Correction of MES Accounting treatment £3.5m

These movements are summarised in table below:

Issue	19/20 I&E (£m)	20/21 I&E (£m)	Change (£m)
B/F I&E Control Total Surplus / (Deficit)	**(76.8)**	**16.4**	
Repayment of 19/20 PSF Funding	(10.9)	10.9	0
Annual leave Accrual	(3.8)	3.8	0
Correct Accounting of Assets under construction	(3.5)	3.3	(0.2)
Accounting treatment of MES contract	(3.1)	(0.4)	(3.5)
Accruing for Healthcare at Home Drugs	(2.6)	2.6	0
Disposal of assets as no longer in use	(2.5)	0.0	(2.5)
Removal of ward drugs stock and ward stock from accountable stock	(2.4)	2.4	0
Property re-Valuation – Depreciation and PDC	0	(1.5)	(1.5)
Section 106 provision	(1.8)	1.8	0
Write off of various AR balances as a result of 19/20 review	(1.8)	1.8	0
Working Time directive Accrual	(1.7)	1.5	(0.2)
VAT Provision	(1.6)	1.6	0
Invoice Accruals	(1.4)	1.4	0
Recognition of ‘Flowers’ provision for holiday pay on overtime work	(1.2)	1.2	0
.19/20 PCI Maternity accrual	(0.9)	0.9	0
WLI Accrual	(0.9)	0.9	0
Other Adjustments	(1.4)	1.0	(0.3)
MES VAT Provision	(1.4)	0.5	(0.9)
Additional Flowers provision		(2.9)	(2.9)
Additional VAT Provision (IBM)	(2.2)		(2.2)
Impairments correction	1.4	(0.9)	0.5
Removal of Leicester CCG income Accrual	(0.4)		(0.4)
Renal finance lease adjustment	(0.4)		(0.4)
Transfer from impairment to loss on disposal	(1.4)		(1.4)
Historical lease adjustment		(0.5)	(2.5)
Apprenticeship levy accrual w/back		0.3	0.3
Total Adjustments (Final Draft)	**(45.9)**	**29.8**	**(16.1)**
PPA	**(31.7)**	**0**	
Revised Final Draft I&E Surplus / (Deficit) Control Total	**(154.4)**	**46.2**	

3.3 Cash

The NHS Finance regime changed from a cash perspective during 2020/21. To support the rapid response to the pandemic and ensure prompt payments, the Trust received block and core top up payments for the majority of the year. This resulted in higher average cash balances and an associated reduction in PDC dividend.

In addition, during the year, the national policy decision to convert existing financial revenue support from DHSC loans into a public dividend capital was enacted, eliminating historical loan debt held on UHL's balance sheet on 1 April 2020 (£350m). A combination of favourable working capital movements, combined with the operating cash surplus led to an increase in the year end cash balance of £74m to £90m at 31 March 2021.

3.4 Capital Investment

The Trust made significant investment in its capital infrastructure of over £72m in 2020/21, including £11m in the Congenital Heart Centre and £8m in the ICU. This ensured patients continued to be treated in the best possible clinical environment, whilst addressing specific factors arising from the Covid pandemic

3.5 Statement of Financial Position

The transfer of loan funding to Public Dividend Capital (PDC) increased Trust Capital employed by £350m, with further PDC issued to support capital schemes of £23m. The increase in PDC combined with the surplus for the year of £57.3m, largely explains increase in capital employed of £433.1m.

Property, plant and equipment increased by £27.8m, reflecting increased in year capital investment, offset by disposals and depreciation. There was a £23m reduction in receivables, as the Trust benefited from the certainty of the block funding arrangement rather than having to wait for performance monies to be invoiced in arrears and then reviewed by commissioners before receiving payment. Payables increased by £21m due to a variety of factors, but primarily as a result of increased accruals, including for covid related expenditure and untaken annual leave. This increase in payables and reduction in receivables, together with Covid funding flows in support of the operating cash surplus, helped the Trust to grow its cash balance from £16m to £90m at the end of the year (excluding the consolidation of charitable funds).

3.6 Going Concern

The Accounts are presented for both the 'Trust' and 'Group', including the consolidation of the Trust's private Pharmacy Company subsidiary and the Trust charity. The Accounts have been prepared on a 'going concern' basis. The definition of going concern in the public sector focuses on the expected continued provision of services by the public sector rather than a specific organisational form. This means that even where a body is going to cease to exist, it does not affect its going concern status. The FReM (financial reporting manual) guidance is that the financial statements are prepared on a going concern basis unless there are plans for, or no realistic alternative other than the dissolution of the Trust without the transfer of its services to another entity within the public sector. It is reasonable for the Directors of University Hospitals of Leicester NHS Trust to assume the continuation of provision of clinical services in the future by as sufficient evidence of going concern.

The Board of Directors has carefully considered the principle of "going concern" and the Directors have concluded that, having made appropriate enquiries, the Trust has adequate financial resources and there are not material uncertainties related to the financial position of the Trust and Group that would compromise the continued delivery of the operational services of the Trust. As directed by the DHSC Group Accounting Manual 2020/21 the Directors have therefore prepared the financial statements on this basis as they consider that the services currently provided by the Trust will continue to be provided in the future.

4. Conclusion and Next Steps

The Trust reported an improved financial position of £29.8m in 2020/21 to £46.2m (control total performance) compared with the original draft Accounts submission in June 2021. This movement largely arose from the re-patriation of expenditure into the previous financial year (2019/20), to ensure that the costs were accounted for in the correct accounting period.

Across both financial years, the Trust reported a net deterioration of £16.1m compared with the draft Accounts that were originally submitted to NHSI for the purposes of NHS consolidation.

The net worth of the Trust, as demonstrated by the balance sheet (capital employed) increased by £433.1m, was driven by the extinguishing of revenue loans and their replacement by Public Dividend Capital (PDC) (£350m), further PDC issued to support investment in capital schemes of £23m, combined with the surplus generated for the year of £57.3m.

Despite the improved audit opinion, the Trust recognises there is significant still work to elevate this opinion from adverse to qualified by exception and ultimately an unqualified audit opinion. The actions that have been agreed as part of the Auditor Findings Report will form the basis of the financial improvement plan, which will be developed and executed over the next 4 to 6 months ahead of the 2022/23 Accounts close down, although some actions may require a longer timescale to implement and embed. The key principles of financial improvement plan will be shared with the Audit Committee in October.

The immediate priority for the Finance team is to undertake an impact assessment in 2021/22 of the accounting issues that caused an adverse opinion in 2020/21, given the Trust was operating similar processes, controls and systems in both years. An update will be provided to Audit Committee in October 2022.

Appendix A

Annual Accounts 2020/21

University Hospitals of Leicester NHS Trust

Annual accounts for the year ended 31 March 2021

Consolidated Statement of Comprehensive Income

		Group	
		2020/21	2019/20
	Note	£000	£000
Operating income from patient care activities	3	1,069,371	945,959
Other operating income	4	212,142	144,616
Operating expenses	6, 8	(1,211,991)	(1,196,612)
Operating surplus/(deficit) from continuing operations		**69,522**	**(106,037)**
Finance income	11	108	381
Finance expenses	12	(1,520)	(8,208)
PDC dividends payable		(13,118)	(4,300)
Net finance costs		**(14,530)**	**(12,127)**
Other losses	13	(23)	(5,976)
Corporation tax expense		(6)	(10)
Surplus / (deficit) for the year		**54,963**	**(124,150)**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	-	(16,421)
Revaluations	16.1	2,383	97,967
Other reserve movements		-	3
May be reclassified to income and expenditure when certain conditions are met:			
Fair value gains/(losses) on financial assets mandated at fair value through OCI	18	880	(427)
Total comprehensive income / (expense) for the year		**58,226**	**(43,028)**
Surplus / (deficit) for the year attributable to:			
University Hospitals of Leicester NHS Trust		54,963	(124,150)
TOTAL		**54,963**	**(124,150)**
Total comprehensive income / (expense) for the year attributable to:			
University Hospitals of Leicester NHS Trust		58,226	(43,028)
TOTAL		**58,226**	**(43,028)**
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the year (before consolidation of the Leicester Hospitals Charity)		57,316	(126,618)
Remove net impairments not scoring to the Departmental expenditure limit		(80)	3,480
Remove I&E impact of capital grants and donations		(9,391)	442
Prior period adjustments		-	(31,684)
Remove net impact of inventories received from DHSC group bodies for COVID response		(1,684)	-
Adjusted financial performance surplus / (deficit)		**46,161**	**(154,380)**

Statements of Financial Position

	Note	Group 31 March 2021 £000	Group 31 March 2020 £000	Trust 31 March 2021 £000	Trust 31 March 2020 £000
Non-current assets					
Intangible assets	15	9,262	11,974	9,262	11,974
Property, plant and equipment	16	611,100	580,535	611,081	580,515
Investment in Subsidiary				4,000	4,000
Other investments / financial assets	18	5,185	4,324		
Receivables	21	4,728	4,392	4,728	4,392
Total non-current assets		**630,275**	**601,225**	**629,071**	**600,881**
Current assets					
Inventories	20	20,837	19,574	19,628	18,057
Receivables	21	23,925	47,465	24,375	46,374
Non-current assets held for sale	22	10,100	-	10,100	-
Cash and cash equivalents	23	106,423	33,191	99,809	26,529
Total current assets		**161,285**	**100,230**	**153,912**	**90,960**
Current liabilities					
Trade and other payables	24	(124,387)	(103,529)	(124,081)	(103,628)
Borrowings	26	(19,256)	(370,953)	(19,256)	(370,953)
Provisions	28	(16,440)	(731)	(16,405)	(713)
Other liabilities	25	(2,177)	(8,360)	(2,177)	(8,360)
Total current liabilities		**(162,260)**	**(483,573)**	**(161,919)**	**(483,654)**
Total assets less current liabilities		**629,300**	**217,882**	**621,064**	**208,187**
Non-current liabilities					
Borrowings	26	(12,073)	(17,226)	(12,073)	(17,226)
Provisions	28	(5,869)	(21,016)	(5,869)	(21,016)
Total non-current liabilities		**(17,942)**	**(38,242)**	**(17,942)**	**(38,242)**
Total assets employed		**611,358**	**179,640**	**603,122**	**169,945**
Financed by					
Public dividend capital		742,817	369,325	742,817	369,325
Revaluation reserve		189,145	192,654	189,145	192,654
Income and expenditure reserve		(328,652)	(391,860)	(328,840)	(392,034)
Charitable fund reserves	19	8,048	9,521		
Total taxpayers' equity		**611,358**	**179,640**	**603,122**	**169,945**

The notes on pages 8 to 53 form part of these accounts.

Name

Position **Chief Executive Officer**

Date **09 September 2022**

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

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Charitable fund reserves £000	Total £000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**369,325**	**192,654**	**(391,860)**	**9,521**	**179,640**
Surplus for the year	-	-	52,397	2,566	**54,963**
Revaluations - property, plant and equipment	-	2,383	-	-	**2,383**
Fair value gains on financial assets mandated at fair value through OCI	-	-	-	880	**880**
Public dividend capital received	373,492	-	-	-	**373,492**
Other reserve movements	-	(5,892)	10,811	(4,919)	**-**
Taxpayers' and others' equity at 31 March 2021	**742,817**	**189,145**	**(328,652)**	**8,048**	**611,358**

Consolidated Statement of Changes in Equity for the year ended 31 March 2020

Group	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Charitable fund reserves £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**341,176**	**142,680**	**(296,817)**	**7,480**	**194,519**
Surplus / (deficit) for the year	-	-	(126,618)	2,468	**(124,150)**
Transfers between reserves	-	(28,335)	28,335	-	**-**
Impairments	-	(16,421)	-	-	**(16,421)**
Revaluations	-	97,967	-	-	**97,967**
Prior period depreciation taken directly to reserves	-	(3,240)	3,240	-	**-**
Fair value losses on financial assets mandated at fair value through OCI	-	-	-	(427)	**(427)**
Public dividend capital received	28,149	-	-	-	**28,149**
Other reserve movements	-	3	-	-	**3**
Taxpayers' and others' equity at 31 March 2020	**369,325**	**192,654**	**(391,860)**	**9,521**	**179,640**

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

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**369,325**	**192,654**	**(392,034)**	**169,945**
Surplus for the year	-	-	57,302	**57,302**
Revaluations - property, plant and equipment	-	2,383	-	**2,383**
Public dividend capital received	373,492	-	-	**373,492**
Other reserve movements	-	(5,892)	5,892	**-**
Taxpayers' and others' equity at 31 March 2021	**742,817**	**189,145**	**(328,840)**	**603,122**

Statement of Changes in Equity for the year ended 31 March 2020

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**341,176**	**142,680**	**(296,952)**	**186,904**
Deficit for the year	-	-	(126,658)	**(126,658)**
Impairments	-	(16,421)	-	**(16,421)**
Revaluations	-	97,967	-	**97,967**
Transfer to retained earnings	-	(28,335)	28,335	**-**
Prior period depreciation taken directly to reserves	-	(3,240)	3,240	**-**
Public dividend capital received	28,149	-	-	**28,149**
Other reserve movements	-	3	1	**4**
Taxpayers' and others' equity at 31 March 2020	**369,325**	**192,654**	**(392,034)**	**169,945**

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Income and expenditure reserve

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

Charitable funds reserve

This reserve comprises the ring-fenced funds held by the NHS charitable funds consolidated within these financial statements. These reserves are classified as restricted or unrestricted; a breakdown is provided in note 19.

Statements of Cash Flows

	Note	Group 2020/21 £000	Group 2019/20 £000	Trust 2020/21 £000	Trust 2019/20 £000
Cash flows from operating activities					
Operating surplus / (deficit)		69,522	(106,037)	71,963	(108,416)
Non-cash income and expense:					
Depreciation and amortisation	6.1	37,030	34,991	37,028	34,989
Net impairments	7	(80)	3,480	(80)	3,480
Income recognised in respect of capital donations	4	(5,041)	(348)	(9,960)	(348)
Decrease in receivables and other assets		21,710	10,936	21,246	8,235
(Increase) / decrease in inventories		(1,263)	5,478	(1,571)	5,700
Increase / (decrease) in payables and other liabilities		11,483	(23,187)	11,085	(20,624)
Increase in provisions		579	17,373	562	17,377
Movements in charitable fund working capital		1,087	(58)	-	-
Tax paid		(10)	(20)	-	-
Other movements in operating cash flows		(4,900)	442	-	430
Net cash flows from / (used in) operating activities		**130,117**	**(56,950)**	**130,273**	**(59,177)**
Cash flows from investing activities					
Interest received		-	242	-	242
Purchase of intangible assets		(83)	(58)	(83)	(58)
Purchase of PPE and investment property		(56,365)	(47,511)	(56,365)	(47,511)
Proceeds from sales of property, plant and equipment and investment property		3	-	3	-
Receipt of cash donations to purchase capital assets		755	-	755	-
Net cash flows from charitable fund investing activities		108	139	-	-
Net cash flows used in investing activities		**(55,582)**	**(47,188)**	**(55,690)**	**(47,327)**
Cash flows from financing activities					
Public dividend capital received		373,492	28,149	373,492	28,149
Movement on loans from DHSC		(349,586)	103,916	(349,586)	103,916
Movement in other loans		(2,125)	2,125	(2,125)	2,125
Capital element of finance lease rental		(6,963)	(2,418)	(6,963)	(2,418)
Interest on loans		(1,139)	(6,607)	(1,139)	(6,607)
Other interest		(266)	(383)	(266)	(383)
Interest paid on finance lease liabilities		(1,285)	(511)	(1,285)	(511)
PDC dividend paid		(12,699)	(5,702)	(12,699)	(5,702)
Net cash flows from financing activities		**(571)**	**118,569**	**(571)**	**118,569**
Increase in cash and cash equivalents		**73,964**	**14,431**	**74,012**	**12,065**
Cash and cash equivalents at 1 April - brought forward		**20,292**	**5,861**	**13,630**	**1,565**
Cash and cash equivalents at 31 March	23.1	**94,256**	**20,292**	**87,642**	**13,630**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, 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 1.2 Going concern

The accounts have been prepared on a going concern basis as assessed by the Trust Board. As outlined in the letter to all providers on 1 April 2021 by the Financial Controller of NHSI/E all providers should assume to be going concerns solely on the basis on the anticipated future provision of services in the public sector. This means that it is highly unlikely that any NHS organisations would have any material uncertainties over going concern to disclose. As directed by the DHSC Group Accounting Manual 2020/21 the Directors have therefore prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the financial statements and has not included the adjustments that would result if it were unable to continue as a going concern

The Trust is not currently seeking any additional PDC cash support from NHS Improvement (NHSI) in 2021/22.

The Trust has agreed contracts with local commissioners for 2021/22 and services are being commissioned in the same manner in the future as in prior years and there are no discontinued operations. Similarly no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust and group will have access to adequate resources in the form of support from the Department of Health and Social Care (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

The Directors have concluded that assessing the Trust and group as a going concern remains appropriate. The Directors, having made appropriate enquiries, have reasonable expectations that the Trust and group will have adequate resources to continue in operational existence for at least 12 months from the date of publishing the Accounts.

Note 1.3 Critical judgements in applying accounting policies

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

We consider going concern to be a critical judgement and this is discussed in section 1.2.

Valuation of the Trust's estate
The Trust engaged its valuers, Gerald Eve LLP, to revalue its estate as at the 31st March 2021. This revaluation applied a Modern Equivalent Asset (MEA) valuation methodology, which took into account the Trust's long term reconfiguration strategy. The Trust provided the valuers with its latest Estates strategy to inform the MEA valuation. This report used a baseline gross internal area of 324,484m2, which reduced to 307,303m2 after applying the assumptions of the Estates Strategy, representing a reduction of 5.3%. This involved the Trust undertaking a re-measurement exercise of the Trust's Estate using building drawings and an Internet Property Register.

Glenfield 'Paddock' Land Sale
The 2018/19 land sale agreement contained a 'put option' which allowed the housing developer (Davidsons) to sell the land back to the Trust should certain milestones not be met. Davidsons has chosen to exercise this 'buy back' provision and served notice to this effect. However, the Trust was not notified of this intention until June 2021. The legal deeds to re-purchase the land were signed by the Trust on 15th July 2021. The Trust Board, at the time of the sale in March 2019, considered it 'highly probable' (IFRS 15) that the Trust would not have to re-purchase the land.
The decision took place after the reporting period and therefore represents a non-adjusting post balance sheet event.
The return of the asset and liability is accounted for at £nil value in the 2020/21 financial statements. The sale transaction would therefore remain recognised at 31/3/2021 without any recognition of the potential liability to

In addition, the sale agreement allowed for a contribution by the Trust to costs under section 106 of the of the Town and Country Planning Act 1990 of up to £2.2m. A provision for this amount is made in the accounts and has not been adjusted.

The agreement results in the Trust re-acquiring the land at a cost of £6.5m. There are no material revenue consequences arising form the repurchase.

Note 1.4 Sources of estimation uncertainty

The following elements have been identified as potential sources of estimation uncertainty. However, they have been assessed as not presenting a significant financial risk or having a material impact on the reported financial position, given the financial controls and processes the Trust has in place to ensure the accounting estimates present a true and fair view of the Financial position. These are set out below:

Income

Income recognition
As the Trust operated on a block payment system with commissioners for the bulk of its income in 2020/21, recognition of income is not a source of significant estimation uncertainty in this year.

Expenditure
The main areas of estimation uncertainty in relation to expenditure are covered in this section.

Accrued expenditure
The majority of our accrued expenditure relates to invoices received which have not yet been posted to our revenue position. Other estimated expenditure accruals are made where we have incurred expenditure during an accounting period but are yet to receive an invoice. There is a degree of uncertainty in relation to these accruals until the invoice is received, although the bulk of such expenditure is expected to be settled at a value which approximates the accruals.

Other significant accruals, such as the cost of annual leave not taken at the date of the accounts, are calculated according to an established methodology.

Accrued expenditure is disclosed under note 24.1.

Inventories
Due to the degree of estimation required in establishing the value of materials management and ward drug stock at 31 March, these stocks have been excluded from Trust inventory. These comprise varying quantities of rapidly moving stocks across many locations which are maintained on a "top up" basis. In 2019/20 these stocks were estimated to have a value of about £2.3m.

Valuation of assets
The value of our land and buildings is based on a Modern Equivalent Asset (MEA) valuation which uses an estimate of the future likely configuration of our estate. The valuers have noted the effect of current market conditions on the valuation in note 16.3

Depreciation
Whilst we aim to give informed useful economic lives to our assets there is a degree of uncertainty in relation to the level of usage of the assets and the level of wear and tear which may reduce the life of the asset below the initial life allocated. However, the Trust undertakes an annual impairment review of property, plant and equipment. In between formal valuations by qualified surveyors, management make judgements about the condition of assets and review their estimated lives. This reduces the Trust's exposure to estimation uncertainty.

Further details of the depreciation methodology are given in note 1.10.2.

Note 1.5 Consolidation

NHS Charitable Funds
The Trust is the corporate Trustee to Leicester Hospitals Charity. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable fund and has the ability to affect those returns and other benefits through its power over the fund.

The charitable fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. On consolidation, necessary adjustments are made to the charity's assets, liabilities and transactions to:
• recognise and measure them in accordance with the Trust's accounting policies and
• eliminate intra-group transactions, balances, gains and losses.

Other subsidiaries
Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines.

The amounts consolidated are drawn from the draft financial statements of the subsidiary for the year where audited accounts are not available.

Where subsidiaries' accounting policies are not aligned with those of the Trust (including where they report under UK FRS 102) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

Trust Group Holdings Ltd
Other than charitable funds, the Trust currently consolidates one subsidiary - Trust Group Holdings Limited (the Company). The Company is registered in the UK, company number 10388315, with a share capital comprising one share of £1 owned by the Trust. The company commenced trading on the 1 April 2017 as an Outpatient Dispensary service for the Trust. The service is provided across the three UHL sites, operating in normal business hours. A significant proportion of the company's revenue is inter group trading with the Trust which is eliminated upon the consolidation of these group financial statements.

Note 1.6 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

The Trust receives income from its subsidiary, Trust Group Holdings, in relation to the provision of administrative services provided by the Trust to the subsidiary. This income is adjusted out of the group position upon consolidation of the group accounts position.

Revenue from NHS contracts
The main source of revenue for the Trust is contracts with commissioners in respect of healthcare services. Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where a patient care spell is incomplete at the year end, revenue relating to the partially complete spell is accrued in the same manner as other revenue.

Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.

The Trust establishes a provision for credit notes where there are any disputes to its receivables from other NHS organisations within the year end agreement of balances exercise.

Note 1.7 Other forms of income

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 have been 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 a provision for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

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.

Approach to unrecoverable debt
The Trust recognises a loss allowance at an amount equal to lifetime expected credit losses (ECLs) under IFRS9's simplified approach – as mandated by HM Treasury. This applies to non-NHS Trade receivables; other long-term trade receivables; contract assets; and lease receivables.

We apply a simple 'provision matrix' to calculate the loss allowance and this approach is permitted under IFRS 9. Our closing general provision was based on the following assumptions.

0 to 90 days old	- 0% allowance
91 to 180 days old	- 25% allowance
181 to 365 days old	- 75% allowance
Over 365 days old	- 100% allowance

In line with national DHSC guidance, we also apply a provision of 60% against debt outstanding for more than three months in the overseas visitors category.

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

Note 1.8 Expenditure on employee benefits

Note 1,8.1 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.

Note 1.8.2 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 employers, general practices and other bodies, allowed under the direction of Secretary of State, 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 and when 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 1.9 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.

The Trust has a policy of not accruing for expenditure below £5k, apart from automatic system generated accruals.

Note 1.10 Property, plant and equipment

Note 1.10.1 Recognition

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

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

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

Note 1.10.2 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 which 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 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.

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 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.

Revaluations of property, plant and equipment
The Trust has revalued its assets with an effective date of revaluation of 31st March 2021.

The Trust's freehold and leasehold property values were updated by an external valuer, Gerald Eve LLP, a regulated firm of chartered surveyors. The valuation was prepared in accordance with the requirements of the RICS Professional Standards, the International Valuation Standards and IFRS.

The valuation has been prepared in accordance with the Government Financial Reporting Manual (FReM) to comply with IFRS, specifically with regard to IAS 16 ‘Property, Plant and Equipment’ and IAS 40 ‘Investment Properties’.

The valuer's opinion of Fair Value was primarily derived using the Depreciated Replacement Cost approach to value the service potential, on a Modern Equivalent Asset (MEA) basis. The MEA valuation was based on the Trust's estates strategy, which outlines a five year major reconfiguration for the Trust's estate, and which effectively defines the Modern Equivalent Asset for the valuation.

The Trust's estates strategy is consistent with its clinical strategy and both strategies are intrinsically linked as we must reconfigure our estate in order to deliver our clinical strategy. We provided our estates strategy to our valuers, Gerald Eve LLP, to enable them to provide a more accurate MEA valuation based on our actual plans and future Trust configuration.

As a result of this valuation the Trust has incurred a valuation surplus of £80k, which is included within Other Operating Costs in the SOCI. This figure is removed from the Adjusted Financial Performance figure in accordance with Department of Health (DH) Accounting guidance.

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 has been reclassified as ‘held for sale’ ceases 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.

For buildings and dwellings the useful economic lives are set by the Trust's external expert valuers. For medical equipment we are advised of the useful economic lives by the internal medical physics department which is responsible for the overall management of this equipment. For other equipment we make an assessment of the useful economic lives in a number of ways including reference to the manufacturers' recommendations or by a review of external sources including NHS capital guidance.

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 income.

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

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

Impairments

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation

De-recognition

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

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

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

Donated and grant funded assets

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

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

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.

Walnut Street Lease

The Trust owns the freehold of eight residential blocks at Walnut Street (Leicester) containing a total of 212 flats, and leases these to an external housing association ('the operator') under a 99-year operating lease. This lease commenced on 16th February 2000 at a peppercorn rent. The value of assets transferred to the operator totalled £2,739k. The arrangement meets the definition of a "Service Concession" and therefore falls within the scope of IFRIC 12. The Trust recognises the land and buildings as fixed assets and charges depreciation to income and expenditure over the life of the asset. The land and buildings are subject to revaluation by our external valuers, who also assess the residual useful life of the asset. Our buildings were assessed as having a remaining useful life of 45 years as at 31st March 2010, the point at which IFRS requirements came into effect. This leaves a remaining useful life of 34 years as at 31st March 2021.

The Trust recognises deferred income in relation to the lease premium and releases this to income and expenditure over the life of the asset.

Donations of property, plant and equipment
The majority of donated assets have been purchased on behalf of the Trust by the Leicester Hospitals Charity.

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
Land	-	-
Buildings, excluding dwellings	8	87
Dwellings	7	50
Plant & machinery	7	20
Transport equipment	8	15
Information technology	3	12
Furniture & fittings	8	31

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 1.11 Intangible assets

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

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

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

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

Measurement

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

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

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

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

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

	Min life Years	Max life Years
Information technology	3	13
Software licences	3	13

Note 1.12 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method.

As obsolete stock is identified the cost is written off to revenue and also recorded within losses and special payments within the financial statements.

In 2020/21, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

The write-down of such personal protective equipment held by the Trust has not been disclosed in losses and special payments as there is no loss to the Trust.

Note 1.13 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 1.14 Financial assets and financial liabilities

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

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

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

Financial assets are classified as subsequently measured at amortised cost, except for charitable fund investments, which are measured at fair value through Other Comprehensive Income (OCI).

Financial liabilities are classified as subsequently measured at amortised cost.

Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are those held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest.

Financial assets and financial liabilities at amortised cost

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

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

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

Impairment of financial assets

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

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

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. Losses are charged directly to operating expenditure where an expected credit loss provision previously has not been recognised.

Under the GAM we have applied the simplified approach and recognise lifetime expected credit losses at initial recognition, thereby not considering stage 1 impairments. We have no contract assets or receivables which contain a significant financing component. To calculate the lifetime expected credit losses we have used a provision matrix model assessing the risk of irrecoverability based upon the age and risk level of the debt.

Derecognition

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

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

Note 1.15 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.

Note 1.15.1 The Trust as a lessee

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

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

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

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

Contingent rentals are recognised as an expense in the period in which they are incurred.

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

Note 1.15.2 The Trust as a lessor

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

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

Note 1.16 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2021:

		Nominal rate
Short-term	Up to 5 years	Minus 0.02%
Medium-term	After 5 years up to 10 years	0.18%
Long-term	Exceeding 10 years	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2021:

	Inflation rate
Year 1	1.20%
Year 2	1.60%
Into perpetuity	2.00%

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

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

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

Note 1.17 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 29 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 29 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 1.18 Public dividend capital

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

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

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

This policy is available at https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts.

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

Note 1.19 Value added tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.20 Corporation tax

The Trust has no corporation tax liability itself however the Trust's subsidiary is liable to pay corporation tax and this is recognised in the group accounts.

Note 1.21 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 1.22 Third party assets

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

Note 1.23 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 1.24 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 1.25 Transfers of functions from other NHS bodies

For functions that have been transferred to the Trust from another NHS body, the transaction is accounted for as a transfer by absorption. The assets and liabilities transferred are recognised in the accounts using the book value as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain or loss corresponding to the net assets or liabilities transferred is recognised within income or expenses, but not within operating activities.

For property, plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity's accounts are preserved on recognition in the Trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the Trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

Note 1.26 Early adoption of standards, amendments and interpretations

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

Note 1.27 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.

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

	£000
Estimated impact on 1 April 2022 statement of financial position	
Additional right of use assets recognised for existing operating leases	13,702
Additional lease obligations recognised for existing operating leases	(13,702)
Changes to other statement of financial position line items	-
Net impact on net assets on 1 April 2022	**-**
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(3,065)
Additional finance costs on lease liabilities	(134)
Lease rentals no longer charged to operating expenditure	3,071
Other impact on income / expenditure	-
Estimated impact on surplus / deficit in 2022/23	**(128)**
Estimated increase in capital additions for new leases commencing in 2022/23	**-**

Note 2 Operating Segments

The Trust operates in one segment, which is the provision of healthcare.

Note 3 Operating income from patient care activities (Group)

All income from patient care activities relates to contract income recognised in line with accounting policy 1.6

Note 3.1 Income from patient care activities (by nature)	**2020/21**	**2019/20**
	£000	**£000**
Block contract / system envelope income*	998,349	797,567
High cost drugs income from commissioners (excluding pass-through costs)	12,685	101,768
Other NHS clinical income	26,726	13,932
Private patient income	2,011	2,798
Additional pension contribution central funding**	28,460	26,919
Other clinical income	1,140	2,975
Total income from activities	**1,069,371**	**945,959**

*As part of the coronavirus 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.

Note 3.2 Income from patient care activities (by source)

	2020/21	**2019/20**
Income from patient care activities received from:	**£000**	**£000**
NHS England	380,632	350,224
Clinical commissioning groups	685,583	539,952
Department of Health and Social Care	-	18,494
Other NHS providers	5	516
NHS other	-	31,000
Non-NHS: private patients	1,641	2,798
Non-NHS: overseas patients (chargeable to patient)	370	1,159
Injury cost recovery scheme	992	1,816
Non NHS: other	148	-
Total income from activities	**1,069,371**	**945,959**
Of which:		
Related to continuing operations	**1,069,371**	**945,959**

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

	2020/21 £000	2019/20 £000
Income recognised this year	370	1,159
Cash payments received in-year	160	281
Amounts added to provision for impairment of receivables	225	-
Amounts written off in-year	-	408

Note 4 Other operating income (Group)

	2020/21			2019/20		
	income	**contract**	**Total**	**income**	**contract**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Research and development	36,121	-	**36,121**	30,485	-	**30,485**
Education and training	45,703	-	**45,703**	46,921	-	**46,921**
Non-patient care services to other bodies	5,880	-	**5,880**	3,911	-	**3,911**
Marginal rate emergency tariff funding (2019/20 only)	-	-	**-**	6,866	-	**6,866**
Reimbursement and top up funding	62,326	-	**62,326**	-	-	**-**
Income in respect of employee benefits accounted on a gross basis	3,770	-	**3,770**	9,671	-	**9,671**
Receipt of capital grants and donations	-	5,041	**5,041**	-	348	**348**
Charitable and other contributions to expenditure	-	19,065	**19,065**	-	-	**-**
Rental revenue from operating leases	-	453	**453**	-	576	**576**
Charitable fund incoming resources	-	4,233	**4,233**	-	4,540	**4,540**
Other income	29,550	-	**29,550**	41,298	-	**41,298**
Total other operating income	**183,350**	**28,792**	**212,142**	**139,152**	**5,464**	**144,616**
Of which:						
Related to continuing operations			212,142			144,616

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period (Group & Trust)

No revenue was recognised in the reporting period that was included in within contract liabilities at the previous period end (2019/20 - £Nil).

Note 5.2 Transaction price allocated to remaining performance obligations

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

Note 5.3 Income generation activities (Group & Trust)

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Due to the pandemic, car parking was provided free of charge or at a reduced fee to the public for much of 2020/21. For a period, catering facilities were available to staff only and provided free. Accommodation and car park charges were also waived for staff for part of the year.

	2020/21	2019/20
	£000s	£000s
Income - car parking	386	5,138
Income - catering	987	3,618
Income - accommodation	799	1,321

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

	2020/21	2019/20
	£000	£000
Income	-	11,524
Full cost	-	(11,524)
Surplus	**-**	**-**

Note 6.1 Operating expenses (Group)

	2020/21	2019/20
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	664	1,067
Purchase of healthcare from non-NHS and non-DHSC bodies	7,438	5,604
Staff and executive directors costs	745,235	698,891
Remuneration of non-executive directors	136	105
Supplies and services - clinical (excluding drugs costs)	128,314	124,593
Supplies and services - general	13,288	15,334
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	124,239	107,139
Inventories written down	740	2,400
Consultancy costs	2,798	2,503
Establishment	5,271	5,906
Premises	48,019	54,976
Transport (including patient travel)	5,599	7,050
Depreciation on property, plant and equipment	34,235	32,307
Amortisation on intangible assets	2,795	2,684
Net impairments	(80)	3,480
Movement in credit loss allowance: contract receivables / contract assets	(99)	2,256
Increase/(decrease) in other provisions	3,260	11,397
Change in provisions discount rate(s)	98	-
Audit fees payable to the external auditor		
audit services- statutory audit	474	220
additional fee for prior year audit	664	-
Internal audit costs	240	209
Clinical negligence	34,744	30,664
Legal fees	979	390
Insurance	72	61
Research and development - staff costs	15,654	15,650
Research and development	19,600	20,474
Education and training	2,137	1,437
Rentals under operating leases	998	6,827
Redundancy	-	134
Car parking & security	2,262	2,323
Hospitality	2	5
Losses, ex gratia & special payments	37	1,266
Other services, eg external payroll	-	1,149
Other NHS charitable fund resources expended	1,768	2,211
Other	10,410	35,900
Total	**1,211,991**	**1,196,612**
Of which:		
Related to continuing operations	1,211,991	1,196,612

Note 6.2 Other auditor remuneration (Group)

	2020/21 £000	2019/20 £000
Other auditor remuneration paid to the external auditor:		
2. Audit-related assurance services	-	-
Total	**-**	**-**

Note 6.3 Limitation on auditor's liability (Group)

The limitation on auditor's liability for external audit work is £1 million (2019/20: £1 million).

Note 7 Impairment of assets (Group & Trust)

	2020/21	2019/20
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	(80)	2,384
Other	-	1,096
Total net impairments charged to operating surplus / deficit	**(80)**	**3,480**
Impairments charged to the revaluation reserve	-	16,421
Total net impairments	**(80)**	**19,901**

Note 8 Employee benefits (Group)

	£000	£000
Salaries and wages	587,173	554,107
Social security costs	57,612	50,562
Apprenticeship levy	3,045	2,629
Employer's contributions to NHS pensions	64,999	61,499
Pension cost - employer contributions paid by NHSE on Trust's behalf (6.3%)	28,460	26,919
Termination benefits	-	134
Temporary staff (including agency)	21,821	20,801
Total gross staff costs	**763,110**	**716,651**
Recoveries in respect of seconded staff	-	-
Total staff costs	**763,110**	**716,651**
Of which		
Costs capitalised as part of assets	2,221	1,976

In addition to a general increase in salaries of 3%, the Trust incurred a high level of additional cost in 2020/21 in relation to cleaning and coverage of absences related to the pandemic.

Note 8.1 Retirements due to ill-health (Group)

During 2020/21 there were 3 early retirements from the trust agreed on the grounds of ill-health (5 in the year ended 31 March 2020). The estimated additional pension liabilities of these ill-health retirements is £108k (£291k 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 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 at 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 at 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.

Note 10 Operating leases (Group & Trust)

Note 10.1 University Hospitals of Leicester NHS Trust as a lessor

This note discloses income generated in operating lease agreements where University Hospitals of Leicester NHS Trust is the lessor.

	2020/21	2019/20
	£000	£000
Operating lease revenue		
Minimum lease receipts	453	576
Total	**453**	**576**

	31 March 2021	31 March 2020
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	378	439
- later than one year and not later than five years;	1,702	1,222
Total	**2,080**	**1,661**

Note 10.2 University Hospitals of Leicester NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where University Hospitals of Leicester NHS Trust is the lessee.

	2020/21	2019/20
	£000	£000
Operating lease expense		
Minimum lease payments	998	6,827
Total	**998**	**6,827**

	31 March 2021	31 March 2020
	£000	£000
		restated
Future minimum lease payments due:		
- not later than one year;	633	980
- later than one year and not later than five years;	861	1,046
- later than five years.	616	712
Total	**2,110**	**2,738**

An appraisal of certain leases has been performed, which resulted in these leases being reclassified from operating to finance leases. The comparative figure for future minimumm lease payments has been revised to reflect this.

As previosuly stated	2020
	£000
Future minimum lease payments due:	
- not later than one year;	6,188
- later than one year and not later than five years;	15,205
- later than five years.	1,355
Total	**22,748**

Note 11 Finance income (Group)

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

	2020/21	2019/20
	£000	£000
Interest on bank accounts	-	242
NHS charitable fund investment income	108	139
Total finance income	**108**	**381**

Note 12.1 Finance expenditure (Group & Trust)

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

	2020/21	2019/20
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	-	6,891
Finance leases	1,271	1,114
Interest on late payment of commercial debt	147	180
Other finance costs	119	-
Total interest expense	**1,537**	**8,185**
Unwinding of discount on provisions	(17)	23
Total finance costs	**1,520**	**8,208**

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

	2020/21	2019/20
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	147	180

Note 13 Other gains / (losses) (Group)

	2020/21	2019/20
	£000	£000
Losses on disposal of assets	(23)	(5,976)
Total other losses	**(23)**	**(5,976)**

Note 14 Trust income statement and statement of comprehensive income

In accordance with Section 408 of the Companies Act 2006, the Trust is exempt from the requirement to present its own income statement and statement of comprehensive income. The Trust’s surplus for the period was £57.3 million (2019/20: Deficit of £126.7 million). The Trust's total comprehensive income for the period was £60.6 million (2019/20: Deficit of £45.1 million).

Note 15.1 Intangible assets - 2020/21

Group & Trust

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2020 - brought forward	**26,619**	**-**	**26,619**
Additions	83	-	**83**
Disposals / derecognition	(194)	-	**(194)**
Valuation / gross cost at 31 March 2021	**26,508**	**-**	**26,508**
Amortisation at 1 April 2020 - brought forward	**14,645**	**-**	**14,645**
Provided during the year	2,795	-	**2,795**
Disposals / derecognition	(194)	-	**(194)**
Amortisation at 31 March 2021	**17,246**	**-**	**17,246**
Net book value at 31 March 2021	**9,262**	**-**	**9,262**
Net book value at 1 April 2020	**11,974**	**-**	**11,974**

Note 15.2 Intangible assets - 2019/20

Group & Trust

	Software licences £000	Internally generated information technology £000	Total £000
Valuation / gross cost at 1 April 2019 - as previously stated	**29,594**	**9**	**29,603**
Opening balances adjustment	(160)	-	**(160)**
Valuation / gross cost at 1 April 2019 - restated	**29,434**	**9**	**29,443**
Additions	58	-	**58**
Reclassifications	5,717	(9)	**5,708**
Disposals / derecognition	(8,590)	-	**(8,590)**
	26,619	**-**	**26,619**
Amortisation at 1 April 2019 - as previously stated	**20,711**	**-**	**20,711**
Opening balances adjustment	(160)	-	**(160)**
Amortisation at 1 April 2019 - restated	**20,551**	**-**	**20,551**
Provided during the year	2,684	-	**2,684**
Disposals / derecognition	(8,590)	-	**(8,590)**
Amortisation at 31 March 2020	**14,645**	**-**	**14,645**
Net book value at 31 March 2020	**11,974**	**-**	**11,974**
Net book value at 1 April 2019	**8,883**	**9**	**8,892**

Note 16.1 Property, plant and equipment - 2020/21

Group

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2020 - brought forward	**51,766**	**429,707**	**10,740**	**12,999**	**143,128**	**311**	**43,022**	**2,630**	**694,303**
Additions	-	6,802	21	45,432	17,548	19	2,640	-	**72,462**
Impairments through income and expenditure	-	(4,547)	-	-	-	-	-	-	**(4,547)**
Reversals of impairments through income and expenditure	910	659	1	-	-	-	-	-	**1,570**
Revaluations	2,320	(12,475)	(188)	-	-	-	-	-	**(10,343)**
Reclassifications	-	12,006	-	(12,140)	-	-	134	-	**-**
Transfers to / from assets held for sale	(5,029)	-	(5,375)	-	-	-	-	-	**(10,404)**
Disposals / derecognition	-	-	-	-	(884)	-	(71)	-	**(955)**
Valuation/gross cost at 31 March 2021	**49,967**	**432,152**	**5,199**	**46,291**	**159,792**	**330**	**45,725**	**2,630**	**742,086**
Accumulated depreciation at 1 April 2020 - brought forward	**-**	**-**	**-**	**-**	**95,073**	**127**	**16,674**	**1,894**	**113,768**
Provided during the year	-	16,043	608	-	10,767	22	6,673	122	**34,235**
Impairments through income and expenditure	-	(2,663)	-	-	-	-	-	-	**(2,663)**
Reversals of impairments through income and expenditure	-	(394)	-	-	-	-	-	-	**(394)**
Revaluations	-	(12,422)	(304)	-	-	-	-	-	**(12,726)**
Transfers to / from assets held for sale	-	-	(304)	-	-	-	-	-	**(304)**
Disposals / derecognition	-	-	-	-	(859)	-	(71)	-	**(930)**
Accumulated depreciation at 31 March 2021	**-**	**564**	**-**	**-**	**104,981**	**149**	**23,276**	**2,016**	**130,986**
Net book value at 31 March 2021	**49,967**	**431,588**	**5,199**	**46,291**	**54,811**	**181**	**22,449**	**614**	**611,100**
Net book value at 1 April 2020	**51,766**	**429,707**	**10,740**	**12,999**	**48,055**	**184**	**26,348**	**736**	**580,535**

Note 16.2 Property, plant and equipment - 2019/20

Group

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward as previously stated	**49,108**	**334,828**	**10,845**	**18,842**	**168,336**	**197**	**67,738**	**2,439**	**652,333**
Opening balances adjustment	-	3,176	-	(1)	6,058	(1)	-	(2)	**9,230**
Valuation / gross cost at 1 April 2019 - restated	**49,108**	**338,004**	**10,845**	**18,841**	**174,394**	**196**	**67,738**	**2,437**	**661,563**
Additions	-	24,255	166	14,880	7,760	115	9,732	193	**57,101**
Impairments through income and expenditure	(10,030)	(13,020)	3	(658)	-	-	(438)	-	**(24,143)**
Impairments through the revaluation reserve	(128)	(15,483)	(810)	-	-	-	-	-	**(16,421)**
Reversal of impairments credited to operating expenses	4,080	16,572	11	-	-	-	-	-	**20,663**
Revaluations	8,736	75,762	505	-	-	-	-	-	**85,003**
Reclassifications	-	3,617	20	(18,138)	1,947	-	6,846	-	**(5,708)**
Disposals / derecognition	-	-	-	(1,926)	(40,973)	-	(40,856)	-	**(83,755)**
Valuation/gross cost at 31 March 2020	**51,766**	**429,707**	**10,740**	**12,999**	**143,128**	**311**	**43,022**	**2,630**	**694,303**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
Accumulated depreciation at 1 April 2019 - as previously stated	**-**	**-**	**-**	**-**	**116,937**	**123**	**51,939**	**1,797**	**170,796**
Opening balances adjustment	-	-	-	-	2,773	(2)	(3)	(1)	**2,767**
Accumulated depreciation at 1 April 2019 -	**-**	**-**	**-**	**-**	**119,710**	**121**	**51,936**	**1,796**	**173,563**
Provided during the year	-	12,395	569	-	13,645	6	5,594	98	**32,307**
Revaluations	-	(12,395)	(569)	-	-	-	-	-	**(12,964)**
Disposals / derecognition	-	-	-	-	(38,282)	-	(40,856)	-	**(79,138)**
Accumulated depreciation at 31 March 2020	**-**	**-**	**-**	**-**	**95,073**	**127**	**16,674**	**1,894**	**113,768**
Net book value at 31 March 2020	**51,766**	**429,707**	**10,740**	**12,999**	**48,055**	**184**	**26,348**	**736**	**580,535**
Net book value at 1 April 2019	**49,108**	**334,828**	**10,845**	**18,842**	**51,399**	**74**	**15,799**	**642**	**481,537**

Other than plant and machinery with a book value of £25k held by the subsidiary, the Trust figures for Property, plant and equipment match those of the group.

The Trust has engaged the services of professional valuers Gerald Eve LLP to establish the fair value of land and buildings for the organisation. In their opinion "The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS3 and VPGA10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation under frequent review.

"For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation."

Note 16.4 Property, plant and equipment financing - 2020/21

Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2021									
Owned - purchased	49,967	418,433	5,199	42,655	31,270	158	16,284	527	**564,493**
Finance leased	-	3,070	-	-	16,935	-	6,110	-	**26,115**
Owned - donated/granted	-	10,085	-	3,636	6,606	23	55	87	**20,492**
NBV total at 31 March 2021	**49,967**	**431,588**	**5,199**	**46,291**	**54,811**	**181**	**22,449**	**614**	**611,100**

Note 16.5 Property, plant and equipment financing - 2019/20

Group	Land £000	Buildings excluding dwellings £000	Dwellings £000	under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2020									
Owned - purchased	51,766	416,230	10,740	12,788	27,302	158	26,279	649	**545,912**
Finance leased	-	3,179	-	-	19,487	-	-	-	**22,666**
Owned - donated/granted	-	10,298	-	211	1,266	26	69	87	**11,957**
NBV total at 31 March 2020	**51,766**	**429,707**	**10,740**	**12,999**	**48,055**	**184**	**26,348**	**736**	**580,535**

Note 17 Donations of property, plant and equipment

	Group and Trust	
	2020/21	2019/20
	£000	£000
Assets received from DHSC relating to Covid treatment	4,286	-
Assets donated by the Trust's charitable fund	4,919	348
Other	755	-
	9,960	**348**

Note 18 Other investments / financial assets (non-current)

	Group	
	2020/21	2019/20
	£000	£000
Carrying value at 1 April - brought forward	**4,324**	**4,725**
Acquisitions in year	326	4,885
Movement in fair value through OCI	880	(427)
Disposals	(345)	(4,859)
Carrying value at 31 March	**5,185**	**4,324**

The above represents assets held by the Charity

	Trust	
	2020/21	2019/20
	£000	£000
Carrying value at of investments		
Investment in subsidiary	4,000	4,000
Carrying value at 31 March	**4,000**	**4,000**

Note 19 Analysis of charitable fund reserves

The funds of the Leicester Hospitals Charity have been consolidated within these accounts

	31 March 2021 £000	31 March 2020 £000
Unrestricted funds:		
Unrestricted income funds	5,585	4,811
Restricted funds:		
Other restricted income funds	2,463	4,710
	8,048	**9,521**

Unrestricted income funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. They may also be capital funds (e.g. endowments) where the assets are required to be invested, or retained for use rather than expended.

Note 20 Inventories

	Group		Trust	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Drugs	5,740	5,788	4,531	4,270
Consumables	14,927	13,639	14,927	13,640
Energy	170	147	170	147
Total inventories	**20,837**	**19,574**	**19,628**	**18,057**
of which:				
Held at fair value less costs to sell	-	-	-	-

Inventories recognised in expenses for the year were £189,378k (2019/20: £195,479k). Write-down of inventories recognised as expenses for the year were £740k (2019/20: £2,400k).

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 £19,063k of items purchased by DHSC.

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 21.1 Receivables

	Group		Trust	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000
Current				
Contract receivables	18,678	40,469	18,646	40,524
Allowance for impaired contract receivables / assets	(2,733)	(3,350)	(2,733)	(3,350)
Prepayments (non-PFI)	5,111	6,201	5,095	6,181
PDC dividend receivable	458	877	458	877
VAT receivable	1,800	1,715	1,284	1,312
Clinician pension tax provision reimbursement from NHSE	84	73	84	73
Other receivables	344	222	1,541	757
NHS charitable funds receivables	183	1,258	-	-
Total current receivables	**23,925**	**47,465**	**24,375**	**46,374**
Non-current				
Contract receivables	2,558	2,533	2,558	2,533
Allowance for other impaired receivables	(644)	(537)	(644)	(537)
Other receivables	2,814	2,396	2,814	2,396
Total non-current receivables	**4,728**	**4,392**	**4,728**	**4,392**
Of which receivable from NHS and DHSC				
Current	9,015	29,769	9,015	29,769
Non-current	2,814	2,396	2,814	2,396

During 2020/21 a simplified funding system has been in operation for NHS Trusts, resulting in a reduction in NHS contract receivables as at 31 March 2021.

Note 21.2 Allowances for credit losses - 2020/21

	Group and Trust	
	Contract receivables and contract assets	All other receivables
	£000	£000
Allowances as at 1 Apr 2020 - brought forward	**3,887**	**-**
New allowances arising	401	-
Changes in existing allowances	-	-
Reversals of allowances	(500)	-
Utilisation of allowances (write offs)	(411)	-
Allowances as at 31 Mar 2021	**3,377**	**-**

Note 21.3 Allowances for credit losses - 2019/20

	Group and Trust	
	Contract receivables and contract assets	All other receivables
	£000	£000
Allowances as at 1 Apr 2019 - brought forward	**4,015**	**(928)**
New allowances arising	3,767	-
Changes in existing allowances	(928)	928
Reversals of allowances	(1,510)	-
Utilisation of allowances (write offs)	(1,457)	-
Allowances as at 31 Mar 2020	**3,887**	**-**

We apply IFRS9 to our receivable balances at the year end. This requires us to establish an allowance for credit losses based upon our assessment of the likely recoverability of the outstanding debt in future. Provision for Non NHS bad debts is made on an expected loss basis, using appropriate historical analysis undertaken in calculating these, to minimise the estimation uncertainty, which is in line with NHS Group Accounting Manual Guidance. Injury Cost Recovery (ICR) bad debt provision is accounted for in line with national guidance (22.43% of total ICR debtors)

Note 22 Non-current assets held for sale and assets in disposal groups

	Group and Trust	
	2020/21	2019/20
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	**-**	**-**
Assets classified as available for sale in the year	10,100	-
NBV of non-current assets for sale and assets in disposal groups at 31 March	**10,100**	**-**

Assets held for sale comprise certain land and buildings surplus to the Trust's requirements. The sale was completed on 1 April 2021.

Note 23.1 Cash and cash equivalents movements

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

	Group		Trust	
	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000
At 1 April	**33,191**	**16,965**	**26,529**	**12,669**
Net change in year	73,232	16,226	73,280	13,860
At 31 March	**106,423**	**33,191**	**99,809**	**26,529**
Broken down into:				
Cash at commercial banks and in hand	4,271	4,321	46	44
Cash with the Government Banking Service	102,152	28,870	99,763	26,485
Total cash and cash equivalents as in SoFP	**106,423**	**33,191**	**99,809**	**26,529**
Bank overdrafts (GBS and commercial banks)	(12,167)	(12,899)	(12,167)	(12,899)
Total cash and cash equivalents as in SoCF	**94,256**	**20,292**	**87,642**	**13,630**

Note 23.2 Third party assets held by the Trust

University Hospitals of Leicester NHS Trust held no monies on behalf of patients or other parties at 31 March 2021 (31 March 2020 - £Nil)

Note 24.1 Trade and other payables

	Group		Trust	
	2021	2020	2021	2020
	£000	£000	£000	£000
Current				
Trade payables	6,154	18,205	4,991	16,934
Capital payables	6,976	3,792	6,976	3,792
Accruals	72,912	57,515	74,300	58,802
Social security costs	8,025	7,571	8,017	7,556
Other taxes payable	6,893	6,173	6,884	6,161
Other payables	23,078	10,244	22,913	10,383
NHS charitable funds: trade and other payables	349	29	-	-
Total current trade and other payables	**124,387**	**103,529**	**124,081**	**103,628**
Of which payables from NHS and DHSC group bodies:				
Current	24,771	19,977	24,771	19,977

Most of the accruals relate to invoices and charges which are expected to be settled at a value approximating the accrual. The exception is the accrual for annual leave not taken of £9.7m, included within the above. The vast bulk of this will be realised by staff taking their leave, rather than being paid in cash.

Note 24.2 Early retirements in NHS payables above

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

Group and Trust	31 March 2021 £000	31 March 2021 Number	31 March 2020 £000	31 March 2020 Number
- to buy out the liability for early retirements over 5 years	108	3	291	5

Note 25 Other liabilities

	Group and Trust	
	31 March 2021 £000	31 March 2020 £000
Current		
Deferred income: contract liabilities	2,177	8,360
Total other current liabilities	**2,177**	**8,360**

Note 26 Borrowings

	Group and Trust	
	31 March 2021 £000	31 March 2020 £000
Current		
Bank overdrafts	12,167	12,899
Loans from DHSC	-	350,725
Other loans	-	2,125
Obligations under finance leases	7,089	5,204
Total current borrowings	**19,256**	**370,953**
Non-current		
Obligations under finance leases	12,073	17,226
Total non-current borrowings	**12,073**	**17,226**

Across the NHS, DHSC loans were repaid on an effective date of 1 April 2020 by the issue of Public Dividend

Note 26.1 Reconciliation of liabilities arising from financing activities (Group and Trust)

2020/21	Loans from DHSC £000	Other loans £000	Finance leases £000	Total £000
Carrying value at 1 April 2020	**350,725**	**2,125**	**22,430**	**375,280**
Cash movements:				
Financing cash flows - payments and receipts of principal	(349,586)	(2,125)	(6,963)	**(358,674)**
Financing cash flows - payments of interest	(1,139)	-	(1,285)	**(2,424)**
Non-cash movements:				
Additions	-	-	3,709	**3,709**
Application of effective interest rate	-	-	1,271	**1,271**
Carrying value at 31 March 2021	**-**	**-**	**19,162**	**19,162**

2019/20	Loans from DHSC £000	Other loans £000	Finance leases £000	Total £000
Carrying value at 1 April 2019	**246,532**		**7,306**	**253,838**
Cash movements:				
Financing cash flows - payments and receipts of principal	103,916	2,125	(2,418)	**103,623**
Financing cash flows - payments of interest	(6,607)	-	(511)	**(7,118)**
Non-cash movements:				
Additions	-	-	1,029	**1,029**
Application of effective interest rate	6,884	-	918	**7,802**
Other changes	-	-	16,106	**16,106**
Carrying value at 31 March 2020	**350,725**	**2,125**	**22,430**	**375,280**

Note 27 Finance leases - Group and Trust

The Trust has three finance lease arrangements - for Managed Equipment Services, IM&T equipment and renal dialysis equipment.

Managed Equipment Service (MES) finance lease

The Trust is the lessee in relation to a managed equipment service as defined by IAS 17 Leases. The Trust leases major items of equipment used to treat patients.
Commencement date: 2007/08
End date: 2025/2026

IM&T "eQuip" programme

The Trust is the lessee for this IM&T programme as defined by IAS 17 Leases. The lease relates to the replacement of outdated IT equipment and the provision of new IT equipment for staff.
Commencement date: 2018/19
End date: 2024/25

Renal Dialysis equipment leases

The Trust is the lessee in respect of renal dialysis equipment and premises at six locations.
Commencement dates: 2015/16 to 2019/20
End Dates: 2022/23 to 2044/45

Payment for the fair value of the services received
The annual unitary payment is applied to meet the annual finance cost and to repay the lease liabilities over the contract term.

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

Property plant and equipment assets recognised on the balance sheet
The finance lease assets are recognised as property, plant and equipment. The asset values, life and depreciation for the scheme are provided to the Trust by the Lessors.
Depreciation on the property, plant and equipment is charged to revenue.

Liability
Lease liabilities are recognised at the same time as the assets are recognised. The liabilities are measured initially at the same amount as the fair value of the assets and are subsequently measured as finance lease liabilities in accordance with IAS 17 Leases.

Asset replacement
Any assets, or asset components provided by the lessor during the contract are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the lessor and are measured initially at their fair value.

Assets contributed by the Trust to the operator for use in the scheme (MES only).
Assets contributed for use in the scheme are recognised as items of property, plant and equipment in the Trust's Statement of Financial Position.

Note 27.1 University Hospitals of Leicester NHS Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	Group and Trust	
	31 March 2021	31 March 2020
	£000	£000
Gross lease liabilities	**21,747**	**25,428**
of which liabilities are due:		
- not later than one year;	7,296	5,438
- later than one year and not later than five years;	9,480	13,045
- later than five years.	4,971	6,945
Finance charges allocated to future periods	(2,585)	(2,998)
Net lease liabilities	**19,162**	**22,430**
of which payable:		
- not later than one year;	7,089	5,204
- later than one year and not later than five years;	8,375	11,674
- later than five years.	3,698	5,552
	19,162	**22,430**

Note 28.1 Provisions for liabilities and charges analysis (Group)

Group	Pensions: early departure costs	Pensions: injury benefits	Clinician tax reimbursement	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2020	**2,096**	**925**	**2,469**	**16,257**	**21,747**
Change in the discount rate	52	46	-	-	**98**
Arising during the year	339	205	429	2,277	**3,250**
Utilised during the year	(220)	(60)	-	(168)	**(448)**
Reversed unused	(29)	-	-	(2,292)	**(2,321)**
Unwinding of discount	(11)	(6)	-	-	**(17)**
At 31 March 2021	**2,227**	**1,110**	**2,898**	**16,074**	**22,309**
Expected timing of cash flows:					
- not later than one year;	222	60	84	16,074	**16,440**
- later than one year and not later than five years;	908	247	149	-	**1,304**
- later than five years.	1,097	803	2,665	-	**4,565**
Total	**2,227**	**1,110**	**2,898**	**16,074**	**22,309**

Other provisions includes the following significant items:	**£000**
s106 provision on sale of land	2,200
VAT provision on disputed supply	4,800

The Trust has made provision for Section 106 costs which would be incurred by the housing developer, Davidsons' Homes, in relation to the Glenfield land development. As agreed between the parties, the Trust was contractually obligated to fund the developer's costs in relation to covering the costs of meeting section 106 requirements, as part of the land sale agreement. Section 106 agreements are drafted when it is considered that a development will have significant impacts on the local area that cannot be moderated by means of conditions attached to a planning decision. For example, a new residential development can place extra pressure on the social, physical and economic infrastructure which already exists in a certain area.

The land sale agreement also contained a 'put option' which allowed Davidsons' to sell the land back to the Trust should certain milestones not be met. Davidsons' has chosen to exercise this 'buy back' provision and served notice to this effect. However, the Trust was not notified of this intention until June 2021. The legal deeds to re-purchase the land were signed by the Trust on 15th July 2021. The Trust Board, at the time of the sale in March 2019, considered it 'highly probable' (IFRS 15) that the Trust would not have to re-purchase the land. This remained the Board view at 31 March 2020 and at 31 March 2021. The decision to repurchase took place after the reporting period and therefore represents a non-adjusting post balance sheet event. The return of the asset and liability is accounted for at £nil value in the 2020/21 financial statements. The sale transaction would therefore remain recognised at 31/3/2021 without any recognition of the potential liability to repurchase.

Note 28.2 Provisions for liabilities and charges analysis (Trust)

Trust	Pensions: early departure costs	Pensions: injury benefits	Clinician tax reimbursement	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2020	**2,096**	**925**	**2,469**	**16,239**	**21,729**
Change in the discount rate	52	46	-	-	**98**
Arising during the year	339	205	429	2,242	**3,215**
Utilised during the year	(220)	(60)	-	(168)	**(448)**
Reversed unused	(29)	-	-	(2,274)	**(2,303)**
Unwinding of discount	(11)	(6)	-	-	**(17)**
At 31 March 2021	**2,227**	**1,110**	**2,898**	**16,039**	**22,274**
Expected timing of cash flows:					
- not later than one year;	222	60	84	16,039	**16,405**
- later than one year and not later than five years;	908	247	149	-	**1,304**
- later than five years.	1,097	803	2,665	-	**4,565**
Total	**2,227**	**1,110**	**2,898**	**16,039**	**22,274**

Note 28.3 Clinical negligence liabilities

At 31 March 2021, £480,312k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of University Hospitals of Leicester NHS Trust (31 March 2020: £411,149k).

Note 29 Contingent assets and liabilities

	Group and Trust	
	31 March 2021	31 March 2020
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	159	-
Gross value of contingent liabilities	**159**	**-**
Net value of contingent liabilities	**159**	**-**

There were no contingent assets (2019/20 - none)

Land disposal

A contingent liability existed at 31 March 2021 in respect of the potential buy back of a parcel of land as disclosed in notes 28.1 and 40.

Note 30 Contractual capital commitments

	Group and Trust	
	31 March 2021	31 March 2020
	£000	£000
Property, plant and equipment	12,996	12,724
Total	**12,996**	**12,724**

Note 31 Other financial commitments

The Trust has no other financial commitments.

Note 32 Financial instruments

Note 32.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with commissioners and the way those commissioners are financed, the NHS 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.

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 may borrow from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken. The Trust therefore has low exposure to interest rate fluctuations.

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 the 31st March 2021 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk
The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust's loans with the Department for Health and Social Care were all replaced by Public Dividend Capital at the commencement of the current financial year.

Land sale
As described within Note 29 Contingent Liabilities, the Trust has disposed of some surplus land within the year. As part of this transaction, a separate contract has been entered into that includes a put option to the effect that the sale and proceeds received is contingent upon the buyer obtaining appropriate access and planning permission within a reasonable timeframe. On the event of these conditions not being met, the buyer has the right to exercise the put option for the Trust to repurchase the land at the original selling price plus indexation. The Directors of the Trust have reviewed the put option and based upon information available has concluded that whilst exercising the option is possible, it is not probable that access and planning permission will not be granted and therefore payment to repurchase the land will not be required.

The Trust has not recognised any liability in respect of this put option as it believes the financial liability associated with this is £nil.

Note 32.2 Carrying values of financial assets (Group)

Carrying values of financial assets as at 31 March 2021

	Held at amortised cost	Held at fair value through OCI	Total book value
	£000	£000	£000
Trade and other receivables excluding non financial assets	20,800	-	**20,800**
Cash and cash equivalents	102,199	-	**102,199**
Consolidated NHS Charitable fund financial assets	4,407	5,185	**9,592**
Total at 31 March 2021	**127,406**	**5,185**	**132,591**

Carrying values of financial assets as at 31 March 2020

	Held at amortised cost	Held at fair value through OCI	Total book value
	£000	£000	£000
Trade and other receivables excluding non financial assets	41,584	-	**41,584**
Cash and cash equivalents	28,915	-	**28,915**
Consolidated NHS Charitable fund financial assets	5,534	4,324	**9,858**
Total at 31 March 2020	**76,033**	**4,324**	**80,357**

Note 32.3 Carrying values of financial assets (Trust)

Carrying values of financial assets as at 31 March 2021

	Held at amortised cost	Held at fair value through OCI	Total book value
	£000	£000	£000
Trade and other receivables excluding non financial assets	22,293		**22,293**
Other investments / financial assets	4,000		**4,000**
Cash and cash equivalents	99,809		**99,809**
Total at 31 March 2021	**126,102**	**-**	**126,102**

Carrying values of financial assets as at 31 March 2020

	Held at amortised cost	Held at fair value through OCI	Total book value
	£000	£000	£000
Trade and other receivables excluding non financial assets	41,639		**41,639**
Other investments / financial assets	4,000		**4,000**
Cash and cash equivalents	26,529		**26,529**
Total at 31 March 2020	**72,168**	**-**	**72,168**

Note 32.4 Carrying values of financial liabilities (Group)

Carrying values of financial liabilities as at 31 March 2021

	Held at amortised cost £000	Total book value £000
Obligations under finance leases	19,162	**19,162**
Other borrowings	12,167	**12,167**
Trade and other payables excluding non financial liabilities	90,146	**90,146**
Consolidated NHS charitable fund financial liabilities	349	**349**
Total at 31 March 2021	**121,824**	**121,824**

Carrying values of financial liabilities as at 31 March 2020

	Held at amortised cost £000	Total book value £000
Loans from the Department of Health and Social Care	350,725	**350,725**
Obligations under finance leases	22,430	**22,430**
Other borrowings	15,024	**15,024**
Trade and other payables excluding non financial liabilities	89,756	**89,756**
Consolidated NHS charitable fund financial liabilities	29	**29**
Total at 31 March 2020	**477,964**	**477,964**

Note 32.5 Carrying values of financial liabilities (Trust)

Carrying values of financial liabilities as at 31 March 2021

	Held at amortised cost £000	Total book value £000
Obligations under finance leases	19,162	**19,162**
Other borrowings	12,167	**12,167**
Trade and other payables excluding non financial liabilities	90,372	**90,372**
Total at 31 March 2021	**121,701**	**121,701**

Carrying values of financial liabilities as at 31 March 2020

	Held at amortised cost £000	Total book value £000
Loans from the Department of Health and Social Care	350,725	**350,725**
Obligations under finance leases	22,430	**22,430**
Other borrowings	15,024	**15,024**
Trade and other payables excluding non financial liabilities	89,911	**89,911**
Total at 31 March 2020	**478,090**	**478,090**

Note 32.6 Fair values of financial assets and liabilities

Book value of financial liabilities is a fair approximation of fair value.

Note 32.7 Maturity of financial liabilities

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

	Group		Trust	
	31 March 2021	31 March 2020 restated*	31 March 2021	31 March 2020 restated*
	£000	£000	£000	£000
In one year or less	109,963	461,263	109,835	461,389
In more than one year but not more than five years	9,480	10,763	9,480	10,763
In more than five years	4,971	2,482	4,971	2,482
Total	**124,414**	**474,508**	**124,286**	**474,634**

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

Note 33 Losses and special payments

	2020/21		2019/20	
Group and Trust	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	-	-	1	41
Bad debts and claims abandoned	144	32	2,116	1,094
Stores losses and damage to property	-	-	55	34
Total losses	**144**	**32**	**2,172**	**1,169**
Special payments				
Compensation under court order or legally binding arbitration award	-	-	1	1
Ex-gratia payments	89	124	109	96
Total special payments	**89**	**124**	**110**	**97**
Total losses and special payments	**233**	**156**	**2,282**	**1,266**
Compensation payments received		-		-

There were no cases individually exceeding £300k

Note 34 Gifts

The Trust made no gifts during 2020/21

Note 35 Related parties

During the year none of the Department of Health and Social Care Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the University Hospitals of Leicester NHS Trust. The Leicester Hospitals Charity is a related party of all members of the Trust Board, as the Trust Board is the Charity's corporate trustee.

K Singh, Trust Chairman, has a family member who is a Partner with Lakeside Healthcare. During the reporting year, the Trust made payments to Lakeside Healthcare amounting to £30k.

Professor P Baker, Non Executive Director, is the Dean of Medicine, Pro-Vice-Chancellor and Head of the College of Life Sciences, University of Leicester. Transactions with the University of Leicester are shown below.

B Patel, Non-Executive Director, is Chair of Leicester Hospitals Charity. Transactions with the Leicester Hospitals Charity are shown below.

V Bailey, Non-Executive Director, is a council member of the University of Nottingham. During the reporting year the Trust made payments of £228k to the University and received payments of £37k from the University. £13k was owed to the Trust from the University at the year end and £24k was owed from the Trust to the University.

MATERIAL DEPARTMENT OF HEALTH AND SOCIAL CARE ENTITIES

The Department of Health and Social Care (DHSC) is regarded as a related party. During the year the University Hospitals of Leicester NHS Trust has had a significant number of material transactions with the DHSC and with other entities for which the DHSC is regarded as the parent Department. These entities are listed below:

NHS Leicester City CCG
NHS West Leicestershire CCG
NHS East Leicestershire and Rutland CCG
Nottingham University Hospitals NHS Trust
Leicestershire Partnership NHS Trust
North West Anglia NHS Foundation Trust
University Hospitals of Derby and Burton NHS Foundation Trust
NHS England - Central Midlands Local Office
NHS England - East Midlands Specialised Commissioning Hub
Health Education England
NHS Pension Scheme
NHS Resolution

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with the following organisations:

HM Revenue and Customs - VAT
HM Revenue and Customs - Other Taxes and Duties
Leicester City Council

University of Leicester:
During the reporting year, the Trust made payments to the University of Leicester amounting to £5,703k (2019/20 £6,329k). The majority of these payments relate to the provision of services to the Trust by medical staff employed by the University of Leicester, and research payments. As at 31st March 2021 a sum of £2,420k (2019/20 - £3,678) is included in payables in respect of the University of Leicester. The University paid us £3,954k (2019/20 - £5,861k) in the year, relating primarily to research work, and £1,425k (2019/20 - £1,939k) was included within receivables at 31st March 2021.

Note 35.1 Related parties (Trust)

Charitable Fund
The Trust is the Corporate Trustee for Leicester Hospitals Charity which is an independent charity registered with the Charity Commission. In 2020/21 the Trust received total asset donations of £4,919k (2019/20 - £348k). Full details will be included in the Charity's accounts as submitted to the Charity Commission.

Trust Group Holdings Limited
The financial statements of the parent (Trust) are presented together with the consolidated financial statements. Any transactions or balances between the group entities have been eliminated on consolidation. Trust Group Holdings Limited does not have any transactions with the NHS or other Government entities except those with the parent Trust and HMRC (payroll and social security taxes). The Trust's receivables includes £0k owed by the subsidiary (2019/20 £0k) and the Trust's payables include £2,866k (2019/20 - £2,959k) owed to the subsidiary.

Note 36 Better Payment Practice code

Non-NHS Payables	2020/21 Number	2020/21 £000	2019/20 Number	2019/20 £000
Total non-NHS trade invoices paid in the year	169,638	716,378	194,926	743,680
Total non-NHS trade invoices paid within target	155,205	669,029	91,970	500,891
Percentage of non-NHS trade invoices paid within target	91.5%	93.4%	47.2%	67.4%

NHS Payables				
Total NHS trade invoices paid in the year	4,605	120,683	5,747	129,654
Total NHS trade invoices paid within target	2,827	100,253	1,701	87,189
Percentage of NHS trade invoices paid within target	61.4%	83.1%	29.6%	67.2%

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 37 External financing

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

	2020/21 £000	2019/20 £000
Cash flow financing	(59,198)	119,751
Other capital receipts	-	-
External financing requirement	**(59,198)**	**119,751**
External financing limit (EFL)	61,736	127,568
Underspend against EFL	**120,934**	**7,817**

Note 38 Capital Resource Limit

	2020/21 £000	2019/20 £000
Gross capital expenditure	72,545	57,159
Less: Disposals	(25)	(4,617)
Less: Donated and granted capital additions	(9,960)	(348)
Charge against Capital Resource Limit	**62,560**	**52,194**
Capital Resource Limit	67,277	55,550
Underspend against CRL	**4,717**	**3,356**

Note 39 Breakeven duty rolling assessment

	To 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		51	1,013	88	91	(39,655)	(40,648)
Breakeven duty cumulative position	3,910	3,961	4,974	5,062	5,153	(34,502)	(75,150)
Operating income		697,692	696,257	719,154	758,665	770,393	834,376
Cumulative breakeven position as a percentage of operating income		0.6%	0.7%	0.7%	0.7%	(4.5%)	(9.0%)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(34,051)	(27,152)	(34,455)	(44,879)	(154,380)	46,161
Breakeven duty cumulative position	(109,201)	(136,353)	(170,808)	(215,687)	(370,067)	(323,906)
Operating income	866,036	924,269	960,790	992,246	1,086,035	1,282,199
Cumulative breakeven position as a percentage of operating income	(12.6%)	(14.8%)	(17.8%)	(21.7%)	(34.1%)	(25.3%)

The breakeven duty in-year financial performance is not disclosed on the same basis as the figures reported in the SOCI for Retained Deficit. In accordance with DHSC guidance we have disclosed the above financial performance as:

	2020/21	2019/20
Financial performance for the year	£000	£000
Adjusted financial performance surplus/(deficit) (control total basis)	46,161	(154,380)
Remove impairments scoring to Departmental Expenditure Limit	-	-
Breakeven duty financial performance surplus/(deficit)	46,161	(154,380)

Note 40 Non-Adjusting Post Balance Sheet Event

Glenfield Land Repurchase

There was no indication that the 'put option' would be exercised until the counterparty announced their decision to do so in June 2021. Therefore it is our consideration that the highly probable test was met that the land would not be repurchased at the date of sale. The exercising of the put option should therefore be treated as a non-adjusting post balance sheet event as the actual repurchase transaction has taken place after the reporting period and should therefore be recognised in the Trust’s 2021/22 financial statements.

Appendix B

Letter of Representation

University Hospitals of Leicester Headquarters
Level 3 Balmoral Building
Leicester Royal Infirmary
Infirmary Square
Leicester
Leicestershire
LE1 5WW

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

University Hospitals of Leicester NHS Trust Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of the University Hospitals of Leicester NHS Trust (and Group) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Trust financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Trust's financial statements in accordance with International Financial Reporting Standards and the Department of Health and Social Care Group Accounting Manual 2020/21 ("the GAM"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Trust and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Trust has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the GAM and adequately disclosed in the financial statements.

vi. In calculating the amount of income to be recognised in the financial statements from other NHS organisations we have applied judgement, where appropriate, to reflect the appropriate amount of income expected to be derived by the Trust in accordance with the International Financial Reporting Standards and the GAM. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with International Financial Reporting Standards and the GAM, and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii. We acknowledge our responsibility to participate in the Department of Health and Social Care's agreement of balances exercise and have followed the requisite guidance and directions to do so. We are satisfied that the balances calculated for the Trust ensure the financial statements and consolidation schedules are free from material misstatement, including the impact of any disagreements.

viii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Trust has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the GAM.

x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the GAM require adjustment or disclosure have been adjusted or disclosed.

xi. We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The Trust Board is satisfied that the MEA valuation using an alternative site basis has the same service potential as the existing asset base and is an appropriate method of valuing the Trust's land and buildings.

xv. We have updated our going concern assessment. We continue to believe that the group and Trust's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the group and Trust means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Trust’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Trust’s ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Trust’s financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Trust via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Trust and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Trust's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Annual Report

xxvi. The disclosures within the Annual Report fairly reflect our understanding of the Trust's financial and operating performance over the period covered by the Trust's financial statements.

Approval

The approval of this letter of representation was minuted by the Trust's Audit and Risk Management Committee at its meeting on [date]

Yours faithfully

Name……………………………

Position…………………………..

Date……………………………

Name……………………………

Position…………………………..

Date…………………………….

Signed on behalf of the Trust