

The Walton Centre NHS Foundation Trust

Accounts for the period ending 31 March 2020

The following presents the accounts for the Walton Centre NHS Foundation Trust for the period ending 31 March 2020.

The accounts have been prepared in accordance with the requirements as set out in paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006 (the 2006 Act) in the form which NHS Improvement, the Independent Regulator of NHS Foundation Trusts has, with the approval of the Treasury, directed.



Signed

Chief Executive 22 June 2020

STATEMENT OF COMPREHENSIVE INCOME

2018/19			2019/20	
Foundation			Foundation	
Trust	Group	Note	Trust	Group
£000	£000		£000	£000
117,488	117,488		128,094	128,094
12,713	13,261	2.1	8,180	8,869
(122,420)	(122,836)	3.1	(129,502)	(129,832)
7,781	7,913		6,772	7,131
114	139	7.1	158	185
(673)	(673)	7.2	(645)	(645)
(1,450)	(1,450)	25	(1,530)	(1,530)
(2,009)	(1,984)		(2,017)	(1,990)
(3)	(3)	8	2	2
5,769	5,926		4,757	5,143
5,769	5,926		4,757	5,143
(1,177)	(1,177)	9, 21	(572)	(572)
0	17	12	0	(4)
4,592	4,767		4,185	4,567
5,769	5,926		4,757	5,143
5,769	5,926		4,757	5,143
4,592	4,767		4,185	4,567
4,592	4,767		4,185	4,567

Reconciliation from financial statements to the Trust trading position

Foundation Trust £000		Foundation Trust £000
5,769	Surplus/(deficit) from continuing operations	4,757
	Normalising adjustments:	
0	Impairment/(reversal of impairment) of land and buildings	0
170	Capital donations I&E impact	200
0	Prior year PSF post accounts reallocation	(106)
<u>5,939</u>	Adjusted financial performance surplus/(deficit) for the period	<u>4,851</u>
<u>1,242</u>	Adjusted financial performance excluding PSF, FRF and MRET	<u>3,469</u>

The Notes on pages 7 to 38 form part of these accounts:

**STATEMENT OF FINANCIAL
POSITION**

31-Mar-19		31-Mar-20		
Foundation Trust £000	Group £000	Note	Foundation Trust £000	Group £000
		Non-current assets		
34	34	10	49	49
82,084	82,084	11.3	82,590	82,590
0	971	12	0	967
0	0	14.1	341	341
82,118	83,089		82,980	83,947
		Total non-current assets		
		Current assets		
985	985	13.1	1,232	1,232
12,463	12,459	14.1	8,946	8,922
21,713	22,258	15	26,673	27,624
35,161	35,702		36,851	37,778
117,279	118,791		119,831	121,725
		Total Assets		
		Current liabilities		
(18,703)	(18,748)	16	(17,340)	(17,385)
(1,636)	(1,636)	17.1	(1,633)	(1,633)
(312)	(312)	18.1	(243)	(243)
(541)	(541)	19	(562)	(562)
(21,192)	(21,237)		(19,778)	(19,823)
96,087	97,554		100,053	101,902
		Total current liabilities		
		Total assets less current liabilities		
		Non-current liabilities		
(26,595)	(26,595)	17.1	(25,146)	(25,146)
(271)	(271)	18.1	(622)	(622)
(26,866)	(26,866)		(25,768)	(25,768)
69,221	70,688		74,285	76,134
		Total non-current liabilities		
		Total assets employed		
		Financed by		
		Taxpayers' equity		
26,675	26,675	26	27,554	27,554
3,116	3,116	21	2,544	2,544
39,430	39,430		44,187	44,187
0	1,467		0	1,849
69,221	70,688		74,285	76,134
		Total taxpayers' and others' equity		

The financial statements and notes on pages 1 to 38 were approved by the Board on 22 June 2020 and signed on its behalf by:



Chief Executive

22 June 2020

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

Group	Total Group equity	Charitable fund reserves	Group	Revaluation reserve	Income and expenditure reserve	Total Taxpayers equity	Foundation Trust		
			Public dividend capital				Public dividend capital	Revaluation reserve	Income and expenditure reserve
			£000				£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	70,688	1,467	26,675	3,116	39,430	69,221	26,675	3,116	39,430
Surplus/(deficit) for the year	5,143	478	0	0	4,665	4,757	0	0	4,757
Impairments	(572)	0	0	(572)	0	(572)	0	(572)	0
Fair value gains/(losses) on equity instruments designated at fair value through OCI	(4)	(4)	0	0	0	0	0	0	0
Public dividend capital received	879	0	879	0	0	879	879	0	0
Other reserve movements	0	(92)	0	0	92	0	0	0	0
Taxpayers' and others' equity at 31 March 2020	76,134	1,849	27,554	2,544	44,187	74,285	27,554	2,544	44,187

Consolidated Statement of Changes in Equity for the year ended 31 March 2019

Group	Total Group equity	Charitable fund reserves	Group	Revaluation reserve	Income and expenditure reserve	Total	Foundation Trust		
			Public dividend capital				Public dividend capital	Revaluation reserve	Income and expenditure reserve
			£000				£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	65,910	1,293	26,663	4,293	33,661	64,617	26,663	4,293	33,661
Surplus/(deficit) for the year	5,926	282	0	0	5,644	5,769	0	0	5,769
Impairments	(1,177)	0	0	(1,177)	0	(1,177)	0	(1,177)	0
Fair value gains/(losses) on equity instruments designated at fair value through OCI	17	17	0	0	0	0	0	0	0
Public dividend capital received	12	0	12	0	0	12	12	0	0
Other reserve movements	0	(125)	0	0	125	0	0	0	0
Taxpayers' and others' equity at 31 March 2019	70,688	1,467	26,675	3,116	39,430	69,221	26,675	3,116	39,430

STATEMENT OF CASH FLOWS

2018/19		2019/20		
Foundation Trust £000	Group £000	Note	Foundation Trust £000	Group £000
7,781	7,913		6,772	7,131
5,083	5,083		4,802	4,802
(58)	0		(29)	0
(3,760)	(3,762)		3,167	3,166
225	225		(248)	(248)
3,760	3,760		(3,313)	(3,313)
29	29		21	21
19	19		282	282
0	9		0	9
4	4		1	1
13,083	13,280		11,455	11,851
114	114		158	158
0	0		(31)	(31)
(5,211)	(5,211)		(3,914)	(3,914)
8	8		2	2
58	0		29	0
0	(119)		0	40
(5,031)	(5,208)		(3,756)	(3,745)
12	12		879	879
(1,263)	(1,263)		(1,396)	(1,396)
(52)	(52)		(50)	(50)
(672)	(672)		(641)	(641)
(10)	(10)		(9)	(9)
(1,523)	(1,523)		(1,522)	(1,522)
(3,508)	(3,508)		(2,739)	(2,739)
4,544	4,564		4,960	5,367
17,169	17,694	15	21,713	22,258
21,713	22,258	15	26,673	27,624

Accounting Policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS Foundation Trusts under the NHS Act 2006. NHS Improvement has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (DHSC GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DHSC GAM 2019/20, issued by the Department of Health and Social Care. The accounting policies contained in the DHSC GAM follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual (FRoM) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the DHSC GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the NHS Foundation 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 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.

1.2 Going concern

Following extensive enquiries, the directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. They have identified no material uncertainties that cast significant doubt on the Trust's ability to continue as a going concern. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The main factors in reaching this conclusion are:

- Trust is in excellent financial health with good levels of reserves and has a track record of delivering surpluses;
- The Trust has a robust governance structure which includes a Business Performance Committee, a sub-committee of the Board, which has responsibility to monitor financial performance and oversee the necessary corrective action on behalf of and in conjunction with the Board;
- NHS England/Improvement have stated that the government has issued a mandate to NHSE for the continued provision of services in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these may be subject to minor changes as a result of the Covid-19 financial framework, providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned;
- While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this;
- The Trust has been prudent in its cash flow assumptions for 2020/21 by utilising the current financial framework of a breakeven position and incorporating the impact of capital expenditure, repayment of Public Dividend Capital, repayment of interest and capital on Department of Health and Social Care loans and the movement in working balances for the rest of the year;
- Projected cash balances are sufficient to sustain the capital investment programme and meet short term operating costs. The Trust has sufficient cash headroom to support its plans;
- The Trust has sufficient cash reserves to be able to operate for over 79 days if all income flows were to immediately cease;
- There is no expectation for short term loans or overdraft facilities;
- Auditors' opinions have provided assurance as to the accuracy and reliability of the Trust's financial systems and the robustness of the internal controls;

- The Trust does not have evidence indicating that the going concern basis is not appropriate or that there is any prospect of intervention or dissolution within 12 months from the date of approval of these financial statements. In terms of the sustainable provision of services, there has been no indication from the Department of Health and Social Care that the Trust will not continue to be a going concern.

1.3 Consolidation

The Walton Centre Charity

The Trust is the corporate trustee to The Walton Centre Charity (the Charity). The Trust has assessed its relationship to the Charity and determined it to be a subsidiary because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the Charity and has the ability to affect those returns and other benefits through its power over the Charity.

The Charity's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. On consolidation, necessary adjustments are made to the Charity's assets, liabilities and transactions to:

- Recognise and measure them in accordance with the Trust's accounting policies; and
- Eliminate intra-group transactions, balances, gains and losses.

1.4 Revenue

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

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 it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

The main source of revenue for the Trust is from NHS England (via the North West Specialised Commissioning Hub) for specialist treatment, Liverpool Clinical Commissioning Group for non-

specialist services (as contract lead for the majority of non-specialist CCG activity), Welsh Assembly for patients from Wales and from the Isle of Man, which are government funded commissioners of NHS health and patient care.

Revenue from Research Contracts

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

1.5 Expenditure on Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments, including payments arising from the apprenticeship levy, are recognised in the period in which the service is received from employees. The cost of 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 the employees are permitted to carry forward leave into the following period where it is deemed to be material.

Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme (the Scheme). The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. It is not possible for the Trust to identify its share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as a defined contribution scheme. The cost to the Trust of participating in the Scheme is equal to the contributions payable to the Scheme for the accounting period.

Employer's pension cost contributions are charged to the Statement of Comprehensive Income as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the Scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

1.6 Expenditure on Other Goods and Services

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

1.7 Property, Plant and Equipment

Capitalisation

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; and
- The cost of the item can be measured reliably.

The asset must:

- Individually have a cost of at least £5,000; or

- Collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

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.

Land and buildings used for the Trust's services or for administrative purposes are measured subsequently at current value in existing use. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. Current values in existing use are based on modern equivalent assets basis for existing use on an alternative site valuation.

The freehold property known as The Walton Centre NHS Foundation Trust estate was valued as at 31 March 2020 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation – Global Standards (2020) the national standards and guidance set out in the UK supplement (November 2018), the International Valuation Standards, and IFRS as adapted and interpreted by the Financial Reporting Manual (FRM). The valuation of specialised property was primarily derived using the Depreciated Replacement Cost (DRC) method, other in-use properties reported on an Existing Use Value basis.

The valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020, the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

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 measured 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.

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful economic 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. Assets in the course of construction are not depreciated until the assets are brought into use. The estimated useful lives and residual values are reviewed each year-end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the lease term, unless the Trust expects to acquire the asset at the end of the lease term, in which case

the asset is depreciated in the same manner as for owned assets. Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification.

Revaluation gains and losses

Revaluation gains are taken to the revaluation reserve except where, and to the extent that, they reverse a revaluation decrease for the same asset previously recognised in the Statement of Comprehensive Income, in which case it is credited to the Statement of Comprehensive Income. A revaluation loss that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, is charged to the Statement of Comprehensive Income.

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

Impairments

At each Statement of Financial Position date, the Trust reviews its tangible and intangible non-current assets to determine whether there is an indication that any have suffered impairment due to a loss of economic benefits or service potential. If there is an indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

In accordance with the DHSC 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; or (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefits 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 expenses 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 must be taken to the revaluation reserve to the extent that the impairment does not exceed the amount in the revaluation reserve for the asset in question, and thereafter to income and expenditure. Reversals of 'other impairments' are treated as revaluation gains.

Donated, government grant and other grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at current value in existing use if they will be held for their service potential, or otherwise at their fair value on receipt. The donation/grant is credited to the Statement of Comprehensive Income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

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

1.8 Intangible Assets

Recognition

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

Expenditure on research activities is recognised as an expense in the period in which it is incurred and is not capitalised. Intangible assets are capitalised when they have a cost of at least £5,000.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- The project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- The Trust intends to complete the intangible asset and sell or use it;
- The Trust has the ability to sell or use the intangible asset;
- How the intangible asset will generate probable future economic or service delivery benefits, e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- Adequate technical, financial and other resources are available to the Trust to complete the development and sell or use the asset;
- The Trust can measure reliably the expenditure attributable to the intangible asset during its development.

Software which is integral to the operation of hardware, e.g. 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, e.g. application software, is capitalised as an intangible asset.

Measurement

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

Subsequently, intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of amortised replacement cost (modern equivalent asset basis) and the value in use where the asset is income generating. Revaluation 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 under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5. Internally-developed software is held at historic cost to reflect the opposite effects of development costs and technological advances.

Intangible assets not yet available for use are tested for impairment annually.

Amortisation

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

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in, first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.10 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 any bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management. Cash, bank and any overdraft balances are recorded at current values.

1.11 Financial Instruments and Financial Liabilities

Recognition and de-recognition

Financial assets and financial liabilities which arise from contracts for 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, are recognised when, and to the extent which, performance occurs (i.e. when receipt or delivery of the goods or services is made).

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

Classification and measurement

IFRS 9 requires the Trust to classify financial assets and financial liabilities in accordance with how they are subsequently measured. Financial assets must be classified as subsequently measured at:

- 'Amortised cost';
- 'Fair value through other comprehensive income'; or
- '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.

Simple debt instruments such as trade receivables and loans, where these are held in order to collect the amount owing and any interest charge, will be classified as subsequently measured at amortised cost. As such, 'amortised cost' is the only category relevant to the Trust.

The Charity investments are measured at fair value.

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

Financial liabilities are classified as subsequently measured at:

- 'Amortised cost'; or
- 'Fair value through profit or loss.'

All of the Trust's financial liabilities are categorised as subsequently measured at 'amortised cost.'

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. They are included in current assets.

The Trust's financial assets at amortised cost comprise:

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

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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are recognised in the Statement of Financial Position 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.

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

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs.

Impairment of financial assets

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).

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 the 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.

1.12 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.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount as a result of a past event; 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 the discount rates published and mandated by HM Treasury.

Early retirement provisions are discounted using HM Treasury's pension discount rate of negative 0.50% (2018-19: positive 0.29%) 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. The contribution is charged to the Statement of Comprehensive Income. Although NHS Resolution is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed in Note 18 but is not recognised in the Trust's accounts. The excess on these claims payable by the Trust is included in the accounts and disclosed in Note 18 as 'other legal claims.'

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 the Statement of Comprehensive Income when the liability arises.

1.14 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 Trust's control) are not recognised as assets, but are disclosed in Note 20 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 20, 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 Trust's control; or
- Present obligations arising from past events but for which it is not probable that transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.15 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 the establishment of the predecessor NHS Trust. HM Treasury has determined that, being issued under statutory authority rather than under contract, PDC is not a financial instrument within the meaning of IAS 32.

An annual charge, reflecting the forecast cost of capital utilised by the Trust, is paid over as PDC dividend. The charge is calculated at the real 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, except for:

- Donated assets (including lottery funded assets);
- Average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits (excluding cash balances held in GBS accounts that relate to a short-term working capital facility); and
- Any PDC dividend balance receivable or payable.

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

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 thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

1.16 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.

1.17 Corporation Tax

HM Treasury has decided to defer the planned implementation of legislation requiring NHS Foundation Trusts to pay corporation tax on profits generated on their commercial activities. As a result NHS Foundation Trusts will not become taxable on their profits. This may change with future Government legislation.

1.18 Foreign Currencies

The Trust operates and accounts for its transactions in sterling. Transactions denominated in a foreign currency are translated into sterling at the spot exchange rate on the date of the transaction. Resulting exchange gains and losses are taken to the Statement of Comprehensive Income. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date.

1.19 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 27 to the accounts.

1.20 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 each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the Statement of Comprehensive Income on an accruals basis, including losses which would have been made good through insurance cover had the Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

Note 28 on Losses and Special Payments is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.21 Critical Accounting Judgements and Key Sources of Estimation

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

Critical judgements in applying accounting policies

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation and impairment of non-financial assets – the Trust assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The key area of uncertainty relates to the Trust's valuation of its land and buildings. Further details are provided in Note 9. The land and buildings were valued by Gerald Eve LLP as at 31 March 2020.

Valuer material valuation uncertainty statement:

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID- 19 might have on the real estate market, we recommend that you keep the valuation under frequent review.

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

1.22 Operating Segments

The Trust operates as a single operating segment. The board of directors, led by the Chief Executive is the chief operating decision maker within the Trust. The Trust is the UK's only specialist neurological centre and sees patients with neurological associated conditions referred from all over the country. Contracts for services are negotiated with commissioners and monitored on the basis of point of delivery, inpatients, outpatients etc. As an NHS Foundation Trust, all services are subject to the same regulatory environment and standards.

1.23 Accounting standards that have been issued but have not yet been adopted

The DHSC GAM does not require the following Standards and Interpretations to be applied in 2019/20. These standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2021/22, and the government implementation date for IFRS 17 still subject to HM Treasury consideration.

- IFRS 16 Leases – The Standard is effective 1 April 2021 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.

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 2021. 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 2021, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The

trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% 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 2021 for existing finance leases.

For leases commencing in 2021/22, 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.

Note 2.1 OPERATING INCOME (by source)

2018/19			2019/20	
Foundation			Foundation	
Trust	Group		Trust	Group
£000	£000		£000	£000
		Income from patient care activities		
80,004	80,004	NHS England	89,774	89,774
16,571	16,571	Clinical commissioning groups	16,308	16,308
222	222	NHS Foundation Trusts	190	190
79	79	NHS Trusts	44	44
841	841	Department of Health and Social Care	0	0
		NHS other (including Public Health		
17,672	17,672	England)	19,210	19,210
174	174	Non NHS: private patients	142	142
		Non-NHS: overseas patients		
94	94	(chargeable to patient)	44	44
386	386	Injury cost recovery scheme	372	372
1,445	1,445	Non-NHS: other	2,010	2,010
117,488	117,488	Total income from patient care activities	128,094	128,094
		Other operating income from contracts with customers		
1,707	1,707	Research and development (IFRS 15)	1,119	1,119
3,403	3,403	Education and training (excluding notional apprenticeship levy income)	2,654	2,654
4,697	4,697	Provider sustainability fund / Financial recovery fund / Marginal rate emergency tariff funding (PSF/FRF/MRET)	1,488	1,488
1,077	1,077	Income in respect of employee benefits accounted on a gross basis	1,189	1,189
968	968	Other (recognised in accordance with IFRS 15)	810	810
		Other non-contract operating income		
0	0	Education and training (notional apprenticeship levy income)	64	64
125	0	Charitable and other contributions to expenditure	92	0
736	736	Rental revenue from operating leases	764	764
0	673	Charitable incoming resources (excluding investment income)	0	781
12,713	13,261	Total other operating income	8,180	8,869
130,201	130,749	TOTAL OPERATING INCOME	136,274	136,963
		Of which:		
130,201	130,749	Related to continuing operations	136,274	136,963

All income from activities and the income in respect of education and training arise from the provision of mandatory services set out in the NHS Improvement terms of authorisation.

NHS other includes income for patients from Wales, Scotland and Northern Ireland. Non-NHS other includes income for patients from the Isle of Man and Overseas.

Note 2.2 Operating income from patient care activities (by nature)

2018/19 £000	Foundation Trust and Group	2019/20 £000
	Acute services	
28,580	Elective income	29,037
17,211	Non-elective income	19,700
11,091	First outpatient income	10,796
17,583	Follow-up outpatient income	17,697
13,775	High cost drugs income from commissioners	14,980
27,269	Other NHS clinical income	32,019
	Community services	
578	Income from CCGs and NHS England	599
	All trusts	
174	Private patient income	142
841	Agenda for Change pay award central funding*	0
0	Additional pension contribution central funding**	2,752
386	Other clinical income	372
117,488	Total income from activities	128,094
	Of which:	
117,488	Related to continuing operations	128,094

* Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

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

Note 2.3 Analysis of Other Operating Income: Other

2018/19			2019/20	
Foundation Trust £000	Group £000		Foundation Trust £000	Group £000
118	118	Car parking	91	91
21	21	Catering	22	22
154	154	Clinical excellence awards	157	157
675	675	Other	540	540
968	968	Total	810	810

Note 2.4 Operating lease income

2018/19 £000	Foundation Trust and Group	2019/20 £000
	Operating Lease Income	
736	Lease receipts recognised as income in the period	764
736	TOTAL	764
	Future minimum lease receipts due	
355	- not later than one year;	391
1,296	- later than one year and not later than five years;	1,289
17,085	- later than five years.	16,766
18,736	TOTAL	18,446

The operating lease income relates to the lease of land to The Clatterbridge Cancer Centre NHS FT to build a radiotherapy and stereotactic surgery centre, the lease of the coffee shops to ISS, and the lease of part of the Sid Watkins building to Mersey Care NHS FT for their brain injury rehabilitation unit.

Note 3.1 OPERATING EXPENSES (by type)

2018/19			2019/20	
Foundation Trust £000	Group £000		Foundation Trust £000	Group £000
68,662	68,817	Staff and executive directors costs	72,825	72,989
988	988	Employee expenses - research & development	901	901
251	251	Employee expenses - education & training	264	264
124	124	Remuneration of non-executive directors	122	122
17,483	17,483	Supplies and services - clinical (excluding drugs costs)	17,745	17,745
3,820	3,820	Supplies and services - general	3,722	3,722
15,128	15,128	Drug costs	16,278	16,278
145	145	Consultancy costs	72	72
967	967	Establishment	1,027	1,027
5,040	5,040	Premises	5,320	5,320
383	383	Transport (including patient travel)	366	366
5,053	5,053	Depreciation on property, plant and equipment	4,786	4,786
30	30	Amortisation on intangible assets	16	16
(892)	(892)	Movement in credit loss allowance: contract receivables/contract assets	99	99
32	32	Change in provisions discount rate(s)	39	39
47	48	Audit fees payable to the external auditor audit services- statutory audit other auditor remuneration (external auditor only)	62	63
7	7		0	0
65	65	Internal audit costs	66	66
2,808	2,808	Clinical negligence	3,607	3,607
26	26	Legal fees	76	76
28	28	Insurance	33	33
570	570	Research and development	396	396
492	492	Education and training	428	428
103	103	Rentals under operating leases	104	104
434	434	Car parking & security	440	440
4	4	Hospitality	3	3
18	18	Losses, ex gratia & special payments	38	38
117	117	Other services, eg external payroll	330	330
0	260	Other NHS charitable fund resources expended	0	165
487	487	Other	337	337
122,420	122,836	TOTAL OPERATING EXPENSES	129,502	129,832
		Of which:		
122,420	122,836	Related to continuing operations	129,502	129,832

The external auditors' liability is limited to £2,000,000. Audit fees are shown inclusive of VAT.

Note 3.2 EMPLOYEE BENEFITS

2018/19			2019/20	
Foundation Trust	Group		Foundation Trust	Group
£000	£000		£000	£000
55,314	55,314	Salaries and wages	55,914	55,914
5,089	5,089	Social security costs	5,385	5,385
257	257	Apprenticeship levy	258	258
6,040	6,040	Employer's contributions to NHS pensions	9,042	9,042
0	0	Pension cost - other	48	48
307	307	Termination benefits	57	57
3,522	3,522	Temporary staff (including agency)	4,182	4,182
0	155	NHS charitable funds staff	0	164
70,529	70,684	Total staff costs	74,886	75,050
		Of which		
(628)	(628)	Costs capitalised as part of assets	(896)	(896)
69,901	70,056		73,990	74,154

Note 4 Retirement Benefits

Foundation Trust and Group

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

Note 5 Retirements due to ill-health

Foundation Trust and Group

During the period 1 April 2019 to 31 March 2020 there were no early retirements due to ill health.

Note 6.1 Operating leases

2018/19 £000	Foundation Trust and Group	2019/20 £000
103	Minimum lease payments	104
<u>103</u>	TOTAL	<u>104</u>

Note 6.2 Arrangements containing an operating lease

2018/19 £000	Foundation Trust and Group	2019/20 £000
103	Future minimum lease payments due: - not later than one year;	104
<u>103</u>	TOTAL	<u>104</u>

Note 7.1 Finance income

Foundation Trust 2018/19 £000	Group 2018/19 £000		Foundation Trust 2019/20 £000	Group 2019/20 £000
0	25	NHS charitable fund investment income	0	27
114	114	Bank interest	158	158
<u>114</u>	<u>139</u>	TOTAL	<u>158</u>	<u>185</u>

Note 7.2 Finance Expenditure

Foundation Trust 2018/19 £000	Group 2018/19 £000		Foundation Trust 2019/20 £000	Group 2019/20 £000
		Interest expense		
663	663	Interest on capital loans from the Department of Health and Social Care	635	635
10	10	Interest on finance lease obligations	9	9
673	673	Total interest expense	644	644
0	0	Unwinding of discount on provisions	1	1
673	673	TOTAL	645	645

Note 8 Gains/(Losses) on disposal

2018/19 £000	Foundation Trust and Group	2019/20 £000
5	Gain on disposal of property, plant and equipment	2
(8)	Loss on disposal of property, plant and equipment	0
0	Gains/losses on disposal of charitable fund assets	0
(3)	Total gains / (losses) on disposal of assets	2

Note 9 Impairment of assets

2018/19 £000	Foundation Trust and Group	2019/20 £000
	Net impairments charged to operating surplus / deficit resulting from:	
1,177	Impairments charged to the revaluation reserve	572
1,177	Total revaluation/net impairments	572

During 2019/20 following a review of the Trust's assets, including a revaluation of land and buildings by the Trust's valuers, a net impairment of £572,411 was identified:

- £1,000,500: related to an impairment of the Sid Watkins land and building charged against the revaluation reserve; and
- £428,089: related to a gain of the main site land and building transferred to the revaluation reserve.

In 2018/19, £1,176,964 impairment was identified: £49,710 related to a net impairment of the Sid Watkins land and building charged against the revaluation reserve; £1,127,254 related to a net impairment of land and buildings charged against the revaluation reserve. Further details of the valuation are included in Note 1. There have been no impairments identified on other assets in the Trust (2018/19: none).

Note 10 Intangible assets

Foundation Trust and Group	Software licences (purchased)	
	2018/19 £000	2019/20 £000
Valuation/Gross cost at 1 April	582	582
Additions - purchased	0	31
Gross cost at 31 March	582	613
Amortisation at 1 April	518	548
Provided during the year	30	16
Accumulated amortisation at 31 March	548	564
Net Book Value at 31 March	34	49

Software assets are carried at historic cost and amortised on a straight-line basis over a period of five years. Software assets in use at the Trust have economic lives of between three and five years.

Note 11.1 Property, Plant and Equipment - 2019/20

Foundation Trust and Group	Total £000	Land £000	Buildings Excluding Dwellings £000	Assets Under Construction £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000
Valuation/gross cost at 1 April 2019	102,747	1,570	64,503	167	29,565	6,203	739
Additions - purchased	5,835	0	301	1,224	3,032	1,278	0
Additions - assets purchased from cash donations/grants	29	0	14	0	15	0	0
Impairments	(2,040)	(190)	(1,850)	0	0	0	0
Reclassifications	0	0	1,246	(1,246)	0	0	0
Disposals/derecognition	(123)	0	0	0	(123)	0	0
Valuation/Gross cost at 31 March 2020	106,448	1,380	64,214	145	32,489	7,481	739
Accumulated depreciation at 1 April 2019	20,663	0	0	0	16,247	4,044	372
Provided during the year	4,786	0	1,468	0	2,297	980	41
Impairments	(1,468)	0	(1,468)	0	0	0	0
Disposals/derecognition	(123)	0	0	0	(123)	0	0
Accumulated depreciation at 31 March 2020	23,858	0	0	0	18,421	5,024	413

Note 11.2 Property, Plant and Equipment – 2018/19

Foundation Trust and Group	Total £000	Land £000	Buildings excluding dwellings £000	Assets Under Construction £000	Plant & Equipment £000	Information Technology £000	Furniture & fittings £000
Valuation/Gross cost at 1 April 2018	101,338	1,880	65,571	176	27,649	5,322	739
Additions - purchased	4,747	0	329	1,027	2,682	709	0
Additions - leased	172	0	0	0	0	172	0
Additions - donated	58	0	47	0	11	0	0
Impairments	(2,790)	(310)	(2,480)	0	0	0	0
Reclassifications	0	0	1,036	(1,036)	0	0	0
Disposals	(778)	0	0	0	(778)	0	0
Valuation/Gross cost at 31 March 2019	102,747	1,570	64,503	167	29,564	6,203	739
Accumulated depreciation at 1 April 2018	17,989	0	0	0	14,659	3,005	326
Provided during the year	5,053	0	1,613	0	2,355	1,039	46
Impairments	(1,613)	0	(1,613)	0	0	0	0
Disposals	(766)	0	0	0	(766)	0	0
Accumulated depreciation at 31 March 2019	20,663	0	0	0	16,248	4,044	372

Note 11.3 Property, plant and equipment financing

Foundation Trust and Group	Total	Land	Buildings excluding dwellings	Assets Under Construction	Plant & Equipment	Information Technology	Furniture & Fittings
Net book value 31 March 2020	£000	£000	£000	£000	£000	£000	£000
Owned	80,772	1,380	64,157	145	12,442	2,346	302
Finance lease	157	0	0	0	45	112	0
Owned - donated	1,661	0	57	0	1,580	0	24
Total net book value at 31 March 2020	82,590	1,380	64,214	145	14,067	2,458	326
Net book value 31 March 2019	£000	£000	£000	£000	£000	£000	£000
Owned	80,010	1,570	64,456	167	11,462	2,014	341
Finance lease	210	0	0	0	64	146	0
Owned - donated	1,864	0	47	0	1,791	0	26
Total net book value at 31 March 2019	82,084	1,570	64,503	167	13,317	2,160	367

The Trust's land and buildings comprise the hospital site on Lower Lane, Fazakerley, Liverpool. The main hospital building was built in 1998 and the Sid Watkins Building was completed in December 2014. The site was revalued as at 31 March 2020 by Gerald Eve LLP as disclosed in Note 1.

Note 11.4 Economic life of property, plant and equipment

Foundation Trust and Group	Min Life Years	Max Life Years
Buildings excluding dwellings	40	53
Plant & machinery	5	15
Information technology	3	10
Furniture & fittings	5	25

Note 12 Other investments

31-Mar-19 £000	Foundation Trust and Group	31-Mar-20 £000
812	Carrying value of investments at 1 April	971
1,063	Acquisitions in the year	0
17	Fair value movements taken to OCI for equity instruments designated as fair value through OCI	(4)
(921)	Disposals	0
<u>971</u>	Carrying value of investments at 31 March	<u>967</u>

Investments held relate to the The Walton Centre Charity

Note 13.1 Inventories

31-Mar-19 £000	Foundation Trust and Group	31-Mar-20 £000
985	Consumables	1,232
<u>985</u>	TOTAL Inventories	<u>1,232</u>

Note 13.2 Inventories Recognised in Expenses

31-Mar-19 £000	Foundation Trust and Group	31-Mar-20 £000
9,655	Inventories recognised in expenses	9,663
<u>9,655</u>	TOTAL Inventories recognised in expenses	<u>9,663</u>

Note 14.1 Trade receivables and other receivables

31-Mar-19			31-Mar-20	
Foundation Trust £000	Group £000		Foundation Trust £000	Group £000
11,281	11,281	Current	7,986	7,986
		Contract receivables		
(367)	(367)	Allowance for impaired contract receivables / assets	(426)	(426)
686	686	Prepayments (non-PFI)	573	573
52	52	PDC dividend receivable	44	44
149	149	VAT receivable	330	330
662	631	Other receivables	439	410
0	27	NHS charitable funds receivables	0	5
<u>12,463</u>	<u>12,459</u>	Total current receivables	<u>8,946</u>	<u>8,922</u>
		Non-current		
0	0	Other receivables	341	341
<u>0</u>	<u>0</u>	Total non-current receivables	<u>341</u>	<u>341</u>
		Of which receivable from NHS and DHSC group bodies:		
		Of which are receivables from NHS and DHSC group bodies	6,767	6,767
7,607	7,607	Non-current	341	341
0	0			

Note 14.3 Allowances for credit losses - 2018/19

Foundation Trust and Group	Contract receivables and contract assets £000	All other receivables £000
Allowances as at 1 Apr 2018	0	1,260
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	1,260	(1,260)
New allowances arising	105	0
Reversals of allowances	(997)	0
Utilisation of allowances (write offs)	(1)	0
Allowances as at 31 Mar 2019	367	0

Note 15 Cash and cash equivalents

31-Mar-19			31-Mar-20	
Foundation Trust £000	Group £000		Foundation Trust £000	Group £000
17,169	17,694	At 1 April	21,713	22,258
4,544	4,564	Net change in year	4,960	5,366
21,713	22,258	At 31 March	26,673	27,624
		Comprising:		
52	597	Cash at commercial banks and in hand	16	967
21,661	21,661	Cash with the Government Banking Service	26,657	26,657
21,713	22,258	Cash and cash equivalents as in SoFP	26,673	27,624
21,713	22,258	Cash and cash equivalents as in SoCF	26,673	27,624

Note 16 Trade and other payables

31-Mar-19			31-Mar-20	
Foundation Trust £000	Group £000		Foundation Trust £000	Group £000
		Current		
9,059	9,059	Trade payables	2,696	2,696
884	884	Capital payables (including capital accruals)	2,834	2,834
4,703	4,703	Accruals (revenue costs only)	8,679	8,679
723	723	Social security costs	750	750
686	686	Other taxes payable	664	664
2,648	2,648	Other payables	1,717	1,717
0	45	NHS charitable funds: trade and other payables	0	45
18,703	18,748	TOTAL CURRENT TRADE AND OTHER PAYABLES	17,340	17,385
		Of which payable to NHS and DHSC group bodies	3,282	3,282
4,151	4,151			

Note 17.1 Borrowings

31-Mar-19 £000	Foundation Trust and Group	31-Mar-20 £000
	Current	
1,587	Capital loans from the Department of Health	1,581
49	Obligations under finance leases	52
1,636	TOTAL CURRENT BORROWINGS	1,633
	Non-current	
26,427	Capital loans from the Department of Health and Social Care	25,031
168	Obligations under finance leases	115
26,595	TOTAL OTHER NON CURRENT LIABILITIES	25,146

Note 17.2 Reconciliation of Liabilities Arising from Financing Activities

Foundation Trust and Group	Loans from DHSC £000	Finance leases £000	Total £000
Carrying value at 1 April 2019	28,014	217	28,231
Cash movements:			
Financing cash flows - payments and receipts of principal	(1,396)	(50)	(1,446)
Financing cash flows - payments of interest	(641)	(9)	(650)
Non-cash movements:			
Application of effective interest rate (interest charge arising in year)	635	9	644
Carrying value at 31 March 2020	26,612	167	26,779

Note 18.1 Provisions for liabilities and charges

Foundation Trust and Group	Current		Non-current	
	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000
Pensions - early departure costs	29	28	281	271
Other legal claims	17	43	0	0
Other	197	241	341	0
Total	243	312	622	271

Note 18.2 Provisions for liabilities and charges analysis - 2019/20

Foundation Trust and Group	Total	Pensions - early departure costs	Legal claims	Other
	£000	£000	£000	£000
At 1 April 2019	583	299	43	241
Change in the discount rate	39	39	0	0
Arising during the year	368	0	10	358
Utilised during the year - cash	(45)	(28)	(17)	0
Reversed unused	(80)	0	(19)	(61)
At 31 March 2020	865	310	17	538
Expected timing of cash flows:				
- not later than one year	243	29	17	197
- later than one year and not later than five years	163	116	0	47
- later than five years	459	165	0	294
TOTAL	865	310	17	538

Note 18.3 Provisions for liabilities and charges analysis - 2018/19

Foundation Trust and Group	Total	Pensions - early departure costs	Legal claims	Other
	£000	£000	£000	£000
At 1 April 2018	564	295	28	241
Change in the discount rate	32	32	0	0
Arising during the year	27	0	27	0
Utilised during the year - accruals	(9)	0	(9)	0
Utilised during the year - cash	(28)	(28)	0	0
Reversed unused	(3)	0	(3)	0
At 31 March 2019	583	299	43	241
Expected timing of cash flows:				
- not later than one year	312	28	43	241
- later than one year and not later than five years	114	114	0	0
- later than five years	157	157	0	0
TOTAL	583	299	43	241

The pension provision relates to the anticipated costs for the enhanced element of ill-health pensions for former employees. These entitlements are explained in Note 1.5.

The provision for legal charges is in respect of legal claims accounted for as described in the accounting policies in Note 1. The figures are provided by NHS Resolution.

£32,908,723 (2018/19: £48,364,688) is included in the provisions of NHS Resolution at 31 March 2020 in respect of clinical negligence liabilities of the Trust.

The other provision relates to claims for potential underpayments in respect of salaries to doctors on call where the incorrect rate may have been paid in the past. The provision has previously been reduced following confirmation that only Deanery trainees would have the right to claim.

Note 19 Other liabilities

31-Mar-19 £000	Foundation Trust and Group	31-Mar-20 £000
541	Deferred income	562
541	TOTAL OTHER CURRENT LIABILITIES	562

Note 20 Contingencies

The Trust has £23,006 contingent liabilities relating to NHS Resolution cases as at 31 March 2020 (2018/19: £31,864). There have been no contingent assets or other contingent liabilities recognised at 31 March 2020 (2018/19: nil).

Note 21 Revaluation Reserve

Foundation Trust and Group	Total revaluation reserve £000	Property, plant and equipment £000
Revaluation Reserve at 1 April 2019	3,116	3,116
Net impairments	(572)	(572)
Revaluation reserve at 31 March 2020	2,544	2,544

Foundation Trust and Group	Total revaluation reserve £000	Property, plant and equipment £000
Revaluation reserve at 1 April 2018	4,293	4,293
Net impairments	(1,177)	(1,177)
Revaluation reserve at 31 March 2019	3,116	3,116

The impairments, reversals and revaluations relate to the impact of the land and building valuations on The Walton Centre carried out by Gerald Eve LLP as at 31 March 2020.

Note 22 Capital Commitments

At 31 March 2020 the Trust had capital commitments of £107,970 (31 March 2019: £1,103,000) in relation to contractual commitments for capital items.

Note 23.1 Financial instruments

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with its commissioners and the way those commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply.

The Trust has considered its exposure to the following financial risks:

- **Currency Risk** – the Trust has no overseas operations and the majority of transactions are sterling based. Foreign currency transactions arise from purchases of equipment and supplies from overseas providers and a small proportion of charitable investments. However, these are not significant in value or number of transactions and the Trust therefore has low exposure to currency rate fluctuations;

- **Interest Rate Risk** – the Trust has loans for its capital expansion programme. However, these are at fixed rates with the Independent Trust Financing Facility. The Trust therefore has low exposure to interest rate fluctuations;
- **Credit Risk** – the majority of the Trust’s revenue is from contracts with other public sector bodies. The Trust holds significant cash balances but these are also held through the Government Banking Service. Therefore the Trust has low exposure to credit risk. The Charity uses a commercial bank but its cash balances are not material to the Group. The Charity’s investments are managed through external investment managers. Investments are held in UK multi-asset pooled charity funds. The maximum exposure on receivables at 31 March 2020 is disclosed in Note 14 Trade Receivables and Other Receivables; and
- **Liquidity Risk** – the Trust’s operating costs are incurred principally under contracts with commissioners. Capital expenditure is funded principally for the provision of public sector services. The Trust is not exposed to significant liquidity risk.

Note 23.2 Fair Value of Non-current Financial Assets

The Charity held investments at 31 March 2020 with a fair value of £967,154 (31 March 2019: £970,933). The book value of these assets is £999,999.

Note 23.3 Financial assets by category

	Foundation Trust		Group		
	Total carrying value	Held at amortised cost	Total	Held at amortised cost	Held at fair value through OCI
	£000	£000	£000	£000	£000
Carrying values of financial assets as at 31 March 2020					
Trade and other receivables excluding non financial assets	7,956	7,956	7,956	7,956	0
Cash and cash equivalents	26,673	26,673	26,673	26,673	0
Consolidated NHS Charitable fund financial assets	0	0	1,918	951	967
Total at 31 March 2020	34,629	34,629	36,547	35,580	967
Carrying values of financial assets as at 31 March 2019					
Trade and other receivables excluding non financial assets	10,940	10,940	10,940	10,940	0
Cash and cash equivalents	21,713	21,713	21,713	21,713	0
Consolidated NHS Charitable fund financial assets	0	0	1,516	545	971
Total at 31 March 2019	32,653	32,653	34,169	33,198	971

Note 23.4 Financial liabilities by category

	Foundation Trust		Group	
	Total	Held at amortised cost	Total	Held at amortised cost
	£000	£000	£000	£000
Carrying values of financial liabilities as at 31 March 2020				
Loans from the Department of Health and Social Care	26,612	26,612	26,612	26,612
Obligations under finance leases	167	167	167	167
Trade and other payables excluding non financial liabilities	15,004	15,004	15,004	15,004
Total at 31 March 2020	41,783	41,783	41,783	41,783
Carrying values of financial liabilities as at 31 March 2019				
	Total	Held at amortised cost	Total	Held at amortised cost
	£000	£000	£000	£000
Loans from the Department of Health and Social Care	28,014	28,014	28,014	28,014
Obligations under finance leases	217	217	217	217
Trade and other payables excluding non financial liabilities	14,863	14,863	14,863	14,863
Total at 31 March 2019	43,094	43,094	43,094	43,094

Note 23.5 Fair Value of Financial Assets and Liabilities

The Trust has used book value (carrying value) as an approximation of fair value.

Note 24 Events after the Statement of Financial Position Date

The Directors are not aware of any event after the Statement of Financial Position date and up to the date that the financial statements were approved which will affect the accounts.

Note 25 Public Dividend Capital

NHS Trusts are required to pay a dividend of 3.5% of their average net relevant assets to the Department of Health. This is calculated on a full financial year. The dividend is payable in two instalments in September and March.

Note 26 Third Party Balances

At 31 March 2020 the Trust held £1,919.46 on behalf of patients (31 March 2018: £928).

Note 27 Related Party Transactions

The Walton Centre NHS Foundation Trust is a public interest body authorised by NHS Improvement, the Independent Regulator for NHS Foundation Trusts. During the period none of the Board members or members of the key management staff, or parties related to them, has undertaken any material transactions with The Walton Centre NHS Foundation Trust.

The Department of Health and Social Care is a related party as the parent department of the Trust. During the period The Walton Centre NHS Foundation Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

- NHS England;
- Health Education England;
- NHS Liverpool CCG;
- NHS South Sefton CCG;
- NHS Warrington CCG;

- NHS Wirral CCG;
- Liverpool University Hospital NHS Foundation Trust; and
- NHS Resolution.

In addition the Trust has had material transactions with the following central government body:

- Welsh Assembly Government including all Welsh Health bodies.

In 2012/13, Liverpool Health Partners Ltd, a company limited by guarantee, was set up between the University of Liverpool, Liverpool University Hospital NHS FT, Alder Hey Children's NHS FT, The Clatterbridge Cancer Centre NHS FT, Liverpool Women's NHS FT, The Walton Centre NHS FT, Liverpool Heart and Chest NHS FT and Liverpool School of Tropical Medicine. The objects of the company are to advance education, health, learning and research by facilitating world class research among the partners. Each organisation has a single share in the company and the Chief Executives are ex-officio directors of the company. A contribution of £100,000 (2018/19: £82,000) was made to the company to enable it to carry out its objectives.

The Trust's Council of Governors comprise 17 elected Governors, 4 staff Governors and 12 appointed Partnership Governors. Governors are drawn from a range of stakeholders including patient groups, neurological charities, research and academic groups, CCGs, Local Authorities, NHS England NHS Improvement and Wales. Therefore, many, by the nature of their appointment, have interests in organisations with whom the Trust contracts. A register of interests is maintained and declarations of interests are given at each Governor meeting.

Since 2013/14 the Trust has included The Walton Centre Charity as a subsidiary because the Trust has the power to govern the financial and operating policies of the Fund so as to obtain benefits from its activities for itself, its patients or its staff. Transactions between the Trust and the Charity are not material and are eliminated on consolidation. Assets held by the Charity are to be used for charitable purposes only.

The financial activity of the Charity during 2019/20 and its balance sheet at 31 March 2020 are summarised as:

Summary statement of financial activities

	2018/19 £'000	2019/20 £'000
Operating income (incoming resources excluding investment income)	698	808
Operating expenditure	(541)	(422)
Net (outgoing)/incoming resources before other recognised gains and losses	157	387
Fair value gains/(losses) on equity instruments designated at fair value through OCI	17	(4)
Net movement in funds	174	383

Summary balance sheet

	31-Mar-18 £'000	31-Mar-19 £'000
Non-current assets		
Other investments/financial assets	971	967
Total non-current assets	971	967
Current assets		
Receivables	27	5
Cash and cash equivalents	545	951
Total current assets	572	956
Current liabilities		
Trade and other payables	(76)	(74)
Total current liabilities	(76)	(74)
Total net assets	1,467	1,849
Unrestricted funds	1,467	1,849
Total funds	1,467	1,849

Note 28 Losses and Special Payments

During the period the Trust made 7 (2018/19: 7) special payments with a total value of £24,166 (2018/19: £6,243). Of these £23,000 (2018/19: £5,691) related to payments in respect of 3 (2018/19: 3) claims by third parties which are handled by NHS Resolution. The Trust also wrote off 9 (2018/19: 12) debts with a total value of £245 (2018/19: £842). No items of stock were written off due to loss, damage or expiry.