North Middlesex University Hospital
NHS Trust

Our annual accounts

For year ended 31 March 2020

Annual accounts for year ended 31 March 2020

Statement of comprehensive income

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3.1	307,724	285,555
Other operating income	4	37,866	35,168
Operating expenses	5.1	(325,300)	(316,931)
Operating surplus from continuing operations		**20,290**	**3,792**
Finance income	10	193	151
Finance expenses	11.1	(7,605)	(7,671)
PDC dividends payable		(106)	-
Net finance costs		**(7,518)**	**(7,520)**
Other (losses)		(8)	(46)
Retained surplus / (deficit) for the year		**12,764**	**(3,774)**
Other comprehensive income			
Impairments	6	4,510	(854)
Revaluations		-	691
Total comprehensive income / (expense) for the period		**17,274**	**(3,937)**

	2019/20 £000	2018/19 £000
Adjusted financial performance (control total basis):		
Surplus / (deficit) for the period	12,764	(3,774)
Remove net impairments not scoring to the Departmental expenditure limit	(12,208)	601
Remove I&E impact of capital grants and donations	(75)	(11)
Remove 2018/19 post audit PSF reallocation (2019/20 only)	(431)	-
Adjusted financial performance surplus / (deficit)	**50**	**(3,184)**

The notes on pages 5 to 49 form part of these accounts.

Statement of financial position

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	13.1	5,208	5,609
Property, plant and equipment	14.1	204,109	190,946
Receivables		682	-
Total non-current assets		**209,999**	**196,555**
Current assets			
Inventories	15	3,128	3,153
Receivables	16.1	21,282	26,086
Cash and cash equivalents	17.1	26,266	27,609
Total current assets		**50,676**	**56,848**
Current liabilities			
Trade and other payables	18.1	(38,304)	(39,261)
Borrowings	20	(63,648)	(6,864)
Provisions	22.1	(255)	(325)
Other liabilities	19	(4,498)	(4,689)
Total current liabilities		**(106,705)**	**(51,139)**
Total assets less current liabilities		**153,970**	**202,264**
Non-current liabilities			
Borrowings	20	(103,724)	(171,569)
Provisions	22.1	(1,230)	(634)
Total non-current liabilities		**(104,954)**	**(172,203)**
Total assets employed		**49,016**	**30,061**
Financed by			
Public dividend capital		137,099	135,418
Revaluation reserve		21,587	17,379
Income and expenditure reserve		(109,670)	(122,736)
Total taxpayers' equity		**49,016**	**30,061**

The notes on pages 5 to 49 form part of these accounts.

The financial statements on pages 1 to 49 were approved by the Board on 17 June 2020 and signed on its behalf by

Chief Executive: ______________________ Date: **17 June 2020**

Statement of changes in equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**135,418**	**17,379**	**(122,736)**	**30,061**
Surplus for the year	-	-	12,764	**12,764**
Impairments	-	4,510	-	**4,510**
Public dividend capital received	1,681	-	-	**1,681**
Other reserve movements	-	(302)	302	**-**
Taxpayers' and others' equity at 31 March 2020	**137,099**	**21,587**	**(109,670)**	**49,016**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**129,717**	**17,931**	**(119,351)**	**28,297**
(Deficit) for the year	-	-	(3,774)	**(3,774)**
Other transfers between reserves	-	(389)	389	**-**
Impairments	-	(854)	-	**(854)**
Revaluations	-	691	-	**691**
Public dividend capital received	5,701	-	-	**5,701**
Taxpayers' and others' equity at 31 March 2019	**135,418**	**17,379**	**(122,736)**	**30,061**

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.

Income and expenditure reserve

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

Statement of cash flows

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus		20,290	3,792
Non-cash income and expense:			
Depreciation and amortisation	5.1	12,750	12,522
Net impairments	6	(12,208)	601
Income recognised in respect of capital donations		(176)	(104)
(Increase) / decrease in receivables and other assets		3,785	(6,237)
(Increase) / decrease in inventories		25	163
Increase / (decrease) in payables and other liabilities		(959)	4,607
Increase / (decrease) in provisions		524	34
Net cash flows from operating activities		**24,031**	**15,378**
Cash flows from investing activities			
Interest received		194	175
Purchase of intangible assets		(1,348)	(366)
Purchase of PPE and investment property		(7,608)	(9,031)
Sales of PPE and investment property		16	20
Receipt of cash donations to purchase assets		92	-
Net cash (used in) investing activities		**(8,654)**	**(9,202)**
Cash flows from financing activities			
Public dividend capital received		1,681	5,701
Movement on loans from DHSC		(5,702)	11,440
Capital element of finance lease rental payments		(682)	(657)
Capital element of PFI, LIFT and other service concession payments		(4,687)	(4,549)
Interest paid on loans		(1,657)	(1,892)
Interest paid on finance lease liabilities		(88)	(89)
Interest paid on PFI, LIFT and other service concession obligations		(5,846)	(5,741)
PDC dividend refunded/(paid)		261	(383)
Net cash flows from / (used in) financing activities		**(16,720)**	**3,830**
Increase / (decrease) in cash and cash equivalents		**(1,343)**	**10,006**
Cash and cash equivalents at 1 April - brought forward		**27,609**	**17,603**
Cash and cash equivalents at 31 March	17.1	**26,266**	**27,609**

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 2019/20 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.

International Accounting Standard 1 requires the board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. The Trust Board has considered the advice in the Department of Health and Social Care Group Accounting Manual that the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. Department of Health bodies should therefore prepare their financial statements on a going concern basis unless informed by the Department of Health and Social Care of the intention for dissolution without transfer of service or function to another entity.

The Trust has incurred a surplus of £50k (excluding impairments) in 2019/20. This position includes provider sustainability funding (PSF) and financial recovery funding (FRF) of £15.3m, without which a deficit of £15.2m would have been incurred, £1.1m adverse to the control total. This includes an allowable cost of COVID-19 related annual leave, without which the Trust would have achieved a favourable variance of £80k against the control total.

On 2 April 2020 the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow repayment. The affected loans totaling £57.2m are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

The Trust is seeking additional revenue support from NHS England and NHS Improvement for 2020/21 and 2021/22 of £12.9 million and £12.5 million respectively in order to achieve breakeven. It is therefore anticipated that it may be some time before the Trust can achieve financial balance on a sustainable basis given constraints in the wider health economy. The Board has prepared its financial plans and cash flow forecasts on the assumption that support funding will continue to be received through the Department of Health and Social Care (DHSC) and NHS Improvement (NHSI) if required, and that this support funding is contingent on achievement of agreed financial targets.

The Board has prepared its financial plans and cash flow forecasts on the assumption that support funding will continue to be received through the Department of Health Social Care and NHS Improvement if required, although this support funding has not yet been requested nor confirmed. On the basis that the Trust receives this support funding in future years, it is not anticipated that any further borrowing will be required in 2020/21, and that existing capital loans can be repaid whilst maintaining the cash balance within the limits set out by the Department of Health Social Care through to June 2020.

The Trust Board has carefully considered the principle of going concern and the Directors have concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Trust which may cast significant doubt about the ability of the Trust to continue as a going concern.

Nevertheless, the going concern basis remains appropriate. This is because the Trust Board has a reasonable expectation that the Trust will have access to adequate resources in the form of financial support from the Department of Health and Social Care to continue to deliver the full range of mandatory services for the foreseeable future.

Note 1.3 Revenue from contracts with customers

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

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

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

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.

Provider sustainability fund (PSF) and Financial recovery fund (FRF)
The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

Note 1.4 Other forms of income

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

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

Note 1.5 Expenditure on employee benefits

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

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

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

Note 1.6 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, eg, plant and equipment, then these components are treated as separate assets and depreciated over their own useful lives.

Subsequent expenditure

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

Measurement

Valuation

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

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

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

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

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

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. 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 all of the following criteria 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. 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.

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

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

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

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

	Min life Years	**Max life Years**
Land	-	-
Buildings, excluding dwellings	5	60
Plant & machinery	5	15
Transport equipment	5	7
Information technology	5	8
Furniture & fittings	5	10

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

Note 1.8 Intangible assets

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

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

Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software
Software which is integral to the operation of hardware, eg an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, eg application software, is capitalised as an intangible asset.

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

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

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

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

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

	Min life Years	Max life Years
Information technology	5	8

Note 1.9 Inventories

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

Note 1.10 Cash and cash equivalents
Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of 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 1.11 Financial assets and financial liabilities

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

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

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 are 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).

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.

De-recognition

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 1.12 Leases

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

The Trust as a lessee

Finance leases

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

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

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

Operating leases

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

Leases of land and buildings

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

Note 1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020:

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms (plus 0.29% 2019/20)

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 22.2 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 1.14 Contingencies

Contingent liabilities are not recognised, but are disclosed in note 22.3, 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 1.15 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of 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, except for

(i) donated and grant funded assets,

(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund

(NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and

(iii) any PDC dividend balance receivable or payable.

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 1.16 Value added tax

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

Note 1.17 Third party assets

Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in a separate note 17.2 to the accounts in accordance with the requirements of HM Treasury's FReM.

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

No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

Note 1.21 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2021, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's incremental borrowing rate will be defined by HM Treasury. Currently this rate is 1.27% but this may change between now and the adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

The Trust currently has a number of arrangements for the use of buildings where no contract is in place. These arrangements are primarily with other NHS bodies. In the absence of a contract the Trust's judgement on the expected future use of these buildings could have a material affect on the valuation of the right of use asset and lease liability. The Trust does not expect there to be a material revenue impact.

The Trust has estimated the impact of applying IFRS 16 on existing contractual leases. Further work is required to estimate the impact where there is currently no contract. The Trust is working with a number of bodies to formalise existing arrangements which will make valuation more certain in the future.

The level of uncertainty over arrangements without a contract means the Trust is unable to provide an accurate estimate of the impact of applying IFRS 16 in 2021/22 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions.

Note 1.22 Critical judgements in applying accounting policies

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

The Trust has a PFI contract for a number of buildings and management has judged that following the principles of IFRIC 12 the assets are recognised as items of property, plant and equipment together with a liability to pay for them.

The Trust took the decision not to consolidate the charitable funds on the grounds of material. The Charitable Funds generated a total revenue of 66k for the year ended 31 March 2020.

Note 1.23 Sources of estimation uncertainty

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

(i) The Trust's estimation of its non current asset values and useful economic life involves estimation and judgement. During 2019/20 a valuation of all the Trust's land and buildings was carried out by an external professional valuer as at 31 March 2020. Specialised buildings are valued based on a depreciated Modern Equivalent Asset(MEA) basis with non specialised buildings valued based on Existing Use (EUV). The valuation provided has been used for closing net replacement costs. The valuation is based on current location and footprint. This reflects the Trusts favourable location based near the border of Enfield and Haringey – the two key purchasers and with miminal unutilised space. Remaining useful economic lives are included at note 14.5.

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

The valuation report does not provide a potential scale of the uncertainty and includes factors which might lead to a higher as well as lower valuation. The assessed value of the buildings is £166m. The impact of a 5% change would be to change the PDC dividend by £0.15m in 2019/20 based on the closing value of assets. The impact in 2020/21 would be a change in depreciation of £0.40m as well as £0.15m change in PDC dividend based on the opening value of assets.

The valuation report refers to the significant uncertainty created by the COVID-19 Pandemic. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

(ii) The Trust has estimated the level of recovery of its non-NHS receivables and made allowances of £2,255,000 (£2,039,000 as at 31 March 2019) for the expected level of impairment to those receivables. The provision is based both on the age of the debt and knowledge of the recoverability of specific debts. Actual experience may differ from these estimates. A provision of 21.79% (21.89% in 2018/19) is made in respect of Road Traffic Act Debtors.

Note 2 Operating segments

The North Middlesex University Hospital NHS Trust operates within one segment of healthcare provision.

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)

	2019/20 £000	2018/19 £000
Acute services		
Elective income	29,927	32,179
Non elective income	102,035	93,306
First outpatient income	19,816	19,080
Follow up outpatient income	29,763	27,732
A & E income	25,722	22,024
High cost drugs income from commissioners (excluding pass-through costs)	17,429	18,119
Other NHS clinical income	70,169	64,923
Community services		
Community services income from CCGs and NHS England	1,144	1,099
Income from other sources (e.g. local authorities)	2,788	2,860
All services		
Private patient income	63	106
Agenda for Change pay award central funding	-	2,453
Additional pension contribution central funding	7,147	-
Other clinical income	1,721	1,674
Total income from activities	**307,724**	**285,555**

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £000	2018/19 £000
NHS England	53,853	48,767
Clinical commissioning groups	245,918	229,074
Department of Health and Social Care	-	2,453
Other NHS providers	565	673
NHS other	2,786	-
Local authorities	2,818	2,808
Non-NHS: private patients	63	106
Non-NHS: overseas patients (chargeable to patient)	610	609
Injury cost recovery scheme	1,111	1,065
Total income from activities	**307,724**	**285,555**
Of which:		
Related to continuing operations	307,724	285,555
Related to discontinued operations	-	-

Note 3.3 Overseas visitor disclosure

	2019/20	2018/19
	£000	£000
Income recognised this year	610	609
Cash payments received in-year	239	196
Amounts added to provision for impairment of receivables	142	149
Amounts written off in-year	101	96

Note 4 Other operating Income

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	614	-	**614**	554	-	**554**
Education and training	11,195	279	**11,474**	12,507	177	**12,684**
Non-patient care services to other bodies	3,460	-	**3,460**	3,623	-	**3,623**
Provider sustainability fund (PSF)	7,642	-	**7,642**	14,435	-	**14,435**
Financial recovery fund (FRF)	7,941	-	**7,941**	-	-	**-**
Marginal rate emergency tariff funding (MRET)	147	-	**147**	-	-	**-**
Income in respect of employee benefits accounted on a gross basis	-		**-**	45		**45**
Receipt of capital grants and donations	-	176	**176**		104	**104**
Other income	6,412	-	**6,412**	3,723	-	**3,723**
Total other operating income	**37,411**	**455**	**37,866**	**34,887**	**281**	**35,168**
Of which:						
Related to continuing operations			**37,866**			**35,168**
Related to discontinued operations			**-**			**-**

The Financial Recovery Fund (FRF) was introduced in 2019/20 to support systems' and organisations' efforts to make all NHS services sustainable

Note 4.1 Revenue from contract with customers recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in contract liabilities at the previous period end	2,061	3,494

Note 4.2 Transaction price allocated to remaining performance obligations

The Trust's review determined that there is no revenue from existing contracts that requires to be allocated to remaining performance obligations

Note 5.1 Operating expenses

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	391	456
Purchase of healthcare from non-NHS and non-DHSC bodies	3,192	2,077
Staff and executive directors costs	210,780	189,836
Remuneration of non-executive directors	79	81
Supplies and services - clinical (excluding drugs costs)	30,490	29,709
Supplies and services - general	9,333	9,602
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	23,117	23,634
Inventories written down	2	2
Consultancy costs	312	150
Establishment	2,221	2,522
Premises	12,824	12,236
Transport (including patient travel)	2,202	2,119
Depreciation on property, plant and equipment	11,090	10,999
Amortisation on intangible assets	1,660	1,523
Net impairments	(12,208)	601
Movement in credit loss allowance: contract receivables / contract assets	139	62
Movement in credit loss allowance: all other receivables and investments	251	99
Increase/(decrease) in other provisions	40	190
Change in provisions discount rate(s)	14	(3)
Audit fees payable to the external auditor		
audit services- statutory audit	66	54
other auditor remuneration (external auditor only)	-	11
Internal audit costs	127	127
Clinical negligence	15,102	17,277
Legal fees	265	220
Insurance	153	152
Education and training	1,371	1,605
Rentals under operating leases	568	516
Redundancy	27	161
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	7,716	7,475
Car parking & security	913	859
Hospitality	33	40
Losses, ex gratia & special payments	6	44
Other services, eg external payroll	2,682	2,257
Other	342	238
Total	**325,300**	**316,931**
Of which:		
Related to continuing operations	325,300	316,931
Related to discontinued operations	-	-

Note 5.2 Other auditor remuneration

	2019/20 £000	2018/19 £000
Other auditor remuneration paid to the external auditor:		
1. All assurance services	-	11
Total	**-**	**11**

Note 5.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £1m (2019/20: £1m).

Note 6 Impairment of assets

	2019/20 £000	2018/19 £000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	(12,541)	113
Other	333	488
Total net impairments charged to operating surplus / deficit	**(12,208)**	**601**
Impairments charged to the revaluation reserve	(4,510)	854
Total net impairments	**(16,718)**	**1,455**

Note 7 Employee benefits

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	135,918	126,755
Social security costs	15,856	14,932
Apprenticeship levy	712	671
Employer's contributions to NHS pensions	23,395	15,174
Temporary staff (including agency)	35,524	32,913
Total gross staff costs	**211,405**	**190,445**
Recoveries in respect of seconded staff	-	-
Total staff costs	**211,405**	**190,445**
Of which		
Costs capitalised as part of assets	598	415

The increase in the Employer's contributions to NHS pensions primarily relates to an increase in the contribution rate from 14.38% to 20.68%. The increase which equates to £7.1m is centrally funded via NHS England.

Note 7.1 Retirements due to ill-health

During 2019/20 there was I early retirement from the Trust agreed on the grounds of ill-health (none in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-Health retirements is £72k (£0k in 2018/19).

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

Note 8 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

Note 9 Operating leases

Note 9.1 North Middlesex University Hospital NHS Trust as a lessee

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	568	516
Total	**568**	**516**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	606	579
- later than one year and not later than five years;	987	1,519
- later than five years.	47	124
Total	**1,640**	**2,222**
Future minimum sublease payments to be received	-	-

Note 10 Finance income

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

	2019/20	2018/19
	£000	£000
Interest on bank accounts	193	151
Total finance income	**193**	**151**

Note 11 Finance expenditure

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

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	1,667	1,827
Finance leases	90	90
Main finance costs on PFI and LIFT schemes obligations	3,396	3,557
Contingent finance costs on PFI and LIFT scheme obligations	2,450	2,196
Total interest expense	**7,603**	**7,670**
Unwinding of discount on provisions	2	1
Total finance costs	**7,605**	**7,671**

Note 12 Other gains / (losses)

	2019/20	2018/19
	£000	£000
Losses on disposal of assets	(8)	(46)
Total (losses) on disposal of assets	**(8)**	**(46)**

Note 13 Intangible assets

Note 13.1 Intangible assets - 2019/20

	IT - Purchased £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	**12,681**	**830**	**13,511**
Additions	562	697	**1,259**
Reclassifications	401	(401)	**-**
Valuation / gross cost at 31 March 2020	**13,644**	**1,126**	**14,770**
Amortisation at 1 April 2019 - brought forward	**7,902**	**-**	**7,902**
Provided during the year	1,660	-	**1,660**
Amortisation at 31 March 2020	**9,562**	**-**	**9,562**
Net book value at 31 March 2020	**4,082**	**1,126**	**5,208**
Net book value at 1 April 2019	**4,779**	**830**	**5,609**

Note 13.2 Intangible assets - 2018/19

	IT - Purchased £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2018 - as previously stated	**12,195**	**-**	**12,195**
Additions	496	830	**1,326**
Disposals / derecognition	(10)	-	**(10)**
Valuation / gross cost at 31 March 2019	**12,681**	**830**	**13,511**
Amortisation at 1 April 2018 - as previously stated	**6,389**	**-**	**6,389**
Provided during the year	1,523	-	**1,523**
Disposals / derecognition	(10)	-	**(10)**
Amortisation at 31 March 2019	**7,902**	**-**	**7,902**
Net book value at 31 March 2019	**4,779**	**830**	**5,609**
Net book value at 1 April 2018	**5,806**	**-**	**5,806**

The Trust capitalises the cost of procured software and software licences, plus the cost of implementing new systems. These assets are held at amortised cost price. There has been no indexation or revaluation applied to the current intangible assets.

All intangible assets are amortised. The useful lives are estimated by Trust management or based on contract terms. Useful lives are regularly assessed to ensure reasonableness. The current software has total useful lives of between 5 and 8 years with remaining lives between 0 and 8 years.

Note 14 Property, plant and equipment

Note 14.1 Property, plant and equipment - 2019/20

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2019 - brought forward	**20,402**	**200,297**	**1,851**	**34,428**	**119**	**9,815**	**3,723**	**270,635**
Additions	-	2,373	1,821	2,241	-	1,099	25	**7,559**
Impairments	-	(231)	-	-	-	-	-	**(231)**
Reversals of impairments	-	4,741	-	-	-	-	-	**4,741**
Revaluations	-	(42,744)	-	-	-	-	-	**(42,744)**
Reclassifications	-	1,905	(2,180)	13	-	262	-	**-**
Disposals / derecognition	-	-	-	(2,235)	(12)	-	-	**(2,247)**
Valuation/gross cost at 31 March 2020	**20,402**	**166,341**	**1,492**	**34,447**	**107**	**11,176**	**3,748**	**237,713**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**47,782**	**-**	**21,928**	**91**	**7,375**	**2,513**	**79,689**
Provided during the year	-	7,170	-	2,689	13	940	278	**11,090**
Impairments	-	333	-	-	-	-	-	**333**
Reversals of impairments	-	(12,541)	-	-	-	-	-	**(12,541)**
Revaluations	-	(42,744)	-	-	-	-	-	**(42,744)**
Disposals / derecognition	-	-	-	(2,211)	(12)	-	-	**(2,223)**
Accumulated depreciation at 31 March 2020	**-**	**-**	**-**	**22,406**	**92**	**8,315**	**2,791**	**33,604**
Net book value at 31 March 2020	**20,402**	**166,341**	**1,492**	**12,041**	**15**	**2,861**	**957**	**204,109**
Net book value at 1 April 2019	**20,402**	**152,515**	**1,851**	**12,500**	**28**	**2,440**	**1,210**	**190,946**

Note 14.2 Property, plant and equipment - 2018/19

	Land £000	Buildings excluding 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 2018	**20,402**	**194,476**	**663**	**33,571**	**119**	**9,338**	**3,555**	**262,124**
Additions	-	5,422	1,750	3,585	-	498	185	**11,440**
Impairments	-	(854)	-	-	-	-	-	**(854)**
Revaluations	-	691	-	-	-	-	-	**691**
Reclassifications	-	562	(562)	-	-	1	(1)	**-**
Disposals / derecognition	-	-	-	(2,728)	-	(22)	(16)	**(2,766)**
Valuation/gross cost at 31 March 2019	**20,402**	**200,297**	**1,851**	**34,428**	**119**	**9,815**	**3,723**	**270,635**
Accumulated depreciation at 1 April 208	**-**	**39,897**	**-**	**22,031**	**79**	**6,522**	**2,250**	**70,779**
Provided during the year	-	7,284	-	2,551	12	874	278	**10,999**
Impairments	-	1,779	-	-	-	-	-	**1,779**
Reversals of impairments	-	(1,178)	-	-	-	-	-	**(1,178)**
Disposals / derecognition	-	-	-	(2,654)	-	(21)	(15)	**(2,690)**
Accumulated depreciation at 31 March 2019	**-**	**47,782**	**-**	**21,928**	**91**	**7,375**	**2,513**	**79,689**
Net book value at 31 March 2019	**20,402**	**152,515**	**1,851**	**12,500**	**28**	**2,440**	**1,210**	**190,946**
Net book value at 1 April 2018	**20,402**	**154,579**	**663**	**11,540**	**40**	**2,816**	**1,305**	**191,345**

During the year a revaluation of the whole Trust estate as at 31 March 2020 was carried out by Gary Howes MRICS and Chris Soar MRICS of Montagu Evans LLP. Following the valuation exercise there was an increase in the building value of £16.72m. The majority of the increase refelected an increase in the BCIS location index for Enfield from 115 to 123. All but two of the Trust's blocks increased in value, by a total of £17.28m. Of this total £15.54m was treated as a reversal of impairment in operating expenses - the extent the relavant blocks had been impaired in the past. The balance of £4.74m was taken to the revaluation reserve. Of the blocks reducing in value, one related to a new block which became operational during 2019/20. A reduction in value of £0.17m relating to this block has been treated as an impairment charged to operating expenses. The remaining reduction of £0.39m relating to an existing building has been first used to eliminate the £0.23m revaluation reserve relating to that block with the balance of £0.16m treated as an impairment charged to operating expenses. The valuation of land was unchanged.

For the substantial majority of buildings, valuations were carried out at Depreciated Replacement cost on a Modern Equivalent Asset basis in line with the GAM for specialised buildings. This represents fair value under IFRS assuming that the buildings continue to be used for the provision of NHS services. A number of non specialised areas were valued at market value for existing use. This included parts of buildings used for administration with a value of £145k. The valuation was based on the existing location. This reflects the fact the fact that a substantial majority of the Trusts patients and income are from Enfield and Haringey.

As part of their valuation report Montagu Evans have highlighted material uncertainties over the valuation figures as a result of the ongoing impact of the Covid 19 crisis.

Note 14.3 Property, plant and equipment financing - 2019/20

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2020								
Owned - purchased	20,402	75,524	1,401	11,767	15	2,684	921	**112,714**
Finance leased	-	-	-	-	-	163	-	**163**
On-SoFP PFI contracts and other service concession arrangements	-	90,580	-	-	-	-	-	**90,580**
Owned - government granted	-	-	91	-	-	-	-	**91**
Owned - donated	-	237	-	274	-	14	36	**561**
NBV total at 31 March 2020	**20,402**	**166,341**	**1,492**	**12,041**	**15**	**2,861**	**957**	**204,109**

Note 14.4 Property, plant and equipment financing - 2018/19

	Land £000	Buildings excluding dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019								
Owned - purchased	20,402	69,077	1,851	12,245	28	2,105	1,168	**106,876**
Finance leased	-	-	-	-	-	322	-	**322**
On-SoFP PFI contracts and other service concession arrangements	-	83,195	-	-	-	-	-	**83,195**
Owned - donated	-	243	-	255	-	13	42	**553**
NBV total at 31 March 2019	**20,402**	**152,515**	**1,851**	**12,500**	**28**	**2,440**	**1,210**	**190,946**

During 2018/19 a revaluation of the whole Trust estate as at 31 March 2019 was carried out by Gary Howes MRICS, Chris Soar MRICS and Jaspreet Rahi MSc of Montagu Evans LLP. Following the valuation exercise there was a reduction in the building value of £764k. This included a reduction of £488k for a new extension valued on a modern equivalent asset basis for the first time. This reduction was treated as an impairment with a charge to operating expenditure. The remaining £276k net reduction was split between a further £113k impairment with a charge to operating expenditure with the balance of £153k offset against the Revaluation Reserve. The land value was unchanged.

Note 14.5 Range of lives of property, plant and equipment - 2019/20

Economic Lives of Non-Current Assets	Min life Years	Max life Years
Buildings excl Dwellings	5	60
Plant & Machinery	5	15
Transport Equipment	5	7
Information Technology	5	8
Furniture and Fittings	5	10

Note 14.6 Donations of property, plant and equipment

During the year the Trust received donations of £84k . Of this total £71k came from the North Middlesex Hospital Charitable Fund having been raised to support a radiotherapy project to replace a CT scanner. In addition £92k was funded by grants from TFL to improve bus access and provide cycle facilities on site.

Note 15 Inventories

	31 March 2020 £000	31 March 2019 £000
Drugs	1,848	1,686
Consumables	1,213	1,392
Energy	67	75
Total inventories	**3,128**	**3,153**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £39,542k (2018/19: £36,444k).
Write-down of inventories recognised as expenses for the year were £2k (2018/19: £2k).

Note 16.1 Trade receivables and other receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	18,961	23,485
Allowance for impaired contract receivables / assets	(1,626)	(1,594)
Allowance for other impaired receivables	(629)	(445)
Prepayments (non-PFI)	2,220	1,686
Interest receivable	54	55
PDC dividend receivable	-	336
VAT receivable	1,109	1,479
Other receivables	1,193	1,084
Total current receivables	**21,282**	**26,086**

The great majority of trade is with CCGs. As CCGs are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Note 16.2 Allowances for credit losses - 2019/20

	2019/20		2018/19	
	Contract receivables and contract assets £000	All other receivables £000	Contract receivables and contract assets £000	All other receivables £000
Allowances as at 1 April - brought forward	**1,594**	**445**	**-**	**1,997**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			1,651	(1,651)
New allowances arising	148	252	106	100
Reversals of allowances	(9)	(1)	(44)	(1)
Utilisation of allowances (write offs)	(107)	(67)	(119)	-
Allowances as at 31 Mar 2020	**1,626**	**629**	**1,594**	**445**

Note 17.1 Cash and cash equivalents movements

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

	2019/20	2018/19
	£000	£000
At 1 April 2019	**27,609**	**17,603**
Net change in year	(1,343)	10,006
At 31 March 2020	**26,266**	**27,609**
Broken down into:		
Cash at commercial banks and in hand	2	2
Cash with the Government Banking Service	26,264	27,607
Total cash and cash equivalents as in SoFP	**26,266**	**27,609**
Total cash and cash equivalents as in SoCF	**26,266**	**27,609**

Note 17.2 Third party assets held by the trust

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

	31 March 2020	31 March 2019
	£000	£000
Bank balances	17	24
Total third party assets	**17**	**24**

Note 18.1 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	18,433	19,072
Capital payables	5,432	5,654
Accruals	5,933	6,968
Social security costs	2,251	2,128
Other taxes payable	2,015	2,028
PDC dividend payable	31	-
Other payables	4,209	3,411
Total current trade and other payables	**38,304**	**39,261**
Of which payables from NHS and DHSC group bodies:		
Current	4,719	8,091
Non-current	-	-

Note 18.2 Early retirements in NHS payables above

There were no early retirements due to ill health in 2019/20. (2018/19 nil)

Note 19 Other liabilities

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	4,498	4,689
Total other current liabilities	**4,498**	**4,689**

Note 20 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Loans from DHSC *	58,595	1,495
Obligations under finance leases	436	682
Obligations under PFI, LIFT or other service concession contracts	4,617	4,687
Total current borrowings	**63,648**	**6,864**
Non-current		
Loans from DHSC	5,365	68,157
Obligations under finance leases	636	1,072
Obligations under PFI, LIFT or other service concession contracts	97,723	102,340
Total non-current borrowings	**103,724**	**171,569**

* including £155k of accrued interest

The Trust currently has Fifteen loans with the Department of Health and Social Care the details are as follows:

The first capital loan was taken out in September 2010. £440k is payable every six months until September 2025. Interest of 2.74% is payable on the outstanding balance.

The second capital loan was taken out in December 2012. £95k is payable every six months until September 2022, Interest of 1.04% is payable on the outstanding balance.

The third capital loan was taken out in December 2014. £140k is payable every six months until December 2024, Interest of 1.9% is payable on the outstanding balance.

The fourth loan is a revolving working capital facility which was repayable by February 2021 or earlier if the Trust had surplus cash. Interest of 3.5% is payable on the outstanding balance.

During 2017/18 the Trust took out six individual interim revenue support loans totalling £28m. These were repayable within three years of the loan date or earlier if the Trust had surplus cash. Interest of 3.5% is payable on the outstanding balance.

During 2018/19 the Trust took out five individual interim revenue support loans totalling £20.89m. These are repayable within 3 years of the loan date or earlier if the Trust had surplus cash. Interest of 1.5% is payable on the outstanding balance. Early repayments were made of two of the loans taken out in 2017/18 with a value of £8.1m.

During 2019/20 the Trust took out one interim revenue support loan of £5.0m. This was repayable within three years of the loan date or earlier if the Trust had surplus cash. Interest of 1.5% is payable on the outstanding balance. An early repayment of £10.852m was made against the revolving working capital loan.

During 2019/20 the Trust took out a new interim capital investment loan of £1.5m which was repayable through half yearly payments of £50k over 15 years. The interest rate is 0.32%

During 2019/20 it was announced that existing revenue support loans as well as interim capital loans would be converted to PDC as of the start of 2020/21. As a result the full balance of £9.80m of revolving working capital loans, £45.79m of interim revenue support loans and £1.50m of interim capital investment loans are treated as current borrowings. Following the conversion the Trust will only have the three earlier capital loans outstanding.

Note 20.1 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Finance leases	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	**69,652**	**1,754**	**107,027**	**178,433**
Cash movements:				
Financing cash flows - payments and receipts of principal	(5,702)	(682)	(4,687)	**(11,071)**
Financing cash flows - payments of interest	(1,657)	(55)	(3,396)	**(5,108)**
Non-cash movements:				
Application of effective interest rate	1,667	55	3,396	**5,118**
Carrying value at 31 March 2020	**63,960**	**1,072**	**102,340**	**167,372**

Note 20.2 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Finance leases	PFI schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	**58,067**	**2,410**	**111,576**	**172,053**
Cash movements:				
Financing cash flows - payments and receipts of principal	11,440	(657)	(4,549)	**6,234**
Financing cash flows - payments of interest	(1,892)	(89)	(3,557)	**(5,538)**
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	210	-	-	**210**
Application of effective interest rate	1,827	90	3,557	**5,474**
Carrying value at 31 March 2019	**69,652**	**1,754**	**107,027**	**178,433**

Note 21 Obligations under finance leases where the trust is the lessee.

Obligations under finance leases where North Middlesex University Hospital NHS Trust is the lessee.

	31 March 2020	31 March 2019
	£000	£000
Gross lease liabilities	**1,273**	**2,054**
of which liabilities are due:		
- not later than one year;	523	769
- later than one year and not later than five years;	750	1,285
- later than five years.	-	-
Finance charges allocated to future periods	(201)	(300)
Net lease liabilities	**1,072**	**1,754**
of which payable:		
- not later than one year;	436	682
- later than one year and not later than five years;	636	1,072
- later than five years.	-	-

Note 22.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Clinician pension tax reimbursement	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	**783**	**26**	**87**	**-**	**63**	**959**
Change in the discount rate	**14**	**-**	**-**	**-**	**-**	**14**
Arising during the year	**68**	**9**	**-**	**682**	**68**	**827**
Utilised during the year	(129)	(8)	(45)	-	(30)	**(212)**
Reversed unused	**(46)**	**-**	**(42)**	**-**	**(17)**	**(105)**
Unwinding of discount	**2**	**-**	**-**	**-**	**-**	**2**
At 31 March 2020	**692**	**27**	**-**	**682**	**84**	**1,485**
Expected timing of cash flows:						
- not later than one year;	161	10	-	**-**	**84**	**255**
- later than one year and not later than five years;	394	17	-	**682**	**-**	**1,093**
- later than five years.	137	-	-	**-**	**-**	**137**
Total	**692**	**27**	**-**	**682**	**84**	**1,485**

Pensions cost relate to the funding of pensions for staff made redundant or taking voluntary early retirement. The full projected cost is charged in the year the employee leaves the Trust based on actuarial estimations. The primary uncertainty is the actual length of life. Legal claims are employment tribunal cases. The probability of the claim succeeding and potential cost are estimated by the Trust's legal advisors. NHS Resolution have assessed the personal injury cases, included in Other, and provided similar estimations for both potential cost and probability that the cost will materialise.

From 2019/20 a new provision relating to the impact of an increase in NHS pension benefits on the in year tax charge for clinicians has been recognised. Clinicians can have the additional tax paid by the NHS Pension Scheme without loss of pension when they retire. This would require the employer to top up the payment on retirement. The Trust has included a provison for the future cost. However there is an offsetting commitment from NHS England to reimburse the Trust for this cost when it materialises. There is no impact on the Trust costs.

Note 22.2 Clinical negligence liabilities

At 31 March 2020, £276,163k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of North Middlesex University Hospital NHS Trust (31 March 2019: £270,944k).

Note 22.3 Contingencies

	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
NHS Resolution legal claims	(137)	(322)
Employment tribunal and other employee related litigation	-	(86)
Gross value of contingent liabilities	**(137)**	**(408)**
Amounts recoverable against liabilities	105	297
Net value of contingent liabilities	**(32)**	**(111)**
Net value of contingent assets	**-**	**-**

The contingencies represent the balance of potential costs not accrued for the personal injury cases included within provisions. These values have not been recognised as a cost or outstanding liability.

Note 23 Contractual capital commitments

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	2,223	1,151
Intangible assets	194	825
Total	**2,417**	**1,976**

Capital commitments for PPE include orders placed before the 31st March 2020 where goods or works have not yet been fully delivered by year end. Significant costs included £597k for a CT scanner, £539k for X-Ray rooms and £439k for ventilators. Commitments for intangibles includes two partially complete software orders as part of the Trusts global digital exemplar (GDE) faster followers programme. The increase is partly as a result of Covid-19, both as a result of delays in deliveries and increased orders in March.

Note 24 On-SoFP PFI - Additional information

During 2010/11 the Trust took possession of a new PFI hospital. Under IFRIC 12 this is accounted for as an asset of the Trust with a corresponding liability on the balance sheet.

The contract with the PFI provider, ByNorth, runs until May 2041. At the end of this period ownership of the PFI assets will transfer to the Trust without charge. Monthly Unitary Payments are made covering the repayment of finance, including interest, building maintenance costs of the new buildings and replacement of components of these buildings. Maintenance of the Trust's existing buildings are also covered by the unitary payments.

The construction scheme was in two phases with phase two completed in July 2011 when an additional asset and liability was recognised.

The Unitary Payment increases each year in line with inflation as measured by the Retail Price Index (RPI). The increased cost is split between operating costs and contingent rental. Contingent rentals, related to the impact of inflation on the lease liability, are included within finance costs.

In March 2017 the Trust agreed to a refinancing of ByNorth's PFI borrowing, which involves a change from a 6 month loan facility to a monthly one. This takes effect from 2017/18 and runs for 5 years. In accordance with the terms of the PFI contract, the benefits are shared between ByNorth and the Trust. The net savings to the Trust will be a total of £346k over the 5 years by reducing the annual expense each year.

Note 24.1 Inputed finance lease obligations

North Middlesex University Hospital NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI schemes:

	31 March 2020	31 March 2019
	£000	£000
Gross PFI liabilities	**188,107**	**194,127**
Of which liabilities are due		
- not later than one year;	10,497	10,533
- later than one year and not later than five years;	40,728	40,378
- later than five years.	136,882	143,216
Finance charges allocated to future periods	(85,767)	(87,100)
Net PFI obligation	**102,340**	**107,027**
- not later than one year;	4,617	4,687
- later than one year and not later than five years;	18,885	18,809
- later than five years.	78,838	83,531

Note 24.2 Total on-SoFP PFI commitments

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

	31 March 2020	31 March 2019
	£000	£000
Total future payments committed in respect of the PFI arrangements	**399,226**	**407,827**
Of which payments are due:		
- not later than one year;	18,762	18,303
- later than one year and not later than five years;	75,292	73,383
- later than five years.	305,172	316,141

Note 24.3 Analysis of amounts payable to service concession operator

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

	2019/20 £000	2018/19 £000
Unitary payment payable to service concession operator	**18,249**	**17,777**
Consisting of:		
- Interest charge	3,396	3,557
- Repayment of balance sheet obligation	4,687	4,549
- Service element and other charges to operating expenditure	6,597	6,372
- Revenue lifecycle maintenance	1,119	1,103
- Contingent rent	2,450	2,196
Total amount paid to service concession operator	**18,249**	**17,777**

Note 25 Financial instruments

25.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the 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 Trust's treasury activity is subject to review by the Trust's internal auditors.

Currency risk

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

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. The borrowings are for 1 – 15 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The PFI contract, which runs for a further 21 years, includes an implicit interest rate of 3.31%. The Trust therefore has low exposure to interest rate fluctuations. The total finance charges for the PFI contract includes contingent rent, which results from cumulative indexation of the finance lease payments by RPI inflation. The impact of inflation is expected to be mitigated by increasing cash generated from activities.

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

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

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

Liquidity risk

The Trust's operating costs are incurred under contracts with CCGs and NHS England, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. Repayment of DHSC capital loans, detailed in note 20, is funded from the depreciation of the assets funded by the loans. The PFI borrowing described in note 24 is repayable monthly over the 31 year term. This is funded from a combination of depreciation and operating income. The Trust currently has a £9.8m revolving working capital loan and £45.8m of interim revenue support loans. However in 2020/21 these are to be converted in full to PDC for which no repayment is required. However NHSI has indicated that further revenue support will be made available to Trusts in deficit if required. Assuming continuing support, the Trust does not face significant liquidity risk.

Note 26 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2020	**Total book value £000**
Trade and other receivables excluding non financial assets	**18,635**
Cash and cash equivalents	**26,266**
Total at 31 March 2020	**44,901**

Carrying values of financial assets as at 31 March 2019	**Total book value £000**
Trade and other receivables excluding non financial assets	**22,585**
Cash and cash equivalents	**27,609**
Total at 31 March 2019	**50,194**

Note 26.1 Carrying values of financial Liabilities

Carrying values of financial liabilities as at 31 March 2020	Total book value £000
Loans from the Department of Health and Social Care	**63,960**
Obligations under finance leases	**1,072**
Obligations under PFI, LIFT and other service concession contracts	**102,340**
Trade and other payables excluding non financial liabilities	**31,658**
Total at 31 March 2020	**199,030**

Carrying values of financial liabilities as at 31 March 2019	Total book value £000
Loans from the Department of Health and Social Care	**69,652**
Obligations under finance leases	**1,754**
Obligations under PFI, LIFT and other service concession contracts	**107,027**
Trade and other payables excluding non financial liabilities	**32,897**
Total at 31 March 2019	**211,330**

Note 26.2 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	95,306	39,761
In more than one year but not more than two years	6,495	6,403
In more than two years but not more than five years	17,951	79,455
In more than five years	79,278	85,711
Total	**199,030**	**211,330**

Note 27 Losses and special payments

	2019/20		2018/19	
	Total number of cases	**Total value of cases**	**Total number of cases**	**Total value of cases**
	Number	**£000**	**Number**	**£000**
Losses				
Cash losses	47	65	-	-
Fruitless payments	6	20	2	29
Bad debts and claims abandoned	81	108	28	96
Stores losses and damage to property	21	44	6	10
Total losses	**155**	**237**	**36**	**135**
Special payments				
Compensation under court order or legally binding arbitration award	6	7	2	1
Ex-gratia payments	16	89	15	76
Total special payments	**22**	**96**	**17**	**77**
Total losses and special payments	**177**	**333**	**53**	**212**
Compensation payments received		-		-

Note 28 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, have undertaken any material transactions with North Middlesex University Hospital NHS Trust.

The Department of Health is regarded as a related party. During the year North Middlesex University Hospital NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The Trust has listed below, in order of significance, organisations which had transactions in excess of £1m with the Trust during 2019/20.

Enfield CCG

Haringey CCG

NHS England

Health Education England

East and North Hertfordshire CCG

Waltham Forest CCG

Barnet CCG

Department of Health

City and Hackney CCG

Redbridge CCG

Islington CCG

West Essex CCG

Royal Free London NHS Foundation Trust

University College London Hospitals NHS Foundation Trust

The Whittington Health NHS Trust

NHS Resolution

NHS Blood and Transplant

The Trust has significant balances with the following Government departments

HMRC

NHS Pension Scheme

London Borough of Enfield

Note 29 Better Payment Practice code

Non-NHS Payables	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Total non-NHS trade invoices paid in the year	35,540	196,921	36,991	188,527
Total non-NHS trade invoices paid within target	25,463	165,510	27,532	159,585
Percentage of non-NHS trade invoices paid within target	71.6%	84.0%	74.4%	84.6%
NHS Payables				
Total NHS trade invoices paid in the year	1,408	26,344	1,457	26,755
Total NHS trade invoices paid within target	509	19,460	590	23,049
Percentage of NHS trade invoices paid within target	36.2%	73.9%	40.5%	86.1%

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 30 External financing limit

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

	2019/20 £000	2018/19 £000
Cash flow financing	(8,047)	1,929
Finance leases taken out in year	-	-
Other capital receipts		
External financing requirement	**(8,047)**	**1,929**
External financing limit (EFL)	9,337	20,211
Under spend against EFL	**17,384**	**18,282**

Note 31 Capital resource Limit

	2019/20 £000	2018/19 £000
Gross capital expenditure	8,818	12,766
Less: Disposals	(24)	(76)
Less: Donated and granted capital additions	(176)	(104)
Plus: Loss on disposal from capital grants in kind	-	-
Charge against Capital Resource Limit	**8,618**	**12,586**
Capital Resource Limit	9,910	12,616
Under spend against CRL	**1,292**	**30**

Note 32 Breakeven duty financial performance

	2019/20
	£000
Adjusted financial performance surplus (control total basis)	50
Add back income for impact of 2018/19 post-accounts PSF reallocation	431
Breakeven duty financial performance surplus	**481**

Note 33 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		6,044	3,103	669	1,973	10,662
Breakeven duty cumulative position	(4,897)	1,147	4,250	4,919	6,892	17,554
Operating income		168,126	180,593	181,283	183,991	216,083
Cumulative breakeven position as a percentage of operating income		0.7%	2.4%	2.7%	3.7%	8.1%

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	415	(8,284)	(10,464)	(27,956)	(3,184)	481
Breakeven duty cumulative position	17,969	9,685	(779)	(28,735)	(31,919)	(31,438)
Operating income	244,386	249,757	276,147	277,778	320,723	345,590
Cumulative breakeven position as a percentage of operating income	7.4%	3.9%	(0.3%)	(10.3%)	(10.0%)	(9.1%)

Note 34 Post balance sheet events

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £57.3231m as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

The UK Government has issued a mandate to NHS England for the continued provision of services in England 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCG's that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitely in place, it is clear that NHS services will continue to be funded, and government funding is in place for this. For the period April 2020 to July 2020 the Trust is receiving income via block contract lump sums.

North Middlesex
University Hospital
NHS Trust

www.northmid.nhs.uk