

**GEORGE ELIOT HOSPITAL
NHS TRUST**

AUDITED ANNUAL ACCOUNTS

2020/21

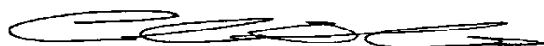
Statement of Comprehensive Income for the year ended 31 March 2021

		2020/21	2019/20
	Note	£000	£000
Operating income from patient care activities	3.1	172,445	153,698
Other operating income	4	37,664	27,599
Operating expenses	6, 8	<u>(207,779)</u>	<u>(179,936)</u>
Operating surplus/(deficit) from continuing operations		<u>2,330</u>	<u>1,361</u>
Finance income	12.	2	46
Finance expenses	13	(45)	(1,221)
PDC dividends payable		<u>(1,773)</u>	<u>-</u>
Net finance costs		<u>(1,816)</u>	<u>(1,175)</u>
Other (losses)/ gains	14.	(11)	-
Surplus / (deficit) for the year from continuing operations		<u>503</u>	<u>186</u>
Surplus / (deficit) for the year		<u>503</u>	<u>186</u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7.	(3,249)	(2,946)
Revaluations	19	2,102	2,029
Other recognised gains and losses		-	-
Other reserve movements		1	-
Total comprehensive income / (expense) for the period		<u>(643)</u>	<u>(731)</u>
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		503	186
Remove I&E impact of capital grants and donations		(278)	27
Remove 2018/19 post audit PSF reallocation (2019/20 only)			(194)
Remove net impact of inventories received from DHSC group bodies for COVID response		<u>(143)</u>	
Adjusted financial performance surplus / (deficit)		<u>82</u>	<u>19</u>

Statement of Financial Position as at 31 March 2021

		31 March 2021	31 March 2020
	Note	£000	£000
Non-current assets			
Intangible assets	16	1,862	1,807
Property, plant and equipment	17	81,252	70,904
Receivables	25	626	588
Total non-current assets		83,740	73,299
Current assets			
Inventories	24	1,808	2,414
Receivables	25	6,501	34,454
Cash and cash equivalents	28	34,843	1,030
Total current assets		43,152	37,898
Current liabilities			
Trade and other payables	30	(26,687)	(22,160)
Borrowings	32	(387)	(92,129)
Provisions	36	(4,332)	(930)
Other liabilities	31	(1,323)	(1,450)
Total current liabilities		(32,729)	(116,669)
Total assets less current liabilities		94,163	(5,472)
Non-current liabilities			
Borrowings	32	-	(388)
Provisions	36	(1,097)	(1,063)
Other liabilities	31	-	-
Total non-current liabilities		(1,097)	(1,451)
Total assets employed		93,066	(6,923)
Financed by			
Public dividend capital		152,993	52,360
Revaluation reserve		4,235	5,382
Income and expenditure reserve		(64,162)	(64,665)
Total taxpayers' equity		93,066	(6,923)

The financial statements on pages 1 to 45 were approved by the Board of Directors on the 7 June 2021 and signed on its behalf by:



Glen Burley
Chief Executive

Date: 7 June 2021

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
Taxpayers' and others' equity at 1 April 2020 - brought forward	52,360	5,382	(64,665)	(6,923)
Surplus/(deficit) for the year	-	-	503	503
Other transfers between reserves	-	-	-	-
Impairments	-	(3,249)	-	(3,249)
Revaluations	-	2,102	-	2,102
Public dividend capital received	100,652	-	-	100,652
Public dividend capital repaid	(20)	-	-	(20)
Taxpayers' and others' equity at 31 March 2021	152,993	4,235	(64,162)	93,066

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward	51,810	6,331	(64,883)	(6,742)
Surplus/(deficit) for the year	-	-	186	186
Other transfers between reserves	-	(32)	32	-
Impairments	-	(2,946)	-	(2,946)
Revaluations	-	2,029	-	2,029
Public dividend capital received	550	-	-	550
Taxpayers' and others' equity at 31 March 2020	52,360	5,382	(64,665)	(6,923)

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Financial assets reserve

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

Merger reserve

This reserve reflects balances formed on merger of NHS bodies.

Income and expenditure reserve

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

Statement of Cash Flows for the year ended 31 March 2021

	Note	2020/21 £000	2019/20 £000
Cash flows from operating activities			
Operating surplus		2,330	1,361
Non-cash income and expense:			
Depreciation and amortisation	6.	6,406	6,317
Net impairments	7.	-	-
Income recognised in respect of capital donations	4	(415)	(106)
(Increase) / decrease in receivables and other assets		28,119	(21,009)
(Increase) / decrease in inventories		606	(324)
Increase / (decrease) in payables and other liabilities		1,072	4,320
Increase / (decrease) in provisions		3,394	954
Net cash flows from / (used in) operating activities		41,512	(8,487)
Cash flows from investing activities			
Interest received		1	46
Purchase of intangible assets		(818)	(575)
Purchase of PPE and investment property		(13,510)	(5,990)
Receipt of cash donations to purchase assets		102	-
Net cash flows from / (used in) investing activities		(14,225)	(6,519)
Cash flows from financing activities			
Public dividend capital received		100,652	550
Public dividend capital repaid		(20)	-
Movement on loans from DHSC		(91,109)	16,117
Movement on other loans		(776)	(776)
Interest on loans		(245)	(1,157)
Other interest		-	(5)
PDC dividend (paid) / refunded		(1,977)	-
Cash flows from (used in) other financing activities		1	-
Net cash flows from / (used in) financing activities		6,526	14,729
Increase / (decrease) in cash and cash equivalents		33,813	(277)
Cash and cash equivalents at 1 April - brought forward		1,030	1,307
Cash and cash equivalents at 31 March	28	34,843	1,030

The notes on pages 6 to 45 form part of these accounts.

1. Notes to the Accounts

Accounting policies and other information

1.1 Basis of preparation

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

1.1.1 Accounting convention

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

1.1.2 Going concern

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

The Trust has prepared its financial plans and cash flow forecasts for the coming year on the assumption that funding will be received from the Department of Health and Social Care consistent with the revised funding arrangements in response to the Covid -19 pandemic. Discussions to date indicate this funding will be forthcoming. These funds are expected to be sufficient to enable the Trust to meet its obligations as they fall due and will be accessed through the nationally agreed process published by NHS Improvement and the Department of Health and Social Care.

The Board of Directors has therefore concluded that these financial statements should be prepared on a going concern basis as there is a reasonable expectation that the Trust will have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements.

1.2 Interests in other entities

Charitable Funds

Under the provisions of IAS27 Consolidated and Separate Financial Statements, those charitable funds that fall under common control within NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 Presentation of Financial Statements, restated prior period accounts are presented where the adoption of the new policy has a material impact. As the value of George Eliot's Charitable Funds do not have a material impact, they have not been consolidated.

1.3 Revenue

1.3.1 Revenue from contracts with customers

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

1.3.2 Revenue from NHS contracts

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

2020/21

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

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

Comparative period (2019/20)

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

1.3.3 NHS injury cost recovery scheme

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

1.3.4 Provider sustainability fund (PSF) and Financial recovery fund (FRF)

In 2019/20, the PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

1.3.5 Other forms of income

Grants and donations

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

Apprenticeship service income

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

1.4 Expenditure on employee benefits

1.4.1 Short-term employee benefits

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

1.4.2 Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State 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.

1.5 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.

1.6 Discontinued operations

The Trust does not have any operations which have been discontinued during the year.

1.7 Property, plant and equipment

1.7.1 Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item 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.

1.7.2 Measurement

Valuation

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

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (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.

Land and buildings used for the Trust's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

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 as indexed on 31 March 21 using indices supplied by the valuer, Avison Young (UK) Limited.

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.

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

The Trust's land and building valuation was carried out by the Trust's current valuer Avison Young, on a MEA "Optimised Alternative Site" method valuation, and applied on 31 March 2021.

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

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance.

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.

1.7 Property, plant and equipment (continued)

1.7.3 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.

1.7.4 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'.

1.7.5 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.

1.7.6 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.

1.7.7 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

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

1.7.8 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	4	38
Dwellings	24	24
Plant & machinery	5	15
Transport equipment	8	8
Information technology	5	8
Furniture & fittings	10	10

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

1.8 Intangible assets

1.8.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised. Expenditure on development is capitalised 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.

1.8.2 Measurement

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

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

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

1.8.3 Amortisation

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

1.8.4 Useful lives of intangible assets

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

	Min life Years	Max life Years
Information technology	-	-
Development expenditure	1	10
Websites	-	-
Software licences	5	5

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method. This is considered to be a reasonable approximation to fair value due to the high turnover of stock.

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

1.10 Investment properties

Investment properties are measured at fair value. Changes in fair value are recognised as gains or losses in income/expenditure.

Only those assets which are held solely to generate a commercial return are considered to be investment properties. Where an asset is held, in part, for support service delivery objectives, then it is considered to be an item of property, plant and equipment. Properties occupied by employees, whether or not they pay rent at market rates, are not classified as investment properties.

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.

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 the Office for National Statistics.

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.

Financial assets

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

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

Financial assets are classified into the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss. The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

Financial assets at amortised cost

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

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

1.12 Financial assets and financial liabilities (continued)

Financial assets at fair value through other comprehensive income

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

The Trust does not have any financial assets of this type.

Financial assets at fair value through profit and loss

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or fair value through other comprehensive income. This includes derivatives and financial assets acquired principally for the purpose of selling in the short term.

The Trust does not have any financial assets of this type.

Impairment

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Trust recognises a loss allowance representing expected credit losses on the financial instrument.

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

Expected credit losses are determined by providing in full for non-NHS debtors over 90 days old and for Injury Cost Recovery income using national guidance.

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. The Trust therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally, the Department of Health and Social Care provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and Trust does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

In accordance with the Department of Health guidelines 21.79% of injury costs recovery revenue is provided in a bad debt provision.

Financial liabilities

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

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. In the case of DHSC loans that would be the nominal rate charged on the loan.

De-recognition

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

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

1.13 Leases

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

1.13.1 The trust as 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.

1.13.2 The trust as a lessor

Finance leases

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

Operating leases

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

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 for 31 March 2021:

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

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

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

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

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 36 but is not recognised in the Trust's accounts.

1.14 Provisions (continued)

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.

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 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed 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.

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.

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.

1.18 Corporation tax

The Trust has no corporation tax liability based on the activities undertaken and the financial position.

1.19 Climate change levy

Expenditure on the climate change levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

1.20 Foreign exchange

The functional and presentational currency of the Trust is sterling.

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

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

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

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

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

1.21 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*.

1.22 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.

1.23 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

The Trust did not receive any gifts of assets during the year.

1.24 Transfers of functions to and from other NHS bodies or local government bodies

There were no transfers of functions to or from other NHS bodies or local government bodies in the year.

1.25 Early adoption of standards, amendments and interpretations

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

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

1.26.1 IFRS 16 Leases

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

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

On transition to IFRS 16 on 1 April 2022, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be defined by HM Treasury. Currently this rate is 0.91% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2022 for existing finance leases.

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

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

1.26.2 Other standards, amendments and interpretations

The DHSC GAM does not require the following IFRS Standards and Interpretations to be applied in 2020-21. These Standards are still subject to HM Treasury FReM adoption.

IFRS 16 *Leases* – The Standard is effective from 1 April 2022 as adapted and interpreted by the FReM.

IFRS 17 *Insurance Contracts* – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

The Trust has a small number of operating leases for medical and IT equipment/ software which are part way through their lease term. The transitional arrangements for existing leases from the date this standard becomes effective were assessed in the prior year and the impact was immaterial. The standard will mean that operating leases will in future be accounted for as finance leases, with the assets to which they relate being capitalised and shown on the Statement of Financial Position. New leases entered into after 1 April 2022 will have to be part of the Trust's Capital Resource Limit allocation. This will be taken into account in any future business cases considering purchase or lease of assets.

IFRS 17 is not expected to have a material impact on the Trust.

1.27 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:

The Trust has entered into lease agreements for medical equipment during the year. In each case an assessment has been carried out to determine whether the lease should be accounted for as an operating or finance lease.

1.27.1 Sources of estimation uncertainty

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

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:

Land and buildings valuations were updated through a 'desk top' assessment at 31 March 2021 whilst continuing to be based on the 'alternative site valuation' principles.

Two former employees are being paid a permanent injury allowance by the Trust. Their life expectancy is calculated using published interim life tables for England published by the Office of National Statistics, with the resulting calculated provision being discounted by minus 0.95%. Every year their life expectancy and appropriate discount factor is reviewed and updated.

2. Operating Segments

The Trust has only one operating segment; that is the provision of healthcare services.

The total amount of income from the provision of healthcare services during the accounting period is £210,109k (2019-20 £181,297k). Total operating expenditure from the provision of healthcare services during the accounting period is £207,779k (2019-20 £179,936k).

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.

3.1 Income from patient care activities (by nature)	2020/21	2019/20
	£000	£000
Acute services		
Block contract / system envelope income*	152,009	107,820
High cost drugs income from commissioners (excluding pass-through costs)	10,843	9,247
Other NHS clinical income	68	23,573
Community services		
Block contract / system envelope income*	2,063	2,267
Income from other sources (e.g. local authorities)	2,377	2,795
All services		
Private patient income	130	68
Additional pension contribution central funding**	4,571	4,123
Other clinical income	384	3,805
Total income from activities	172,445	153,698

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

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

3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2020/21	2019/20
	£000	£000
NHS England	28,719	23,006
Clinical commissioning groups	140,767	126,968
Department of Health and Social Care	-	-
Other NHS providers	68	414
NHS other	-	-
Local authorities	2,361	2,795
Non-NHS: private patients	-	-
Non-NHS: overseas patients (chargeable to patient)	130	68
Injury cost recovery scheme	391	366
Non NHS: other	9	81
Total income from activities	172,445	153,698
Of which:		
Related to continuing operations	172,445	153,698
Related to discontinued operations	-	-

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

	2020/21	2019/20
	£000	£000
Income recognised this year	130	68
Cash payments received in-year	6	10
Amounts added to provision for impairment of receivables	135	46
Amounts written off in-year	5	-

4 Other operating income

	2020/21			2019/20		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	398	-	398	483	-	483
Education and training	6,451	-	6,451	6,100	-	6,100
Non-patient care services to other bodies	2,402		2,402	2,102		2,102
Provider sustainability fund (2019/20 only)			-	3,589		3,589
Financial recovery fund (2019/20 only)			-	12,308		12,308
Marginal rate emergency tariff funding (2019/20 only)			-	73		73
Reimbursement and top up funding	23,142		23,142			-
Receipt of capital grants and donations		415	415		106	106
Charitable and other contributions to expenditure*		2,856	2,856		-	-
Rental revenue from finance leases		-	-		-	-
Rental revenue from operating leases		-	-		-	-
Other income	1,528	472	2,000	2,838	-	2,838
Total other operating income	33,921	3,743	37,664	27,493	106	27,599
Of which:						
Related to continuing operations			37,664			27,599
Related to discontinued operations			-			-

*This represents the value of Personal Protective Equipment provided to the Trust free of charge during the year

5.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2020/21	2019/20
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end		
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods		

5.2 Transaction price allocated to remaining performance obligations

	31 March	31 March
	2021	2020
	£000	£000
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
within one year		
after one year, not later than five years		
after five years		
Total revenue allocated to remaining performance obligations	-	-

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

5.3 Fees and charges

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

	2020/21	2019/20
	£000	£000
Income	-	-
Full cost	-	-
Surplus / (deficit)	-	-

6. Operating expenses

	2020/21	2019/20
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	7,230	6,249
Purchase of healthcare from non-NHS and non-DHSC bodies	2,296	3,049
Purchase of social care	-	-
Staff and executive directors costs	140,294	122,075
Remuneration of non-executive directors	80	58
Supplies and services - clinical (excluding drugs costs)	15,646	11,766
Supplies and services - general	2,187	2,166
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	14,234	13,533
Inventories written down	578	31
Consultancy costs	258	423
Establishment	1,664	1,384
Premises	7,599	5,589
Transport (including patient travel)	66	47
Depreciation on property, plant and equipment	5,834	5,433
Amortisation on intangible assets	572	884
Net impairments	-	-
Movement in credit loss allowance: contract receivables / contract assets	1,131	161
Movement in credit loss allowance: all other receivables and investments	-	-
Increase/(decrease) in other provisions	67	110
Change in provisions discount rate(s)	5	80
Audit fees payable to the external auditor		
audit services- statutory audit*	68	60
other auditor remuneration (external auditor only)	-	3
Internal audit costs	109	95
Clinical negligence	5,193	4,699
Legal fees	244	73
Insurance	9	10
Research and development	-	-
Education and training	705	624
Rentals under operating leases	327	324
Early retirements	-	-
Redundancy	-	-
Car parking & security	-	-
Hospitality	1	3
Losses, ex gratia & special payments	43	7
Other services, eg external payroll	361	330
Other	978	670
Total	207,779	179,936
Of which:		
Related to continuing operations	207,779	179,936
Related to discontinued operations	-	-

*audit services - statutory audit is the amount payable to the external auditors for the audit of the annual accounts. This amount includes non-recoverable VAT. The amount excluding VAT would be £53k (2019/20 £49k)

6.1 Other auditor remuneration

	2020/21 £000	2019/20 £000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services	-	-
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	3
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	-	-
Total	<u>-</u>	<u>3</u>

6.2 Limitation on auditor's liability

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

7. Impairment of assets

	2020/21 £000	2019/20 £000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	-	-
Other	-	-
Total net impairments charged to operating surplus / deficit	<u>-</u>	<u>-</u>
Impairments charged to the revaluation reserve	3,249	2,946
Total net impairments	<u>3,249</u>	<u>2,946</u>

8. Employee benefits

	2020/21 Total £000	2019/20 Total £000
Salaries and wages	95,231	83,283
Social security costs	9,285	8,483
Apprenticeship levy	437	398
Employer's contributions to NHS pensions	15,101	13,601
Pension cost - other	-	-
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	-	-
Temporary staff (including agency)	20,540	16,660
Total gross staff costs	<u>140,594</u>	<u>122,425</u>
Recoveries in respect of seconded staff	-	-
Total staff costs	<u>140,594</u>	<u>122,425</u>
Of which		
Costs capitalised as part of assets	300	350

9. Retirements due to ill-health

During 2020/21 there were two early retirements from the Trust agreed on the grounds of ill-health (none in the year ended 31 March 2020). The estimated additional pension liabilities of these ill-health retirements is 76k (0k in 2019/20).

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

10. Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

11. Note 11. Operating leases

11.1 George Eliot Hospital NHS Trust as a lessor

The Trust does not have any agreements where it acts as a lessor.

11.2 George Eliot Hospital NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where George Eliot Hospital NHS Trust is the lessee.

	2020/21	2019/20
	£000	£000
Operating lease expense		
Minimum lease payments	327	324
Contingent rents	-	-
Less sublease payments received	-	-
Total	327	324
	31 March	31 March
	2021	2020
	£000	£000
Future minimum lease payments due:		
- not later than one year;	329	315
- later than one year and not later than five years;	428	670
- later than five years.	-	57
Total	757	1,042
Future minimum sublease payments to be received	-	-

12. Finance income

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

	2020/21	2019/20
	£000	£000
Interest on bank accounts	2	46
Other finance income	-	-
Total finance income	2	46

13.1 Finance expenditure

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

	2020/21	2019/20
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	-	1,217
Interest on late payment of commercial debt	-	3
Total interest expense	-	1,220
Unwinding of discount on provisions	42	1
Other finance costs	3	-
Total finance costs	45	1,221

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

	2020/21	2019/20
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	-	3

14. Other gains / (losses)

	2020/21	2019/20
	£000	£000
Gains on disposal of assets	-	-
Losses on disposal of assets	(11)	-
Total gains / (losses) on disposal of assets	(11)	-
Gains / (losses) on foreign exchange	-	-
Fair value gains / (losses) on investment properties	-	-
Fair value gains / (losses) on financial assets / investments	-	-
Fair value gains / (losses) on financial liabilities	-	-
Recycling gains / (losses) on disposal of financial assets mandated as fair value through OCI	-	-
Other gains / (losses)	-	-
Total other gains / (losses)	(11)	-

16. Intangible assets - 2020/21

	Software licences £000	Development expenditure £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2020 - brought forward	6,575	2,228	17	8,820
Additions	565	62	-	627
Valuation / gross cost at 31 March 2021	7,140	2,290	17	9,447
Amortisation at 1 April 2020 - brought forward	5,102	1,911	-	7,013
Provided during the year	466	106	-	572
Amortisation at 31 March 2021	5,568	2,017	-	7,585
Net book value at 31 March 2021	1,572	273	17	1,862
Net book value at 1 April 2020	1,473	317	17	1,807

16.1 Intangible assets - 2019/20

	Software licences £000	Development expenditure £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2019 - as previously stated	5,822	2,228	21	8,071
Valuation / gross cost at 1 April 2019 - restated	5,822	2,228	21	8,071
Additions	749	-	-	749
Reclassifications	4	-	(4)	-
Valuation / gross cost at 31 March 2020	6,575	2,228	17	8,820
Amortisation at 1 April 2019 - as previously stated	4,519	1,610	-	6,129
Amortisation at 1 April 2019 - restated	4,519	1,610	-	6,129
Transfers by absorption	-	-	-	-
Provided during the year	583	301	-	884
Amortisation at 31 March 2020	5,102	1,911	-	7,013
Net book value at 31 March 2020	1,473	317	17	1,807
Net book value at 1 April 2019	1,303	618	21	1,942

17.1 Property, plant and equipment - 2020/21

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2020 - brought forward	4,500	50,657	489	1,196	28,463	171	9,513	869	95,858
Additions	-	5,107	-	6,162	3,859	-	1,964	250	17,342
Impairments	-	(3,239)	(10)	-	-	-	-	-	(3,249)
Disposals / derecognition	-	-	-	-	(113)	-	(16)	-	(129)
Valuation/gross cost at 31 March 2021	4,500	52,525	479	7,358	32,209	171	11,461	1,119	109,822
Accumulated depreciation at 1 April 2020 - brought forward	-	-	-	-	17,884	118	6,464	488	24,954
Provided during the year	-	2,083	20	-	2,540	13	1,107	71	5,834
Revaluations	-	(2,082)	(20)	-	-	-	-	-	(2,102)
Disposals / derecognition	-	-	-	-	(105)	-	(11)	-	(116)
Accumulated depreciation at 31 March 2021	-	1	-	-	20,319	131	7,560	559	28,570
Net book value at 31 March 2021	4,500	52,524	479	7,358	11,890	40	3,901	560	81,252
Net book value at 1 April 2020	4,500	50,657	489	1,196	10,579	53	3,049	381	70,904

17.2 Property, plant and equipment - 2019/20

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2019 - as previously stated	4,500	51,078	503	142	27,994	155	8,607	701	93,680
Prior period adjustments	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2019 - restated	4,500	51,078	503	142	27,994	155	8,607	701	93,680
Transfers by absorption	-	-	-	-	-	-	-	-	-
Additions	-	2,369	-	1,196	2,323	16	906	168	6,978
Impairments	-	(2,932)	(14)	-	-	-	-	-	(2,946)
Reclassifications	-	142	-	(142)	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(1,854)	-	-	-	(1,854)
Valuation/gross cost at 31 March 2020	4,500	50,657	489	1,196	28,463	171	9,513	869	95,858
Accumulated depreciation at 1 April 2019 - as previously stated	-	-	-	-	17,501	105	5,359	439	23,404
Accumulated depreciation at 1 April 2019 - restated	-	-	-	-	17,501	105	5,359	439	23,404
Provided during the year	-	2,009	20	-	2,237	13	1,105	49	5,433
Revaluations	-	(2,009)	(20)	-	-	-	-	-	(2,029)
Disposals / derecognition	-	-	-	-	(1,854)	-	-	-	(1,854)
Accumulated depreciation at 31 March 2020	-	-	-	-	17,884	118	6,464	488	24,954
Net book value at 31 March 2020	4,500	50,657	489	1,196	10,579	53	3,049	381	70,904
Net book value at 1 April 2019	4,500	51,078	503	142	10,493	50	3,248	262	70,276

17.3 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
Net book value at 31 March 2021									
Owned - purchased	4,500	52,524	479	7,358	10,758	40	3,901	560	80,120
Owned - donated/granted	-	-	-	-	1,132	-	-	-	1,132
NBV total at 31 March 2021	4,500	52,524	479	7,358	11,890	40	3,901	560	81,252

17.4 Property, plant and equipment financing - 2019/20

	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
Net book value at 31 March 2020									
Owned - purchased	4,500	50,310	489	1,196	10,040	53	3,049	381	70,018
Owned - donated/granted	-	347	-	-	539	-	-	-	886
NBV total at 31 March 2020	4,500	50,657	489	1,196	10,579	53	3,049	381	70,904

Donations of property, plant and equipment

The Trust received donations of Property, Plant and Equipment amounting to £313k as part of the Covid-19 pandemic response in 2020/21.

Revaluations of property, plant and equipment

Land, Buildings and Dwellings were valued as Modern Equivalent Assets (MEA) at the 31st March 2020 by Stephen Pollock BSc FRICS Cert Acct (Open), RICS Registered Valuer Avison Young, Independent Property Valuers, in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards, January 2014, IFRS and FReM guidelines. The value is based on the IFRS 13 definition of Fair Value and the definition adopted by the International Accounting Standards Board (IASB), being the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Depreciated Replacement Cost (DRC) is recognised under IAS 16 as a basis of valuation for financial reporting purposes. DRC assessments were undertaken for those properties considered to be specialised properties. A Specialised Property is 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 uniqueness arising from its specialised nature and design, its configuration, size, location, or otherwise.

The valuation is subject to adequate service potential, which is defined as: "The capacity of an asset to continue goods and services in accordance with the entity's objectives". It is assumed that the current use/services would still have to be provided by the Trust in the locality of Nuneaton. In accordance with Valuation Standard 2 of the RICS Valuation -Professional Standards January 2014, incorporating the International Valuation Standards 2013, the Market Values of the properties for alternative use (on cessation of the existing business) are likely to be materially lower than the Market Value, with continued use and Depreciated Replacement Cost figures reported.

The basis of the valuation for the property, which is all freehold, is as follows:-

-Operational areas.-Fair Value. (DRC) (IAS16)

-Surplus and Non-operational Buildings.-Market Value (IFRS 5)

-Mobile Phone Masts, Retail Shop, Nursery, Private Healthcare Clinic.-Market Value (IAS40). This property and associated land value is reported in note 16 under the heading land and buildings.

Investment Property

The Trust does not have any investment property (31 March 2020 £nil).

Investment property income and expenses

The Trust does not have any investment property income and expenses (31 March 2020 £nil).

23. Disclosure of interests in other entities

The Trust had no interests in unconsolidated subsidiaries, joint ventures, associates or unconsolidated structured entities.

24. Inventories

	31 March 2021 £000	31 March 2020 £000
Drugs	40	776
Consumables	1,741	1,597
Energy	27	41
Total inventories	1,808	2,414
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £15,357k (2019/20: £15,854k). Write-down of inventories recognised as expenses for the year were £578k (2019/20: £31k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2020/21 the Trust received £2,856k of items purchased by DHSC.

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

25.1 Receivables

	31 March 2021 £000	31 March 2020 £000
Current		
Contract receivables	5,926	33,093
Allowance for impaired contract receivables / assets	(1,694)	(582)
Allowance for other impaired receivables	-	-
Deposits and advances	-	-
Prepayments (non-PFI)	1,470	1,211
Interest receivable	-	-
Finance lease receivables	-	-
PDC dividend receivable	204	-
VAT receivable	503	331
Other receivables	92	401
Total current receivables	6,501	34,454
Non-current		
Contract receivables	263	260
Other receivables	363	328
Total non-current receivables	626	588
Of which receivable from NHS and DHSC group bodies:		
Current	4,036	30,774
Non-current	321	321

Note 1. The largest proportion of trade is with Clinical Commissioning Groups. As Clinical Commissioning Groups are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Note 2. Contract receivables in 2020/21 included £13,348k accrued income, relating to FRF and PSF income due to the Trust based on achievement of financial performance targets.

25.2 Allowances for credit losses

	2020/21		2019/20	
	Contract receivables and contract assets £000	All other receivables £000	Contract receivables and contract assets £000	All other receivables £000
Allowances as at 1 April - brought forward	582	-	421	-
Prior period adjustments			-	-
Allowances as at 1 April - restated	582	-	421	-
New allowances arising	1,272	-	390	-
Reversals of allowances	(141)	-	(229)	-
Utilisation of allowances (write offs)	(19)	-	-	-
Allowances as at 31 Mar 2021	1,694	-	582	-

25.3 Exposure to credit risk

The allowance of £1,680k above at the 31 March 2021 includes £197k relating to Injury Cost Recovery Scheme debtors. These are provided for using national assumptions about the likelihood of debt recovery. The Trust's policy for calculating the allowance against other debtors is that debts over 90 days are reviewed and an allowance made for any debts for which there is a risk of non-recovery. Amounts being recovered by instalment payments are excluded.

26. Other assets

The Trust had no Other assets at 31 March 2021 (31 March 2020 £nil).

27. Non-current assets held for sale and assets in disposal groups

The Trust had no Non-current assets held for sale or assets in disposal groups at 31 March 2021 (31 March 2020 £nil).

27.1 Liabilities in disposal groups

The Trust had no liabilities in disposal groups at 31 March 2021 (31 March 2020 £nil).

28 Cash and cash equivalents movements

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

	2020/21	2019/20
	£000	£000
At 1 April	1,030	1,307
At 1 April (restated)	1,030	1,307
Net change in year	33,813	(277)
At 31 March	34,843	1,030
Broken down into:		
Cash at commercial banks and in hand	45	32
Cash with the Government Banking Service	34,798	998
Total cash and cash equivalents as in SoFP	34,843	1,030
Total cash and cash equivalents as in SoCF	34,843	1,030

29 Third party assets held by the trust

George Eliot Hospital 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.

30.1 Trade and other payables

	31 March 2021 £000	31 March 2020 £000
Current		
Trade payables	4,133	10,974
Capital payables	6,640	3,312
Accruals	11,666	4,171
Social security costs	1,353	1,198
Other taxes payable	1,219	1,071
Other payables	1,676	1,434
Total current trade and other payables	26,687	22,160
Non-current		
Trade payables	-	-
Capital payables	-	-
Accruals	-	-
Receipts in advance and payments on account	-	-
VAT payables	-	-
Other taxes payable	-	-
Other payables	-	-
Total non-current trade and other payables	-	-
Of which payables from NHS and DHSC group bodies:		
Current	333	4,615
Non-current	-	-

30.2 Early retirements in NHS payables above

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

	31 March 2021 £000	31 March 2021 Number	31 March 2020 £000	31 March 2020 Number
- to buy out the liability for early retirements over 5 years	-		-	
- number of cases involved		-		-

31 Other liabilities

	31 March 2021 £000	31 March 2020 £000
Current		
Deferred income: contract liabilities	-	1,450
Deferred grants	-	-
Other deferred income	1,323	-
Total other current liabilities	1,323	1,450
Non-current		
Deferred income: contract liabilities	-	-
Deferred grants	-	-
Other deferred income	-	-
Net pension scheme liability	-	-
Total other non-current liabilities	-	-

32.1 Borrowings

	31 March 2021 £000	31 March 2020 £000
Current		
Bank overdrafts	-	-
Drawdown in committed facility	-	-
Loans from DHSC (note 1)	-	91,354
Other loans	387	775
Obligations under finance leases	-	-
Total current borrowings	387	92,129
Non-current		
Loans from DHSC	-	-
Other loans	-	388
Obligations under finance leases	-	-
Total non-current borrowings	-	388

Note 1: Loans from DHSC were fully repaid in 2020/21, being replaced with the issue of Public Dividend Capital

32.2 Note 32.2 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC £000	Other loans £000	Total £000
Carrying value at 1 April 2020	91,354	1,163	92,517
Cash movements:			
Financing cash flows - payments and receipts of principal	(91,109)	(776)	(91,885)
Financing cash flows - payments of interest	(245)	-	(245)
Non-cash movements:			
Transfers by absorption	-	-	-
Additions	-	-	-
Application of effective interest rate	-	-	-
Change in effective interest rate	-	-	-
Changes in fair value	-	-	-
Early terminations	-	-	-
Other changes	-	-	-
Carrying value at 31 March 2021	-	387	387

32.3 Note 32.3 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC £000	Other loans £000	Total £000
Carrying value at 1 April 2019	75,178	1,937	77,115
Prior period adjustment	-	-	-
Carrying value at 1 April 2018 - restated	75,178	1,937	77,115
Cash movements:			
Financing cash flows - payments and receipts of principal	16,117	(776)	15,341
Financing cash flows - payments of interest	(1,157)	-	(1,157)
Non-cash movements:			
Application of effective interest rate	1,216	-	1,216
Changes in fair value	-	2	2
Carrying value at 31 March 2020	91,354	1,163	92,517

34. Other financial liabilities

The Trust does not have any other financial liabilities.

35. Finance leases

35.1 George Eliot Hospital NHS Trust as a lessor

The Trust does not have any finance lease receivables as lessor.

35.2 George Eliot Hospital NHS Trust as a lessee

The Trust does not have any finance lease obligations as lessee.

36. Provisions for liabilities and charges analysis

	Pensions: injury benefits £000	Legal claims £000	Other £000	Total £000
At 1 April 2020	779	115	1,099	1,993
Change in the discount rate	5	-	-	5
Arising during the year	24	33	4,370	4,427
Utilised during the year	(37)	(31)	(303)	(371)
Reversed unused	-	(15)	(652)	(667)
Unwinding of discount	42	-	-	42
At 31 March 2021	813	102	4,514	5,429
Expected timing of cash flows:				
- not later than one year;	37	102	4,193	4,332
- later than one year and not later than five years;	776	-	-	776
- later than five years.	-	-	321	321
Total	813	102	4,514	5,429

Legal Claims

Legal claims comprise employer's liability and injury allowance payments which the Trust may be required to pay in the future. It is assumed that all employment liability claims will be paid within one year and that injury allowances are payable over the life of the recipient. The amount over five years is repayable in quarterly instalments. The injury allowance is currently £37,397 per annum, discounted by -0.95%.

Clinical Pension Tax Reimbursement

Clinical Pension Tax Reimbursement is a provision for potential future claims following retirement for eligible individuals.

Clinical negligence liabilities

At 31 March 2021, £48,930k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of George Eliot Hospital NHS Trust (31 March 2020: £49,103k).

Other

Other provisions include claims made by employees and former employees.

37. Contingent assets and liabilities

Financial responsibility for clinical negligence cases passed to NHS Resolution, (formerly known as The NHS Litigation Authority) on 1 April 2002. No contingencies or provisions are left in the accounts in relation to these cases, even though the legal liability for them remains with the Trust. The Trust has no other contingent assets and liabilities (31 March 2020 £nil).

38. Contractual capital commitments

	31 March 2021 £000	31 March 2020 £000
Property, plant and equipment	439	1,003
Intangible assets	-	-
Total	439	1,003

39. Other financial commitments

The Trust had no other financial commitments at 31 March 2020 (31 March 2019 £nil).

40 Financial instruments

40.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

The Trust borrows from government for capital expenditure and for revenue deficit support, subject to affordability as confirmed by the NHSI. The capital borrowings are for 1 – 10 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its capital resource limit. The Trust is not, therefore, exposed to significant liquidity risks.

40.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2021	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Trade and other receivables excluding non financial assets	4,611	-	-	4,611
Other investments / financial assets	-	-	-	-
Cash and cash equivalents	34,843	-	-	34,843
Total at 31 March 2021	39,454	-	-	39,454

Carrying values of financial assets as at 31 March 2020	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Trade and other receivables excluding non financial assets	32,591	-	-	32,591
Other investments / financial assets	-	-	-	-
Cash and cash equivalents	1,030	-	-	1,030
Total at 31 March 2020	33,621	-	-	33,621

40.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Loans from the Department of Health and Social Care	-	-	-
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	-	-	-
Other borrowings	387	-	387
Trade and other payables excluding non financial liabilities	24,114	-	24,114
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2021	24,501	-	24,501

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost £000	Held at fair value through I&E £000	Total book value £000
Loans from the Department of Health and Social Care	91,354	-	91,354
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	-	-	-
Other borrowings	1,163	-	1,163
Trade and other payables excluding non financial liabilities	19,631	-	19,631
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2020	112,148	-	112,148

40.4 Maturity of financial liabilities

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

	31 March 2021 £000	31 March 2020 restated* £000
In one year or less	24,502	112,148
In more than one year but not more than five years	-	-
In more than five years	-	-
Total	<u>24,502</u>	<u>112,148</u>

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

40.5 Fair values of financial assets and liabilities

Book value (carrying value) is a reasonable approximation of fair value.

41. Losses and special payments

	2020/21		2019/20	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	27	14	4	-
Fruitless payments and constructive losses	-	-	-	-
Bad debts and claims abandoned	550	22	69	1
Stores losses and damage to property	2	306	4	34
Total losses	579	342	77	35
Special payments				
Compensation under court order or legally binding arbitration award	6	68	7	43
Extra-contractual payments	-	-	-	-
Ex-gratia payments	12	7	15	6
Special severance payments	-	-	-	-
Extra-statutory and extra-regulatory payments	-	-	-	-
Total special payments	18	75	22	49
Total losses and special payments	597	417	99	84
Compensation payments received		-		-

There were no clinical cases where the net payment exceeded £300,000 (2019/20 £Nil).

There were no fraud cases where the net payment exceeded £300,000 (2019/20 £Nil).

42. Related parties

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with George Eliot Hospital NHS Trust.

The Department of Health and Social Care is the parent department. During the year George Eliot Hospital NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

The George Eliot Hospital NHS Trust Charitable Fund and Other Related Charities is a related party. The charity has not been consolidated in these accounts. The nature of the relationship and the details of material transactions between the Trust and the linked charities must be disclosed.

42. Related parties

42.1 Related bodies with transactions over £1m with the Trust were:

	2020/21	2020/21	31 March 2021	31 March 2021
	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
NHS Coventry and Rugby CCG	0	33,979		
NHS Warwickshire North CCG	56	96,538	50	50
NHS West Leicestershire CCG	0	13,750		
Health Education England		6,150		
NHS England - Core	12	27,290	46	3,101
NHS England - Midlands Regional Office	5	13,662		0
NHS England - West Midlands Specialised Commissioning Hub		1,294		99
University Hospitals Coventry and Warwickshire NHS Trust	7,463	2,837		92
South Warwickshire NHS Foundation Trust	5,712	147	107	195
NHS Resolution (Formerly NHS Litigation Authority)	5,215			

	2019/20	2019/20	31 March 2020	31 March 2020
	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
NHS Coventry and Rugby CCG	0	10,396	49	69
NHS Warwickshire North CCG	0	98,481	517	5,500
NHS West Leicestershire CCG	0	14,870	71	3,341
Health Education England	0	6,061	0	0
NHS England - Core	0	17,089	0	14,472
NHS England - Midlands Regional Office	45	3,018	50	817
NHS England - West Midlands Specialised Commissioning	0	13,905	11	2,929
University Hospitals Coventry and Warwickshire NHS Trust	6,697	2,202	3,102	1,869
South Warwickshire NHS Foundation Trust	1,702	51	702	134
NHS Resolution (Formerly NHS Litigation Authority)	4,699	0	0	0

43. Prior Period Adjustments

There have been no prior period adjustments.

44. Events after the reporting date

There were no significant events after the reporting period.

45. Better Payment Practice code

	2020/21	2020/21	2019/20	2019/20
	Number	£000	Number	£000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	34,529	65,910	32,398	55,367
Total non-NHS trade invoices paid within target	30,144	56,255	20,198	32,622
Percentage of non-NHS trade invoices paid within target	87.3%	85.4%	62.3%	58.9%
NHS Payables				
Total NHS trade invoices paid in the year	1,600	20,235	984	9,695
Total NHS trade invoices paid within target	1,326	17,470	407	6,306
Percentage of NHS trade invoices paid within target	82.9%	86.3%	41.4%	65.0%

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.

46. External financing limit

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

	2020/21	2019/20
	£000	£000
Cash flow financing	(25,065)	16,168
Finance leases taken out in year		
Other capital receipts		
External financing requirement	(25,065)	16,168
External financing limit (EFL)	(6,145)	16,168
Under / (over) spend against EFL	18,920	-

47. Capital Resource Limit

	2020/21	2019/20
	£000	£000
Gross capital expenditure	17,969	7,727
Less: Disposals	(13)	
Less: Donated and granted capital additions	(415)	(106)
Plus: Loss on disposal from capital grants in kind		
Charge against Capital Resource Limit	17,541	7,621
Capital Resource Limit	17,541	7,718
Under / (over) spend against CRL	-	97

48. Breakeven duty financial performance

	2020/21
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	82
Remove impairments scoring to Departmental Expenditure Limit	-
Add back non-cash element of On-SoFP pension scheme charges	-
IFRIC 12 breakeven adjustment	-
Breakeven duty financial performance surplus / (deficit)	82

49.1 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		1,164	112	45	32	(10,165)	367
Breakeven duty cumulative position	(3,727)	(2,563)	(2,451)	(2,406)	(2,374)	(12,539)	(12,172)
Operating income		105,330	108,324	117,011	122,494	126,638	141,292
Cumulative breakeven position as a percentage of operating income		(2.4%)	(2.3%)	(2.1%)	(1.9%)	(9.9%)	(8.6%)
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
		£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		(15,235)	(13,770)	(17,982)	(12,790)	213	82
Breakeven duty cumulative position		(27,407)	(41,177)	(59,159)	(71,949)	(71,736)	(71,654)
Operating income		133,910	138,457	143,445	155,268	181,297	210,109
Cumulative breakeven position as a percentage of operating income		(20.5%)	(29.7%)	(41.2%)	(46.3%)	(39.6%)	(34.1%)

The Trust has a statutory duty to break even on a cumulative basis. In 2005-06 the Trust incurred a £7.3m deficit and in April 2006 a Public Interest Report was issued under Section 8 of the Audit Commission Act 1998 in relation to the financial standing of the Trust. The Trust developed a 5 year Financial Recovery Plan (FRP) which was agreed with the Strategic Health Authority and the Department of Health to achieve cumulative break even by the end of 2011-12. During the 6 years to March 2013 the Trust generated surplus and was able to repay part of the deficit still leaving a balance of £2.4m to be repaid in the future. In 2011-12 and 2012-13 the Trust required support funding of £2.3m and £5.0m respectively to breakeven. In 2013-14 the Trust incurred a deficit of £10.2m due to the investment in clinical services following the implementation of the Keogh Action plan. The surplus in 2014-15 was achieved with the support of income from the Department of Health amounting to £12m. The deficit in 2015-16 was £15.2m against the original plan of £16m. The deficit in 2016-17 was £13.8m which an improvement against the plan of £14.7m. The deficit reported in 2017-18 worsened to £18.0m and in 2018-19 improved to £12.8m. In 2019-20 and in 2020-21 the Trust reported a minor surplus position. The cumulative deficit at the 31st March 2021 therefore remained at £71.6m. Because of the cumulative deficit External Auditors have been required to issue Section 30 letters to the Secretary of State for Health informing him that the Trust has not met its statutory duty to break-even over a 5 year period in accordance with the Audit Commission Act 1998.

50. Pathology Service

George Eliot Hospital NHS Trust, University Hospitals Coventry and Warwickshire NHS Trust and South Warwickshire General Hospitals NHS Trust formed a single pathology service at 1 April 2008. The service is hosted by University Hospitals Coventry and Warwickshire NHS Trust and there is an accountability agreement approved by the Trusts. The agreement will continue until terminated through agreement of the Stakeholder Board. The agreement includes risk and benefit sharing; the Trust share being 13.6%. Payments for the service are now made in accordance with a service level agreement.

The Pathology Service accounts reported by University Hospital Coventry and Warwickshire NHS Trust were:

	Reported By University Hospitals Coventry & Warwickshire NHS Trust		George Eliot Hospital NHS Trust's Share	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Revenue from patient care activities	17,269	2,273	2,352	310
Other operating revenue	34,371	44,077	4,681	6,003
Operating expenses	(51,640)	(46,351)	(7,033)	(6,313)
Operating (deficit)	0	(1)	0	0

University Hospitals Coventry and Warwickshire NHS Trust reported a deficit of £nil in their accounts for the pathology service in 2020/21 (2019/20 deficit of £1,000), the George Eliot Hospital NHS Trust's share was a deficit of £nil (2019/20 share was £nil).

	Reported By University Hospitals Coventry & Warwickshire NHS Trust		George Eliot Hospital NHS Trust's Share	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Non-current assets	1,095	982	149	134
Current assets				
Inventories and work in progress	970	970	132	132
Trade and other receivables	1,719	5,373	234	731
	<u>2,689</u>	<u>6,343</u>	<u>366</u>	<u>863</u>
Current liabilities (Note 1 below)	(6,260)	(9,801)	(851)	(1,217)
Net current (liabilities)	(3,571)	(3,458)	(485)	(354)
Total assets less current liabilities	(2,476)	(2,476)	(336)	(220)
Non current liabilities	0	0	0	0
Total assets employed	(2,476)	(2,476)	(336)	(220)
Financed by taxpayers' equity:				
Public dividend capital	434	434	59	175
Retained earnings	(2,910)	(2,910)	(395)	(395)
Total taxpayers' equity	(2,476)	(2,476)	(336)	(220)

University Hospitals Coventry and Warwickshire NHS Trust reported net liabilities of £2,476,000 (2019/20 net liabilities of £2,476,000) in their accounts for the pathology service; the George Eliot Hospital NHS Trust's share were net liabilities of £336,000 (2019/20 £220,000) which included £149,000 of non-current assets (2019/20 £134,000).