

The Whittington Health NHS Trust

Annual accounts for the year ended 31 March 2022

## Statement of the chief executive's responsibilities as the accountable officer of the Trust

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

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

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

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

Signed:

.....Chief Executive

Date:

## Statement of directors' responsibilities in respect of the accounts

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

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

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

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

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

By order of the Board

.....Date..... Chief Executive

.....Date..... Finance Director

# **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF WHITTINGTON HEALTH NHS TRUST**

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the financial statements of Whittington Health NHS Trust ("the Trust") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to NHS Trusts in England and included in the Department of Health and Social Care Group Accounting Manual 2021/22.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The Directors have prepared the financial statements on the going concern basis as they have not been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Trust's business model and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Trust will continue in operation.

## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management and the Audit & Risk Committee as to the Trust’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Trust’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Assessing the incentives for management to manipulate reported financial performance as a result of the need to achieve control totals delegated to the Trust by NHS Improvement.
- Reading Board and Audit & Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Reviewing the Trust’s accounting policies.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet delegated targets, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income outside of the Trust’s block contract funding is accounted for in the incorrect financial period and the risk that Trust management may be in a position to make inappropriate accounting entries.

In line with the guidance set out in Practice Note 10 Audit of Financial Statements of Public Sector Bodies in the United Kingdom we also recognised a fraud risk related to expenditure recognition, particularly in relation to year end accruals.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included material post close journals which reduce reported income and journals with other unusual characteristics.
- Assessing significant estimates for bias.
- Assessing the completeness of disclosed related party transactions and verifying they had been accurately recorded within the financial statements.
- Agreeing a sample of year end accruals to relevant supporting documents, including invoices after year end, where applicable.
- Identified income and expenditure invoices recognised in the period 1 March 2022 to 31 May 2022, to determine whether the income and expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.
- Assessed the outcome of the NHS agreement of balances exercise with CCGs and other NHS providers and investigated the cause of the variances identified.

### *Identifying and responding to risks of material misstatement related to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the directors and other management (as required by auditing standards), and

from inspection of the Trust's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Trust is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Trust is subject to laws and regulations that directly affect the financial statements including the National Health Service Act 2006 and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Trust is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified health and safety as an area most likely to have such an effect. Auditing standards limit the required audit procedures to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Other information in the Annual Report**

The Accountable Officer is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.
- in our opinion that report has been prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2021/22.

### **Annual Governance Statement**

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2021/22. We have nothing to report in this respect.

### **Remuneration and Staff Report**

In our opinion the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2021/22.

### **Directors' and Accountable Officer's responsibilities**

As explained more fully in the statement set out on page 122, the directors are responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity. As explained more fully in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, on Page 121 the Accountable Officer is responsible for ensuring that annual statutory accounts are prepared in a format directed by the Secretary of State.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

[A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.](http://www.frc.org.uk/auditorsresponsibilities)

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

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

Under the Code of Audit Practice, we are required to report if we identify any significant weaknesses in the arrangements that have been made by the Trust to secure economy, efficiency and effectiveness in its use of resources.

We have nothing to report in this respect.

### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

As explained in the statement set out on page 121, the Chief Executive, as the Accountable Officer, is responsible for ensuring that value for money is achieved from the resources available to the Trust. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 review in accordance with the Code of Audit Practice and related statutory guidance having regard to whether the Trust had proper arrangements in place to ensure financial sustainability, proper governance and to use information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

**Statutory reporting matters**

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') 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 reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Board of Directors of Whittington Health 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 Board of the Trust, as a body, 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 Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

**CERTIFICATE OF COMPLETION OF THE AUDIT**

We certify that we have completed the audit of the accounts of Whittington Health NHS Trust for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Fleur Nieboer

**for and on behalf of KPMG LLP**

*Chartered Accountants*

15 Canada Square

London  
E14 5GL

17-Jun-22

## Statement of Comprehensive Income

		2021/22	2020/21
	Note	£000	£000
Operating income from patient care activities	3	379,593	350,040
Other operating income	4	29,355	45,301
Operating expenses	5, 7	<u>(403,416)</u>	<u>(391,213)</u>
<b>Operating surplus/(deficit) from continuing operations</b>		<b><u>5,532</u></b>	<b><u>4,127</u></b>
Finance income	10	41	6
Finance expenses	11	(540)	(1,859)
PDC dividends payable		<u>(5,151)</u>	<u>(6,059)</u>
<b>Net finance costs</b>		<b><u>(5,650)</u></b>	<b><u>(7,912)</u></b>
Other gains / (losses)	12	15	-
<b>Surplus / (deficit) for the year from continuing operations</b>		<b><u>(103)</u></b>	<b><u>(3,785)</u></b>
Surplus / (deficit) on discontinued operations and the gain / (loss) on disposal of discontinued operations		<u>-</u>	<u>-</u>
<b>Surplus / (deficit) for the year</b>		<b><u>(103)</u></b>	<b><u>(3,785)</u></b>
<b>Other comprehensive income</b>			
<b>Will not be reclassified to income and expenditure:</b>			
Impairments	6	(220)	(8,189)
Revaluations	17	8,312	592
<b>Total comprehensive income / (expense) for the period</b>		<b><u>7,989</u></b>	<b><u>(11,382)</u></b>

## Statement of Financial Position

		31 March 2022	31 March 2021
	Note	£000	£000
<b>Non-current assets</b>			
Intangible assets	14	9,711	9,789
Property, plant and equipment	15	246,194	223,962
Receivables	19	316	401
<b>Total non-current assets</b>		<b><u>256,221</u></b>	<b><u>234,152</u></b>
<b>Current assets</b>			
Inventories	18	788	2,195
Receivables	19	12,841	18,251
Cash and cash equivalents	20	81,416	61,527
<b>Total current assets</b>		<b><u>95,045</u></b>	<b><u>81,973</u></b>
<b>Current liabilities</b>			
Trade and other payables	21	(66,577)	(52,365)
Borrowings	23	(334)	(300)
Provisions	25	(906)	(769)
Other liabilities	22	(1,859)	(1,686)
<b>Total current liabilities</b>		<b><u>(69,676)</u></b>	<b><u>(55,119)</u></b>
<b>Total assets less current liabilities</b>		<b><u>281,590</u></b>	<b><u>261,006</u></b>
<b>Non-current liabilities</b>			
Trade and other payables	21	-	-
Borrowings	23	(6,357)	(6,610)
Provisions	25	(41,420)	(36,235)
<b>Total non-current liabilities</b>		<b><u>(47,777)</u></b>	<b><u>(42,845)</u></b>
<b>Total assets employed</b>		<b><u>233,813</u></b>	<b><u>218,161</u></b>
<b>Financed by</b>			
Public dividend capital		113,854	106,191
Revaluation reserve		99,487	91,395
Income and expenditure reserve		20,472	20,575
<b>Total taxpayers' equity</b>		<b><u>233,813</u></b>	<b><u>218,161</u></b>

The notes on pages 5 to 53 form part of these accounts.

Name	Helen Brown
Position	Chief Executive Officer
Date	20 June 2022

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
<b>Taxpayers' and others' equity at 1 April 2021 - brought forward</b>	<b>106,191</b>	<b>91,395</b>	<b>20,575</b>	<b>218,161</b>
Surplus/(deficit) for the year	-	-	(103)	(103)
Impairments	-	(220)	-	(220)
Revaluations	-	8,312	-	8,312
Public dividend capital received	7,663	-	-	7,663
<b>Taxpayers' and others' equity at 31 March 2022</b>	<b>113,854</b>	<b>99,487</b>	<b>20,472</b>	<b>233,813</b>

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
<b>Taxpayers' and others' equity at 1 April 2020 - brought forward</b>	<b>72,358</b>	<b>98,992</b>	<b>24,360</b>	<b>195,710</b>
Prior period adjustment	-	-	-	-
<b>Taxpayers' and others' equity at 1 April 2020 - restated</b>	<b>72,358</b>	<b>98,992</b>	<b>24,360</b>	<b>195,710</b>
Surplus/(deficit) for the year	-	-	(3,785)	(3,785)
Impairments	-	(8,189)	-	(8,189)
Revaluations	-	592	-	592
Public dividend capital received	33,833	-	-	33,833
<b>Taxpayers' and others' equity at 31 March 2021</b>	<b>106,191</b>	<b>91,395</b>	<b>20,575</b>	<b>218,161</b>

## **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.

### **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
<b>Cash flows from operating activities</b>		
Operating surplus / (deficit)	5,532	4,127
<b>Non-cash income and expense:</b>		
Depreciation and amortisation	5.1 11,372	9,324
Net impairments	6 295	3,961
Income recognised in respect of capital donations	4 -	(91)
(Increase) / decrease in receivables and other assets	5,382	26,588
(Increase) / decrease in inventories	1,407	210
Increase / (decrease) in payables and other liabilities	12,783	723
Increase / (decrease) in provisions	5,322	10,191
<b>Net cash flows from / (used in) operating activities</b>	<b>42,093</b>	<b>55,034</b>
<b>Cash flows from investing activities</b>		
Interest received	41	6
Purchase of intangible assets	(2,262)	(2,517)
Purchase of PPE and investment property	(21,896)	(15,234)
<b>Net cash flows from / (used in) investing activities</b>	<b>(24,102)</b>	<b>(17,745)</b>
<b>Cash flows from financing activities</b>		
Public dividend capital received	7,663	33,833
Movement on loans from DHSC	(116)	(27,382)
Other capital receipts	855	-
Capital element of finance lease rental payments	(925)	(1,845)
Capital element of PFI, LIFT and other service concession payments	-	(201)
Interest on loans	(54)	(112)
Interest paid on finance lease liabilities	(483)	(670)
Interest paid on PFI, LIFT and other service concession obligations	-	(451)
PDC dividend (paid) / refunded	(5,037)	(6,318)
<b>Net cash flows from / (used in) financing activities</b>	<b>1,899</b>	<b>(3,146)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>19,890</b>	<b>34,143</b>
<b>Cash and cash equivalents at 1 April - brought forward</b>	<b>61,527</b>	<b>27,384</b>
Prior period adjustments	-	-
<b>Cash and cash equivalents at 1 April - restated</b>	<b>61,527</b>	<b>27,384</b>
Unrealised gains / (losses) on foreign exchange	-	-
<b>Cash and cash equivalents at 31 March</b>	<b>81,416</b>	<b>61,527</b>

## **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.

### **Note 1.3 Revenue from contracts with customers**

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

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

#### **Revenue from NHS contracts**

The accounting policies for revenue recognition and the application of IFRS 15 are consistently applied.

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

The Trust also receives additional income outside of the block payments to reimburse specific costs incurred and, 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 1.4 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 1.5 Expenditure on employee benefits**

### **Short-term employee benefits**

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

### **Pension costs**

#### *NHS Pension Scheme*

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS 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.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

Where staff are not eligible for, or choose to opt out of, the NHS Pension Scheme, they are entitled to join the National Employment Savings Trust (NEST) scheme. NEST is a government-backed, defined contribution pension scheme.

## **Note 1.6 Expenditure on other goods and services**

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

## **Note 1.7 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 1.8 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.

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.

## **Note 1.8 Property, plant and equipment**

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

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

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

The Trust entered into a Private Finance Initiative (PFI) arrangement in 2003 to build and maintain the main hospital through construction firm Whittington Facilities Ltd (WFL). On the 28th July 2020 WFL filed for administration.

The collapse of WFL means that the main building elements transferred back into the ownership of the Trust during 2020/21, and the Trust is now responsible for the maintenance of the building. Further details of the financial arrangements and implications are discussed in further detail as part of the Provisions notes and policies.

### 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:

	<b>Min life</b>	<b>Max life</b>
	<b>Years</b>	<b>Years</b>
Land	-	-
Buildings, excluding dwellings	13	78
Plant & machinery	5	15
Information technology	3	10
Furniture & fittings	5	5

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

## Note 1.9 Intangible assets

### 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; and where the cost is at least £5,000.

#### *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:

	<b>Min life</b>	<b>Max life</b>
	<b>Years</b>	<b>Years</b>
Software licences	5	5

#### **Note 1.10 Inventories**

Inventories are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation of fair value due to the high turnover of stock. The Trust records inventory values only for pharmacy drugs inventories for the 2021/22 financial year onwards. All other inventories are recorded at nil value, being expensed in the 2021/22 financial year on the basis of immateriality.

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. The closing inventory is recorded at nil value on the basis of immateriality.

#### **Note 1.11 Cash and cash equivalents**

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

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

## **Note 1.12 Financial assets and financial liabilities**

### **Recognition**

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

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

### **Classification and measurement**

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

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

Financial assets are classified as subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income as appropriate.

Financial liabilities classified as subsequently measured at amortised cost or fair value through income and expenditure as appropriate.

### **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.

### **Financial assets measured at fair value through other comprehensive income**

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

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

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

### **Impairment of financial assets**

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

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 1.13 Leases**

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

**The trust as a lessee***Finance leases*

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

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

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

*Operating leases*

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

*Leases of land and buildings*

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

**The 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 1.14 Provisions

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

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

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

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

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

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

## Non-clinical risk pooling

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

## Note 1.15 Contingencies

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

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

Contingent liabilities are defined as:

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

**Note 1.16 Public dividend capital**

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

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

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

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

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

**Note 1.17 Value added tax**

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

**Note 1.18 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 1.19 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 1.20 Early adoption of standards, amendments and interpretations

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

## Note 1.21 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.

Upon 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.

In readiness for implementation of the new Standard, the Trust has created a lease register which captures existing leasing arrangements Trust-wide. The Standing Financial Instructions have been revised to promulgate awareness of IFRS16 and its impacts upon financial reporting and business planning.

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:

	<b>£000</b>
<b>Estimated impact on 1 April 2022 statement of financial position</b>	
Additional right of use assets recognised for existing operating leases	45,103
Additional lease obligations recognised for existing operating leases	(45,103)
Changes to other statement of financial position line items	-
<b>Net impact on net assets on 1 April 2022</b>	<b>-</b>
<b>Estimated in-year impact in 2022/23</b>	
Additional depreciation on right of use assets	(5,982)
Additional finance costs on lease liabilities	(696)
Lease rentals no longer charged to operating expenditure	6,372
Other impact on income / expenditure	-
<b>Estimated impact on surplus / deficit in 2022/23</b>	<b>(306)</b>
<b>Estimated increase in capital additions for new leases commencing in 2022/23</b>	<b>28,159</b>

### **Note 1.22 Critical judgements in applying accounting policies**

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

#### **Property, plant and equipment**

The Trust's land and building assets are valued on the basis explained in note 16 to the accounts. Cushman & Wakefield (C&W), our independent valuer, provided the Trust with a valuation of land and building assets (estimated fair value and remaining useful life). The valuation, based on estimates provided by a suitably qualified professional in accordance with HM Treasury guidance, leads to revaluation adjustments. Future revaluations of the Trust's property may result in further changes to the carrying values of non-current assets.

#### **Provisions**

Provisions have been made for legal and constructive obligations of uncertain timing or amount as at the reporting date. These are based on estimates using relevant and reliable information as is available at the time the accounts are prepared. These provisions are estimates of the actual costs of future cash flows and are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. The carrying amounts and basis of the Trust's provisions are detailed in note 25 to the accounts.

### **Note 1.23 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:

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates, and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. We also refer to the following financial statement disclosure notes where further detail is provided on individual balances containing areas of judgement:

The following are estimation uncertainties which could not lead to material misstatement:

- Notes 3: Revenue.
- Note 18: Provisions for credit notes and impairment of receivables.
- Note 20: Accruals.

The following are estimation uncertainties which could potentially give rise to material misstatement:

- Note 14: Property, plant & equipment.
- Note 24: Provisions not already covered in Note 18.

The values in the valuer's report have been used to inform the measurement of property assets at valuation in these financial statements. The valuer exercises professional judgement in providing the valuation and it remains the best information available to the Trust. However, the valuer uses informed assumptions regarding obsolescence, rebuild rates and the area of the sites required to accommodate modern equivalent assets with the same service potential which could change and have a material impact upon the valuation.

A reduction in the estimated values would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Statement of Comprehensive Income. If the value of land and buildings were to reduce by 10% this would result in a charge to the Statement of Comprehensive Income of approximately £20m, reduced by impairments taken to Revaluation Reserve. Depreciation of the assets in 2022/23 would be £0.6m lower.

An increase in estimated valuations of 10% would result in an increase to the Revaluation Reserve of approximately £20m. Depreciation of the assets in 2022/23 would be £0.6m higher.

A material addition to the provision was made during the 2020/21 financial year, in respect of implications arising from the collapse of Whittington Facilities Ltd (WFL).

The collapse of WFL meant that the main building transferred back into the ownership of the Trust, whereby the Trust is now responsible for the maintenance of the building, including the cost of major fire safety refurbishments for which WFL are being pursued under the terms of a 30 year contract.

As a result of this dispute with WFL, legal proceedings are expected to take place. There will be a significant cost of rectifying building deficiency not appropriately addressed by WFL, but also an outstanding balance owed to the bank for the remaining balance of the Private Finance Initiative (PFI) agreement.

In the judgement of the Trust, a provision remains appropriate as at 31 March 2022 to cover relevant potential liabilities. The Trust has reviewed the level at which the provision is held as at 31st March 2022, and adjusted it according to the most up to date legal, and other professional, advice available.

The legal position is not concluded and the full costs of remediation are not yet known. The provision is based on the Trust's best estimate of the remediation costs, but the final settlement of the PFI claim could be higher if the remediation costs are lower than estimated. Conversely the final cost of the claim could be lower if the remediation costs are higher than estimated.

Any accounting provision thus made is intended to reflect the material uncertainty around the situation which existed as at 31 March 2022, and should not be taken as admission of any liability on the part of the Trust.

## **Note 2 Operating Segments**

The Trust's chief decision maker has been defined as the Trust Board, and is responsible for allocating resources across the Trust. The Trust's operational management structure is delivered through five clinical integrated care service units (ICSU's) covering acute and community services across London.

In line with IFRS 8, the Trust has determined that these ICSU's are classed as a single segment with the agreed purpose of providing healthcare services.

### Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.3

<b>Note 3.1 Income from patient care activities (by nature)</b>	<b>2021/22</b>	<b>2020/21</b>	
	<b>£000</b>	<b>£000</b>	
Block contract / system envelope income	227,171	213,498	**
High cost drugs income from commissioners (excluding pass-through costs)	9,641	10,281	
Other NHS clinical income	-	-	
<b>Mental health services</b>			
Services delivered under a mental health collaborative	2,185	2,556	**
<b>Community services</b>			
Block contract / system envelope income	75,641	75,268	
Income from other sources (e.g. local authorities)	11,440	11,198	**
<b>All services</b>			
Private patient income	58	56	
Elective recovery fund	2,494	-	
Additional pension contribution central funding*	10,181	9,918	
Other clinical income	40,782	27,265	**
<b>Total income from activities</b>	<b>379,593</b>	<b>350,040</b>	

\*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.

\*\*As restated. The separate categorisation of Mental Health Collaborative income has necessitated restatement of the categorisation of 2020/21 patient care income. The Trust has taken the opportunity to restate Other Clinical Income and Community Services income to more accurately reflect correct categorisation.

### Note 3.2 Income from patient care activities (by source)

<b>Note 3.2 Income from patient care activities (by source)</b>	<b>2021/22</b>	<b>2020/21</b>	
<b>Income from patient care activities received from:</b>	<b>£000</b>	<b>£000</b>	
NHS England	40,750	44,684	
Clinical commissioning groups	320,371	287,770	
Department of Health and Social Care	-	-	
Other NHS providers	5,230	4,477	
NHS other	-	-	
Local authorities	11,440	11,198	
Non-NHS: private patients	58	56	
Non-NHS: overseas patients (chargeable to patient)	374	623	
Injury cost recovery scheme	354	296	
Non NHS: other	1,016	936	
<b>Total income from activities</b>	<b>379,593</b>	<b>350,040</b>	
<b>Of which:</b>			
Related to continuing operations	379,593	350,040	
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	374	623
Cash payments received in-year	117	109
Amounts added to provision for impairment of receivables	445	554
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	595	-	595	703	-	703
Education and training	15,774	-	15,774	15,173	-	15,173
Non-patient care services to other bodies	6,770	-	6,770	6,537	-	6,537
Reimbursement and top up funding	1,468	-	1,468	14,252	-	14,252
Income in respect of employee benefits accounted on a gross basis	-	-	-	32	-	32
Receipt of capital grants and donations	-	-	-	-	91	91
Charitable and other contributions to expenditure	-	762	762	-	5,180	5,180
Rental revenue from operating leases	-	849	849	-	884	884
Other income	3,137	-	3,137	2,449	-	2,449
<b>Total other operating income</b>	<b>27,744</b>	<b>1,611</b>	<b>29,355</b>	<b>39,146</b>	<b>6,155</b>	<b>45,301</b>
<b>Of which:</b>						
Related to continuing operations			29,355			45,301
Related to discontinued operations			-			-

**Note 5.1 Operating expenses**

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Purchase of healthcare from NHS and DHSC bodies	-	-
Purchase of healthcare from non-NHS and non-DHSC bodies	2,717	1,960
Purchase of social care	-	-
Staff and executive directors costs	279,906	269,356
Remuneration of non-executive directors	141	118
Supplies and services - clinical (excluding drugs costs)	27,631	28,453
Supplies and services - general	6,112	4,094
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	15,225	13,314
Inventories written down	-	23
Consultancy costs	144	492
Establishment	10,967	3,716
Premises	28,581	22,585
Transport (including patient travel)	2,093	278
Depreciation on property, plant and equipment	9,063	7,494
Amortisation on intangible assets	2,309	1,830
Net impairments	295	3,961
Movement in credit loss allowance: contract receivables / contract assets	1,912	1,872
Movement in credit loss allowance: all other receivables and investments	(685)	10
Increase/(decrease) in other provisions	-	-
Change in provisions discount rate(s)	-	-
Fees payable to the external auditor		
audit services- statutory audit	82	84
other auditor remuneration (external auditor only)	-	-
Internal audit costs	86	86
Clinical negligence	9,951	10,164
Legal fees	458	1,279
Insurance	234	199
Research and development	586	575
Education and training	1,505	1,392
Rentals under operating leases	3,639	4,721
Early retirements	-	-
Redundancy	18	160
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	-	437
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	-	-
Car parking & security	41	19
Hospitality	-	-
Losses, ex gratia & special payments	-	-
Grossing up consortium arrangements	-	-
Other services, eg external payroll	-	-
Other	405	12,541
<b>Total</b>	<b>403,416</b>	<b>391,213</b>
<b>Of which:</b>		
Related to continuing operations	403,416	391,213

## Note 5.2 Other auditor remuneration

	2021/22	2020/21
	£000	£000
<b>Other auditor remuneration paid to the external auditor:</b>		
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	-	-
<b>Total</b>	<u>-</u>	<u>-</u>

## Note 5.3 Limitation on auditor's liability

The contract, signed during January 2022, states that the liability of KPMG, its members, partners and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed £0.5m (2020/21: £1m), aside from where the liability cannot be limited by law. This is in aggregate in respect of all services.

## Note 6 Impairment of assets

	2021/22	2020/21
	£000	£000
<b>Net impairments charged to operating surplus / deficit resulting from:</b>		
Changes in market price	295	3,961
<b>Total net impairments charged to operating surplus / deficit</b>	<u>295</u>	<u>3,961</u>
Impairments charged to the revaluation reserve	220	8,189
<b>Total net impairments</b>	<u>515</u>	<u>12,150</u>

## Note 7 Employee benefits

	<b>2021/22</b>	<b>2020/21</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Salaries and wages	210,144	210,034
Social security costs	21,146	18,694
Apprenticeship levy	1,155	967
Employer's contributions to NHS pensions	33,485	31,954
Pension cost - other	63	117
Other employment benefits	-	218
Termination benefits	-	-
Temporary staff (including agency)	14,820	8,297
<b>Total gross staff costs</b>	<b>280,813</b>	<b>270,281</b>
Recoveries in respect of seconded staff	-	-
<b>Total staff costs</b>	<b>280,813</b>	<b>270,281</b>
<b>Of which</b>		
Costs capitalised as part of assets	907	925

### 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 (4 in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £391k (£139k 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](http://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% of pensionable pay.

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

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

## Note 9 Operating leases

### Note 9.1 The Whittington Health NHS Trust as a lessor

This note discloses income generated in operating lease agreements where The Whittington Health NHS Trust is the lessor.

	2021/22 £000	2020/21 £000
<b>Operating lease revenue</b>		
Minimum lease receipts	849	884
Contingent rent	-	-
Other	-	-
<b>Total</b>	<b>849</b>	<b>884</b>
	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Future minimum lease receipts due:</b>		
- not later than one year;	838	894
- later than one year and not later than five years;	3,008	3,466
- later than five years.	3,409	4,322
<b>Total</b>	<b>7,255</b>	<b>8,682</b>

### Note 9.2 The Whittington Health NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where The Whittington Health NHS Trust is the lessee.

	2021/22 £000	2020/21 £000
<b>Operating lease expense</b>		
Minimum lease payments	3,639	4,721
Contingent rents	-	-
Less sublease payments received	-	-
<b>Total</b>	<b>3,639</b>	<b>4,721</b>
	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Future minimum lease payments due:</b>		
- not later than one year;	3,639	4,721
- later than one year and not later than five years;	14,304	18,026
- later than five years.	14,574	25,457
<b>Total</b>	<b>32,517</b>	<b>48,204</b>
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	41	6
<b>Total finance income</b>	<b>41</b>	<b>6</b>

## 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
<b>Interest expense:</b>		
Loans from the Department of Health and Social Care	54	59
Finance leases	483	670
Interest on late payment of commercial debt	3	-
Main finance costs on PFI and LIFT schemes obligations	-	702
Contingent finance costs on PFI and LIFT scheme obligations	-	428
<b>Total interest expense</b>	<b>540</b>	<b>1,859</b>
Other finance costs	-	-
<b>Total finance costs</b>	<b>540</b>	<b>1,859</b>

## 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	-	-
Amounts included within interest payable arising from claims made under this legislation	3	-
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	15	-
<b>Total gains / (losses) on disposal of assets</b>	<b>15</b>	<b>-</b>
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)	-	-
<b>Total other gains / (losses)</b>	<b>15</b>	<b>-</b>

The gain on disposal above relates to the sale of a small portion of land which the Trust disposed to another NHS organisation during 2021/22. The amount of land transferred did not affect the valuation of the Trust's estate.

**Note 14.1 Intangible assets - 2021/22**

	Software licences £000	Intangible assets under construction £000	Total £000
<b>Valuation / gross cost at 1 April 2021 - brought forward</b>	<b>14,925</b>	<b>8</b>	<b>14,933</b>
Transfers by absorption	-	-	-
Additions	-	2,231	<b>2,231</b>
Impairments	-	-	-
Reversals of impairments	-	-	-
Revaluations	-	-	-
Reclassifications	2,239	(2,239)	-
Transfers to / from assets held for sale	-	-	-
Disposals / derecognition	-	-	-
<b>Valuation / gross cost at 31 March 2022</b>	<b>17,164</b>	<b>-</b>	<b>17,164</b>
<b>Amortisation at 1 April 2021 - brought forward</b>	<b>5,144</b>	<b>-</b>	<b>5,144</b>
Transfers by absorption	-	-	-
Provided during the year	2,309	-	<b>2,309</b>
Impairments	-	-	-
Reversals of impairments	-	-	-
Revaluations	-	-	-
Reclassifications	-	-	-
Transfers to / from assets held for sale	-	-	-
Disposals / derecognition	-	-	-
<b>Amortisation at 31 March 2022</b>	<b>7,453</b>	<b>-</b>	<b>7,453</b>
<b>Net book value at 31 March 2022</b>	<b>9,711</b>	<b>-</b>	<b>9,711</b>
<b>Net book value at 1 April 2021</b>	<b>9,781</b>	<b>8</b>	<b>9,789</b>

**Note 14.2 Intangible assets - 2020/21**

	Software licences £000	Intangible assets under construction £000	Total £000
<b>Valuation / gross cost at 1 April 2020 - as previously stated</b>	<b>20,738</b>	<b>333</b>	<b>21,071</b>
<b>Valuation / gross cost at 1 April 2020 - restated</b>	<b>20,738</b>	<b>333</b>	<b>21,071</b>
Transfers by absorption	-	-	-
Additions	2,509	8	2,517
Reclassifications	333	(333)	-
Disposals / derecognition	(8,655)	-	(8,655)
<b>Valuation / gross cost at 31 March 2021</b>	<b>14,925</b>	<b>8</b>	<b>14,933</b>
<b>Amortisation at 1 April 2020 - as previously stated</b>	<b>11,969</b>	-	<b>11,969</b>
Provided during the year	1,830	-	1,830
Disposals / derecognition	(8,655)	-	(8,655)
<b>Amortisation at 31 March 2021</b>	<b>5,144</b>	-	<b>5,144</b>
<b>Net book value at 31 March 2021</b>	<b>9,781</b>	<b>8</b>	<b>9,789</b>
<b>Net book value at 1 April 2020</b>	<b>8,769</b>	<b>333</b>	<b>9,102</b>

**Note 15.1 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
<b>Valuation/gross cost at 1 April 2021 - brought forward</b>	<b>45,474</b>	<b>159,537</b>	-	<b>7,582</b>	<b>20,986</b>	-	<b>9,535</b>	<b>259</b>	<b>243,373</b>
Additions	-	-	-	22,643	855	-	-	-	23,498
Impairments	-	(515)	-	-	-	-	-	-	(515)
Revaluations	1,809	6,503	-	-	-	-	-	-	8,312
Reclassifications	-	3,955	-	(9,744)	2,335	-	3,432	22	-
<b>Valuation/gross cost at 31 March 2022</b>	<b>47,283</b>	<b>169,480</b>	-	<b>20,481</b>	<b>24,176</b>	-	<b>12,967</b>	<b>281</b>	<b>274,668</b>
<b>Accumulated depreciation at 1 April 2021 - brought forward</b>	-	<b>9,794</b>	-	-	<b>6,678</b>	-	<b>2,789</b>	<b>150</b>	<b>19,411</b>
Provided during the year	-	4,178	-	-	3,203	-	1,644	38	9,063
<b>Accumulated depreciation at 31 March 2022</b>	-	<b>13,972</b>	-	-	<b>9,881</b>	-	<b>4,433</b>	<b>188</b>	<b>28,474</b>
<b>Net book value at 31 March 2022</b>	<b>47,283</b>	<b>155,508</b>	-	<b>20,481</b>	<b>14,295</b>	-	<b>8,534</b>	<b>93</b>	<b>246,194</b>
<b>Net book value at 1 April 2021</b>	<b>45,474</b>	<b>149,743</b>	-	<b>7,582</b>	<b>14,308</b>	-	<b>6,746</b>	<b>109</b>	<b>223,962</b>

Note 15.2 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
<b>Valuation / gross cost at 1 April 2020 - as previously stated</b>	<b>45,638</b>	<b>161,791</b>	<b>50</b>	<b>16,579</b>	<b>35,741</b>	-	<b>14,621</b>	<b>228</b>	<b>274,648</b>
Additions	-	342	-	14,103	4,360	-	-	-	<b>18,805</b>
Impairments	(21)	(12,129)	-	-	-	-	-	-	<b>(12,150)</b>
Revaluations	-	592	-	-	-	-	-	-	<b>592</b>
Reclassifications	(143)	13,876	-	(23,100)	4,034	-	5,302	31	-
Disposals / derecognition	-	(4,935)	(50)	-	(23,149)	-	(10,388)	-	<b>(38,522)</b>
<b>Valuation/gross cost at 31 March 2021</b>	<b>45,474</b>	<b>159,537</b>	-	<b>7,582</b>	<b>20,986</b>	-	<b>9,535</b>	<b>259</b>	<b>243,373</b>
<b>Accumulated depreciation at 1 April 2020 - as previously stated</b>	-	<b>10,427</b>	<b>50</b>	-	<b>27,509</b>	-	<b>12,349</b>	<b>104</b>	<b>50,439</b>
Provided during the year	-	4,302	-	-	2,318	-	828	46	<b>7,494</b>
Disposals / derecognition	-	(4,935)	(50)	-	(23,149)	-	(10,388)	-	<b>(38,522)</b>
<b>Accumulated depreciation at 31 March 2021</b>	-	<b>9,794</b>	-	-	<b>6,678</b>	-	<b>2,789</b>	<b>150</b>	<b>19,411</b>
<b>Net book value at 31 March 2021</b>	<b>45,474</b>	<b>149,743</b>	-	<b>7,582</b>	<b>14,308</b>	-	<b>6,746</b>	<b>109</b>	<b>223,962</b>
<b>Net book value at 1 April 2020</b>	<b>45,638</b>	<b>151,364</b>	-	<b>16,579</b>	<b>8,232</b>	-	<b>2,272</b>	<b>124</b>	<b>224,209</b>

**Note 15.3 Property, plant and equipment financing - 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
<b>Net book value at 31 March 2022</b>									
Owned - purchased	46,168	151,683	-	20,481	9,248	-	8,534	93	<b>236,207</b>
Finance leased	1,115	3,000	-	-	4,858	-	-	-	<b>8,973</b>
Owned - donated/granted	-	825	-	-	189	-	-	-	<b>1,014</b>
<b>NBV total at 31 March 2022</b>	<b>47,283</b>	<b>155,508</b>	<b>-</b>	<b>20,481</b>	<b>14,295</b>	<b>-</b>	<b>8,534</b>	<b>93</b>	<b>246,194</b>

**Note 15.4 Property, plant and equipment financing - 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
<b>Net book value at 31 March 2021</b>									
Owned - purchased	44,312	145,783	-	7,582	9,717	-	6,746	106	<b>214,246</b>
Finance leased	1,162	3,108	-	-	4,269	-	-	-	<b>8,539</b>
Owned - donated/granted	-	852	-	-	322	-	-	3	<b>1,177</b>
<b>NBV total at 31 March 2021</b>	<b>45,474</b>	<b>149,743</b>	<b>-</b>	<b>7,582</b>	<b>14,308</b>	<b>-</b>	<b>6,746</b>	<b>109</b>	<b>223,962</b>

## Note 16 Donations of property, plant and equipment

The Trust received donations of capital assets from DHSC as part of the coronavirus pandemic response in 2021/22. These donations were not material to the Trust and were reflected in the Donated Assets section of relevant notes to these Accounts.

## Note 17 Revaluations of property, plant and equipment

Land, buildings and dwellings were valued in March 2021 by qualified independent valuers Cushman & Wakefield. The assets were valued on a depreciated replacement cost basis due to the specialised nature of the asset. The RICS Red Book defines specialised property as:

“a property that is rarely, if ever, sold in the market except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise”.

In line with the current valuation methodology, buildings have been re-categorised as 'blocks' and the various components within each block grouped as one. Each block is considered as an individual item and depreciated over its estimated useful economic life.

A summary of the Impairments and revaluations with comparatives as shown in the table below -

	31 March 2022 £000	31-Mar-21 £000
<u>Impairments</u>		
Taken to Reserves	223	8,189
Taken to SoCI	295	3,961
	<b>518</b>	<b>12,150</b>
<u>Revaluations</u>		
Taken to Reserves	8,312	592
	<b>8,312</b>	<b>592</b>
<b>Net (Impairment) / Revaluation</b>	<b>7,794</b>	<b>(11,558)</b>

## Note 18 Inventories

	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
Drugs	788	1,105
Consumables	-	670
Energy	-	45
Other	-	375
<b>Total inventories</b>	<b><u>788</u></b>	<b><u>2,195</u></b>
<b>of which:</b>		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £17,077k (2020/21: £18,576k). Write-down of inventories recognised as expenses for the year were £0k (2020/21: £23k).

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 £762k of items purchased by DHSC (2020/21: £5,180k).

The deemed cost of these inventories was charged directly to expenditure on receipt with the corresponding benefit recognised in income.]

**Note 19.1 Receivables**

	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Current</b>		
Contract receivables	11,605	16,482
Allowance for impaired contract receivables / assets	(4,711)	(2,799)
Allowance for other impaired receivables	(647)	(1,332)
Prepayments (non-PFI)	3,744	3,191
PDC dividend receivable	-	114
VAT receivable	1,611	621
Other receivables	1,239	1,975
<b>Total current receivables</b>	<b><u>12,841</u></b>	<b><u>18,251</u></b>
<b>Non-current</b>		
Other receivables	-	401
<b>Total non-current receivables</b>	<b><u>316</u></b>	<b><u>401</u></b>
<b>Of which receivable from NHS and DHSC group bodies:</b>		
Current	5,871	10,651
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
<b>Allowances as at 1 April - brought forward</b>	<b>2,799</b>	<b>1,332</b>	<b>927</b>	<b>1,322</b>
Prior period adjustments			-	-
<b>Allowances as at 1 April - restated</b>	<b>2,799</b>	<b>1,332</b>	<b>927</b>	<b>1,322</b>
New allowances arising	1,912	97	2,799	1,332
Changes in existing allowances	-	(782)	(927)	(1,322)
Reversals of allowances	-	-	-	-
Utilisation of allowances (write offs)	-	-	-	-
Changes arising following modification of contractual cash flows	-	-	-	-
Foreign exchange and other changes	-	-	-	-
<b>Allowances as at 31 Mar 2022</b>	<b>4,711</b>	<b>647</b>	<b>2,799</b>	<b>1,332</b>

## Note 20 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
<b>At 1 April</b>	<b>61,527</b>	<b>27,384</b>
Prior period adjustments	-	-
<b>At 1 April (restated)</b>	<b>61,527</b>	<b>27,384</b>
Transfers by absorption	-	-
Net change in year	19,889	34,143
<b>At 31 March</b>	<b>81,416</b>	<b>61,527</b>
<b>Broken down into:</b>		
Cash at commercial banks and in hand	204	52
Cash with the Government Banking Service	81,212	61,475
Deposits with the National Loan Fund	-	-
Other current investments	-	-
<b>Total cash and cash equivalents as in SoFP</b>	<b>81,416</b>	<b>61,527</b>
Bank overdrafts (GBS and commercial banks)	-	-
Drawdown in committed facility	-	-
<b>Total cash and cash equivalents as in SoCF</b>	<b>81,416</b>	<b>61,527</b>

## Note 20.1 Third party assets held by the trust

The Whittington Health 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	7	7
Monies on deposit	-	-
<b>Total third party assets</b>	<b>7</b>	<b>7</b>

**Note 21.1 Trade and other payables**

	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Current</b>		
Trade payables	12,933	9,420
Capital payables	5,633	4,031
Accruals	37,970	29,098
Social security costs	3,217	3,058
Other taxes payable	3,085	2,825
Other payables	3,739	3,932
<b>Total current trade and other payables</b>	<b><u>66,577</u></b>	<b><u>52,365</u></b>
<b>Non-current</b>		
<b>Total non-current trade and other payables</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Of which payables from NHS and DHSC group bodies:</b>		
Current	6,853	11,114
Non-current	-	-

**Note 22 Other liabilities**

	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Current</b>		
Deferred income: contract liabilities	1,859	1,686
<b>Total other current liabilities</b>	<u><u>1,859</u></u>	<u><u>1,686</u></u>
<b>Non-current</b>		
<b>Total other non-current liabilities</b>	<u><u>-</u></u>	<u><u>-</u></u>

**Note 23.1 Borrowings**

	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Current</b>		
Loans from DHSC	118	118
Obligations under finance leases	216	182
<b>Total current borrowings</b>	<u><u>334</u></u>	<u><u>300</u></u>
<b>Non-current</b>		
Loans from DHSC	1,740	1,856
Obligations under finance leases	4,617	4,754
<b>Total non-current borrowings</b>	<u><u>6,357</u></u>	<u><u>6,610</u></u>

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

	Loans from DHSC £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
<b>Carrying value at 1 April 2021</b>	<b>1,974</b>	<b>4,936</b>	<b>-</b>	<b>6,910</b>
<b>Cash movements:</b>				
Financing cash flows - payments and receipts of principal	(116)	(925)	-	<b>(1,041)</b>
Financing cash flows - payments of interest	(54)	(483)	-	<b>(537)</b>
<b>Non-cash movements:</b>				
Additions	-	855	-	<b>855</b>
Application of effective interest rate	54	483	-	<b>537</b>
Other changes	-	(33)	-	<b>(33)</b>
<b>Carrying value at 31 March 2022</b>	<b>1,858</b>	<b>4,833</b>	<b>-</b>	<b>6,690</b>

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

	Loans from DHSC £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
<b>Carrying value at 1 April 2020</b>	<b>29,409</b>	<b>2,034</b>	<b>25,183</b>	<b>56,626</b>
Prior period adjustment	-	-	-	-
<b>Carrying value at 1 April 2020 - restated</b>	<b>29,409</b>	<b>2,034</b>	<b>25,183</b>	<b>56,626</b>
<b>Cash movements:</b>				
Financing cash flows - payments and receipts of principal	(27,382)	(1,845)	(201)	<b>(29,428)</b>
Financing cash flows - payments of interest	(112)	(670)	(451)	<b>(1,233)</b>
<b>Non-cash movements:</b>				
Additions	-	462	-	<b>462</b>
Application of effective interest rate	59	670	702	<b>1,431</b>
Other changes	-	4,285	(25,233)	<b>(20,948)</b>
<b>Carrying value at 31 March 2021</b>	<b>1,974</b>	<b>4,936</b>	<b>-</b>	<b>6,910</b>

## Note 24 Finance leases

### Note 24 The Whittington Health NHS Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2022 £000	31 March 2021 £000
<b>Gross lease liabilities</b>	<b>7,127</b>	<b>7,722</b>
of which liabilities are due:		
- not later than one year;	738	707
- later than one year and not later than five years;	5,725	5,082
- later than five years.	664	1,933
Finance charges allocated to future periods	(2,294)	(2,786)
<b>Net lease liabilities</b>	<b>4,833</b>	<b>4,936</b>
of which payable:		
- not later than one year;	216	182
- later than one year and not later than five years;	4,411	3,412
- later than five years.	206	1,342
Total of future minimum sublease payments to be received at the reporting date	-	-
Contingent rent recognised as expense in the period	-	-

The Trust leases the Stroud Green Health Centre. The least started in 1993 and is scheduled to last for 125 years.

The Trust also leases Crouch End Health Centre, which is scheduled to end in January 2084.

The Trust's main finance lease is for imaging equipment through the Managed Equipment Service (MES) contractor, Althea. This arrangement started in 2007 and is currently scheduled to run until 2027.

## Note 25.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Pensions: injury benefits £000	Legal claims £000	Re- structuring £000	Other £000	Total £000
<b>At 1 April 2021</b>	<b>540</b>	<b>40</b>	<b>361</b>	<b>-</b>	<b>36,064</b>	<b>37,004</b>
Arising during the year	324	-	1,149	435	3,871	5,779
Utilised during the year	(230)	(29)	(188)	-	(10)	(457)
<b>At 31 March 2022</b>	<b>634</b>	<b>11</b>	<b>1,322</b>	<b>435</b>	<b>39,925</b>	<b>42,326</b>
<b>Expected timing of cash flows:</b>						
- not later than one year;	(0)	11	288	435	173	906
- later than one year and not later than five years;	634	-	1,034	-	39,752	41,420
- later than five years.	0	0	(0)	-	(0)	(0)
<b>Total</b>	<b>634</b>	<b>11</b>	<b>1,322</b>	<b>435</b>	<b>39,925</b>	<b>42,326</b>

Principal changes and additions in the financial year are as follows:

- The Trust entered into a Private Finance Initiative (PFI) arrangement in 2003 to build and maintain the main hospital through construction firm Whittington Facilities Ltd (WFL). On the 28th July 2020 WFL filed for administration.

The collapse of WFL means that the main building has transferred back into the ownership of the Trust, whereby the Trust is now responsible for the maintenance of the building, including the cost of major fire safety refurbishments for which WFL are being pursued under the terms of a 30 year contract.

As a result of this dispute with WFL, legal proceedings are expected to take place. There will be a significant cost of rectifying building deficiency not appropriately addressed by WFL, but also an outstanding balance owed to the bank for the remaining balance of the Private Finance Initiative (PFI) agreement. This provision has been reviewed and revised in line with the most up to date legal and other professional advice.

Contingent liabilities: At 31 March 2022, £153,809k was included in the provisions of NHS Resolution in respect of clinical negligence liabilities if the Whittington Health NHS Trust (31st March 2021 £122,579k).

## Note 25.2 Clinical negligence liabilities

At 31 March 2022, £153,809k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Whittington Health NHS Trust (31 March 2021: £122,579k).

## Note 26 Contingent assets and liabilities

	31 March 2022 £000	31 March 2021 £000
<b>Value of contingent liabilities</b>		
NHS Resolution legal claims	-	-
Employment tribunal and other employee related litigation	-	-
Redundancy	-	-
Other	-	-
<b>Gross value of contingent liabilities</b>	<b>-</b>	<b>-</b>
Amounts recoverable against liabilities	-	-
<b>Net value of contingent liabilities</b>	<b>-</b>	<b>-</b>
<b>Net value of contingent assets</b>	<b>1,997</b>	<b>2,001</b>

### Contingent Liabilities

A material addition to the provision balance in 2021/22 concerns the implications arising from the collapse of Whittington Facilities Ltd (WFL) during the previous financial year.

The collapse of WFL meant that the main building transferred back into the ownership of the Trust, whereby the Trust is now responsible for the maintenance of the building, including the cost of major fire safety refurbishments for which WFL are being pursued under the terms of a 30 year contract.

As a result of this dispute with WFL, legal proceedings are expected to take place. There will be a significant cost of rectifying building deficiency not appropriately addressed by WFL, but also an outstanding balance owed to the bank for the remaining balance of the Private Finance Initiative (PFI) agreement.

In the judgement of the Trust, a provision was deemed appropriate as at 31 March 2021 to cover relevant potential liabilities, and has been revised at 31st March 2022. The basis of this provision relied on professional legal advice (on the instruction of the Trust); while the administrators of WFL provided similar advice from their own legal advisors, the Trust relied on the aforementioned advice in prudently providing for potential future costs.

The legal position is not concluded and the full costs of remediation are not yet known. The provision is based upon the Trust's best estimate of the remediation costs, but the final settlement of the PFI claim could be higher if the remediation costs are lower than estimated. Conversely the final cost of the claim could be lower if the remediation costs are higher than estimated.

Any accounting provision thus made is intended to reflect the material uncertainty around the situation which existed as at 31 March 2022, and should not be taken as admission of any liability on the part of the Trust.

### Contingent Assets

The Trust has disclosed a £2m contingent asset in recognition of its available apprenticeship levy fund(20/21 £2m). This is an externally held training fund of monies, to which the Trust contributes on a monthly basis; the Trust applies to access this funding when appropriate to provide specific training for its employees.

## Note 27 Contractual capital commitments

	31 March 2022 £000	31 March 2021 £000
Property, plant and equipment	3,939	2,560
Intangible assets	-	0
<b>Total</b>	<b>3,939</b>	<b>2,560</b>

## Note 28 On-SoFP PFI, LIFT or other service concession arrangements

The Trust is involved in a contractual dispute with the Joint Administrators (JA) of Whittington Facilities Limited (WFL). Whittington Facilities Limited was responsible for the ownership, maintenance and delivery of hard facilities management services within the Trusts former Private Finance Initiative estate. WFL entered administration in the summer of 2020. Following the termination of the contract the JA's have issued a 'letter before claim' detailing what it believes the Trust owes WFL following the conclusion to the contract.

As the full extent of the claim has yet to be validated and discussed with the JA's, the Trust is unable to comment on its validity.

The provision which was made during the 2020/21 financial year has been reviewed and revised at 31st March 2022, and continues to reflect the latest legal and other professional advice. Accordingly, the Trust regards the provision in its financial position to be sufficient to cover any required settlement.

## Note 29 Analysis of amounts payable to service concession operator

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

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Unitary payment payable to service concession operator</b>	<b>-</b>	<b>2,093</b>
<b>Consisting of:</b>		
- Interest charge	-	702
- Repayment of balance sheet obligation	-	201
- Service element and other charges to operating expenditure	-	437
- Capital lifecycle maintenance	-	325
- Contingent rent	-	428
<b>Total amount paid to service concession operator</b>	<b>-</b>	<b>2,093</b>

## **Note 30 Financial instruments**

### **Note 30.1 Financial risk management**

Financial reporting standard IFRS7 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. As a result of the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the Finance Department, within the parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. The Trust's treasury activity is subject to review by the Trust's internal auditors as part of a scheduled programme, and also by executive / non-executive / external audit colleagues as the need arises.

#### **Currency risk**

The Trust is principally a domestic UK-based organisation with the majority of transactions, assets and liabilities originating from the UK and denominated in Sterling. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

#### **Interest rate risk**

Borrowings are for 1 - 25 year in line with the associated assets, and interest is charged either at the rate set per the loan agreement, or at the National Loans Fund rate in the absence of such an agreement. The Trust therefore has low exposure to interest rate fluctuations.

The Trust may also borrow from government for revenue financing, subject to approval by NHS Improvement & related bodies. Interest rates are confirmed by DHSC (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

#### **Credit risk**

The majority of the Trust's revenue arises from contracts with other public sector bodies, therefore the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2021 are in receivables from customers, as disclosed in the Trade & Other Receivables note.

#### **Liquidity risk**

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups (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 30.2 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
<b>Carrying values of financial assets as at 31 March 2022</b>				
Trade and other receivables excluding non financial assets	6,026	-	-	6,026
Other investments / financial assets	-	-	-	-
Cash and cash equivalents	81,416	-	-	81,416
<b>Total at 31 March 2022</b>	<b>87,442</b>	<b>-</b>	<b>-</b>	<b>87,442</b>

	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
<b>Carrying values of financial assets as at 31 March 2021</b>				
Trade and other receivables excluding non financial assets	14,112	-	-	14,112
Other investments / financial assets	-	-	-	-
Cash and cash equivalents	61,527	-	-	61,527
<b>Total at 31 March 2021</b>	<b>75,639</b>	<b>-</b>	<b>-</b>	<b>75,639</b>

**Note 30.3 Carrying values of financial liabilities**

	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
<b>Carrying values of financial liabilities as at 31 March 2022</b>			
Loans from the Department of Health and Social Care	1,858	-	1,858
Obligations under finance leases	4,833	-	4,833
Trade and other payables excluding non financial liabilities	51,585	-	51,585
<b>Total at 31 March 2022</b>	<b>58,276</b>	<b>-</b>	<b>58,276</b>

	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
<b>Carrying values of financial liabilities as at 31 March 2021</b>			
Loans from the Department of Health and Social Care	1,974	-	1,974
Obligations under finance leases	4,936	-	4,936
Trade and other payables excluding non financial liabilities	36,562	-	36,562
<b>Total at 31 March 2021</b>	<b>43,472</b>	<b>-</b>	<b>43,472</b>

**Note 30.4 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.

	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
In one year or less	52,441	37,387
In more than one year but not more than five years	6,189	5,546
In more than five years	1,940	3,325
<b>Total</b>	<b>60,570</b>	<b>46,258</b>

**Note 31 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
<b>Losses</b>				
Cash losses	4	1	4	3
<b>Total losses</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>3</b>
<b>Special payments</b>				
Compensation under court order or legally binding arbitration award	-	-	-	-
Extra-contractual payments	-	-	-	-
Overtime corrective payments: nationally funded	1	211	-	-
Special severance payments	-	-	-	-
Extra-statutory and extra-regulatory payments	-	-	-	-
<b>Total special payments</b>	<b>1</b>	<b>211</b>	<b>-</b>	<b>-</b>
<b>Total losses and special payments</b>	<b>5</b>	<b>212</b>	<b>4</b>	<b>3</b>
Compensation payments received		-		-

The amount of £211k shown above for overtime corrective payments is obtained from an estimate provided by NHSI/E, and applicable across a number of staff.

### Note 32 Related parties

During the year no Trust Board members or members of key management staff, or parties related to them, have undertaken any material transactions with the Trust.

Dr Sarah Humphery is both Executive Medical Director for Integrated Care for the Trust and a GP with Goodinge Group Practice. As at the 31 March 2022 the Trust had a net Debtor of £58.3k with Goodinge Group Practice (comprised of a debtor of £80.5k and a creditor of £22.2k).

The Department of Health & Social Care (DHSC) is considered a related party. During the year the Trust has had a significant number of material transactions with the Department and with other entities for which the Department is the parent Department. The table below shows the net result of the material transactions within the DHSC group.

The Trust has two wholly-owned subsidiaries, Whittington Pharmacy CIC and Whittington Charity. Neither organisation is consolidated within these accounts. A number of Whittington Health board members have a related party within these subsidiaries.

	Income	Expenditure	Receivables	Payables
NHS North Central London CCG	311,388	541	1,781	458
NHS England	32,522	2	267	0
Health Education England	15,305	15	126	0
NHS North East London CCG	6,437	0	62	0
Royal Free NHS FT	3,527	92	1,127	554
East London NHS FT	2,612	0	247	22
NHS North West London CCG	1,954	0	0	0
University College Hospitals London	1,618	969	384	1,638
North Middlesex University Hospital NHS Trust	1,100	60	120	62
Camden and Islington NHS Foundation Trust	1,087	1,166	992	475
Barnet, Enfield & Haringey Mental Health NHS Trust	39	974	17	169
NHS Resolution	0	10,141	0	18
Community Health Partnerships	0	3,645	0	636
NHS Property Services Ltd	0	1,217	0	1,131

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

	Income (£000s)	Expenditure (£000s)	Receivables (£000s)	Payables (£000s)
Islington Borough Council	7,617	160	21	1,154
Hackney Borough Council	1,511	0	7	0
Haringey Borough Council	901	0	0	521
NHS Blood & Transplant	5	2,029	0	41

### Note 33 Prior period adjustments

No adjustments have been made to prior period audited figures.

### Note 34 Events after the reporting date

No events after the reporting date of 31 March 2022 have been recorded.

**Note 35 Better Payment Practice code**

	<b>2021/22</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2020/21</b>
<b>Non-NHS Payables</b>	<b>Number</b>	<b>£000</b>	<b>Number</b>	<b>£000</b>
Total non-NHS trade invoices paid in the year	61,110	178,065	55,647	173,465
Total non-NHS trade invoices paid within target	<u>56,317</u>	<u>166,847</u>	<u>50,535</u>	<u>151,752</u>
Percentage of non-NHS trade invoices paid within target	<u>92.2%</u>	<u>93.7%</u>	<u>90.8%</u>	<u>87.5%</u>
<b>NHS Payables</b>				
Total NHS trade invoices paid in the year	4,189	19,720	4,931	25,279
Total NHS trade invoices paid within target	<u>2,874</u>	<u>12,274</u>	<u>2,770</u>	<u>7,689</u>
Percentage of NHS trade invoices paid within target	<u>68.6%</u>	<u>62.2%</u>	<u>56.2%</u>	<u>30.4%</u>

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

**Note 36 External financing limit**

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

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Cash flow financing	(13,268)	2,317
<b>External financing requirement</b>	<u>(13,268)</u>	<u>2,317</u>
External financing limit (EFL)	(13,268)	2,317
<b>Under / (over) spend against EFL</b>	<u>-</u>	<u>-</u>

**Note 37 Capital Resource Limit**

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Gross capital expenditure	25,729	21,322
Less: Disposals	-	-
Less: Donated and granted capital additions	-	(91)
Plus: Loss on disposal from capital grants in kind	-	-
<b>Charge against Capital Resource Limit</b>	<u>25,729</u>	<u>21,231</u>
Capital Resource Limit	25,790	21,249
<b>Under / (over) spend against CRL</b>	<u>61</u>	<u>18</u>

**Note 38 Breakeven duty financial performance**

	<b>2021/22</b>
	<b>£000</b>
Adjusted financial performance surplus / (deficit) (control total basis)	511
Remove impairments scoring to Departmental Expenditure Limit	-
Add back non-cash element of On-SoFP pension scheme charges	-
IFRIC 12 breakeven adjustment	-
<b>Breakeven duty financial performance surplus / (deficit)</b>	<u>511</u>

39 Note 39 Breakeven duty rolling assessment

	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		139	508	1,120	3,614	1,165	(7,342)
Breakeven duty cumulative position	3,971	4,110	4,618	5,738	9,352	10,517	3,175
Operating income		176,853	186,300	278,212	281,343	297,397	295,007
<b>Cumulative breakeven position as a percentage of operating income</b>		2.3%	2.5%	2.1%	3.3%	3.5%	1.1%

  

	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	(14,788)	(3,670)	6,158	29,362	1,568	2,370	511
Breakeven duty cumulative position	(11,613)	(15,283)	(9,126)	20,237	21,805	24,175	24,686
Operating income	294,211	309,255	323,394	348,646	350,183	395,340	408,948
<b>Cumulative breakeven position as a percentage of operating income</b>	(3.9%)	(4.9%)	(2.8%)	5.8%	6.2%	6.1%	6.0%