



Annual Accounts 2021/22

Caring for Walsall together



Statement of Comprehensive Income

		2021/22	2020/21
	Note	£000	£000
Operating income from patient care activities	3	345,978	291,583
Other operating income	4	23,700	56,871
Operating expenses	5, 7	(357,890)	(338,499)
Operating surplus/(deficit) from continuing operations		11,788	9,955
Finance income	10	21	-
Finance expenses	11	(8,240)	(8,351)
PDC dividends payable		(1,296)	(510)
Net finance costs		(9,515)	(8,861)
Other gains / (losses)	12	-	-
Share of profit / (losses) of associates / joint arrangements	17	-	-
Gains / (losses) arising from transfers by absorption	32	-	-
Corporation tax expense		-	-
Surplus / (deficit) for the year from continuing operations		2,273	1,094
Surplus / (deficit) on discontinued operations and the gain / (loss) on disposal of discontinued operations	14	-	-
Surplus / (deficit) for the year		2,273	1,094
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	6	-	-
Revaluations	16	7,787	9,567
Share of comprehensive income from associates and joint ventures	17	-	-
Fair value gains / (losses) on equity instruments designated at fair value through OCI	18	-	-
Other recognised gains and losses		-	-
Remeasurements of the net defined benefit pension scheme liability / asset	28	-	-
Gain / (loss) arising from on transfers by modified absorption	32	-	-
Other reserve movements		-	-
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	-	-
Recycling gains/(losses) on disposal of financial assets mandated at fair value through OCI	12	-	-
Foreign exchange gains / (losses) recognised directly in OCI		-	-
Total comprehensive income / (expense) for the period		10,060	10,661
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		2,273	1,094
Remove net impairments not scoring to the Departmental expenditure limit		756	-
Remove I&E impact of capital grants and donations		(266)	(454)
Remove net impact of inventories received from DHSC group bodies for COVID response		371	(498)
Remove loss recognised on return of donated COVID assets to DHSC		-	-
Adjusted financial performance surplus / (deficit)		3,134	142

The Trust completed the refurbishment of 2 theatres in 2021/22. Following an independent valuation the Trust recognised a total impairment loss of £0.756 million against the original cost of the refurbishments.

Statement of Financial Position

		31 March 2022 £000	31 March 2021 £000
	Note		
Non-current assets			
Intangible assets	13	5,598	6,417
Property, plant and equipment	14	185,825	161,995
Investment property	17	-	-
Investments in associates and joint ventures	17	-	-
Other investments / financial assets	18	-	-
Receivables	19	341	561
Other assets	20	-	-
Total non-current assets		191,764	168,973
Current assets			
Inventories	18	3,094	2,951
Receivables	19	10,715	11,075
Other investments / financial assets	18	-	-
Other assets	20	-	-
Non-current assets for sale and assets in disposal groups	21.1	-	-
Cash and cash equivalents	20	55,644	43,532
Total current assets		69,453	57,558
Current liabilities			
Trade and other payables	21	(49,564)	(35,179)
Borrowings	23	(4,068)	(4,058)
Other financial liabilities	24	-	-
Provisions	25	(176)	(96)
Other liabilities	22	(2,801)	(284)
Liabilities in disposal groups	21.2	-	-
Total current liabilities		(56,609)	(39,617)
Total assets less current liabilities		204,608	186,914
Non-current liabilities			
Trade and other payables	21	-	-
Borrowings	23	(107,888)	(111,956)
Other financial liabilities	24	-	-
Provisions	25	-	-
Other liabilities	22	-	-
Total non-current liabilities		(107,888)	(111,956)
Total assets employed		96,720	74,958
Financed by			
Public dividend capital		227,334	215,632
Revaluation reserve		31,954	24,307
Financial assets reserve		-	-
Other reserves		-	-
Merger reserve		-	-
Income and expenditure reserve		(162,568)	(164,981)
Total taxpayers' equity		96,720	74,958

The notes on following pages form part of these accounts.

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

	Public dividend capital £000	Revaluation reserve £000	Financial assets reserve £000	Other reserves £000	Merger reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2021 - brought forward	215,632	24,307	-	-	-	(164,981)	74,958
Surplus/(deficit) for the year	-	-	-	-	-	2,273	2,273
Gain/(loss) arising from transfers by modified absorption	-	-	-	-	-	-	-
Transfers by absorption: transfers between reserves	-	-	-	-	-	-	-
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	-	-	-	-	-	-
Other transfers between reserves	-	(140)	-	-	-	140	-
Impairments	-	-	-	-	-	-	-
Revaluations	-	7,787	-	-	-	-	7,787
Transfer to retained earnings on disposal of assets	-	-	-	-	-	-	-
Share of comprehensive income from associates and joint ventures	-	-	-	-	-	-	-
Fair value gains/(losses) on financial assets mandated at fair value through OCI	-	-	-	-	-	-	-
Fair value gains/(losses) on equity instruments designated at fair value through OCI	-	-	-	-	-	-	-
Recycling gains/(losses) on disposal of financial assets mandated at fair value through OCI	-	-	-	-	-	-	-
Foreign exchange gains/(losses) recognised directly through OCI	-	-	-	-	-	-	-
Other recognised gains and losses	-	-	-	-	-	-	-
Remeasurements of the defined net benefit pension scheme liability/asset	-	-	-	-	-	-	-
Public dividend capital received	11,702	-	-	-	-	-	11,702
Public dividend capital repaid	-	-	-	-	-	-	-
Public dividend capital written off	-	-	-	-	-	-	-
Other movements in public dividend capital in year	-	-	-	-	-	-	-
Other reserve movements	-	-	-	-	-	-	-
Taxpayers' and others' equity at 31 March 2022	227,334	31,954	-	-	-	(162,568)	96,720

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

	Public dividend capital £000	Revaluation reserve £000	Financial assets reserve £000	Other reserves £000	Merger reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2020 - brought forward	68,300	14,832	-	-	-	(166,167)	(83,035)
Prior period adjustment	-	-	-	-	-	-	-
Taxpayers' and others' equity at 1 April 2020 - restated	68,300	14,832	-	-	-	(166,167)	(83,035)
Surplus/(deficit) for the year	-	-	-	-	-	1,094	1,094
Gain/(loss) arising from transfers by modified absorption	-	-	-	-	-	-	-
Transfers by absorption: transfers between reserves	-	-	-	-	-	-	-
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	-	-	-	-	-	-
Other transfers between reserves	-	(92)	-	-	-	92	-
Impairments	-	-	-	-	-	-	-
Revaluations	-	9,567	-	-	-	-	9,567
Transfer to retained earnings on disposal of assets	-	-	-	-	-	-	-
Share of comprehensive income from associates and joint ventures	-	-	-	-	-	-	-
Fair value gains/(losses) on financial assets mandated at fair value through OCI	-	-	-	-	-	-	-
Fair value gains/(losses) on equity instruments designated at fair value through OCI	-	-	-	-	-	-	-
Recycling gains/(losses) on disposal of financial assets mandated at fair value through OCI	-	-	-	-	-	-	-
Foreign exchange gains/(losses) recognised directly through OCI	-	-	-	-	-	-	-
Other recognised gains and losses	-	-	-	-	-	-	-
Remeasurements of the defined net benefit pension scheme liability/asset	-	-	-	-	-	-	-
Public dividend capital received	147,332	-	-	-	-	-	147,332
Public dividend capital repaid	-	-	-	-	-	-	-
Public dividend capital written off	-	-	-	-	-	-	-
Other movements in public dividend capital in year	-	-	-	-	-	-	-
Other reserve movements	-	-	-	-	-	-	-
Taxpayers' and others' equity at 31 March 2021	215,632	24,307	-	-	-	(164,981)	74,958

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.

Financial assets reserve

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

Merger reserve

This legacy reserve reflects balances formed on previous mergers of NHS bodies.

Income and expenditure reserve

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

Statement of Cash Flows

		2021/22	2020/21
	Note	£000	£000
Cash flows from operating activities			
Operating surplus / (deficit)		11,788	9,955
Non-cash income and expense:			
Depreciation and amortisation	5.1	9,531	6,947
Net impairments	6	756	-
Income recognised in respect of capital donations	4	(608)	(642)
Amortisation of PFI deferred credit		-	-
Non-cash movements in on-SoFP pension liability		-	-
(Increase) / decrease in receivables and other assets		541	28,544
(Increase) / decrease in inventories		(143)	(331)
Increase / (decrease) in payables and other liabilities		17,974	4,495
Increase / (decrease) in provisions		80	-
Tax (paid) / received		-	-
Operating cash flows from discontinued operations		-	-
Other movements in operating cash flows		-	-
Net cash flows from / (used in) operating activities		39,919	48,968
Cash flows from investing activities			
Interest received		21	-
Purchase and sale of financial assets / investments		-	-
Purchase of intangible assets		(721)	(1,043)
Sales of intangible assets		-	-
Purchase of PPE and investment property		(25,254)	(16,910)
Sales of PPE and investment property		-	-
Receipt of cash donations to purchase assets		-	-
Prepayment of PFI capital contributions		-	-
Investing cash flows from discontinued operations		-	-
Cash from acquisitions / disposals of subsidiaries		-	-
Net cash flows from / (used in) investing activities		(25,954)	(17,953)
Cash flows from financing activities			
Public dividend capital received		11,702	147,332
Public dividend capital repaid		-	-
Movement on loans from DHSC		-	(129,967)
Movement on other loans		-	-
Other capital receipts		-	-
Capital element of finance lease rental payments		-	-
Capital element of PFI, LIFT and other service concession payments		(4,058)	(4,158)
Interest on loans		-	(567)
Other interest		-	-
Interest paid on finance lease liabilities		-	-
Interest paid on PFI, LIFT and other service concession obligations		(8,240)	(8,351)
PDC dividend (paid) / refunded		(1,257)	(828)
Financing cash flows of discontinued operations		-	-
Cash flows from (used in) other financing activities		-	-
Net cash flows from / (used in) financing activities		(1,853)	3,461
Increase / (decrease) in cash and cash equivalents		12,112	34,476
Cash and cash equivalents at 1 April - brought forward		43,532	9,056
Prior period adjustments		-	-
Cash and cash equivalents at 1 April - restated		43,532	9,056
Cash and cash equivalents transferred under absorption accounting	32	-	-
Unrealised gains / (losses) on foreign exchange		-	-
Cash and cash equivalents at 31 March	20.1	55,644	43,532

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

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

Accounting convention

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

Note 1.2 Going concern

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

The Trust has achieved its break-even duty by returning an adjusted performance surplus for the last 3 years, and future long-term plans are expected to continue the trend of achieving a surplus thereby securing the future viability of the Trust.

Note 1.3 Interests in other entities

Joint operations

Walsall Healthcare NHS Trust is the host provider for 'Walsall Together'. Walsall Together is a partnership which, in line with proposed government legislation will allow an Integrated Care Partnership (ICP) from July 2022 (or when legislation is enacted). While proposals may result in TUPE transfers and contractual arrangements, the partnership in 2020/21 saw closer working relationships but not financial responsibility transfer from host providers. During 2021/22 Walsall Healthcare NHS Trust formed a committee in common with The Royal Wolverhampton Trust.

Note 1.4 Revenue from contracts with customers

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

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

The Trust receives payment of its contract activity income monthly and is adjusted where necessary following a forecast of performance which is agreed at the financial year-end. The income is invoiced and recognised in the accounts and may potentially have minor revisions following validation through the national contract reconciliation process.

Revenue from NHS contracts

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

The Trust also receives additional income outside of the block payments to reimburse specific costs incurred and, in 2020/21, other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

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

Revenue from research contracts

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

NHS injury cost recovery scheme

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

Note 1.5 Other forms of income

Grants and donations

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

Apprenticeship service income

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

Note 1.6 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

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 for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as 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 1.7 Expenditure on other goods and services

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

Note 1.8 Discontinued operations

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

Note 1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

Where a large asset, for example a building, includes a number of components with significantly different asset lives, 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.

Measurement

Valuation

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

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

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

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

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

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

In the absence of a professional full site valuation the Trust has performed an internal indexation of assets valuation following provision of industry indicators from the Trust's professional valuer advisor. The revaluation exercise ensures the Trust's assets have an appropriate value having applied the requirements of IAS 16 prior to a full-site professional revaluation in 2021/22.

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

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

Depreciation

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

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

Revaluation gains and losses

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

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

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

Impairments

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

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

De-recognition

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

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

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

Donated and grant funded assets

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

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

This includes assets donated to the trust by the Department of Health and Social Care or NHS England as part of the response to the coronavirus pandemic. As defined in the GAM, the trust applies the principle of donated asset accounting to assets that the trust controls and is obtaining economic benefits from at the year end.

Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

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

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

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

Lifecycle replacement is capitalised annually and therefore included within the capital additions Property, Plant and Equipment note.

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	1	62
Dwellings	1	20
Plant & machinery	1	15
Transport equipment	1	7
Information technology	1	10
Furniture & fittings	1	10

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 1.10 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 are shown in the table below:

	Min life Years	Max life Years
Information technology	-	-
Development expenditure	-	-
Websites	-	-
Software licences	1	10
Licences & trademarks	-	-
Patents	-	-
Other (purchased)	-	-
Goodwill	-	-

Note 1.11 Inventories

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

In 2020/21 and 2021/22, 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.

Note 1.12 Investment properties

The Trust does not have investment properties.

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

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

Impairment of financial assets

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

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.

The trust as a lessee

Finance leases

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

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

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

Operating leases

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

Leases of land and buildings

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

The 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 from 31 March 2022:

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

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

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

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 1.30% in real terms (prior year: minus 0.95%).

Clinical negligence costs

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

Non-clinical risk pooling

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

Note 1.17 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 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, 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 determined that it has no corporation tax liability.

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 Foreign exchange

The functional and presentational currency of the trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Note 1.23 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 1.24 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

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 1.25 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 1.26 Transfers of functions to other NHS bodies

No transfers of functions took place in 2021/22.

Note 1.27 Early adoption of standards, amendments and interpretations

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

Note 1.28 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 without restatement and with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be defined by HM Treasury. For 2022, this rate is 0.95%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2022 for existing finance leases.

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

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	2,538
Additional lease obligations recognised for existing operating leases	(2,435)
Changes to other statement of financial position line items [If this line is material, further disclosure should be added and/or this line disaggregated]	-
Net impact on net assets on 1 April 2022	103
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(100)
Additional finance costs on lease liabilities	(3)
Lease rentals no longer charged to operating expenditure	-
Other impact on income / expenditure	-
Estimated impact on surplus / deficit in 2022/23	(103)
Estimated increase in capital additions for new leases commencing in 2022/23	332

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

Other standards, amendments and interpretations

This is not applicable to the accounts for 2021/22.

Note 1.29 Critical judgements in applying accounting policies

Nothing to disclose.

Note 1.30 Sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

The annual leave accrual have been provided for based on the information available out of the Electronic Staff Records system.

The Trust has also provided for an approximation for the downtime day provision based on the best information available.

Note 2 Operating Segments

The Trust has one operating segment, which is the provision of healthcare.

Note 3 Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	2021/22	2020/21
	£000	£000
Acute services		
Block contract / system envelope income	282,607	236,405
High cost drugs income from commissioners (excluding pass-through costs)	8,314	3,719
Other NHS clinical income	1,902	2,060
Community services		
Block contract / system envelope income	33,049	32,479
Income from other sources (e.g. local authorities)	8,720	8,770
All services		
Private patient income	5	18
Elective recovery fund	2,943	-
Additional pension contribution central funding*	8,057	7,575
Other clinical income	381	557
Total income from activities	345,978	291,583

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

Note 3.2 Income from patient care activities (by source)

	2021/22	2020/21
	£000	£000
Income from patient care activities received from:		
NHS England	28,106	29,632
Clinical commissioning groups	306,864	250,546
Department of Health and Social Care	-	-
Other NHS providers	1,902	2,060
NHS other	-	-
Local authorities	8,720	8,770
Non-NHS: private patients	5	18
Non-NHS: overseas patients (chargeable to patient)	16	21
Injury cost recovery scheme	365	536
Non NHS: other	-	-
Total income from activities	345,978	291,583
Of which:		
Related to continuing operations	345,978	291,583
Related to discontinued operations	-	-

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

	2021/22	2020/21
	£000	£000
Income recognised this year	16	21
Cash payments received in-year	-	8
Amounts added to provision for impairment of receivables	-	-
Amounts written off in-year	-	-

Note 4 Other operating income

	2021/22			2020/21		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	302	-	302	216	-	216
Education and training	9,304	-	9,304	8,206	-	8,206
Non-patient care services to other bodies	4,306	-	4,306	6,895	-	6,895
Reimbursement and top up funding	4,116	-	4,116	33,151	-	33,151
Income in respect of employee benefits accounted on a gross basis	514	-	514	327	-	327
Receipt of capital grants and donations	-	608	608	-	642	642
Charitable and other contributions to expenditure	-	975	975	-	5,011	5,011
Support from the Department of Health and Social Care for mergers	-	-	-	-	-	-
Rental revenue from finance leases	-	-	-	-	-	-
Rental revenue from operating leases	-	222	222	-	206	206
Amortisation of PFI deferred income / credits	-	-	-	-	-	-
Other income	3,353	-	3,353	2,217	-	2,217
Total other operating income	21,895	1,805	23,700	51,012	5,859	56,871
Of which:						
Related to continuing operations			23,700			56,871
Related to discontinued operations			-			-

During the year the Department of Health & Social Care (DHSC) supplied the Trust with £0.975 million of PPE stock to ensure frontline staff were appropriately equipped to provide the best and safest healthcare to patients during the COVID-19 Pandemic. The supply of PPE equipment has been included above as a charitable contribution.

Other income includes car parking income, IT recharges and other trading income.

Note 5.1 Operating expenses

	2021/22	2020/21
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	15,993	14,806
Purchase of healthcare from non-NHS and non-DHSC bodies	3,761	2,528
Purchase of social care	-	-
Staff and executive directors costs	235,382	218,420
Remuneration of non-executive directors	139	128
Supplies and services - clinical (excluding drugs costs)	21,218	20,651
Supplies and services - general	4,044	4,390
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	20,305	17,679
Inventories written down	65	172
Consultancy costs	665	3,288
Establishment	7,423	4,170
Premises	14,326	21,287
Transport (including patient travel)	1,371	1,270
Depreciation on property, plant and equipment	8,210	6,276
Amortisation on intangible assets	1,321	671
Net impairments	756	-
Movement in credit loss allowance: contract receivables / contract assets	(201)	356
Movement in credit loss allowance: all other receivables and investments	-	-
Increase/(decrease) in other provisions	-	-
Change in provisions discount rate(s)	-	-
Fees payable to the external auditor		
audit services- statutory audit*	92	90
other auditor remuneration (external auditor only)	-	-
Internal audit costs	324	113
Clinical negligence	11,211	10,491
Legal fees	510	212
Insurance	302	247
Research and development	1,168	759
Education and training	1,542	1,644
Rentals under operating leases	1,663	1,277
Early retirements	-	-
Redundancy	-	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	4,658	4,595
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	-	-
Car parking & security	694	771
Hospitality	-	-
Losses, ex gratia & special payments	128	79
Grossing up consortium arrangements	-	-
Other services, eg external payroll	-	-
Other	820	2,129
Total	357,890	338,499
Of which:		
Related to continuing operations	357,890	338,499
Related to discontinued operations	-	-

* inclusive of VAT

Note 5.2 Other auditor remuneration

	2021/22	2020/21
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services	-	-
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	-	-
Total	<u>-</u>	<u>-</u>

Note 5.3 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2021/22 or 2020/21.

Note 6 Impairment of assets

	2021/22	2020/21
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	-	-
Other	756	-
Total net impairments charged to operating surplus / deficit	<u>756</u>	<u>-</u>
Impairments charged to the revaluation reserve	-	-
Total net impairments	<u>756</u>	<u>-</u>

The Trust completed the refurbishment of 2 theatres in 2021/22. Following an independent valuation the Trust recognised a total impairment loss of £0.756 million against the original cost of the refurbishments.

Note 7 Employee benefits

	2021/22	2020/21
	Total	Total
	£000	£000
Salaries and wages	175,789	161,553
Social security costs	16,409	15,153
Apprenticeship levy	790	734
Employer's contributions to NHS pensions	26,454	24,772
Pension cost - other	67	-
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	-	-
Temporary staff (including agency)	17,490	17,432
Total gross staff costs	236,999	219,644
Recoveries in respect of seconded staff	-	-
Total staff costs	236,999	219,644
Of which		
Costs capitalised as part of assets	-	-

Note 7.1 Retirements due to ill-health

During 2021/22 there were 4 early retirements from the trust agreed on the grounds of ill-health (3 in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £267k (£256k in 2020/21).

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

Note 8 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 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 at 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

The Trust offers an additional defined workplace pension scheme, National Employment Savings Scheme (NEST), to which a minority of staff contribute.

Note 9 Operating leases

Note 9.1 Walsall Healthcare NHS Trust as a lessor

This note discloses income generated in operating lease agreements where Walsall Healthcare NHS Trust is the lessor. The Trust has received rental income for use of the Urgent Care Centre.

	2021/22 £000	2020/21 £000
Operating lease revenue		
Minimum lease receipts	222	206
Contingent rent	-	-
Other	-	-
Total	222	206
	31 March 2022 £000	31 March 2021 £000
Future minimum lease receipts due:		
- not later than one year;	222	206
- later than one year and not later than five years;	822	822
- later than five years.	3,289	3,494
Total	4,333	4,522

Note 9.2 Walsall Healthcare NHS Trust as a lessee

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

The Trust has operating leases with NHS Property Services for shared occupancy of numerous properties within the Walsall locality to deliver community healthcare services. The Trust has vehicle leases primarily relating to cars for employees working within community services. The employees have the option to renew their lease arrangement after 3 years. Employees do not have the option to purchase the vehicle at the end of the agreement.

	2021/22 £000	2020/21 £000
Operating lease expense		
Minimum lease payments	1,663	1,277
Contingent rents	-	-
Less sublease payments received	-	-
Total	1,663	1,277
	31 March 2022 £000	31 March 2021 £000
Future minimum lease payments due:		
- not later than one year;	1,255	1,148
- later than one year and not later than five years;	241	241
- later than five years.	-	60
Total	1,496	1,449
Future minimum sublease payments to be received	-	-

Note 10 Finance income

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

	2021/22	2020/21
	£000	£000
Interest on bank accounts	21	-
Interest income on finance leases	-	-
Interest on other investments / financial assets	-	-
Other finance income	-	-
Total finance income	21	-

Note 11.1 Finance expenditure

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

	2021/22	2020/21
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	-	-
Other loans	-	-
Overdrafts	-	-
Finance leases	-	-
Interest on late payment of commercial debt	-	-
Main finance costs on PFI and LIFT schemes obligations	5,049	8,351
Contingent finance costs on PFI and LIFT scheme obligations	3,191	-
Total interest expense	8,240	8,351
Unwinding of discount on provisions	-	-
Other finance costs	-	-
Total finance costs	8,240	8,351

Note 11.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2021/22	2020/21
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	-	18
Amounts included within interest payable arising from claims made under this legislation	-	-
Compensation paid to cover debt recovery costs under this legislation	-	-

Note 12 Other gains / (losses)

	2021/22	2020/21
	£000	£000
Gains on disposal of assets	-	-
Losses on disposal of assets	-	-
Total gains / (losses) on disposal of assets	-	-
Gains / (losses) on foreign exchange	-	-
Fair value gains / (losses) on investment properties	-	-
Fair value gains / (losses) on financial assets / investments	-	-
Fair value gains / (losses) on financial liabilities	-	-
Recycling gains / (losses) on disposal of financial assets mandated as fair value through OCI	-	-
Other gains / (losses)	-	-
Total other gains / (losses)	-	-

Note 13.1 Intangible assets - 2021/22

[illegible]

Note 13.2 Intangible assets - 2020/21

[illegible]

Note 14.1 Property, plant and equipment - 2021/22

	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 2021 - brought forward	9,040	165,274	3,423	8,583	47,042	253	12,665	998	247,278
Transfers by absorption	-	-	-	-	-	-	-	-	-
Additions	17	5,467	2	14,373	3,618	-	1,522	10	25,009
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	574	6,955	331	-	(73)	-	-	-	7,787
Reclassifications	-	593	-	(684)	92	-	-	(1)	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Valuation/gross cost at 31 March 2022	9,631	178,289	3,756	22,272	50,679	253	14,187	1,007	280,074
Accumulated depreciation at 1 April 2021 - brought forward	69	37,031	1,798	-	35,461	253	10,009	662	85,283
Transfers by absorption	-	-	-	-	-	-	-	-	-
Provided during the year	-	5,058	196	-	2,116	-	788	52	8,210
Impairments	-	756	-	-	-	-	-	-	756
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2022	69	42,845	1,994	-	37,577	253	10,797	714	94,249
Net book value at 31 March 2022	9,562	135,444	1,762	22,272	13,102	-	3,390	293	185,825
Net book value at 1 April 2021	8,971	128,243	1,625	8,583	11,581	-	2,656	336	161,995

Note 14.2 Property, plant and equipment - 2020/21

	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 - as previously stated	8,310	151,140	2,916	4,819	42,008	253	10,986	970	221,402
Prior period adjustments	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2020 - restated	8,310	151,140	2,916	4,819	42,008	253	10,986	970	221,402
Transfers by absorption	-	-	-	-	-	-	-	-	-
Additions	17	5,409	378	7,962	5,052	-	1,679	28	20,525
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	713	8,725	129	-	-	-	-	-	9,567
Reclassifications	-	-	-	(4,198)	(18)	-	-	-	(4,216)
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Valuation/gross cost at 31 March 2021	9,040	165,274	3,423	8,583	47,042	253	12,665	998	247,278
Accumulated depreciation at 1 April 2020 - as previously stated	69	33,168	1,629	-	33,786	253	9,489	613	79,007
Prior period adjustments	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2020 - restated	69	33,168	1,629	-	33,786	253	9,489	613	79,007
Transfers by absorption	-	-	-	-	-	-	-	-	-
Provided during the year	-	3,863	169	-	1,675	-	520	49	6,276
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2021	69	37,031	1,798	-	35,461	253	10,009	662	85,283
Net book value at 31 March 2021	8,971	128,243	1,625	8,583	11,581	-	2,656	336	161,995
Net book value at 1 April 2020	8,241	117,972	1,287	4,819	8,222	-	1,497	357	142,395

Note 14.3 Property, plant and equipment financing - 2021/22

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2022									
Owned - purchased	9,562	68,477	1,762	22,272	10,296	-	3,352	261	115,982
Finance leased	-	-	-	-	-	-	-	-	-
On-SoFP PFI contracts and other service concession arrangements	-	66,361	-	-	-	-	-	-	66,361
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	-
Owned - donated/granted	-	606	-	-	2,806	-	38	32	3,482
NBV total at 31 March 2022	9,562	135,444	1,762	22,272	13,102	-	3,390	293	185,825

Note 14.4 Property, plant and equipment financing - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021									
Owned - purchased	8,971	63,428	1,625	8,583	10,226	-	2,607	301	95,741
Finance leased	-	-	-	-	-	-	-	-	-
On-SoFP PFI contracts and other service concession arrangements	-	64,225	-	-	-	-	-	-	64,225
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	-
Owned - donated/granted	-	590	-	-	1,355	-	49	35	2,029
NBV total at 31 March 2021	8,971	128,243	1,625	8,583	11,581	-	2,656	336	161,995

Note 15 Donations of property, plant and equipment

The Trust has received no donations of property, plant and equipment on 2021/22.

Note 16 Revaluations of property, plant and equipment

In the absence of a professional full site valuation the Trust has performed an internal indexation of the assets following provision of industry indicators from the Trust's professional valuer advisor. The revaluation exercise ensures the Trust's assets have an appropriate value having applied the requirements of IAS 16 prior to a full-site professional revaluation in 2021/22. The desktop exercise has increased the value of the Trust's land, buildings and dwellings assets by £7.787 million.

Note 17 Disclosure of interests in other entities

The Trust has no interest in other entities.

Note 18 Inventories

	31 March 2022 £000	31 March 2021 £000
Drugs	1,420	1,259
Work In progress	-	-
Consumables	1,377	1,543
Energy	263	112
Other	34	37
Total inventories	3,094	2,951
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £46,813k (2020/21: £46,767k). Write-down of inventories recognised as expenses for the year were £65k (2020/21: £172k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2021/22 the Trust received £975k of items purchased by DHSC (2020/21: £5,011k).

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 19.1 Receivables

	31 March 2022 £000	31 March 2021 £000
Current		
Contract receivables	10,011	10,810
Contract assets	-	-
Capital receivables	-	-
Allowance for impaired contract receivables / assets	(1,693)	(1,838)
Allowance for other impaired receivables	-	-
Deposits and advances	-	-
Prepayments (non-PFI)	811	463
PFI prepayments - capital contributions	-	-
PFI lifecycle prepayments	-	-
Interest receivable	-	-
Finance lease receivables	-	-
PDC dividend receivable	279	318
VAT receivable	1,307	1,322
Corporation and other taxes receivable	-	-
Other receivables	-	-
Total current receivables	10,715	11,075
Non-current		
Contract receivables	447	723
Contract assets	-	-
Capital receivables	-	-
Allowance for impaired contract receivables / assets	(106)	(162)
Allowance for other impaired receivables	-	-
Deposits and advances	-	-
Prepayments (non-PFI)	-	-
PFI prepayments - capital contributions	-	-
PFI lifecycle prepayments	-	-
Interest receivable	-	-
Finance lease receivables	-	-
VAT receivable	-	-
Corporation and other taxes receivable	-	-
Other receivables	-	-
Total non-current receivables	341	561
Of which receivable from NHS and DHSC group bodies:		
Current	3,246	2,614
Non-current	-	-

Note 19.2 Allowances for credit losses

	2021/22		2020/21	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April - brought forward	2,000	-	1,644	-
Prior period adjustments			-	-
Allowances as at 1 April - restated	2,000	-	1,644	-
Transfers by absorption	-	-	-	-
New allowances arising	-	-	356	-
Changes in existing allowances	-	-	-	-
Reversals of allowances	(201)	-	-	-
Utilisation of allowances (write offs)	-	-	-	-
Changes arising following modification of contractual cash flows	-	-	-	-
Foreign exchange and other changes	-	-	-	-
Allowances as at 31 Mar 2022	1,799	-	2,000	-

Note 19.3 Exposure to credit risk

The Trust does not consider that it is exposed to credit risk as it is underwritten by the Department of Health & Social Care.

Note 20.1 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.

	2021/22	2020/21
	£000	£000
At 1 April	43,532	9,056
Prior period adjustments		-
At 1 April (restated)	43,532	9,056
Transfers by absorption	-	-
Net change in year	12,112	34,476
At 31 March	55,644	43,532
Broken down into:		
Cash at commercial banks and in hand	129	49
Cash with the Government Banking Service	55,488	43,483
Deposits with the National Loan Fund	-	-
Other current investments	27	-
Total cash and cash equivalents as in SoFP	55,644	43,532
Bank overdrafts (GBS and commercial banks)	-	-
Drawdown in committed facility	-	-
Total cash and cash equivalents as in SoCF	55,644	43,532

Note 20.2 Third party assets held by the trust

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

	31 March	31 March
	2022	2021
	£000	£000
Bank balances	-	-
Monies on deposit	-	-
Total third party assets	-	-

Note 21.1 Trade and other payables

	31 March 2022 £000	31 March 2021 £000
Current		
Trade & Trade accruals payables	27,666	6,987
Capital payables	3,858	4,930
Accruals	6,117	15,051
Receipts in advance and payments on account	-	-
PFI lifecycle replacement received in advance	-	-
Social security costs	2,446	2,127
VAT payables	-	-
Other taxes payable	2,116	1,818
PDC dividend payable	-	-
Other payables	7,361	4,266
Total current trade and other payables	49,564	35,179
Non-current		
Trade payables	-	-
Capital payables	-	-
Accruals	-	-
Receipts in advance and payments on account	-	-
PFI lifecycle replacement received in advance	-	-
VAT payables	-	-
Other taxes payable	-	-
Other payables	-	-
Total non-current trade and other payables	-	-
Of which payables from NHS and DHSC group bodies:		
Current	1,770	2,977
Non-current	-	-

For the year ending 31st March 2022 the Accruals balance represents the cumulative value of Annual Leave untaken during the COVID-19 pandemic .

Note 21.2 Early retirements in NHS payables above

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

	31 March 2022 £000	31 March 2022 Number	31 March 2021 £000	31 March 2021 Number
- to buy out the liability for early retirements over 5 years	-		-	
- number of cases involved		-		-

Note 22 Other liabilities

	31 March 2022 £000	31 March 2021 £000
Current		
Deferred income: contract liabilities	2,801	284
Deferred grants	-	-
Deferred PFI credits / income	-	-
Lease incentives	-	-
Other deferred income	-	-
Total other current liabilities	2,801	284
Non-current		
Deferred income: contract liabilities	-	-
Deferred grants	-	-
Deferred PFI credits / income	-	-
Lease incentives	-	-
Other deferred income	-	-
Net pension scheme liability	-	-
Total other non-current liabilities	-	-

Deferred income relates to Cancer Alliance funding and conditional funding for Local Maternity Network.

Note 23.1 Borrowings

	31 March 2022 £000	31 March 2021 £000
Current		
Bank overdrafts	-	-
Drawdown in committed facility	-	-
Loans from DHSC	-	-
Other loans	-	-
Obligations under finance leases	-	-
Obligations under PFI, LIFT or other service concession contracts	4,068	4,058
Total current borrowings	4,068	4,058
Non-current		
Loans from DHSC	-	-
Other loans	-	-
Obligations under finance leases	-	-
Obligations under PFI, LIFT or other service concession contracts	107,888	111,956
Total non-current borrowings	107,888	111,956

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

	Loans from DHSC £000	Other loans £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2021	-	-	-	116,014	116,014
Cash movements:					
Financing cash flows - payments and receipts of principal	-	-	-	(4,058)	(4,058)
Financing cash flows - payments of interest	-	-	-	(5,049)	(5,049)
Non-cash movements:					
Transfers by absorption	-	-	-	-	-
Additions	-	-	-	-	-
Application of effective interest rate	-	-	-	5,049	5,049
Change in effective interest rate	-	-	-	-	-
Changes in fair value	-	-	-	-	-
Early terminations	-	-	-	-	-
Other changes	-	-	-	-	-
Carrying value at 31 March 2022	-	-	-	111,956	111,956

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

	Loans from DHSC £000	Other loans £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2020	130,534	-	-	120,172	250,706
Prior period adjustment	-	-	-	-	-
Carrying value at 1 April 2020 - restated	130,534	-	-	120,172	250,706
Cash movements:					
Financing cash flows - payments and receipts of principal	(129,967)	-	-	(4,158)	(134,125)
Financing cash flows - payments of interest	(567)	-	-	(8,351)	(8,918)
Non-cash movements:					
Transfers by absorption	-	-	-	-	-
Additions	-	-	-	-	-
Application of effective interest rate	-	-	-	8,351	8,351
Change in effective interest rate	-	-	-	-	-
Changes in fair value	-	-	-	-	-
Early terminations	-	-	-	-	-
Other changes	-	-	-	-	-
Carrying value at 31 March 2021	-	-	-	116,014	116,014

Note 24 Other financial liabilities

	31 March 2022 £000	31 March 2021 £000
Current		
Derivatives held at fair value through income and expenditure	-	-
Other financial liabilities	-	-
Total current other financial liabilities	-	-
Non-current		
Derivatives held at fair value through income and expenditure	-	-
Other financial liabilities	-	-
Total non-current other financial liabilities	-	-

Note 25.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Pensions: injury benefits £000	Legal claims £000	Re- structuring £000	Equal Pay (including Agenda for Change) £000	Redundancy £000	Other £000	Total £000
At 1 April 2021	-	-	96	-	-	-	-	96
Transfers by absorption	-	-	-	-	-	-	-	-
Change in the discount rate	-	-	-	-	-	-	-	-
Arising during the year	-	-	80	-	-	-	-	80
Utilised during the year	-	-	-	-	-	-	-	-
Reclassified to liabilities held in disposal groups	-	-	-	-	-	-	-	-
Reversed unused	-	-	-	-	-	-	-	-
Unwinding of discount	-	-	-	-	-	-	-	-
At 31 March 2022	-	-	176	-	-	-	-	176
Expected timing of cash flows:								
- not later than one year;	-	-	176	-	-	-	-	176
- later than one year and not later than five years;	-	-	-	-	-	-	-	-
- later than five years.	-	-	-	-	-	-	-	-
Total	-	-	176	-	-	-	-	176

Provision arising in 2021/22 relates to NHSLA legal claims

Note 25.2 Clinical negligence liabilities

At 31 March 2022, £328,231k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Walsall Healthcare NHS Trust (31 March 2021: £223,878k).

Note 26 Contractual capital commitments

	31 March 2022 £000	31 March 2021 £000
Property, plant and equipment	18,035	4,814
Intangible assets	-	16
Total	18,035	4,830

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

Walsall Healthcare NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI scheme.

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

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

	31 March 2022 £000	31 March 2021 £000
Gross PFI, LIFT or other service concession liabilities	165,095	174,203
Of which liabilities are due		
- not later than one year;	8,940	9,108
- later than one year and not later than five years;	35,996	35,988
- later than five years.	120,159	129,107
Finance charges allocated to future periods	(53,139)	(58,189)
Net PFI, LIFT or other service concession arrangement obligation	111,956	116,014
- not later than one year;	4,068	4,058
- later than one year and not later than five years;	18,416	17,625
- later than five years.	89,472	94,331

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

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

	31 March 2022 £000	31 March 2021 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	436,982	460,088
Of which payments are due:		
- not later than one year;	18,483	18,234
- later than one year and not later than five years;	78,672	77,609
- later than five years.	339,827	364,245

Note 27.3 Analysis of amounts payable to service concession operator

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

	2021/22 £000	2020/21 £000
Unitary payment payable to service concession operator	18,032	17,789
Consisting of:		
- Interest charge	5,049	8,351
- Repayment of balance sheet obligation	4,058	4,158
- Service element and other charges to operating expenditure	4,658	4,595
- Capital lifecycle maintenance	1,076	685
- Revenue lifecycle maintenance	-	-
- Contingent rent	3,191	-
- Addition to lifecycle prepayment	-	-
Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment	-	-
Total amount paid to service concession operator	18,032	17,789

Note 28 Financial instruments

Note 28.1 Financial risk management

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

Walsall Healthcare NHS Trust's treasury management operations are carried out by the finance department, within parameters defined formally within Walsall Healthcare NHS Trust's standing financial instructions and policies agreed by the board of directors. Walsall Healthcare NHS Trust treasury activity is subject to review by the Trust's internal auditors.

Currency Risk

Walsall Healthcare NHS 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

Cash flow financing

Walsall Healthcare NHS 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.

Walsall Healthcare NHS Trust therefore has low exposure to interest rate fluctuations.

Credit Risk

Because the majority of the Walsall Healthcare NHS Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2022 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity Risk

Walsall Healthcare NHS Trust's operating costs are incurred under contracts with CCGs, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Note 28.2 Carrying values of financial assets

	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Carrying values of financial assets as at 31 March 2022				
Trade and other receivables excluding non financial assets	8,659	-	-	8,659
Other investments / financial assets	-	-	-	-
Cash and cash equivalents	55,644	-	-	55,644
Total at 31 March 2022	64,303	-	-	64,303

	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Carrying values of financial assets as at 31 March 2021				
Trade and other receivables excluding non financial assets	9,532	-	-	9,532
Other investments / financial assets	-	-	-	-
Cash and cash equivalents	43,532	-	-	43,532
Total at 31 March 2021	53,064	-	-	53,064

Note 28.3 Carrying values of financial liabilities

	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2022			
Loans from the Department of Health and Social Care	-	-	-
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	111,956	-	111,956
Other borrowings	-	-	-
Trade and other payables excluding non financial liabilities	42,321	-	42,321
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2022	154,277	-	154,277

	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2021			
Loans from the Department of Health and Social Care	-	-	-
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	116,014	-	116,014
Other borrowings	-	-	-
Trade and other payables excluding non financial liabilities	28,911	-	28,911
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2021	144,925	-	144,925

Note 28.4 Maturity of financial liabilities

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

	31 March 2022 £000	31 March 2021 £000
In one year or less	51,261	38,019
In more than one year but not more than five years	35,996	35,988
In more than five years	120,159	129,107
Total	207,416	203,114

Note 28.5 Fair values of financial assets and liabilities

The book value is used as a reasonable approximation of fair value

Note 29 Losses and special payments

	2021/22		2020/21	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	-	-	-	-
Fruitless payments and constructive losses	-	-	-	-
Bad debts and claims abandoned	-	-	-	-
Stores losses and damage to property	1	58	1	46
Total losses	1	58	1	46
Special payments				
Compensation under court order or legally binding arbitration award	11	98	11	71
Extra-contractual payments	-	-	-	-
Ex-gratia payments	17	443	16	6
Special severance payments	-	-	-	-
Extra-statutory and extra-regulatory payments	-	-	-	-
Total special payments	28	541	27	77
Total losses and special payments	29	599	28	123
Compensation payments received	-	-	-	-

Ex-gratia payments have increased significantly in 2021/22 due to overtime corrective payments (Flowers judgement) these payments are considered special payments for which her majesties treasury approval was sort nationally by NHS England on local employers behalf. For Walsall Healthcare NHS Trust these payments total £375k.

Note 30 Gifts

	2021/22		2020/21	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Gifts made	-	-	-	-

Note 31 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 Walsall Healthcare NHS Trust.

The Department of Health and Social Care is regarded as a related party. During the year 2021/22 the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below where income and/or expenditure has occurred.

Birmingham Community Healthcare NHS Foundation Trust
Birmingham Women's and Children's NHS Foundation Trust
Black Country Healthcare NHS Foundation Trust
Midlands Partnership NHS Foundation Trust
West Midlands Ambulance Service
St Helens and Knowsley NHS Trust
Oxford Health NHS Foundation Trust
The Dudley Group NHS Foundation Trust
University Hospitals Birmingham NHS Foundation Trust
Sandwell And West Birmingham Hospitals NHS Trust
Shrewsbury and Telford Hospital NHS Trust
University Hospitals Coventry And Warwickshire NHS Trust
University Hospitals of North Midlands NHS Trust
The Royal Wolverhampton NHS Trust
Worcestershire Acute Hospitals NHS Trust
NHS Birmingham and Solihull CCG
NHS Cannock Chase CCG
NHS Black Country and West Birmingham CCG
NHS Herefordshire and Worcestershire CCG
NHS Shropshire CCG
NHS South East Staffs and Seisdon Peninsula CCG
NHS Stafford and Surrounds CCG
NHS Telford and Wrekin CCG
NHS England (Core & Regional Offices)
NHS Business Services Authority
National Insurance Fund
NHS Property Services
Health Education England
NHS Resolution (formerly NHS Litigation Authority)
Department of Health and Social Care
HM Revenue & Customs
NHS Pension Scheme
NHS Blood and Transplant
Walsall Metropolitan Borough Council

The Trust has also received revenue and capital payments from a number of charitable funds. The trustees of the Trust charity are also members of the Trust board.

Note 32 Transfers by absorption

This is not applicable to the accounts for 2021/22.

Note 33 Prior period adjustments

There were no prior period adjustments.

Note 34 Events after the reporting date

At the date of submission there are currently no events to report.

Note 35 Final period of operation as a trust providing NHS healthcare

Not Applicable.

Note 36 Better Payment Practice code

	2021/22	2021/22	2020/21	2020/21
	Number	£000	Number	£000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	69,468	195,842	63,323	101,785
Total non-NHS trade invoices paid within target	61,381	184,518	49,700	83,047
Percentage of non-NHS trade invoices paid within target	88.4%	94.2%	78.5%	81.6%
NHS Payables				
Total NHS trade invoices paid in the year	1,353	18,248	1,241	23,306
Total NHS trade invoices paid within target	1,060	11,746	151	10,397
Percentage of NHS trade invoices paid within target	78.3%	64.4%	12.2%	44.6%

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 limit

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

	2021/22	2020/21
	£000	£000
Cash flow financing	(4,468)	(21,269)
Finance leases taken out in year	-	-
Other capital receipts	-	-
External financing requirement	(4,468)	(21,269)
External financing limit (EFL)	20,684	17,339
Under / (over) spend against EFL	25,152	38,608

Note 38 Capital Resource Limit

	2021/22	2020/21
	£000	£000
Gross capital expenditure	25,511	21,787
Less: Disposals	-	-
Less: Donated and granted capital additions	(608)	(642)
Plus: Loss on disposal from capital grants in kind	-	-
Charge against Capital Resource Limit	24,903	21,145
Capital Resource Limit	24,903	21,145
Under / (over) spend against CRL	-	-

Note 39 Breakeven duty financial performance

	2021/22
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	3,134
Remove impairments scoring to Departmental Expenditure Limit	-
Add back non-cash element of On-SoFP pension scheme charges	-
IFRIC 12 breakeven adjustment	1,660
Breakeven duty financial performance surplus / (deficit)	4,794

Note 40 Breakeven duty rolling assessment

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, Walsall Healthcare NHS Trust financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		1,998	3,247	4,164	3,853	565	(12,861)
Breakeven duty cumulative position	5,933	7,931	11,178	15,342	19,195	19,760	6,899
Operating income		168,545	179,749	226,983	228,409	237,049	239,491
Cumulative breakeven position as a percentage of operating income		4.7%	6.2%	6.8%	8.4%	8.3%	2.9%

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(9,790)	(21,392)	(21,350)	(25,959)	1,839	1,758	4,794
Breakeven duty cumulative position	(2,891)	(24,283)	(45,633)	(71,592)	(69,753)	(67,995)	(63,201)
Operating income	243,525	244,742	243,963	253,034	294,159	348,454	369,678
Cumulative breakeven position as a percentage of operating income	(1.2%)	(9.9%)	(18.7%)	(28.3%)	(23.7%)	(19.5%)	(17.1%)

Independent auditor's report to the Directors of Walsall Healthcare NHS Trust

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Walsall Healthcare NHS Trust ('the Trust') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual 2021/22 as contained in the Department of Health and Social Care Group Accounting Manual 2021/22, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to NHS Trusts in England.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2021/22; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors and the Accountable Officer for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are required to comply with the Department of Health and Social Care Group Accounting Manual 2021/22 and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Directors are responsible for assessing each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

As explained in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust, the Accountable Officer is responsible for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is responsible for ensuring that the financial statements are prepared in a format directed by the Secretary of State.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Trust, we identified that the principal risks of non-compliance with laws and regulations related to the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012), and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Accountable Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Trust which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the Comptroller and Auditor General in April 2021.

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

Report on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Trust's arrangements for the year ended 31 March 2022.

In September 2021 we identified a significant weakness in relation to Governance and Improving Economy, Efficiency and Effectiveness. In our view this significant weakness remains for the year ended 31 March 2022:

Significant weakness in arrangements – issued in a previous year	Recommendation(s)
Clinical performance In September 2020, the Care Quality Commission (CQC) carried out a short notice announced focused inspection of the emergency department and maternity service at Manor Hospital in response to concerns around safety and governance. The CQC found areas for improvement including breaches of legal requirements that the Trust must put right. In March 2021, the CQC carried out an unannounced focused inspection because it had received information of concern about the safety and quality of services within the medicine wards at the Manor Hospital. The Trust's medical services were rated as "inadequate" and a Section 29a warning notice was served on the Trust on the 31 March 2021 due to breaches in regulations in staffing, governance and the provision of safe care and treatment.	1) The Trust must ensure it embeds and sustains the action plans that it has put in place Trust-wide to address the patient care issues identified by the CQC.

Significant weakness in arrangements – issued in a previous year	Recommendation(s)
The matters identified by the CQC, specifically the breaches in legal requirements from September 2020 and the gaps in arrangements leading to the Section 29a warning notice in March 2021, in our view, indicate a significant weakness in the Trust's arrangements under the Governance (how the body ensures that it makes informed decisions and properly manages its risks) and Improving Economy, Efficiency and Effectiveness (how the body uses information about its costs and performance to improve the way it manages and delivers its services) reporting criteria that can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust's reputation.	

Responsibilities of the Accountable Officer

As explained in the Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 21 of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration Report and Staff Report subject to audit have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance issued by NHS Improvement; or
- we issue a report in the public interest under section 24 and schedule 7(1) of the Local Audit and Accountability Act 2014; or

- we make a written recommendation to the Trust under section 24 and schedule 7(2) of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Referral to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014

We are also required to report to you if we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

On 13 June 2022, we made a referral to the Secretary of State for Health under Section 30 (1) (b) of the Act because we had reason to believe the Trust breached its statutory 'breakeven duty' as set out in paragraph 2 (1) of Schedule 5 to the National Health Service Act 2006, taking into account the guidance issued by NHS Improvement in April 2018 entitled 'Statutory breakeven duty: a guide for NHS trusts'.

Use of the audit report

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

Certificate

We certify that we have completed the audit of Walsall Healthcare NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

A handwritten signature in blue ink that reads "Mark Surridge". The signature is written in a cursive style with a large 'M' and 'S'.

Mark Surridge, Key Audit Partner

For and on behalf of Mazars LLP

2 Chamberlain Square, Birmingham B3 3AX

21 June 2022