

Worcestershire Acute Hospitals NHS Trust

Annual accounts for the year ended 31 March 2025

Statement of Comprehensive Income

		2024/25	2023/24
	Note	£000	£000
Operating income from patient care activities	3	769,005	666,341
Other operating income	4	38,323	33,460
Operating expenses	7,9	<u>(789,424)</u>	<u>(736,897)</u>
Operating surplus/(deficit) from continuing operations		<u>17,904</u>	<u>(37,096)</u>
Finance income	11	2,030	1,511
Finance expenses	12	(14,994)	(34,523)
PDC dividends payable		<u>(4,847)</u>	<u>(6,136)</u>
Net finance costs		<u>(17,811)</u>	<u>(39,148)</u>
Other gains / (losses)	13	<u>(714)</u>	<u>(405)</u>
Surplus / (deficit) for the year		<u>(621)</u>	<u>(76,649)</u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	8	(2,831)	(36,361)
Revaluations	17	<u>54</u>	<u>291</u>
Total comprehensive income / (expense) for the period		<u>(3,398)</u>	<u>(112,719)</u>

Statement of Financial Position

		31 March 2025	31 March 2024
	Note	£000	£000
Non-current assets			
Intangible assets	14	11,415	8,518
Property, plant and equipment	15	329,371	329,878
Right of use assets	18	42,646	43,240
Receivables	20	3,231	3,076
Total non-current assets		386,663	384,712
Current assets			
Inventories	19	13,266	12,637
Receivables	20	19,719	23,158
Cash and cash equivalents	21	35,616	11,745
Total current assets		68,601	47,540
Current liabilities			
Trade and other payables	22	(86,089)	(74,878)
Borrowings	24	(15,004)	(13,430)
Provisions	25	(4,509)	(7,553)
Other liabilities	23	(5,799)	(6,221)
Total current liabilities		(111,401)	(102,082)
Total assets less current liabilities		343,863	330,170
Non-current liabilities			
Borrowings	24	(151,381)	(162,266)
Provisions	25	(2,133)	(3,416)
Other liabilities	23	(3,188)	(4,043)
Total non-current liabilities		(156,702)	(169,725)
Total assets employed		187,161	160,445
Financed by			
Public dividend capital		692,023	661,909
Revaluation reserve		62,300	66,485
Other reserves		(861)	(861)
Income and expenditure reserve		(566,301)	(567,088)
Total taxpayers' equity		187,161	160,445

The notes on pages 1 to 56 form part of these accounts.



Name	Stephen Collman
Position	Acting CEO
Date	24/06/2025

Statement of Changes in Taxpayers Equity for the year ended 31 March 2025

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2024 - brought forward	661,909	66,485	(861)	(567,088)	160,445
Surplus/(deficit) for the year	-	-	-	(621)	(621)
Other transfers between reserves	-	(1,406)	-	1,406	-
Impairments	-	(2,831)	-	-	(2,831)
Revaluations	-	54	-	-	54
Transfer to retained earnings on disposal of assets	-	(2)	-	2	-
Public dividend capital received	30,114	-	-	-	30,114
Taxpayers' and others' equity at 31 March 2025	692,023	62,300	(861)	(566,301)	187,161

Statement of Changes in Taxpayers Equity for the year ended 31 March 2024

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2023 - brought forward	623,724	105,070	(861)	(433,273)	294,660
Application of IFRS 16 measurement principles to PFI liability on 1 April 2023	-	-	-	(59,682)	(59,682)
Surplus/(deficit) for the year	-	-	-	(76,649)	(76,649)
Other transfers between reserves	-	(2,515)	-	2,515	-
Impairments	-	(36,361)	-	-	(36,361)
Revaluations	-	291	-	-	291
Public dividend capital received	38,185	-	-	-	38,185
Taxpayers' and others' equity at 31 March 2024	661,909	66,485	(861)	(567,088)	160,445

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.

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2024/25 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

Note 1.2 Going concern

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

In March 2025 the Board made an assessment of the risks, opportunities and uncertainties it faces and considers itself to be a going concern in line with published guidance.

Statement of Cash Flows

	Note	2024/25 £000	2023/24 £000
Cash flows from operating activities			
Operating surplus / (deficit)		17,904	(37,096)
Non-cash income and expense:			
Depreciation and amortisation	7.1	20,610	20,112
Net impairments	8	1,405	28,600
Income recognised in respect of capital donations	4	(375)	(371)
Amortisation of PFI deferred credit		(966)	(583)
(Increase) / decrease in receivables and other assets		(2,014)	11,407
(Increase) / decrease in inventories		(629)	(1,083)
Increase / (decrease) in payables and other liabilities		13,874	(24,843)
Increase / (decrease) in provisions		(4,371)	5,656
Net cash flows from / (used in) operating activities		45,438	1,799
Cash flows from investing activities			
Interest received		2,030	1,511
Purchase of intangible assets		(4,504)	(2,819)
Purchase of PPE and investment property		(22,468)	(26,336)
Sales of PPE and investment property		56	31
Initial direct costs or up front payments in respect of new right of use assets		(282)	-
Receipt of cash donations to purchase assets		204	347
Net cash flows from / (used in) investing activities		(24,964)	(27,266)
Cash flows from financing activities			
Public dividend capital received		30,114	38,185
Movement on loans from DHSC		(668)	(949)
Capital element of lease rental payments		(1,368)	(1,524)
Capital element of PFI, LIFT and other service concession payments		(11,673)	(10,403)
Interest on loans		(255)	(275)
Other interest		-	(41)
Interest paid on lease liability repayments		(446)	(429)
Interest paid on PFI, LIFT and other service concession obligations		(10,789)	(11,448)
PDC dividend (paid) / refunded		(1,518)	(9,445)
Net cash flows from / (used in) financing activities		3,397	3,671
Increase / (decrease) in cash and cash equivalents		23,871	(21,796)
Cash and cash equivalents at 1 April - brought forward		11,745	33,541
Cash and cash equivalents at 31 March	21	35,616	11,745

Note 1.3 Revenue from contracts with customers

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

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

Contract payments in year have been based on expected contract value divided by calendar month. The adjustment at year end for final settlement is to be settled post year end.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. Funding envelopes are set at an Integrated Care System (ICS) level. The majority of the Trust's NHS income is earned from NHS commissioners under the NHS Payment Scheme (NHSPS). The NHSPS sets out rules to establish the amount payable to trusts for NHS-funded secondary healthcare.

Aligned payment and incentive contracts form the main payment mechanism under the NHSPS. API contracts contain both a fixed and variable element. Under the variable element, providers earn income for elective activity (both ordinary and day case), out-patient procedures, out-patient first attendances, diagnostic imaging and nuclear medicine, and chemotherapy delivery activity. The precise definition of these activities is given in the NHSPS. Income is earned at NHSPS prices based on actual activity. The fixed element includes income for all other services covered by the NHSPS assuming an agreed level of activity with 'fixed' in this context meaning not varying based on units of activity. Elements within this are accounted for as variable consideration under IFRS 15 as explained below.

High costs drugs and devices, as defined by NHSE, are reimbursed by NHS England or local NHS Commissioners based on actual usage or at a fixed baseline in addition to the price of the related service.

The Trust also receives income from commissioners under Commissioning for Quality Innovation (CQUIN) and Best Practice Tariff (BPT) schemes. Delivery under these schemes is part of how care is provided to patients. As such CQUIN and BPT payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the overall contract with the commissioner and are accounted for as variable consideration under IFRS 15. Payment for CQUIN and BPT on non-elective services is included in the fixed element of API contracts with adjustments for actual achievement being made at the end of the year. BPT earned on elective activity is included in the variable element of API contracts and paid in line with actual activity performed.

Elective recovery funding provides additional funding to integrated care boards to fund the commissioning of elective services within their systems. Trusts do not directly earn elective recovery funding, instead earning income for actual activity performed under API contract arrangements as explained above. The level of activity delivered by the trust contributes to system performance and therefore the availability of funding to the trust's commissioners.

Education and Training Income

Education and Training income (note 4) relates to the NHS Education Contract of £19.2m (£16.8m in 2023/24). The Trust contracts with the NHS England who provides all education training and learning activity commissioned by Health Education England from the Multi-Professional Education and Training (MPET) levy funding.

It establishes a framework for the delivery of practice learning and teaching to support the workforce development.

The agreement includes training for medical and dental students, non-medical professional and vocational students, postgraduate training for doctors, learning beyond registration, learning before registration and education and training infrastructure.

Revenue from research contracts

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

NHS injury cost recovery scheme

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

Note 1.4 Other forms of income

Grants and donations

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the 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 apprenticeship service account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.5 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as and when they become due.

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

The Trust accounted for the increase in pension contribution at 20.6% from the 1st April 2019. The rates have been agreed from the 1st April 2019 to 31st March 2024 at 20.6% of pensionable pay for both the 1995-2008 pension scheme and the 2015 pension scheme. The employers contribution is set through a scheme valuation which is carried out every four years, where the 2016 valuation identified the need to increase the employer contribution from 14.3% to 20.6% from 1st April 2019.

The Department of Health and Social Care has recently laid Scheme Regulations confirming the employer contribution rate will increase to 23.7% of pensionable pay from 1 April 2024.

Note 1.6 Expenditure on other goods and services

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

Note 1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

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

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

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

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

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

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

Depreciation

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

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

Revaluation gains and losses

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

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

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

Impairments

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

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

De-recognition

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

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

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

Donated and grant funded assets

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

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

Note 1.8 Private Finance Initiative (PFI)

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by the trust. Annual contract payments to the operator (the unitary charge) are apportioned between the repayment of the liability including the finance cost, the charges for services and lifecycle replacement of components of the asset.

Initial recognition

In accordance with HM Treasury's *FReM*, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Initial measurement of the asset and liability are in accordance with the initial measurement principles of IFRS 16 (see leases accounting policy).

Subsequent measurement

Assets are subsequently accounted for as property, plant and equipment and/or intangible assets as appropriate.

The liability is subsequently reduced by the portion of the unitary charge allocated as payment for the asset and increased by the annual finance cost. The finance cost is calculated by applying the implicit interest rate to the opening liability and is charged to finance costs in the Statement of Comprehensive Income. The element of the unitary charge allocated as payment for the asset is split between payment of the finance cost and repayment of the net liability.

Where there are changes in future payments for the asset resulting from indexation of the unitary charge, the Trust remeasures the PFI liability by determining the revised payments for the remainder of the contract once the change in cash flows takes effect. The remeasurement adjustment is charged to finance costs in the Statement of Comprehensive Income.

The service charge is recognised in operating expenses in the Statement of Comprehensive Income.

In 2013 the PFI provider was found to be in default of the service agreement, due to building defects. A settlement was reached between the Trust and the PFI provider in June 2016. The Deed of Variation included two broad elements; a lump sum compensation payment (£6.5m) and alterations to future service charges (£7.3m). The lump sum payment was credited to other operating revenue. In 2016/17 the Trust recognised the revenue coming from future service charges price alterations in other operating revenue. The Trust looked at the reduction in future service provider margins that would not have been agreed without the building defects. The contractual value was used as the basis for the calculation, allowing both for cost of capital adjustments and future service price increases based on predicted RPI changes. The gain on the alteration to future service charges was recognised in other operating revenues to be consistent with the recognition of the lump sum compensation payment. This gain reduced the PFI liability as the settlement related to the compensation for the building defects. By adopting this accounting treatment, annual Unitary Payments from 2018/19 do not reflect the full value of the service received. The future service charges element of the Unitary Payment is adjusted by an amount equivalent to the full value of the service received and the PFI liability is increased. This adjustment will 'unwind' the 2016/17 revenue recognition over the remaining life of the PFI contract.

Initial application of IFRS 16 liability measurement principles to PFI and LIFT liabilities in 2023/24

IFRS 16 liability measurement principles were applied to PFI, LIFT and other service concession arrangement liabilities in these financial statements from 1 April 2023. The change in measurement basis was applied using a modified retrospective approach with the cumulative impact of remeasuring the liability on 1 April 2023 recognised in the income and expenditure reserve.

In 2024/25 the treatment for PFI has changed from IAS 17 to a UK GAAP basis on an adjusted financial performance basis, aligning performance measures with those used by NHS England and removing identified revenue consequences under both standards. Components of the scheme have been reviewed in 2024/25 based on updated guidance and assistance with external experts, to gain assurance the revised calculation impact is as expected.

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
Buildings, excluding dwellings	2	80
Dwellings	47	52
Plant & machinery	2	50
Information technology	4	9
Furniture & fittings	7	10

Note 1.9 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance controlled by the Trust. They are capable of being sold separately from the rest of the trust's business or arise from contractual or other legal rights. Intangible assets 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, 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 where it meets recognition criteria.

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.

Subsequently intangible assets are measured at amortised historic cost which is deemed to be a suitable proxy for assets with shorter useful lives.

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

Amortisation

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

Useful lives of intangible assets

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

	Min life Years	Max life Years
Information technology	5	5
Software licences	5	5

Note 1.10 Inventories

Inventories (excluding drugs) are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method. This is considered to be a reasonable approximation to fair value due to the typically high turnover of stocks. Drugs inventories are valued using the weighted average cost method.

Between 2020/21 and 2023/24 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. Distribution of inventories by the Department ceased in March 2024.

The Trust's inventory balance of £13.3m is material to the Trust's accounts. The Trust is satisfied that its inventory balance is presented fairly in all material respects: the Trust has well-established stocktake procedures which are regularly reviewed and continue to use the digital app. for data collection. Trust staff were able to complete the stock counts for 2024/25.

Note 1.11 Cash and cash equivalents

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

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

Note 1.12 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

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

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

Impairment of financial assets

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

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

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. In accordance with the Department of Health guidelines 24.45% of injury costs recovery revenue is provided in a bad debt provision.

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

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Derecognition

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

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

Note 1.13 Leases

A lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. An adaptation of the relevant accounting standard by HM Treasury for the public sector means that for NHS bodies, this includes lease-like arrangements with other public sector entities that do not take the legal form of a contract. It also includes peppercorn leases where consideration paid is nil or nominal (significantly below market value) but in all other respects meet the definition of a lease. The trust does not apply lease accounting to new contracts for the use of intangible assets.

The Trust determines the term of the lease term with reference to the non-cancellable period and any options to extend or terminate the lease which the Trust is reasonably certain to exercise.

The Trust as a lessee

Recognition and initial measurement

At the commencement date of the lease, being when the asset is made available for use, the Trust recognises a right of use asset and a lease liability.

The right of use asset is recognised at cost comprising the lease liability, any lease payments made before or at commencement, any direct costs incurred by the lessee, less any cash lease incentives received. It also includes any estimate of costs to be incurred restoring the site or underlying asset on completion of the lease term.

The lease liability is initially measured at the present value of future lease payments discounted at the interest rate implicit in the lease. Lease payments includes fixed lease payments, variable lease payments dependent on an index or rate and amounts payable under residual value guarantees. It also includes amounts payable for purchase options and termination penalties where these options are reasonably certain to be exercised.

After the commencement date, a lessee is only required to reassess the lease term upon the occurrence of a significant event or a significant change in circumstances that is within control of the lessee and affects whether the lessee is reasonably certain to exercise, or not exercise, an option which previously informed the assessment made regarding the lease term. A significant change during the lease terms includes Significant leasehold improvements or a significant modification to the underlying asset that was not anticipated at the commencement date of the lease.

Where an implicit rate cannot be readily determined, the Trust's incremental borrowing rate is applied. This rate is determined by HM Treasury annually for each calendar year. A nominal rate of 4.72% applied to new leases commencing in 2024 and 4.81% to new leases commencing in 2025.

The Trust does not apply the above recognition requirements to leases with a term of 12 months or less or to leases where the value of the underlying asset is below £5,000, excluding any irrecoverable VAT. Lease payments associated with these leases are expensed on a straight-line basis over the lease term. Irrecoverable VAT on lease payments is expensed as it falls due.

Subsequent measurement

As required by a HM Treasury interpretation of the accounting standard for the public sector, the Trust employs a revaluation model for subsequent measurement of right of use assets, unless the cost model is considered to be an appropriate proxy for current value in existing use or fair value, in line with the accounting policy for owned assets. Where consideration exchanged is identified as significantly below market value, the cost model is not considered to be an appropriate proxy for the value of the right of use asset.

The Trust subsequently measures the lease liability by increasing the carrying amount for interest arising which is also charged to expenditure as a finance cost and reducing the carrying amount for lease payments made. The liability is also remeasured for changes in assessments impacting the lease term, lease modifications or to reflect actual changes in lease payments. Such remeasurements are also reflected in the cost of the right of use asset. Where there is a change in the lease term or option to purchase the underlying asset, an updated discount rate is applied to the remaining lease payments.

The Trust as a lessor

The Trust assesses each of its leases and classifies them as either a finance lease or an operating lease. 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.

Where the Trust is an intermediate lessor, classification of the sublease is determined with reference to the right of use asset arising from the headlease.

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

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

Note 1.14 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective from 31 March 2025:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	4.03%	4.26%
Medium-term	After 5 years up to 10 years	4.07%	4.03%
Long-term	After 10 years up to 40 years	4.81%	4.72%
Very long-term	Exceeding 40 years	4.55%	4.40%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective from 31 March 2025:

	Inflation rate	Prior year rate
Year 1	2.60%	3.60%
Year 2	2.30%	1.80%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's post-employment benefits discount rate of 2.40% in real terms (prior year: 2.45%).

Clinical negligence costs

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

Non-clinical risk pooling

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

Note 1.15 Contingencies

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

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

Contingent liabilities are defined as:

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

Note 1.16 Public dividend capital

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

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

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

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

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

Note 1.17 Value added tax

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

Note 1.18 Corporation tax

Under the Corporation Tax Act 2010 section 986, a Health Service body is not liable to corporation tax.

Note 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.

Note 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 that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

The losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.21 Gifts

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

Note 1.22 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2024/25.

Note 1.23 Standards, amendments and interpretations in issue but not yet effective or adopted

The DHSC GAM does not require the following IFRS Standards to be applied in 2024/25:

IFRS 17 Insurance Contracts – The Standard is effective for accounting periods beginning on or after 1 January 2023. IFRS 17 has been adopted by the FReM from 1 April 2025. Adoption of the Standard for NHS bodies will therefore be in 2025/26. The Standard revises the accounting for insurance contracts for the issuers of insurance. Application of this standard from 2025/26 is not expected to have a material impact on the financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements - The Standard is effective for accounting periods beginning on or after 1 January 2027. The Standard is not yet UK endorsed and not yet adopted by the FReM. Early adoption is not permitted. The expected impact of applying the standard in future periods has not yet been assessed.

IFRS 19 Subsidiaries without Public Accountability: Disclosures - The Standard is effective for accounting periods beginning on or after 1 January 2027. The Standard is not yet UK endorsed and not yet adopted by the FReM. Early adoption is not permitted. The expected impact of applying the standard in future periods has not yet been assessed.

Changes to non-investment asset valuation – Following a thematic review of non-current asset valuations for financial reporting in the public sector, HM Treasury has made a number of changes to valuation frequency, valuation methodology and classification which are effective in the public sector from 1 April 2025 with a 5 year transition period. NHS bodies are adopting these changes to an alternative timeline.

Changes to subsequent measurement of intangible assets and PPE classification / terminology to be implemented for NHS bodies from 1 April 2025:

- Withdrawal of the revaluation model for intangible assets. Carrying values of existing intangible assets measured under a previous revaluation will be taken forward as deemed historic cost.
- Removal of the distinction between specialised and non-specialised assets held for their service potential. Assets will be classified according to whether they are held for their operational capacity.

Changes to valuation cycles and methodology to be implemented for NHS bodies in later periods:

A mandated quinquennial revaluation frequency (or rolling programme) supplemented by annual indexation in the intervening years.

Removal of the alternative site assumption for buildings valued at depreciated replacement cost on a modern equivalent asset basis. The approach for land has not yet been finalised by HM Treasury.

The impact of applying these changes in future periods has not yet been assessed. PPE and right of use assets currently subject to revaluation have a total book value of £272.605m (gross cost) as at 31 March 2025.

Note 1.24 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:

- Valuation of property, plant and equipment (see note 15) is based upon an assessment undertaken by professional property valuers which by its nature includes an element of subjectivity.
- The Trust engaged a professional property adviser to undertake a desk top revaluation in 2024/25 after completing a full revaluation in 2023/24.
- The valuation was reviewed between December 2024 and April 2025 with a valuation date of 31 March 2025. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), the valuer has stated that the UK continues to experience heightened uncertainty due to a number of factors.

Market participants continue to be affected by details of construction, health and safety, and particularly fire prevention, mitigation and means of escape from buildings where people sleep. The Government's proposed legislation is far reaching and will provide a new regime for building regulations compliance. In the light of these circumstances, this valuation has been undertaken in the context of a changing regulatory environment and the valuer has recommended that it is kept under regular review.

The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. The valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

The specialised assets have been valued on a Depreciated Replacement Cost basis and any movement in build costs associated with the Building Safety Act, would therefore impact on value. The valuation is based on build cost indices published by the BCIS, current as at 31 March 2025. The build costs and consequently the valuation therefore take into account any movement in build cost and value associated the BSA as at the valuation date.

Note 2 Operating Segments

IFRS 8 sets out the criteria for identifying operating segments and for reporting individual or aggregated segmental data. The Trust Board has considered the requirements of IFRS 8 and whilst it does receive budgetary performance information at a specialty group level based upon groups of services (including for example medical specialties, surgical specialties etc.), this information is limited in that:

- Costs associated with any one specialty or service provided by the Trust are split across several specialty groups;
- Cross charging for services between specialty groups is not widely undertaken; and
- Many services provided by the Trust are not operationally independent.

In addition to the above key factors, consideration has also been given to the principles around aggregation of operating segments set out in IFRS 8 which concludes that segments may be aggregated if the segments have similar economic characteristics, and the segments are similar in each of the following respects:

(a) the nature of the products and services:

The services provided are very similar in that they represent the provision of healthcare to ill/vulnerable people. Furthermore many of the services are interconnected with care for an individual being shared across different specialties and departments.

(b) the nature of the production processes:

Services are provided in very similar ways (albeit to differing extents) to the majority of patients including outpatient consultations, inpatient care, diagnostic tests, medical and surgical interventions.

(c) the type or class of customer for their products and services:

The Trust's customers are similar across all services in that they are ill/vulnerable people – whilst certain patient groups may be more susceptible to different healthcare needs, most services are provided to customers of all ages, gender etc.

(d) the methods used to distribute their products or provide their services:

The majority of services are delivered to customers through attendance at hospital as outpatients, day cases or inpatients.

(e) if applicable, the nature of the regulatory environment:

The regulatory environment in which the Trust's services are provided is NHS healthcare.

The Trust has only one operating segment, that is the provision of Healthcare Services.

Financial Performance Reporting

The Trust Board receives reports on the Trust's financial performance based upon the Statement of Comprehensive Income (or Net Expenditure) which is adjusted in accordance with HM Treasury rules on measuring financial performance. These adjustments are set out below the Statement of Comprehensive Income (or Net Expenditure) and in Note 35 relating to breakeven performance.

The Trusts adjusted financial performance is detailed as below

Adjusted financial performance (control total basis):	2024/25	2023/24
Surplus / (deficit) for the period	(621)	(76,649)
Remove net impairments not scoring to the Departmental expenditure limit	1,405	28,600
Remove I&E impact of capital grants and donations	(217)	(252)
Remove I&E impact of IFRIC 12 schemes on an IFRS 16 basis	44,090	33,729
Add back I&E impact of IFRIC 12 schemes on former UK GAAP basis	(50,222)	-
Add back I&E impact of IFRIC 12 schemes on an IAS 17 basis	-	(20,247)
Remove net impact of DHSC centrally procured inventories	81	58
Adjusted financial performance surplus / (deficit)	(5,484)	(34,761)

Income Sources

Key information on the Trust's sources of income is as follows:

The ICB income for 2024/25 was £629.102 million (£552.8m 2023/24) and NHS England from which £134.330 million (£108.03 million in 2023/24 from NHSE) was received, including reimbursement and top-up funding.

Note 3 Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	2024/25	2023/24
	£000	£000
Income from commissioners under API contracts - variable element*	155,598	142,569
Income from commissioners under API contracts - fixed element*	508,028	434,030
High cost drugs income from commissioners	56,779	50,854
Other NHS clinical income	17,696	19,672
All services		
Private patient income	565	410
National pay award central funding***	1,143	299
Additional pension contribution central funding**	25,573	15,116
Other clinical income	3,623	3,391
Total income from activities	769,005	666,341

*Aligned payment and incentive contracts are the main form of contracting between NHS providers and their commissioners. More information can be found in the 2023/25 NHS Payment Scheme documentation.

<https://www.england.nhs.uk/pay-syst/nhs-payment-scheme/>

**Increases to the employer contribution rate for NHS pensions since 1 April 2019 have been funded by NHS England. NHS providers continue to pay at the former rate of 14.3% with the additional amount being paid over by NHS England on providers' behalf. The full cost of employer contributions (23.7%, 2023/24: 20.6%) and related NHS England funding (9.4%, 2023/24: 6.3%) have been recognised in these accounts.

***Additional funding was made available directly to providers by NHS England in 2024/25 and 2023/24 for implementing the backdated element of pay awards where government offers were finalised after the end of the financial year. NHS Payment Scheme prices and API contracts are updated for the weighted uplift in in-year pay costs when awards are finalised.

Note 3.2 Income from patient care activities (by source)	2024/25	2023/24
	£000	£000
Income from patient care activities received from:		
NHS England	89,534	108,031
Integrated care boards	673,898	552,832
Other NHS providers	2,562	2,356
Non-NHS: private patients	565	410
Non-NHS: overseas patients (chargeable to patient)	237	180
Injury cost recovery scheme	1,440	1,662
Non NHS: other	769	870
Total income from activities	769,005	666,341
Of which:		
Related to continuing operations	769,005	666,341
Related to discontinued operations	-	-

Injury cost recovery income is subject to a provision for impairment of receivables of 24.45% to reflect expected rates of recovery.

Note 3.3 Overseas visitors (relating to patients charged directly by the provider)		
	2024/25	2023/24
	£000	£000
Income recognised this year	237	180
Cash payments received in-year	301	86
Amounts written off in-year	70	-

Note 4 Other operating income	2024/25			2023/24		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	1,303	-	1,303	1,072	-	1,072
Education and training	19,220	-	19,220	16,808	-	16,808
Non-patient care services to other bodies	6,657		6,657	6,588		6,588
Receipt of capital grants and donations and peppercorn leases		375	375		371	371
Charitable and other contributions to expenditure		210	210		472	472
Revenue from operating leases		42	42		30	30
Amortisation of PFI deferred income / credits		966	966		583	583
Other income	9,550	-	9,550	7,536	-	7,536
Total other operating income	36,730	1,593	38,323	32,004	1,456	33,460

Of which:

Related to continuing operations	38,323	33,460
Related to discontinued operations	-	-

Non Patient care Services to other bodies includes items such as Mortuary Services, Transport Services and Occupational Health services.
Education and Training is mainly from NHS England £19.22m (Note 1.3).

Included in Other income is £2.2m for car parking, which is referenced in Note 5.1
Contract income is recognised in accordance with IFRS15

Note 5.1 Fees and charges

The following disclosure is of income from charges to service users where the full cost of providing 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.

	2024/25	2023/24
	£000	£000
Income	2,209	1,934
Full cost	(1,520)	(1,539)
Surplus / (deficit)	689	395

The income and full costs relate to the Trust car parking, which are included in Other Income (Note 4). Free staff parking continued for 2024/25 for all staff. Patients and visitors charges have been in place for 2024/25.

Note 6 Operating leases - Worcestershire Acute Hospitals NHS Trust as lessor

This note discloses income generated in operating lease agreements where Worcestershire Acute Hospitals NHS Trust is the lessor.

Note 6.1 Operating lease income

	2024/25 £000	2023/24 £000
Lease receipts recognised as income in year:		
Minimum lease receipts	42	30
Variable lease receipts / contingent rents	-	-
Total in-year operating lease income	42	30

Note 6.2 Future lease receipts

	31 March 2025 £000	31 March 2024 £000
Future minimum lease receipts due in:		
- not later than one year	41	-
- later than one year and not later than two years	41	-
- later than two years and not later than three years	26	-
- later than three years and not later than four years	8	30
Total	116	30

The future lease relates to new lease agreement for premises at Alexandra Hospital and Kidderminster sites.

Note 7.1 Operating expenses		
	2024/25	2023/24
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	5,826	4,671
Purchase of healthcare from non-NHS and non-DHSC bodies	9,858	12,192
Staff and executive directors costs *	496,958	441,361
Remuneration of non-executive directors	170	159
Supplies and services - clinical (excluding drugs costs)	69,157	55,902
Supplies and services - general	28,607	24,940
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	72,109	63,355
Inventories written down	200	375
Consultancy costs	284	665
Establishment	4,937	8,310
Premises	21,462	22,043
Transport (including patient travel)	1,932	1,669
Depreciation on property, plant and equipment	18,798	18,438
Amortisation on intangible assets	1,812	1,674
Net impairments	1,405	28,600
Movement in credit loss allowance: contract receivables / contract assets	623	771
Change in provisions discount rate(s)	7	(115)
Fees payable to the external auditor		
audit services- statutory audit **	158	164
Internal audit costs	167	93
Clinical negligence	23,367	21,556
Legal fees	1,039	820
Insurance	287	279
Education and training	1,383	1,193
Expenditure on short term leases	63	134
Expenditure on low value leases	3	50
Variable lease payments not included in the liability	3	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	28,694	27,562
Other	115	36
Total	789,424	736,897
Of which:		
Related to continuing operations	789,424	736,897
Related to discontinued operations	-	-

Net Impairments are linked to the desktop valuation of the Trust estate as at 31st March 2025.

*Staff and Executive costs excludes staff capitalised of £616k.

** Audit Service is shown gross of VAT

Note 7.2 Other auditor remuneration	2024/25	2023/24
	£000	£000

There has been no other remuneration paid to the external auditor in either 2024/25 or 2023/24.

Note 7.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £1m (2023/24: £1m).

Note 8 Impairment of assets	2024/25	2023/24
	£000	£000

Net impairments charged to operating surplus / deficit resulting from:

Changes in market price	1,405	28,600
Total net impairments charged to operating surplus / deficit	<u>1,405</u>	<u>28,600</u>
Impairments charged to the revaluation reserve	2,831	36,361
Total net impairments	<u>4,236</u>	<u>64,961</u>

The Trust engaged a professional property adviser to undertake a desktop revaluation in 2024/25 after having a full revaluation previously in 2023/24. Any buildings assets which reduced in value were impaired to either the revaluation reserve or to I&E in 2024/25.

Note 9 Employee benefits		
	2024/25	2023/24
	Total	Total
	£000	£000
Salaries and wages	315,461	283,511
Social security costs	36,995	33,698
Apprenticeship levy	1,693	1,544
Employer's contributions to NHS pensions	64,836	49,901
Pension cost - other	79	61
Temporary staff (including agency)	78,510	73,182
Total gross staff costs	497,574	441,897
Recoveries in respect of seconded staff	-	-
Total staff costs	497,574	441,897
Of which		
Costs capitalised as part of assets	616	536

Note 9.1 Retirements due to ill-health

During 2024/25 there were 3 early retirements from the trust agreed on the grounds of ill-health (7 in the year ended 31 March 2024). The estimated additional pension liabilities of these ill-health retirements is £388k (£1052k in 2023/24).

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

Note 10 Pension costs

Past and present employees are covered by the provisions of the 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 the 1995/2008 and 2015 schemes are accounted for, and the scheme liability valued, as a single combined scheme. 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 2025, is based on valuation data as at 31 March 2023, updated to 31 March 2025 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 Statement by the Actuary, which forms part of the annual NHS Pension Scheme Annual Report and 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 (considering recent demographic experience), and to recommend the contribution rate payable by employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2020. The results of this valuation set the employer contribution rate payable from 1 April 2024 to 23.7% of pensionable pay. The core cost cap cost of the scheme was calculated to be outside of the 3% cost cap corridor as at 31 March 2020. However, when the wider economic situation was taken into account through the economic cost cap cost of the scheme, the cost cap corridor was not similarly breached. As a result, there was no impact on the member benefit structure or contribution rates.

The 2024 actuarial valuation is currently being prepared and will be published before new contribution rates are implemented from April 2027.

Note 11 Finance income

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

	2024/25	2023/24
	£000	£000
Interest on bank accounts	2,030	1,511
Total finance income	2,030	1,511

Note 12.1 Finance expenditure

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

	2024/25	2023/24
	£000	£000
Interest expense:		
Interest on loans from the Department of Health and Social Care	255	275
Interest on lease obligations	446	430
Interest on late payment of commercial debt	-	41
Finance costs on PFI, LIFT and other service concession arrangements:		
Main finance costs	10,789	11,448
Remeasurement of the liability resulting from change in index or rate	3,460	22,281
Total interest expense	14,950	34,475
Unwinding of discount on provisions	44	48
Total finance costs	14,994	34,523

Note 12.2 The late payment of commercial debts (interest) Act 1998

	2024/25	2023/24
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	-	41

Note 13 Other gains / (losses)

	2024/25	2023/24
	£000	£000
Gains on disposal of assets	46	31
Losses on disposal of assets	(760)	(436)
Total other gains / (losses)	(714)	(405)

This includes losses on disposals of PPE of £590k and £170k of PFI IFRIC 12 equipment.

Note 14.1 Intangible assets - 2024/25

	Software licences £000	Internally generated information technology £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2024 - brought forward	8,434	4,475	3,764	16,673
Additions	(20)	(26)	4,775	4,729
Reclassifications	338	177	(515)	-
Disposals / derecognition	(314)	(222)	-	(536)
Valuation / gross cost at 31 March 2025	8,438	4,404	8,024	20,866
Amortisation at 1 April 2024 - brought forward	5,419	2,736	-	8,155
Provided during the year	1,208	604	-	1,812
Disposals / derecognition	(298)	(218)	-	(516)
Amortisation at 31 March 2025	6,329	3,122	-	9,451
Net book value at 31 March 2025	2,109	1,282	8,024	11,415
Net book value at 1 April 2024	3,015	1,739	3,764	8,518

Note 14.2 Intangible assets - 2023/24

	Software licences £000	Internally generated information technology £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2023 - as previously stated	8,283	4,543	527	13,353
Additions	7	(67)	3,840	3,780
Reclassifications	420	183	(603)	-
Disposals / derecognition	(276)	(184)	-	(460)
Valuation / gross cost at 31 March 2024	8,434	4,475	3,764	16,673
Amortisation at 1 April 2023 - as previously stated	4,573	2,368	-	6,941
Provided during the year	1,122	552	-	1,674
Disposals / derecognition	(276)	(184)	-	(460)
Amortisation at 31 March 2024	5,419	2,736	-	8,155
Net book value at 31 March 2024	3,015	1,739	3,764	8,518
Net book value at 1 April 2023	3,710	2,175	527	6,412

Note 15.1 Property, plant and equipment - 2024/25

	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 2024 - brought forward	41,777	234,462	861	10,238	49,303	-	32,026	2,849	371,516
Additions	-	3,920	-	12,097	5,473	-	(78)	-	21,412
Impairments	-	(8,158)	-	-	-	-	-	-	(8,158)
Reversals of impairments	-	3,913	9	-	-	-	-	-	3,922
Revaluations	-	(7,044)	(35)	-	-	-	-	-	(7,079)
Reclassifications	-	5,747	-	(6,986)	823	-	1,120	(704)	-
Disposals / derecognition	-	(191)	-	(171)	(7,413)	-	(743)	(29)	(8,547)
Valuation/gross cost at 31 March 2025	41,777	232,649	835	15,178	48,186	-	32,325	2,116	373,066
Accumulated depreciation at 1 April 2024 - brought forward	-	1,231	-	-	23,866	-	16,469	72	41,638
Provided during the year	-	7,253	35	-	4,573	-	4,817	306	16,984
Revaluations	-	(7,098)	(35)	-	-	-	-	-	(7,133)
Reclassifications	-	-	-	-	6	-	-	(6)	-
Disposals / derecognition	-	-	-	-	(7,135)	-	(630)	(29)	(7,794)
Accumulated depreciation at 31 March 2025	-	1,386	-	-	21,310	-	20,656	343	43,695
Net book value at 31 March 2025	41,777	231,263	835	15,178	26,876	-	11,669	1,773	329,371
Net book value at 1 April 2024	41,777	233,231	861	10,238	25,437	-	15,557	2,777	329,878

Note 15.2 Property, plant and equipment - 2023/24

	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 2023 - as previously stated	41,777	258,481	768	41,356	44,566	107	29,858	37	416,950
Additions	-	3,791	-	18,624	8,694	-	259	1,630	32,998
Impairments	-	(65,278)	-	-	-	-	-	-	(65,278)
Reversals of impairments	-	195	122	-	-	-	-	-	317
Revaluations	-	(7,786)	(29)	-	-	-	-	-	(7,815)
Reclassifications	-	45,059	-	(49,742)	1,067	-	2,434	1,182	-
Disposals / derecognition	-	-	-	-	(5,024)	(107)	(525)	-	(5,656)
Valuation/gross cost at 31 March 2024	41,777	234,462	861	10,238	49,303	-	32,026	2,849	371,516
Accumulated depreciation at 1 April 2023 - restated	-	1,077	-	-	24,466	107	12,588	32	38,270
Depreciation at start of period as FT									
Provided during the year	-	8,231	29	-	3,988	-	4,406	40	16,694
Revaluations	-	(8,077)	(29)	-	-	-	-	-	(8,106)
Disposals / derecognition	-	-	-	-	(4,588)	(107)	(525)	-	(5,220)
Accumulated depreciation at 31 March 2024	-	1,231	-	-	23,866	-	16,469	72	41,638
Net book value at 31 March 2024	41,777	233,231	861	10,238	25,437	-	15,557	2,777	329,878
Net book value at 1 April 2023	41,777	257,404	768	41,356	20,100	-	17,270	5	378,680

Note 15.3 Property, plant and equipment financing - 31 March 2025

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Owned - purchased	41,777	160,103	835	15,178	15,968	11,650	1,773	247,284
On-SoFP PFI contracts and other service concession arrangements	-	70,909	-	-	9,769	-	-	80,678
Owned - donated/granted	-	251	-	-	1,139	19	-	1,409
Total net book value at 31 March 2025	41,777	231,263	835	15,178	26,876	11,669	1,773	329,371

The Trust have no operating leases in 2024/25.

Note 15.4 Property, plant and equipment financing - 31 March 2024

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Information technology £000	Furniture & fittings £000	Total £000
Owned - purchased	41,777	161,215	861	10,238	15,965	15,533	2,777	248,366
On-SoFP PFI contracts and other service concession arrangements	-	71,778	-	-	8,540	-	-	80,318
Owned - donated/granted	-	238	-	-	932	24	-	1,194
Total net book value at 31 March 2024	41,777	233,231	861	10,238	25,437	15,557	2,777	329,878

The Trust had no operating leases in 2023/24

Note 16 Donations of property, plant and equipment

The Trust has received the PPE donations below:

£171k donation of physical assets (medical equipment) compared to £24k 23/24

£186k donation of cash towards medical equipment purchases compared to £311k 23/24

£18k donation of cash towards building asset, compared to £36k 23/24

Note 17 Revaluations of property, plant and equipment

The Trust engaged a professional property adviser to undertake a desk top valuation in 2024/25 after having a full revaluation previously in 2023/24.

The valuations have been prepared in accordance with the RICS Valuation – Global Standards, which incorporate the International Valuation Standards (“IVS”) and the RICS UK National Supplement (the “RICS Red Book”), edition current at the Valuation Date, insofar as these terms are consistent with the agreed requirements of the DHSC and HM Treasury.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Market Value - Existing Use for non-specialised operational property.

In line with HM Treasury guidance, the revaluation as at 31st March 2025 was based on the 'Modern Equivalent Asset' approach to valuation

The Valuer has undertaken a desktop update review of the Trusts asset base including site inspection of any assets subject to significant alterations in-year. Each site is defined as the "property asset" with the 3 significant components defined as land, buildings and external works.

The Trust used Cushman and Wakefield as the appointed independent valuers who are RICS Registered.

As a result of the revaluation, the Trust has a £54k revaluation surplus which is held on the balance sheet.

Note 18 Leases - Worcestershire Acute Hospitals NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Worcestershire Acute Hospitals NHS Trust is the lessee.

The Trust's operating leases for short term fixed leases include equipment and premises. Lease payments due later than five years relates to the Charles Hasting Education Centre, car parking, surgical robot and Kings Court as the agreement is more than a 5 years commitment.

Note 18.1 Right of use assets - 2024/25

	Property (land and buildings) £000	Plant & machinery £000	Transport equipment £000	Total £000
Valuation / gross cost at 1 April 2024 - brought forward	44,010	2,249	131	46,390
Additions	-	1,120	-	1,120
Remeasurements of the lease liability	(65)	113	52	100
Disposals / derecognition	-	(276)	-	(276)
Valuation/gross cost at 31 March 2025	43,945	3,206	183	47,334
Accumulated depreciation at 1 April 2024 - brought forward	2,096	947	107	3,150
Provided during the year	1,130	633	51	1,814
Disposals / derecognition	-	(276)	-	(276)
Accumulated depreciation at 31 March 2025	3,226	1,304	158	4,688
Net book value at 31 March 2025	40,719	1,902	25	42,646
Net book value at 1 April 2024	41,914	1,302	24	43,240

Note 18.2 Right of use assets - 2023/24

	Property (land and buildings) £000	Plant & machinery £000	Transport equipment £000	Total £000
Valuation / gross cost at 1 April 2023 - brought forward	31,725	3,013	143	34,881
Remeasurements of the lease liability	12,285	(346)	(12)	11,927
Disposals / derecognition	-	(418)	-	(418)
Valuation/gross cost at 31 March 2024	44,010	2,249	131	46,390
Accumulated depreciation at 1 April 2023 - brought forward	985	782	57	1,824
Provided during the year	1,111	583	50	1,744
Disposals / derecognition	-	(418)	-	(418)
Accumulated depreciation at 31 March 2024	2,096	947	107	3,150
Net book value at 31 March 2024	41,914	1,302	24	43,240
Net book value at 1 April 2023	30,740	2,231	86	33,057

Note 18.3 Revaluations of right of use assets

No revaluations of Trust right of use assets have taken place in year, therefore they are valued at cost with regular rental reviews for certain leases to ensure that payments are in-line with the market value.

Note 18.4 Reconciliation of the carrying value of lease liabilities

Lease liabilities are included within borrowings in the statement of financial position. A breakdown of borrowings is disclosed in note 24.1.

	2024/25	2023/24
	£000	£000
Carrying value at 1 April	43,593	33,189
Lease additions	838	-
Lease liability remeasurements	100	11,927
Interest charge arising in year	446	430
Lease payments (cash outflows)	(1,814)	(1,953)
Carrying value at 31 March	43,163	43,593

Lease payments for short term leases and variable lease payments not dependent on an index or rate are recognised in operating expenditure.

These payments are disclosed in Note 7.1. Cash outflows in respect of leases recognised on-SoFP are disclosed in the reconciliation above.

Lease liability remeasurement in 23/24, relates to CHEC lease payments which resulted in an increase of c£12m lease liability increase.

Note 18.5 Maturity analysis of future lease payments

	Total	Total
	31 March	31 March
	2025	2024
	£000	£000

Undiscounted future lease payments payable in:

- not later than one year;	2,020	1,805
- later than one year and not later than five years;	6,461	6,073
- later than five years.	49,316	50,724
Total gross future lease payments	57,797	58,602
Finance charges allocated to future periods	(14,634)	(15,009)
Net lease liabilities at 31 March 2025	43,163	43,593

There are no leases from other DHSC group bodies

Note 19 Inventories

	31 March 2025 £000	31 March 2024 £000
Drugs	4,981	4,401
Work In progress	50	51
Consumables	8,141	8,121
Energy	94	64
Total inventories	13,266	12,637

Inventories recognised in expenses for the year were £75,544k (2023/24: £64,978k). Write-down of inventories recognised as expenses for the year were £200k (2023/24: £375k).

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 2023/24 the Trust received £263k of items purchased by DHSC. Distribution of inventory by the Department ceased in March 2024.

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

Note 20.1 Receivables		
	31 March 2025 £000	31 March 2024 £000
Current		
Contract receivables	12,693	9,118
Allowance for impaired contract receivables / assets	(1,659)	(1,493)
Deposits and advances	5	(2)
Prepayments (non-PFI)	2,191	3,814
PFI lifecycle prepayments	711	2,682
PDC dividend receivable	-	3,327
VAT receivable	5,441	4,962
Other receivables	337	750
Total current receivables	19,719	23,158
Non-current		
Contract receivables	2,821	2,674
Other receivables	410	402
Total non-current receivables	3,231	3,076
Of which receivable from NHS and DHSC group bodies:		
Current	11,706	10,699
Non-current	410	402

Non-Current Contract Receivables relates to the NHS Injury Cost Recovery Scheme, whereby the Trust accounts for expected income.

Note 20.2 Allowances for credit losses		
	2024/25	2023/24
	Contract receivables and contract assets £000	Contract receivables and contract assets £000
Allowances as at 1 April - brought forward	1,493	1,183
New allowances arising	426	488
Reversals of allowances	197	283
Utilisation of allowances (write offs)	(457)	(461)
Allowances as at 31 Mar 2025	1,659	1,493

Injury cost recovery income: subject to a provision for credit losses of 24.45% (23.07% 2023/24) as per DHSC guidance for 2024/25 receivables.

Non-NHS receivables that are over 3 months old, are subject to a provision for credit losses of 100%

Non-NHS receivables less than 3 months old have been individually assessed and an appropriate provision made based on the information available and the assessed risk to

The allowance of £1.659m above at 31 March 2025 (£1.493m 2023/24) includes £599k relating to Injury Cost Recovery Scheme debtors (£599k for 2023/24). These are provided for, using national assumptions about the likelihood of debt recovery for all debts since 1 April 2019 and in full for older debts. 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

Note 20.3 Exposure to credit risk

The majority of the Trust's revenue comes from contracts with other public sector bodies, therefore the Trust has low exposure to credit risk. The maximum exposures as at 31st March 2025 are in receivables from customers, as disclosed in the trade and other receivables note.

Note 21 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.

	2024/25 £000	2023/24 £000
At 1 April	11,745	33,541
Net change in year	23,871	(21,796)
At 31 March	35,616	11,745
Broken down into:		
Cash at commercial banks and in hand	359	368
Cash with the Government Banking Service	35,257	11,377
Total cash and cash equivalents as in SoFP	35,616	11,745
Total cash and cash equivalents as in SoCF	35,616	11,745

Cash increased significantly in March 25 due to additional capital funding allocation and subsequent creditors will be paid in 25/26.

Note 22 Trade and other payables

	31 March 2025 £000	31 March 2024 £000
Current		
Trade payables	34,222	16,672
Capital payables	8,185	11,158
Accruals	28,970	34,188
Receipts in advance and payments on account	(86)	(222)
Social security costs	4,223	3,901
Other taxes payable	5,021	4,175
PDC dividend payable	2	-
Pension contributions payable	5,551	5,005
Other payables	1	1
Total current trade and other payables	<u>86,089</u>	<u>74,878</u>
Of which payables from NHS and DHSC group bodies:		
Current	7,277	3,545
Non-current	-	-

Note 23 Other liabilities		
	31 March 2025 £000	31 March 2024 £000
Current		
Deferred income: contract liabilities	5,171	6,221
Deferred PFI credits / income	628	-
Total other current liabilities	<u>5,799</u>	<u>6,221</u>
Non-current		
Deferred PFI credits / income	3,188	4,043
Total other non-current liabilities	<u>3,188</u>	<u>4,043</u>

Note 24.1 Borrowings		
	31 March 2025 £000	31 March 2024 £000
Current		
Loans from DHSC	680	680
Lease liabilities	1,595	1,400
Obligations under PFI, LIFT or other service concession contracts	12,729	11,350
Total current borrowings	<u>15,004</u>	<u>13,430</u>
Non-current		
Loans from DHSC	8,021	8,689
Lease liabilities	41,568	42,193
Obligations under PFI, LIFT or other service concession contracts	101,792	111,384
Total non-current borrowings	<u>151,381</u>	<u>162,266</u>

Note 24.2 Reconciliation of liabilities arising from financing activities				
	Loans from DHSC £000	Lease Liabilities £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2024	9,369	43,593	122,734	175,696
Cash movements:				
Financing cash flows - payments and receipts of principal	(668)	(1,368)	(11,673)	(13,709)
Financing cash flows - payments of interest	(255)	(446)	(10,789)	(11,490)
Non-cash movements:				
Additions	-	838	-	838
Lease liability remeasurements	-	100	-	100
Remeasurement of PFI / other service concession liability resulting from change in index or rate			3,460	3,460
Application of effective interest rate	255	446	10,789	11,490
Carrying value at 31 March 2025	8,701	43,163	114,521	166,385

	Loans from DHSC £000	Lease Liabilities £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2023	10,318	33,189	51,174	94,681
Cash movements:				
Financing cash flows - payments and receipts of principal	(949)	(1,524)	(10,403)	(12,876)
Financing cash flows - payments of interest	(275)	(429)	(11,448)	(12,152)
Non-cash movements:				
Application of IFRS 16 measurement principles to PFI liability on 1 April 2023			59,682	59,682
Lease liability remeasurements	-	11,927	-	11,927
Remeasurement of PFI / other service concession liability resulting from change in index or rate			22,281	22,281
Application of effective interest rate	275	430	11,448	12,153
Carrying value at 31 March 2024	9,369	43,593	122,734	175,696

Note 25.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs £000	Legal claims £000	Other £000	Total £000
At 1 April 2024	1,831	139	8,999	10,969
Change in the discount rate	7	-	(4)	3
Arising during the year	254	91	2,652	2,997
Utilised during the year	(202)	(65)	(2,058)	(2,325)
Reversed unused	(23)	(56)	(4,987)	(5,066)
Unwinding of discount	44	-	20	64
At 31 March 2025	1,911	109	4,622	6,642
Expected timing of cash flows:				
- not later than one year;	188	109	4,212	4,509
- later than one year and not later than five years;	751	-	32	783
- later than five years.	972	-	378	1,350
Total	1,911	109	4,622	6,642

Early departure costs or pensions relating to former staff are based upon actuarial estimates and are reviewed annually. Payments are made quarterly to the NHS Pensions Agency in respect of the Trust's liability.

Legal claims relate to employers'/third party liability claims. Cost estimates and timings are based on information held by the Legal Services team who work closely with the NHS Resolution.

Other provisions include AfC claims for current and former employees of the Trust and the amounts have been estimated based on information from other Trusts who have had similar claims made against them.

Note 25.2 Clinical negligence liabilities

At 31 March 2025, £230,703k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Worcestershire Acute Hospitals NHS Trust (31 March 2024: £259,670k).

Note 26 Contingent assets and liabilities

	31 March 2025 £000	31 March 2024 £000
Value of contingent liabilities		
NHS Resolution legal claims	(43)	(40)
Gross value of contingent liabilities	<u>(43)</u>	<u>(40)</u>
Net value of contingent liabilities	<u>(43)</u>	<u>(40)</u>
Net value of contingent assets	-	-

Note 27 Contractual capital commitments

	31 March 2025 £000	31 March 2024 £000
Property, plant and equipment	6,032	3,305
Intangible assets	670	-
Total	<u>6,702</u>	<u>3,305</u>

In 2024/25 capital projects were approved later in the year hence the commitments for 25/26

Note 28 Other financial commitments

are not leases, PFI contracts or other service concession arrangement), analysed by the period during which the payment is made:

	31 March 2025 £000	31 March 2024 £000
not later than 1 year	6,466	9,742
after 1 year and not later than 5 years	12,481	17,812
paid thereafter	522	1,041
Total	<u>19,469</u>	<u>28,595</u>

The Trust is committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangement), analysed by the period during which the payment is made. Included in the figures above is £13.572m for Computacenter for the provision of IT services.

Note 29 On-SoFP PFI, LIFT or other service concession arrangements

The information below is required by the Department of Health for inclusion in the national statutory accounts. The Trust has commitments to the PFI scheme covering the redevelopment of the Worcestershire Royal Hospital site, facilities management services, PACS equipment, a Managed Equipment Service and network and communications equipment.

The Trust retains existing estates at the Worcester site including Aconbury East and West which were not part of PFI originally in addition to new buildings covered by the PFI scheme.

The main PFI contract ends in December 2031. A monthly unitary payment will be paid up to that point. The unitary payment is subject to annual increases in line with RPI. Services are subject to market testing every 5 years. The arrangement requires the operator to deliver services to the Trust in accordance with the service delivery specification. Non delivery of quality or performance can lead to a reduction in the service charge being paid by the Trust.

The Trust retains step in rights should the contractor fail to meet minimum standards as set out within the contract. Under IFRIC 12 the asset is treated as an asset of the Trust. The substance of the contract is that the Trust has a financial lease and payments comprise 2 elements – imputed finance lease charges and service charges. Details of the imputed finance lease charges are included within the table below. retains step in rights should the contractor fail to meet minimum standards as set out within the contract. Under IFRIC 12 the asset is treated as an asset of the Trust.

Note 29.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

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

	31 March 2025 £000	31 March 2024 £000
Gross PFI, LIFT or other service concession liabilities	154,561	172,212
Of which liabilities are due		
- not later than one year;	22,462	21,852
- later than one year and not later than five years;	90,593	87,820
- later than five years.	41,506	62,540
Finance charges allocated to future periods	(40,040)	(49,478)
Net PFI, LIFT or other service concession arrangement obligation	114,521	122,734
- not later than one year;	12,729	11,350
- later than one year and not later than five years;	64,209	57,020
- later than five years.	37,583	54,365

Note 29.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	31 March 2025 £000	31 March 2024 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	324,483	364,539
Of which payments are due:		
- not later than one year;	45,815	44,592
- later than one year and not later than five years;	189,164	184,149
- later than five years.	89,504	135,798

Note 29.3 Analysis of amounts payable to service concession operator

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

	2024/25 £000	2023/24 £000
Unitary payment payable to service concession operator	51,496	53,915
Consisting of:		
- Interest charge	10,789	11,448
- Repayment of balance sheet obligation	11,673	10,403
- Service element and other charges to operating expenditure	28,694	27,562
- Capital lifecycle maintenance	340	4,502
Total amount paid to service concession operator	51,496	53,915

Note 30 Financial instruments

Note 30.1 Financial risk management

The financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

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

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

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 31st March 2025 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contract with Integrated Care Board (ICB), which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not therefore, exposed to significant liquidity risks.

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, subject to affordability. Where funding is provided through loans, borrowings are for 1-25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. Following changes to the national financing regime, funding is primarily now provided as Public Dividend Capital, attracting a nationally set dividend payment of 3.5% on net relevant assets. The Trust therefore has low exposure to interest rate fluctuations.

The Trust also borrows from Government where relevant to support any financial deficit and ensure sufficient cash flow to maintain day to day operations. Since April 2020 any new interim revenue support is provided as Public Dividend Capital and attracts a nationally set dividend payment of 3.5% on net relevant assets.

Note 30.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2025	Held at amortised cost £000	Total book value £000
Trade and other receivables excluding non financial assets	14,186	14,186
Cash and cash equivalents	35,616	35,616
Total at 31 March 2025	49,802	49,802

Carrying values of financial assets as at 31 March 2024	Held at amortised cost £000	Total book value £000
Trade and other receivables excluding non financial assets	11,044	11,044
Cash and cash equivalents	11,745	11,745
Total at 31 March 2024	22,789	22,789

Note 30.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2025	Held at amortised cost £000	Total book value £000
Loans from the Department of Health and Social Care	8,701	8,701
Obligations under leases	43,163	43,163
Obligations under PFI, LIFT and other service concession contracts	114,521	114,521
Trade and other payables excluding non financial liabilities	69,531	69,531
Total at 31 March 2025	235,916	235,916

Carrying values of financial liabilities as at 31 March 2024	Held at amortised cost £000	Total book value £000
Loans from the Department of Health and Social Care	9,369	9,369
Obligations under leases	43,593	43,593
Obligations under PFI, LIFT and other service concession contracts	122,734	122,734
Trade and other payables excluding non financial liabilities	64,820	64,820
Total at 31 March 2024	240,516	240,516

Note 30.4 Maturity of financial liabilities

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

	31 March 2025 £000	31 March 2024 £000
In one year or less	96,767	89,400
In more than one year but not more than five years	100,483	97,398
In more than five years	96,800	120,071
Total	294,050	306,869

Note 31 Losses and special payments

	2024/25		2023/24	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000

Losses

Cash losses *	4	0	1	-
Bad debts and claims abandoned	58	106	20	12
Stores losses and damage to property	1	200	1	371
Total losses	63	306	22	383

Special payments

Ex-gratia payments	50	24	53	22
Total special payments	50	24	53	22
Total losses and special payments	113	330	75	405

Compensation payments received

* the 1 case in 2023/24 was a payment of £100.

* the 4 cases in 2024/25 was a total of £462.

Note 32 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 Worcestershire Acute Hospitals NHS Trust.

The DHSC is regarded as a related party. During the year Worcestershire Acute Hospitals 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. For example:

Related parties may include but are not limited to:

- Department of Health and Social Care ministers
- Board members of the Trust
- The Department of Health and Social Care
- Other NHS providers
- ICBs and NHS England
- Other health bodies
- Other Government departments
- Local authorities
- NHS Charitable Funds
- Worcestershire Acute Hospitals Charity
- NHS Resolution
- NHS Shared Business Services (SBS)
- NHS Business Services Authority
- Charles Hastings Education Centre

The Trust has also received revenue and capital payments from Worcestershire Acute Hospitals Charity amounting to £725,254 (£1,130,254 in 2023/2024). All of these payments relate to expenditure made by the Trust on behalf of the Worcestershire Acute Hospitals Charity. As at 31 March 2025, Worcestershire Acute Hospitals Charity owed the Trust £69,001. The Trust Board is Corporate Trustee of the Trust's Charitable Funds. The summary financial statements of the funds held on Trust are included in the annual report and accounts.

Note 33.1 Related parties	Receivables	Receivables
	2024/25	2023/24
	£000	£000
Charitable Funds (where not consolidated)	69	74
Total balances with Related parties	69	74

2023/24 figure has been restated from £68k

Note 33.2 Better Payment Practice code				
	2024/25	2024/25	2023/24	2023/24
Non-NHS Payables	Number	£000	Number	£000
Total non-NHS trade invoices paid in the year	104,278	354,177	100,049	357,448
Total non-NHS trade invoices paid within target	<u>73,595</u>	<u>276,407</u>	<u>90,391</u>	<u>319,099</u>
Percentage of non-NHS trade invoices paid within target	<u>70.6%</u>	<u>78.0%</u>	<u>90.3%</u>	<u>89.3%</u>
NHS Payables				
Total NHS trade invoices paid in the year	2,218	16,783	2,109	21,234
Total NHS trade invoices paid within target	<u>1,107</u>	<u>7,694</u>	<u>1,497</u>	<u>16,186</u>
Percentage of NHS trade invoices paid within target	<u>49.9%</u>	<u>45.8%</u>	<u>71.0%</u>	<u>76.2%</u>

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

Note 34 Capital Resource Limit		
	2024/25	2023/24
	£000	£000
Gross capital expenditure	27,361	48,705
Less: Disposals	(773)	(436)
Less: Donated and granted capital additions	<u>(375)</u>	<u>(371)</u>
Charge against Capital Resource Limit	<u>26,213</u>	<u>47,898</u>
Capital Resource Limit	26,213	47,898
Under / (over) spend against CRL	<u>-</u>	<u>-</u>

Note 35 Breakeven duty financial performance	
	2024/25
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	(5,484)
IFRIC 12 breakeven adjustment	<u>6,132</u>
Breakeven duty financial performance surplus / (deficit)	<u>648</u>

Note 36 Breakeven duty rolling assessment

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	3,135	287	88	17	(14,191)	(25,918)	(59,831)	(28,748)
Breakeven duty cumulative position	(18,719)	(18,432)	(18,344)	(18,327)	(32,518)	(58,436)	(118,267)	(147,015)
Operating income	312,889	321,829	336,594	348,763	346,029	364,656	368,981	403,348
Cumulative breakeven position as a percentage of operating income	(6.0%)	(5.7%)	(5.4%)	(5.3%)	(9.4%)	(16.0%)	(32.1%)	(36.4%)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(52,562)	(68,790)	(80,844)	6,652	(1,082)	(19,775)	(36,576)	648
Breakeven duty cumulative position	(199,577)	(268,367)	(349,211)	(342,559)	(343,641)	(363,416)	(399,992)	(399,344)
Operating income	400,918	411,966	443,722	559,003	596,391	644,967	699,801	807,328
Cumulative breakeven position as a percentage of operating income	(49.8%)	(65.1%)	(78.7%)	(61.3%)	(57.6%)	(56.3%)	(57.2%)	(49.5%)