The Royal Wolverhampton NHS Trust

Trust Board Report

Meeting Date:	24 June 2013
Title:	Audited Annual Accounts 2012/13
Executive Summary:	The Annual Accounts have been audited by independent auditors, PricewaterhouseCoopers and should be read in conjunction with their audit opinion and ISA 260 report. The Board are asked to approve the 2012/13 Accounts, which have previously been considered and approved by the Audit Committee.
Action Requested:	To approve the Audited Accounts for 2012/13
Report of:	Chief Financial Officer
Author: **Contact Details:**	Kevin Stringer, Chief Financial Officer Tel 01902 695954 Email kevin.stringer@nhs.net
Resource Implications:	None
Public or Private: **(with reasons if private)**	Public Session
References: **(eg from/to other committees)**	Approved by the Audit Committee on the 6 June 2013
Appendices/ **References/** **Background Reading**	2012/13 Accounts Audit opinion and ISA260 Annual Governance Statement
NHS Constitution: **(How it impacts on any decision-making)**	In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: - Equality of treatment and access to services - High standards of excellence and professionalism - Service user preferences - Cross community working - Best Value - Accountability through local influence and scrutiny

Background Details

1 The Annual Accounts have been audited by independent auditors, PricewaterhouseCoopers and should be read in conjunction with their audit opinion and ISA 260 report.

Particular reference to the statement of responsibilities of the Chief Executive and Directors should be studied together with the Annual Governance Statement.

The four key statements, namely the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Cash Flow Statement, summarise the overall performance of the Trust for 2012/13.

The Trust is required to meet a number of financial targets set by the Department of Health. The Trust met all these targets, as shown in the Annual Accounts and summarised in the table below:

Financial Target	**Actual Performance**	
	2012/13	**2011/12**
To break even on income and expenditure, taking one year with another	Surplus of £7.023m	Surplus of £8.735m
To achieve a capital cost absorption rate of between 3% and 4%	3.5%	3.5%
To operate within an External Financing Limit set by the Department of Health	Undershoot of £5.923m	Undershoot of £2.764m
To remain within a Capital Resource Limit set by the Department of Health	Under-spent by £0.246m	Under-spent by £0.383m
To pay 95% of non-NHS trade creditors within 30 days	93%	91%

Entity name:	The Royal Wolverhampton NHS Trust
This year	2012-13
Last year	2011-12
This year ended	31 March 2013
Last year ended	31 March 2012
This year commencing:	1 April 2012
Last year commencing:	1 April 2011

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Foreword to the Accounts

Financial Review - year ended 31 March 2013

The Financial results achieved by the Trust are shown in the table below. In common with all NHS Trusts we are required to meet a number of financial

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Kevin Stringer
Director of Finance
07 June 2013

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

- value for money is achieved from the resources available to the trust;

- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

- effective and sound financial management systems are in place; and

- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed..Chief Executive

Date 7 June 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

7 June 2013 Date..Chief Executive

7 June 2013 Date..Finance Director

Independent Auditors' Report to the Directors of the Board of The Royal Wolverhampton NHS Trust

We have audited the financial statements of The Royal Wolverhampton NHS Trust ("the Trust") for the year ended 31 March 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is the accounting policies directed by the Secretary of State for Health with the consent of the Treasury as being relevant to the National Health Service in England set out therein.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the accounting policies directed by the Secretary of State, with the consent of the Treasury, as being relevant to the National Health Service in England. Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 for local NHS bodies issued by the Audit Commission and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board of The Royal Wolverhampton NHS Trust in accordance with Part II of the Audit Commission Act 1998 as set out in paragraph 45 of the Statement of Responsibilities of Auditors and of Audited Bodies (Local NHS bodies) published by the Audit Commission in March 2010, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trust; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2013 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England.

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with the Department of Health's requirements set out in "2012/13 Governance Statements Guidance", issued on 31 January 2013 or is misleading or inconsistent with information of which we are aware from our audit;
- we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Trust and auditors

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are satisfied that, in all significant respects, The Royal Wolverhampton NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

Our audit cannot be formally concluded and a certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission because we have not yet issued our limited assurance report on the Trust's Quality Accounts.

M Jones

Mark Jones, Engagement Lead
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date: 10 June 2013

a) The maintenance and integrity of The Royal Wolverhampton NHS Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Royal Wolverhampton NHS Trust

Organisation Code: RL4

Governance Statement 2012/13

1 Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and the Trust's assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively.

I also acknowledge my responsibilities as set out in the NHS Accountable Officer Memorandum.

2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of The Royal Wolverhampton NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Trust for the whole year, and up to the date of approval of the annual report and accounts.

3 The governance framework of the organisation

The Trust has a well-established framework for governance to inform the Board of operational and strategic risks as well as to provide assurance on business performance and compliance. The framework sets in place under the Trust Board a high level committee and management structure for the delivery of assured governance through specialist committee and subgroup functions. A Board Assurance Committee is constituted to ensure the operation of effective risk management systems, processes and outcomes. The Board Assurance Committee is informed and assured through the working/reporting of sub-committees (Quality and Safety Committee and Compliance Committee) as well as specialist working groups defined in its terms of reference.

Trust Board

During 2012/13 the Trust Board met monthly (except in December and August), conducting most of its business in public and allowing time for the press, public and other observers to ask questions of the Directors at each meeting. A high attendance rate by Directors was recorded during the year. Following the resignation of the Chairman in October 2012, a new Chair was recruited through the Appointments Commission process, and he commenced on 6 March 2013. Changes to the Non-executive Directors were the appointment of one new substantive Non-executive and two associate Non-executives, and the resignation of two Non-executive Directors. The Chief Operating Officer retired in July, and an Interim filled the position until her substantive replacement began in September. Each meeting the Trust Board considered reports on:

- Patients' experiences
- Quality and safety
- Serious incidents
- Operational Performance
- Finance
- Board Assurance Framework and Trust Risk Register
- Delivery of the capital programme
- Reports and minutes from the Board's standing committees
- Cost Improvement Programme (financial and qualitative delivery)
- Never Events

Quarterly reports covered matters such as:

- Complaints
- Emergency preparedness
- Delivery of the Annual Plan Objectives
- Mortality
- Review of the model of Stroke Services
- Revalidation of Doctors

The Board received occasional reports on a variety of matters, including: seven day working, Way-finding Strategy for the hospital, workforce review of Nursing and Midwifery, Research and Development, Procurement Strategy, infection prevention, organ donation, Midwifery services, Health and Safety Annual Report, Pathology Services developments, WHO Checklist – compliance progress update, National Cancer Experience Survey (Action Plan), Making Every Contact Count and WHO Health Promoting Hospital, and an action plan following the Care Quality Commission's (CQC) unannounced visit in 2012.

The Trust Board receives a monthly Quality and Safety report (including 12 month trends) and Quality Dashboard report in addition to a monthly report on national performance measures. This Quality report includes data on the following:

Incident rate	Hospital Standardised Mortality Ratio (HSMR)
Serious complaints	Patient falls
New litigation, inquests	Pressure ulcers
Safeguarding adult incidents	Recognition of deteriorating patient
Radiation incidents	Healthcare acquired infections
Venous Thrombo Embolism (VTE) risk assessment compliance	Environmental standards
Formal complaints and Patient Advice and Liaison Service (PALS) concerns	Single sex accommodation
Breaches in nursing and midwifery staffing levels	Medication errors
	Nutritional assessments

The indicators within the report are reviewed annually and approved by the Trust Board.

The Board is compliant with the main principles of the UK Corporate Governance Code insofar as they can be applied to an NHS Trust (for example, it does not have a Nominations Committee because while it is an NHS trust the NHSTDA is involved in the appointment of its Non-executive Directors). The Board also recently underwent a self-assessment review against Monitor's Board Governance Assurance Framework, which confirmed compliance with the majority of the key requirements, significant exceptions being vacant Non-executive Director positions, and the need for an evaluation of the Board. It is expected that the appointment of the new Chairman will be followed in 2013/14 by the consolidation of the complement of Non-executives on the Board, and a refreshed programme of Board development activities, along with a formal Board evaluation.

Arising out of its application in 2012 for authorisation to operate as a Foundation Trust, the Board was advised by Monitor to commission an external review of quality governance. On receipt of the final report the Board will take actions to address any areas of concern not already in progress.

Audit Committee

During the year under review the Audit Committee met quarterly, and at each meeting considered progress updates on: Security management, Internal Audit, External Audit, the work of the Local Counter Fraud Specialist, and tracking of the implementation of auditors' recommendations across the Trust. Any significant issues raised at the Board Assurance Committee have continued to be reported by the Non-executive Director who sits on both Committees and this, coupled with an annual joint meeting, ensures a strong flow of information between the two Committees and avoids duplication of effort. The Committee also received and discussed occasional reports on, among other things: the Bribery Act, the Annual Report for the Trusts' Charitable Funds, Annual Report, Quality Account and Annual Accounts 2011/12, Private Patients and Overseas Visitors, and Registers of Interests. These featured in the Committee's reports to the Board, as did an account of the internal audit reports received at each meeting. The Board has been kept informed of when audit reports showed high or medium risk recommendations requiring management attention, and has been assured that mitigating actions were in place.

Non-executive Directors' attendances were recorded as being high during the year, although the resignation of the Committee Chair and one Non-executive Director during mid-2012 meant that there was a significant change in membership of this Committee by the end of the year. Nonetheless, the Committee remained quorate at each meeting, and maintained its focus on business and a consistent level of interest and challenge during its proceedings. The Committee's terms of reference were reviewed during the year. As in previous years, this Committee held one joint meeting with the Board Assurance Committee.

Board Assurance Committee

During 2012/13 this Committee met every two months, and high Non-executive Directors' attendance rates were recorded throughout the year.

The Committee considered various matters during the year, including Board Assurance Framework and Trust Risk Register, Board Assurance Dashboard, Serious Untoward Incident (SUI) action tracking, Policy management, National Patient Safety Authority (NPSA) Incident reporting benchmark report, CQC Compliance – Essential Standards of Quality and Safety (ESQS), and Subgroup/Committee reporting (for example, Education and Training, Infection Prevention and Control, Health Records Committee, Compliance Committee and Quality and Safety Committee).

The work of the Quality and Safety and Compliance Committees, in particular, is highlighted below.

The Board Assurance Committee also reviewed the Trust's Annual Governance Statement for 2011/12 at a joint meeting with the Audit Committee in April 2012, when it received assurance reports on the management of risks (strategic and operational), serious untoward incidents, audit (internal and external), Information Governance and compliance with national guidance and standards.

Quality and Safety Committee

This Committee met every month, and considered a variety of matters, including Serious Untoward Incident reports, safety alert compliance reports, Quality and Safety reports, complaints (Ombudsman), Francis report, ad hoc reports relevant to quality and safety of care (for example, Paediatric Quality Assurance visit report and action plan), and Subgroup/Committee reports (for example Mortality, Radiation Protection, and Pleural Services Committees).

Compliance Committee

This Committee met bi-monthly and considered a variety of matters, including CQC Inspection action plans, NHS Litigation Authority (NHSLA) Risk Management Standard compliance, external reviews and inspections, Staff Experience Survey (annual), Patient Experience Survey (annual), National audit reports (for example, National Bowel Cancer Audit report), National Confidentiality reports (for example National Confidential Enquiry into Patient Outcome and Death (NCEPOD)), and Subgroup/Committee reports (for example Divisional Governance, Clinical Audit Committee, Medicines Management, Information Governance, and Patient Experience Forum).

Other Board Committees

The Board also has standing Committees for Charitable Funds, Investment, and Remuneration. In addition, Non-executive Directors are involved in lower level committees and working groups, such as Human Resources Committee, Infection Prevention and Control Committee, and Mortality Review Action Group, and from time to time observe other meetings, such as the monthly Change Programme Board. This enables them to gather information, question and, when appropriate, offer challenge at different levels within the organisation.

4 Risk Assessment

The Trust has a Board-approved Integrated Governance Strategy, which identifies that the Chief Executive has overall responsibility for risk management within the Trust. All managers and clinicians accept the management of risks as one of their fundamental duties. Additionally the strategy recognises that every member of staff must be committed to identifying and reducing risks.

The Trust manages risk through a series of processes that identifies risk, assesses their potential impact and implements action to reduce/control that impact. In practice this means:

- Interrogating internal sources of risk intelligence and activity to inform local and Trust level risk registers and assurance frameworks (eg incident, complaint, claim, audit, and compliance).
- Using Committee/subgroup reporting to inform the risk registers.
- Reviewing external/independent accounts of Trust performance to inform risk status (e.g. Care Quality Commission standards, and internal audit reports).
- Integrating functions (strategic and operational) at all levels of the Trust to feed a risk register and escalation process.
- Using a standardised approach to risk reporting, grading and escalation. The Trust categorisation matrix supports a standard approach to risk tolerance.
- Identifying positive and negative controls assurance and treatment actions for each risk, to mitigate and manage residual risks.
- Developing and implementing a risk management and patient safety reporting policy (OP10) across the Trust.
- Risk Management training is delivered to all staff. There was a Board workshop on the use of the Board Assurance Framework (BAF), facilitated by the Internal Auditor.

Management of Risk Registers within the Trust:

Risk registers are managed at the following levels:

- Divisional/Directorate – operational risks that include clinical, business/service, financial, reputational, and patient/staff/stakeholders.
- Trust Risk Register – Any risks graded as red or high amber are escalated to the Trust Risk Register for consideration by Directors. Divisions are instructed to escalate all red/high amber risks to the Trust Risk Register to inform Directors and the Board of operational risks which may be considered for the Board Assurance Framework.
- Board Assurance Framework (BAF) – Contains all risks which impact on the Trust's strategic objectives.

Each risk on the BAF and Trust Risk Register has an identified Director and operations lead to manage the risk.

The Trust Risk Register and BAF are reviewed by Directors and the Board at the following frequencies:

- Executive Director Meetings – Monthly
- Board Assurance Committee – Bi monthly
- Trust Board – Monthly

A total of 60 risks were managed during the year 2012/13. Nineteen of these were new risks identified in year. Of the 60 risks, six were red, forty-nine were amber, three yellow and two green.

Nine risks were closed as at 31 March 2013. Of the remaining 51 to be carried forward to 2013/14, one is rated red (failure to deliver recurrent efficiency gains and CIPs), forty-five amber and five yellow. Management actions and controls are identified for each risk, and regular reviews will monitor the progress.

During the year, Internal Audit has provided assurance and/or recommendations after reviewing the following Governance related areas:

- The gathering and recording of quality evidence for CQC – Reasonable Assurance
- Information Governance
- Clinical Audit – Auditor Opinion
- Risk Management – Tracking of Risks – Reasonable Assurance
- Board Assurance Framework – Reasonable Assurance

Based on the work undertaken during 2012/13, the annual Internal Audit opinion on the Trust's overall system of internal control was positive. However, as a result of a number of reviews, Internal Audit has confirmed that the agreed management actions to address known control weaknesses had not been delivered to the originally agreed timescales.

Information Governance

A summary of serious untoward incidents involving personal data as reported to the Strategic Health authority and/or Information Commissioner's Office (ICO) in 2012/13 is outlined below:

Incident 1: confidential information leak due to theft at home of staff member
Incident 2: discharge letter of one patient left in home of another patient
Incident 3: child protection report left in the home of another patient

All three incidents were closed during the year.

2012/13 Information Governance Toolkit attainment levels:

The Royal Wolverhampton NHS Trust Information Governance Assessment Report overall score for 2012/13 was 79%, and was graded Satisfactory, which is Green.

ICO Audit 2012/13:

The Information Commissioner's Office carried out a consensual Data Protection Audit during December 2012, looking at two scope areas of Records Management and Information Security.

The ICO's overall conclusion from the audit is that the arrangements the Trust has in place for data protection compliance, with regard to governance and controls, provide reasonable assurance that processes and procedures are in place and being adhered to. An audit grading of yellow was given.

The audit has identified some scope for improvement in existing arrangements, and appropriate action has been agreed with the ICO to reduce the risk of non-compliance. The Trust will continue to work closely with the ICO to address these areas, with a planned review of progress in August 2013.

5 The risk and control framework

The Board-approved Integrated Governance Strategy includes the following:

- The aims and objectives for risk management in the organisation, aligned to the Trust's vision.
- A description of the committee arrangements and relationships between various corporate committees.
- The Board Assurance Framework and process for management of risk registers.
- The identification of the roles and responsibilities of all staff with regard to risk management, including accountability and reporting structures.
- The promotion of risk management as an integral part of the philosophy, practices and business plans of the organisation.
- A description of the integrated risk management process and a requirement for all risks to be recorded, in a risk register and prioritised and escalated using a standard scoring methodology.

The risk management process is supported by a number of policies which relate to risk assessment, incident reporting and investigation, mandatory training, health and safety, conflict resolution, violence and aggression, complaints, infection prevention, fire safety, human resources management, consent, manual handling and security.

The Board Assurance Framework identifies the risks to the Trust's strategic objectives, the key controls in place to manage these risks and the level of assurance with regard to the effectiveness of the controls. The framework identifies any gaps in both the controls and the assurances that the controls are effective.

During 2012/13 the Board Assurance Framework has been reviewed and amended at each meeting of the Board Assurance Committee and monthly by Executive Directors and Trust Board, to ensure it remains current and aligned with the Trust's strategic objectives. Controls and management actions are in place and reviewed for effectiveness.

Looking forward to 2013/14

The Trust has identified a number of high level risks for 2013/14 based on its current knowledge of the internal and external environment, for which there are management actions and controls.

The Trust will continue to maintain a comprehensive assurance framework and risk register, to hold details of risks at all levels throughout the organisation including residual risk and the impact of mitigating actions. Training will continue within Divisional Management Teams to ensure their identified risks are escalated and inform the Trust Risk Register and Assurance Framework.

Local authority Overview and Scrutiny Committee and Other Local Partners

As Chief Executive, I attend the Local Authority Overview and Health Scrutiny Panel in Wolverhampton where the following range of topics have been discussed with elected members during 2012/13:-

- The Royal Wolverhampton NHS Trust (RWT) Quality Accounts and Annual Report 2011/12
- CQC Report on Unannounced Inspection in July 2012
- Application for Foundation Trust Status
- Patient misuse of Hospital Services
- Development of a joint Urgent Care Strategy for Wolverhampton
- Creating Best Practice Wards
- Quality accounts 2011/12 - update

The Trust continued to build on its relationships with the organisations which were preparing to assume new responsibilities from 1 April 2013, including the clinical commissioning groups and LINk/Healthwatch.

6 Review of economy, efficiency, and effectiveness of the use of resources

The Trust has a robust governance structure in place ensuring monitoring and control of the effective and efficient use of the Trust's resources. Financial monitoring, service performance, quality and workforce information is scrutinised at meetings of the Trust Board, Trust Management Team and at Divisional Team meetings.

The Trust has achieved all of its financial targets, achieving an end of year surplus of £7.0M, delivering the Capital Programme within its Capital Resource Limit and achieving its External Funding Limit.

The Trust has arrangements in place for setting objectives and targets on a strategic and annual basis. These arrangements include ensuring the financial strategy is affordable and scrutiny of cost savings plans to ensure achievement, with regular monitoring of performance against the plans. This is done through:

- Approval of the annual budget by the Board.
- Monthly reporting to the Board on key performance indicators covering finance, activity, governance, quality and performance.
- Regular reporting at Operational and Divisional meetings on financial performance.
- Monthly Change Programme Board meetings to oversee the Cost Improvement Programme

Internal Audit has provided assurance on internal controls, risk management and governance systems to the Audit Committee and to the Board. Where scope for improvement in controls or value for money was identified during their review, appropriate recommendations were made and actions were agreed with management for implementation. The implementation of these actions is monitored by the Audit Committee**.**

7 Annual Quality Report

The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. Guidance has been issued to NHS Trust Boards on the form and content of annual Quality Reports.

Our priorities for 2012/13 were chosen after consulting both our staff and clinical teams who work in the Trust, and looking at what patients and members of the public say about us and our services in national and local surveys and in complaints and compliments. We have also taken account of what people say nationally about health services and where services need to improve.

The Department of Health Quality Accounts Toolkit 2012/13 has influenced the format and content of the Quality Account. The Trust's existing reporting structure has been the source for information, for example Datix for numbers and themes of complaints and incidents. Specific information has been validated by the key leaders in the Trust, for example Infection Prevention data provided by the Director of Infection Prevention and Control (DIPC), and incident data by the Head of Governance and Legal Services.

A draft version of the Quality Account is approved by Directors before being circulated to the local authority's Overview and Scrutiny Committee, Wolverhampton and Staffordshire LINk, and the Trust's Shadow Governors for comments. The Quality Account is approved by the Trust's external auditors before a final version is produced for publication. For the Year 2012/13, the Trust has produced a combined document incorporating the Annual Accounts, Annual Report and Quality Account.

8 Operational Performance

During the year under review, the Trust has maintained its strong track record in achieving the national priorities identified within the Operating Framework, alongside the local priorities defined by the commissioner. Performance is monitored weekly at the Chief Operating Officer's performance meeting and through subsequent meetings across the divisions. A detailed performance report is produced monthly; all exceptions are highlighted and reported separately to the Board for scrutiny. Examples of the Operating Framework targets can be evidenced below:

- This year has seen on-going achievement of the Referral to Treatment (RTT) measures; both admitted and non-admitted pathways have achieved in all specialties, and incomplete pathways has achieved in aggregate, where two specialties were less than 1% behind target.
- Accident and Emergency performance has been strong throughout quarters 1-3. However this was impacted upon in quarter 4 by the winter pressure period, and a rise in both attendances and ambulance conveyances. The Trust achieved the target of 95% for the year.
- The Trust reported a single MRSA breach in year, the first case in over 3 years, and further evidence of the strong approach to managing Health Care Acquired Infections (HCAIs) is seen by the delivery of the clostridium difficile objective.
- Cancer targets remain a high priority, with all targets achieving the standard throughout the year. Six of the nine targets maintained the standard in every month and the quarterly target was achieved for all targets.

9 Annual Declarations

1 The Trust is fully compliant with the registration requirements of the Care Quality Commission. The Care Quality Commission (CQC) has not taken any enforcement action against The Royal Wolverhampton NHS Trust during 2012/13.

The Royal Wolverhampton NHS Trust participated in a routine unannounced inspection which was carried out by the CQC on 24 January 2013. This was a routine inspection to check that the essential standards of quality and safety listed below are being met.

- Care and welfare of people who use the services
- Cleanliness and infection control
- Safety, availability and suitability of equipment
- Supporting workers
- Assessing and monitoring the quality of service provision

The report was published in March 2013 and the Trust was found to have met all these standards with no outstanding actions.

2 As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension scheme records are accurately updated in accordance with the timescales detailed in the Regulations. The Trust as part of the Pensions Regulations is required to complete and Annual Assurance Statement for the Pension Agency by the 5th of April each year, and this has been done.

3 Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

4 The Trust has undertaken risk assessments, and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on the United Kingdom Climate Impact Programme (UKCIP) 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the adaptation reporting requirements are complied with.

5 The Trust made its annual self-assessment submission to the Department of Health by the 31st March 2013 on the Information Governance Toolkit. The overall score for 2012/13 was 79% and was graded Satisfactory/ Green, as attainment Level 2 or above was achieved on all 45 requirements.

10 Review of the effectiveness of risk management and internal control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Trust risk management and Governance reporting framework, and the executive managers and clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their Report to those charged with governance (ISA 260) and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Board, the Audit Committee, and the Board Assurance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

10 Conclusion

No significant internal control issues have been identified during 2012/13.

Accountable Officer: David Loughton CBE

Organisation: The Royal Wolverhampton NHS Trust

Signature…………………………………………….

Date……………..7 June 2013

Statement of Comprehensive Income for year ended 31 March 2013

	NOTE	2012-13 £000s	2011-12 £000s
Gross employee benefits	9.1	**(235,976)**	(229,571)
Other costs	7	**(132,430)**	(126,488)
Revenue from patient care activities	4	**351,640**	341,869
Other Operating revenue	5	**33,277**	32,548
Operating surplus		**16,511**	18,358
Investment revenue	11	**84**	106
Other gains and (losses)	12	**18**	(37)
Finance costs	13	**(1,555)**	(1,792)
Surplus for the financial year		**15,058**	16,635
Public dividend capital dividends payable		**(8,035)**	(7,900)
Retained surplus for the year		**7,023**	8,735

Other Comprehensive Income	**2012-13 £000s**	2011-12 £000s
Impairments and reversals	**(4,107)**	(362)
Net gain on revaluation of property, plant & equipment	**0**	2,435
Total comprehensive income for the year*	**2,916**	10,808

* This sums the rows above and the surplus for the year before adjustments for PDC dividend and absorption accounting

Financial performance for the year

Retained surplus for the year	**7,023**	8,735
IFRIC 12 adjustment	**0**	(89)
Impairments	**1,604**	329
Adjustments in respect of donated asset/gov't grant reserve elimination	**61**	322
Adjusted retained surplus	**8,688**	9,297

The Trust has a statutory duty to break even year on year. In determining the Trust's break even performance for the year the Department of Health has determined that the effect of impairments and the impact of the change in accounting treatment for donated assets introduced in 2011/12 can be removed from the calculation
The Trust's year on year break even performance is shown in note 38.1

PDC dividend: balance receivable at 31 March 2013	**85**
PDC dividend: balance receivable/(payable) at 1 April 2012	**0**

The notes on pages 28 to 33 form part of this account.

Statement of Financial Position as at 31 March 2013

	NOTE	31 March 2013 £000s	31 March 2012 £000s
Non-current assets:			
Property, plant and equipment	14	**253,588**	251,189
Intangible assets	15	**459**	746
Trade and other receivables	21.1	**2,646**	1,916
Non-current assets held for sale	23	**800**	800
Total non-current assets		**257,493**	254,651
Current assets:			
Inventories	20	**5,823**	5,703
Trade and other receivables	21.1	**14,362**	18,778
Cash and cash equivalents	22	**22,566**	15,658
Total current assets		**42,751**	40,139
Total assets		**300,244**	294,790
Current liabilities			
Trade and other payables	24	**(33,547)**	(34,015)
Provisions	30	**(3,730)**	(3,193)
Borrowings	26	**(1,771)**	(1,844)
Total current liabilities		**(39,048)**	(39,052)
Non-current assets plus net current assets		**261,196**	255,738
Non-current liabilities			
Provisions	30	**(539)**	(457)
Borrowings	26	**(7,545)**	(8,085)
Total non-current liabilities		**(8,084)**	(8,542)
Total Assets Employed:		**253,112**	247,196
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**173,082**	170,082
Retained earnings		**19,623**	7,815
Revaluation reserve		**60,217**	69,109
Other reserves		**190**	190
Total Taxpayers' Equity:		**253,112**	247,196

The notes on pages 34 to 54 form part of this account.

The financial statements on pages 13 to 16 were approved by the Board on 6 June 2013 and signed on its behalf by

Chief Executive: Date:

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	**170,082**	**7,815**	**69,109**	**190**	**247,196**
Changes in taxpayers' equity for 2012-13					
Retained surplus for the year	0	7,023	0	0	**7,023**
Impairments and reversals	0	0	(4,107)	0	**(4,107)**
Transfers between reserves	0	4,785	(4,785)	0	**0**
New PDC Received	3,000	0	0	0	**3,000**
Net recognised revenue/(expense) for the year	**3,000**	**11,808**	**(8,892)**	**0**	**5,916**
Balance at 31 March 2013	**173,082**	**19,623**	**60,217**	**190**	**253,112**
Balance at 1 April 2011	**170,082**	**(2,831)**	**68,947**	**190**	**236,388**
Changes in taxpayers' equity for 2011-12					
Retained surplus for the year	0	8,735	0	0	8,735
Net gain on revaluation of property, plant, equipment	0	0	2,435	0	2,435
Impairments and reversals	0	0	(362)	0	(362)
Transfers between reserves	0	1,911	(1,911)	0	0
Net recognised revenue for the year	**0**	**10,646**	**162**	**0**	**10,808**
Balance at 31 March 2012	**170,082**	**7,815**	**69,109**	**190**	**247,196**

Public Dividend Capital (PDC). When NHS trusts were first established, everything they owned, land, buildings, equipment and working capital was transferred to them from the government. The value of these assets is in effect the public's equity stake in the new NHS Trusts and is known as public dividend capital. It is similar to company share capital and, as with company shares, a dividend is payable to the Department of Health. This dividend is calculated at 3.5% of average net relevant assets.

The Retained Earnings figure is the cumulative surplus made by the Trust since its inception. It is held in perpetuity and cannot be released to the SOCITE.

The Revaluation reserve reflects movements in the value of property, plant & equipment and intangible assets as set out in the accounting policy. The Revaluation reserve balance relating to each asset is released to the Income and Expenditure reserve on disposal of that asset.

Other reserves arose at the time of inception of the Trust and are considered likely to remain at their present value.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2013

	NOTE	**2012-13 £000s**	2011-12 £000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Surplus		**16,511**	18,358
Depreciation and Amortisation	14 & 15	**15,356**	14,419
Impairments and Reversals	14	**1,604**	329
Interest Paid		**(1,544)**	(1,786)
Dividend Paid	SOCI	**(8,120)**	(7,900)
Release of PFI/deferred credit		**499**	1,310
Increase in Inventories	20	**(120)**	(639)
(Increase)/Decrease in Trade and Other Receivables	21	**3,771**	(3,711)
Increase/(Decrease) in Trade and Other Payables	24	**(2,338)**	2,712
Provisions Utilised	30	**(2,207)**	(656)
Increase in Provisions	30	**2,815**	2,068
Net Cash Inflow from Operating Activities		**26,227**	24,504
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	11	**84**	106
Payments for Property, Plant and Equipment	14	**(20,577)**	(19,253)
Payments for Intangible Assets	15	**0**	(66)
Proceeds of disposal of assets (PPE)	12	**18**	8
Net Cash Outflow from Investing Activities		**(20,475)**	(19,205)
NET CASH INFLOW BEFORE FINANCING		**5,752**	5,299
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		**3,000**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI		**(1,844)**	(1,503)
Capital grants and other capital receipts		**0**	74
Net Cash Inflow/(Outflow) from Financing Activities		**1,156**	(1,429)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,908**	3,870
Cash and Cash Equivalents at Beginning of the Period		**15,658**	11,788
Cash and Cash Equivalents at year end	22	**22,566**	15,658

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012-13 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual 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 NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which 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 by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Transforming Community Services (TCS) transactions

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement Of Comprehensive Income, and is disclosed separately from operating costs.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

1.4.1 Critical Judgements in Applying Accounting Policies

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

- Leases

The Trust applies the tests contained in IAS17 to all of its present and proposed leases in order to ascertain if they should be classed as operating or finance leases. Often the information available may be inconclusive and therefore judgement is made regarding the transfer of the risks and rewards of ownership of the associated assets in order that a decision may be made.

1.4.2 Key Sources of Estimation Uncertainty

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

- Useful economic lives of assets

The Trust estimates the useful economic lives of its non current assets. Every care is taken to ensure that estimates are robust however factors such as unforeseen obsolescence or breakdown may impact on the actual life of the asset held.

- Provisions

When considering provisions for events such as pension payments, NHSLA claims and other legal cases the Trust uses estimates based on expert advice from agencies such as the NHS Litigation Authority and the experience of its managers.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.5 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

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 e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

1.6 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave 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.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is 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, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.7 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- 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 will be supplied to, the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- 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 a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost 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. All assets are measured subsequently at fair value. Land and buildings used for the Trust's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

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

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there.

Subsequent Expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.9 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust’s business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred.

Measurement

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.10 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, usually on a straight line basis rather than in a manner that reflects the economic consumption. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

At each reporting period end, the Trust checks whether there is any indication that any of its Property, Plant and Equipment tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. A transfer is made from the revaluation reserve to retained earnings of an amount representing the lower of the impairment charged and the balance for the asset in the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. In this case a transfer is required from the revaluation reserve to retained earningsof an amount representing the lower of the impairment charged and the balance for the asset in the revaluation reserve. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

Useful economic life in years for depreciation/amortisation are as follows:
Buildings (excluding Dwellings) between 3 and 65 years.
Dwellings between 9 and 38 years.
Plant and machinery between 5 and 15 years.
Transport equipment between 5 and 7 years.
Information Technology between 4 and 5 years.
Furniture and fittings between 7 and 10 years.
Intangible Assets between 4 and 5 years.

1.11 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Donated income is deferred only where conditions attached to the donation have not been met.

1.12 Government grants

The value of assets received by means of a government grant are credited directly to income. Government grant income is deferred only where conditions attached to the grant have not been met.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.13 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.14 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 lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust’s surplus/deficit.

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

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The Trust as lessor

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

1.15 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

Notes to the Accounts - 1. Accounting Policies (Continued)

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract ‘lifecycle replacement’.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within ‘operating expenses’.

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust’s approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to ‘Finance Costs’ within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement

Components of the asset replaced by the operator during the contract (‘lifecycle replacement’) are capitalised where they meet the Trust’s criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator’s planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a ‘free’ asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Trust to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trust’s Statement of Financial Position.

Notes to the Accounts - 1. Accounting Policies (Continued)

Other assets contributed by the Trust to the operator
Assets contributed (e.g. cash payments, surplus property) by the Trust to the operator before the asset is brought into use, which are intended to defray the operator’s capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the Trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.16 Inventories

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

1.17 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.

1.18 Provisions
Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury’s discount rate of short term (1-5 years), -1.8%, medium term (6-10 years), -1.0% and long term (10 years plus) 2.2% in real terms (2.2% for 2011-12 accounts for all categories), The exception is for early retirement provisions and injury benefit provisions which use the HM Treasury's pension discount rate of 2.35% in real terms (2.8% for 2011-12 accounts).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.19 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 30. These are included in the NHSLA accounts and are not accounted for in individual NHS bodies accounts.

1.20 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 the NHS Litigation Authority 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 as and when they become due.

1.21 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.22 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the Trust assesses whether any financial assets are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. The loss is recognised in expenditure by a provision for the impairment of the receivable.

Notes to the Accounts - 1. Accounting Policies (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.23 Financial liabilities

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

Financial liabilities are initially recognised at fair value.

Other Financial Liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.24 Value Added Tax

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

1.25 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Trust’s surplus/deficit in the period in which they arise.

1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 39 to the accounts.

1.27 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers’ equity in the NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. The dividend payable is calculated on the basis of the draft annual accounts.

1.28 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, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of any provisions for such payments.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.29 Subsidiaries

For 2011-12 and 2012-13 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the CorporateTrustee. The Trust will be required to consolidate the accounts of its NHS charitable funds from 2013-14 onwards.

1.30 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.31 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

Standards applicable from 2013-14:

· IAS 1 Presentation of financial statements (amendment)
· IAS 12 Income Taxes (amendment)
· IAS 19 (Revised) Employee Benefits
· IFRS 7 Financial Instruments: Disclosures (amendment)

· IFRS 13 Fair Value Measurement – this standard should be applicable for 2013/14, however HM Treasury has delayed its adoption by government bodies while it finalises some adaptations. The impact on the financial statements is unknown until these adaptations are finalised.

· IAS 27 Consolidated and separate financial statements – removal of dispensation from consolidating NHS charitable funds. From 2013/14 onwards the Trust will be required to consolidate its charitable funds into the main Trust accounts. The Statment of Comprehensive Income will be consolidated to include the income and expenditure for the Trust Charity, and a consolidated Statement of Financial Position will include the balances for the Trust's Charity. Based on 2012/13 this would increase the surplus shown in the SOCI by approximately £900,000 and would increase non current assets by £3,500,000 by showing the Chairty';s investments here.

· Annual improvements to IFRS 2011. This standard is potentially applicable to 2013-14 but has not yet been endorsed by the EU and therefore by HM Treasury policy is not available for NHS bodies to apply.

Standards applicable from 2014-15

· IFRS 10 Consolidated Financial Statements this should include reference to the IAS 27 dispensation above.
· IFRS 11 Joint Arrangements
· IFRS 12 Disclosure of Interests in Other Entities
· IAS 27 Separate Financial Statements (amendment)
· IAS 28 Investments in Associates and Joint Ventures (amendment)
· IAS 32 Financial instruments: Presentation (amendment)

Other standards in issue:

· IFRS 9 Financial Instruments – this standard will eventually replace IAS 39. It is applicable for periods beginning on or after 1 January 2015, but the standard has not yet been EU endorsed and therefore by HM Treasury policy is not available for NHS bodies to apply.
IPSAS 32 – Service Concession Arrangements

2. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Trust Board that makes strategic decisions.

There are no operating segments within the Trust.

The total income for the Trust from PCTs for services provided is £352,990,000 which represents 92% of the total income.

3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The Trust is required to give details of any schemes where the cost of the scheme exceeds £1m. The Trust has no schemes that meet this requirement. The tables below are of the aggregate of the Trust Income Generation.

Summary Table - aggregate of all material schemes	2012-13 £000s	2011-12 £000s
Income	**1,872**	1,579
Full cost	**(1,040)**	(976)
Surplus	**832**	603

The income generation schemes employed by the Trust include income from non-patient care income generation activities such as car parking, staff residences and catering. The objective is to ensure all costs associated with the operation of such activities are covered and that any surplus generated for the Trust is used to re-invest in the operation of its core services.

4. Revenue from patient care activities

	2012-13 £000s	2011-12 £000s
Strategic Health Authorities	**480**	443
NHS Trusts	**510**	0
Primary Care Trusts - tariff	**192,134**	191,964
Primary Care Trusts - non-tariff	**148,883**	139,935
Primary Care Trusts - market forces factor	**6,554**	6,548
NHS Foundation Trusts	**51**	20
Department of Health	**380**	0
Non-NHS:		
Private patients	**1,083**	1,078
Overseas patients (non-reciprocal)	**42**	39
Injury costs recovery	**1,026**	1,339
Other	**497**	503
Total Revenue from patient care activities	**351,640**	341,869

5. Other operating revenue

	2012-13 £000s	2011-12 £000s
Education, training and research	**16,995**	16,772
Receipt of donations for capital acquisitions - NHS Charity	**120**	74
Non-patient care services to other bodies	**10,429**	9,579
Income generation	**2,669**	2,248
Rental revenue from operating leases	**251**	168
Other revenue	**2,813**	3,707
Total Other Operating Revenue	**33,277**	32,548
Total operating revenue	**384,917**	374,417

6. Revenue

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

7. Operating expenses (excluding employee benefits)

	2012-13 £000s	2011-12 £000s
Services from other NHS trusts	**108**	122
Services from PCTs	**24**	92
Services from other NHS bodies	**128**	115
Services from foundation trusts	**717**	667
Purchase of healthcare from non NHS bodies	**1,512**	1,970
Trust Chair and Non-executive Directors	**78**	77
Supplies and services - clinical	**66,472**	63,718
Supplies and services - general	**8,213**	8,097
Consultancy services	**1,822**	3,370
Establishment	**3,925**	3,922
Transport	**2,453**	2,065
Premises	**17,315**	16,259
Impairments and Reversals of Receivables	**80**	127
Depreciation	**15,061**	14,122
Amortisation	**295**	297
Impairments and reversals of property, plant and equipment	**1,604**	329
Audit fees	**98**	180
Other auditor's remuneration all other services	**72**	0
Clinical negligence	**6,072**	5,496
Research and development (excluding staff costs)	**1,382**	993
Education and Training	**1,074**	1,137
Other	**3,925**	3,333
Total Operating expenses (excluding employee benefits)	**132,430**	126,488
Employee benefits		
Employee benefits excluding Board members	**235,094**	228,733
Executive board members (excluding Chair and Non-Executives)	**882**	838
Total employee benefits	**235,976**	229,571
Total operating expenses	**368,406**	356,059

The Trust pays an audit fee of £4,392, (2011-12 £9,600) in respect of the audit of charitable funds. This is paid from Trust Charitable Funds and not by the Trust itself.

Other auditors remuneration is in respect of non-audit services for an independent review of quality governance for £66,000 and a Board to Board event as part of the Trust's application for Foundation Trust status for £6,000.

8 Operating Leases

Included in this note is the arrangement for the lease of buildings from the PCT associated with the transfer of community services from the PCT to the Trust as part of the TCS process. This arrangement is described in the Memorandum of Occupation included in the Business Transfer Agreement between the Trust and the PCT. The value of this arrangement is £4.2 million per annum. This arrangement ceases from 1 April 2013, with some of the leased properties transferring to the Trust and others being transferred to NHS Property Services. The Trust will then lease these premises from them. There are no other individually significant operating leases included in the figures below.

8.1 Trust as lessee

	2012-13	2011-12
	£000s	£000s
Payments recognised as an expense		
Minimum lease payments	**4,657**	4,733
Total	**4,657**	4,733
Payable:		
No later than one year	**434**	4,709
Between one and five years	**846**	1,224
Total	**1,280**	5,933
Total future sublease payments expected to be received:	**0**	0

8.2 Trust as lessor

	2012-13	2011-12
	£000	£000s
Recognised as income		
Rental revenue	**251**	168
Total	**251**	168
Receivable:		
No later than one year	**165**	217
Between one and five years	**508**	785
After five years	**460**	853
Total	**1,133**	1,855

9 Employee benefits and staff numbers

9.1 Employee benefits

	Total £000s	**Permanently employed £000s**	**Other £000s**
Employee Benefits 2012-13			
Salaries and wages	**198,545**	187,493	11,052
Social security costs	**14,954**	14,541	413
Employer contributions to NHS Pensions scheme	**22,334**	21,717	617
Termination benefits	**724**	724	0
Total employee benefits including capitalised costs	**236,557**	**224,475**	**12,082**
Employee costs capitalised	**581**	581	0
Employee Benefits excluding capitalised costs	**235,976**	**223,894**	**12,082**

	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits 2011-12			
Salaries and wages	193,615	183,499	10,116
Social security costs	14,378	13,950	428
Employer contributions to NHS Pensions scheme	22,027	21,371	656
Termination benefits	138	138	0
Total employee benefits including capitalised costs	230,158	218,958	11,200
Employee costs capitalised	587	587	0
Employee Benefits excluding capitalised costs	229,571	218,371	11,200

9.2 Staff Numbers

	2012-13			2011-12
	Total Number	**Permanently employed Number**	**Other Number**	Total Number
Average Staff Numbers				
Medical and dental	**663**	624	39	636
Administration and estates	**1,303**	1,291	12	1,309
Healthcare assistants and other support staff	**1,138**	1,064	74	1,111
Nursing, midwifery and health visiting staff	**1,910**	1,853	57	1,886
Scientific, therapeutic and technical staff	**884**	880	4	873
TOTAL	**5,898**	**5,712**	**186**	5,815
Of the above - staff engaged on capital projects	**10**	10	0	10

9.3 Ill health retirements

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	**6**	0
	£000s	£000s
Total additional pensions liabilities accrued in the year	**0**	0

9.4 Exit Packages agreed in 2012-13

	2012-13			2011-12		
Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	0	9	9	0	0	0
£10,001-£25,000	0	18	18	0	1	1
£25,001-£50,000	0	7	7	0	0	0
£50,001-£100,000	0	2	2	0	0	0
Total number of exit packages by type (total cost	**0**	**36**	**36**	0	1	1
Total resource cost (£000s)	**0**	**724**	**724**	0	24	24

This note provides an analysis of Exit Packages agreed during the year. Redundancy and other departure costs have been paid in accordance with the provisions of the Mutually Agreed Resignation Scheme (MARS) agreed with Treasury. Income was received to cover these costs in full from the Commissioners. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages agreed with staff in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

9.5 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is 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, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the 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 the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 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 scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. 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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

10 Better Payment Practice Code

10.1 Measure of compliance

	2012-13 Number	**2012-13 £000s**	2011-12 Number	2011-12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**83,651**	**118,886**	64,722	87,505
Total Non-NHS Trade Invoices Paid Within Target	**76,253**	**110,074**	57,607	79,737
Percentage of NHS Trade Invoices Paid Within Target	**91.16%**	**92.59%**	89.01%	91.12%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**2,319**	**24,909**	2,328	24,125
Total NHS Trade Invoices Paid Within Target	**2,160**	**24,385**	2,157	23,830
Percentage of NHS Trade Invoices Paid Within Target	**93.14%**	**97.90%**	92.65%	98.78%

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

10.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2012-13 £000s	2011-12 £000s
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	0

11 Investment Income

	2012-13 £000s	2011-12 £000s
Interest Income		
Bank interest	**84**	106
Total investment income	**84**	106

12 Other Gains and Losses

	2012-13 £000s	2011-12 £000s
Gain/(loss) on disposal of property, plant and equipment	**18**	(37)
Total	**18**	(37)

13 Finance Costs

	2012-13 £000s	2011-12 £000s
Interest		
Interest on obligations under finance leases	**5**	0
Interest on obligations under PFI contracts:		
- main finance cost	**615**	1,777
- contingent finance cost	**924**	0
Total interest expense	**1,544**	1,777
Provisions - unwinding of discount	**11**	15
Total	**1,555**	1,792

14.1 Property, plant and equipment

2012-13	Land £000's	Buildings excluding dwellings £000's	Dwellings £000's	Assets under construction & payments on account £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
Cost or valuation:									
At 1 April 2012	**13,002**	**211,503**	**2,010**	**14,056**	**62,268**	**673**	**12,917**	**5,936**	**322,365**
Additions of Assets Under Construction	0	0	0	19,346	0	0	0	0	**19,346**
Additions Purchased	0	1,336	0	0	2,243	0	645	(259)	**3,965**
Additions Donated	0	0	0	0	120	0	0	0	**120**
Reclassifications	0	19,028	0	(24,094)	3,553	0	1,215	296	**(2)**
Disposals other than for sale	0	(3,507)	0	(252)	(5,271)	(113)	(3,407)	(681)	**(13,231)**
Impairments/negative indexation	0	(4,075)	(30)	(2)	0	0	0	0	**(4,107)**
At 31 March 2013	**13,002**	**224,285**	**1,980**	**9,054**	**62,913**	**560**	**11,370**	**5,292**	**328,456**
Depreciation									
At 1 April 2012	**0**	**15,151**	**219**	**0**	**41,929**	**401**	**9,224**	**4,252**	**71,176**
Reclassifications	0	13	0	0	(14)	0	7	0	**6**
Disposals other than for sale	0	(3,507)	0	0	(5,271)	(113)	(3,407)	(681)	**(12,979)**
Impairments	0	1,604	0	0	0	0	0	0	**1,604**
Charged During the Year	0	8,006	84	0	5,276	78	1,298	319	**15,061**
At 31 March 2013	**0**	**21,267**	**303**	**0**	**41,920**	**366**	**7,122**	**3,890**	**74,868**
Net Book Value at 31 March 2013	**13,002**	**203,018**	**1,677**	**9,054**	**20,993**	**194**	**4,248**	**1,402**	**253,588**
Purchased	13,002	201,948	1,677	9,054	20,598	194	4,245	1,388	**252,106**
Donated	0	1,070	0	0	395	0	3	14	**1,482**
Total at 31 March 2013	**13,002**	**203,018**	**1,677**	**9,054**	**20,993**	**194**	**4,248**	**1,402**	**253,588**
Asset financing:									
Owned	13,002	194,801	1,677	9,054	16,868	194	4,248	1,402	**241,246**
Held on finance lease	0	0	0	0	50	0	0	0	**50**
On-SOFP PFI contracts	0	8,217	0	0	4,075	0	0	0	**12,292**
Total at 31 March 2013	**13,002**	**203,018**	**1,677**	**9,054**	**20,993**	**194**	**4,248**	**1,402**	**253,588**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land £000's	Buildings £000's	Dwellings £000's	Assets under construction & payments on account £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Assets Held for Sale £000's	Total £000's
At 1 April 2012	4,595	61,630	1,071	0	346	5	193	53	1,216	**69,109**
Movements to I&E reserve for impairments and balance on reserve for assets disposed of.	0	(8,575)	(31)	0	(64)	0	(190)	(32)	0	**(8,892)**
At 31 March 2013	**4,595**	**53,055**	**1,040**	**0**	**282**	**5**	**3**	**21**	**1,216**	**60,217**

Additions to Assets Under Construction in 2012-13

	£000's
Land	0
Buildings excl Dwellings	14,886
Dwellings	0
Plant & Machinery	4,460
Balance at 31 March 2013	**19,346**

14.2 Property, plant and equipment prior-year

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2011	13,002	202,929	1,974	8,735	62,958	897	11,329	5,288	307,112
Additions - purchased	0	1,931	0	11,773	4,207	108	1,748	69	19,836
Additions - donated	0	0	0	0	74	0	0	0	74
Reclassifications	0	4,303	0	(6,452)	1,145	0	143	663	(198)
Disposals other than by sale	0	0	0	0	(6,116)	(332)	(303)	(84)	(6,835)
Revaluation & indexation gains	0	2,702	36	0	0	0	0	0	2,738
Impairments	0	(362)	0	0	0	0	0	0	(362)
At 31 March 2012	13,002	211,503	2,010	14,056	62,268	673	12,917	5,936	322,365
Depreciation									
At 1 April 2011	0	7,302	124	0	42,481	652	8,632	4,021	63,212
Disposals other than for sale	0	0	0	0	(6,071)	(332)	(303)	(84)	(6,790)
Upward revaluation/positive indexation	0	291	12	0	0	0	0	0	303
Impairments	0	329	0	0	0	0	0	0	329
Charged During the Year	0	7,229	83	0	5,519	81	895	315	14,122
At 31 March 2012	0	15,151	219	0	41,929	401	9,224	4,252	71,176
Net book value at 31 March 2012	13,002	196,352	1,791	14,056	20,339	272	3,693	1,684	251,189
Purchased	13,002	195,222	1,791	14,056	19,909	272	3,689	1,667	249,608
Donated	0	1,130	0	0	430	0	4	17	1,581
Total at 31 March 2012	13,002	196,352	1,791	14,056	20,339	272	3,693	1,684	251,189
Asset financing:									
Owned	13,002	187,987	1,791	14,056	15,669	272	3,693	1,684	238,154
Held on finance lease	0	0	0	0	166	0	0	0	166
On-SOFP PFI contracts	0	8,365	0	0	4,504	0	0	0	12,869
Total at 31 March 2012	13,002	196,352	1,791	14,056	20,339	272	3,693	1,684	251,189

Revaluation Reserve Balance for Property, Plant and Equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Assets Held for Sale	Total
	£000	£000	£000	£000s	£000	£000	£000	£000	£000's	£000
At 31 March 2011	4,595	61,492	1,047	0	346	5	193	53	1,216	68,947
Movements (specify)	0	138	24	0	0	0	0	0	0	162
At 31 March 2012	4,595	61,630	1,071	0	346	5	193	53	1,216	69,109

Additions to Assets Under Construction in 2011-12

	£000's
Land	0
Buildings excl Dwellings	10,859
Dwellings	0
Plant & Machinery	914
Balance at 31 March 2012	**11,773**

14.3 Property, plant and equipment

The Royal Wolverhampton Hospitals NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2013.

The value of the Trust's land and buildings have been assessed by an independent professional valuer as at 31 March 2013 to give an overall valuation which has then been subject to indexation using indices provided by the professional valuer. New additions and refurbishments completed in year were valued by the same independent valuer on a modern equivalent asset basis. The valuation was incorporated into the figures shown above.

The useful asset life for each asset subject to revaluation is established as part of the revaluation exercise.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost 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. All assets are measured subsequently at fair value.

Land and buildings used for the Trust’s services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period.

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure; the Trust’s revaluation decrease at 31 March 2013 falls into this category. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

15.1 Intangible non-current assets

2012-13	Software purchased	Total
	£000's	£000's
At 1 April 2012	**1,815**	**1,815**
Reclassifications	2	**2**
At 31 March 2013	**1,817**	**1,817**
Amortisation		
At 1 April 2012	**1,069**	**1,069**
Reclassifications	(6)	**(6)**
Charged during the year	295	**295**
At 31 March 2013	**1,358**	**1,358**
Net Book Value at 31 March 2013	**459**	**459**
Net book value at 31 March 2013 comprises:		
Purchased	457	**457**
Donated	2	**2**
Total at 31 March 2013	**459**	**459**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's
At 1 April 2012	0	**0**
At 31 March 2013	**0**	**0**

15.2 Intangible non-current assets prior year

2011-12	Software purchased	Total
	£000s	£000s
Cost or valuation:		
At 1 April 2011	1,551	1,551
Additions - purchased	66	66
Reclassifications	198	198
At 31 March 2012	1,815	1,815
Amortisation		
At 1 April 2011	772	772
Charged during the year	297	297
At 31 March 2012	1,069	1,069
Net book value at 31 March 2012	746	746
Net book value at 31 March 2012 comprises:		
Purchased	742	742
Donated	4	4
Total at 31 March 2012	746	746

15.3 Intangible non-current assets

Intangible assets are not revalued. They are valued at fair value using historic cost as an approximation.

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives, which is usually estimated at being 5 years.

16 Analysis of impairments and reversals recognised in 2012-13

	2012-13 Total £000s	2011-12 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI		
Total charged to Departmental Expenditure Limit	**0**	0
Changes in market price	**1,604**	329
Total charged to Annually Managed Expenditure	**1,604**	329
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve		
Other	**3,199**	334
Changes in market price	**908**	28
Total impairments for PPE charged to reserves	**4,107**	362
Total Impairments of Property, Plant and Equipment	**5,711**	691
Total Impairments charged to Revaluation Reserve	**4,107**	362
Total Impairments charged to SoCI - AME	**1,604**	329
Overall Total Impairments	**5,711**	691
Of which:		
Impairment on revaluation to "modern equivalent asset" basis	**0**	691
Donated and Government Granted Assets, included above		
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**	0

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

The impairments shown above are in respect of the value remaining for the Poplars after demolishion, and an impairment on the new Pathology building on revaluation on completion of the building.

17 Investment property

The Trust has no investment property (2011-12: none)

18 Commitments

18.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2013	31 March 2012
	£000s	£000s
Property, plant and equipment	**1,612**	10,910
Total	**1,612**	10,910

19 Intra-Government and other balances

	Current receivables £000s	**Non-current receivables £000s**	**Current payables £000s**	**Non-current payables £000s**
Balances with other Central Government Bodies	9,675	0	10,007	0
Balances with Local Authorities	0	0	599	0
Balances with NHS bodies outside the Departmental Group	97	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,066	0	256	0
Balances with bodies external to government	3,524	2,646	22,685	0
At 31 March 2013	**14,362**	**2,646**	**33,547**	**0**
Prior period:				
Balances with other Central Government Bodies	13,705	0	5,724	0
Balances with Local Authorities	254	0	206	0
Balances with NHS Trusts and Foundation Trusts	821	0	358	0
Balances with bodies external to government	3,998	1,916	27,727	0
At 31 March 2012	18,778	1,916	34,015	0

20 Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Other £000s	Total £000s
Balance at 1 April 2012	1,591	3,853	162	97	**5,703**
Additions	29,138	16,130	23	300	**45,591**
Inventories recognised as an expense in the period	(28,777)	(16,335)	(46)	(313)	**(45,471)**
Balance at 31 March 2013	**1,952**	**3,648**	**139**	**84**	**5,823**

21.1 Trade and other receivables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
NHS receivables - revenue	**10,310**	14,036	**0**	0
Non-NHS receivables - revenue	**1,366**	1,584	**0**	0
Non-NHS prepayments and accrued income	**1,490**	1,479	**0**	0
Provision for the impairment of receivables	**(344)**	(394)	**(715)**	(585)
VAT	**528**	490	**0**	0
Current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**1,809**	1,310
Other receivables	**1,012**	1,583	**1,552**	1,191
Total	**14,362**	18,778	**2,646**	1,916
Total current and non current	**17,008**	20,694		
Included in NHS receivables are prepaid pension contributions:	**0**	0		

The great majority of NHS receivables is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

21.2 Receivables past their due date but not impaired

	31 March 2013 £000s	31 March 2012 £000s
By up to three months	**446**	876
By three to six months	**0**	8
Total	**446**	884

There is no collateral held and debts are expected to be recovered at the value as shown in the Statement of Financial Position.

21.3 Provision for impairment of receivables

	2012-13 £000s	2011-12 £000s
Balance at 1 April 2012	**(979)**	(870)
Amount written off during the year	**0**	18
Increase in receivables impaired	**(80)**	(127)
Balance at 31 March 2013	**(1,059)**	(979)

Factors determining whether a receivable is impaired include the age of the debt and whether or not the debt is collectable or collectable by instalments.

The £(1.1m) balance includes a provision of £(0.8m) for Injury Cost Recovery (ICR) (31 March 2012 £(0.7m)). ICRs are not included in Note 21.2 as the Trust can not be certain as to when these will be settled.

22 Cash and Cash Equivalents

	31 March 2013	31 March 2012
	£000s	£000s
Opening balance	**15,658**	11,788
Net change in year	**6,908**	3,870
Closing balance	**22,566**	15,658
Made up of		
Cash with Government Banking Service	**22,541**	15,587
Commercial banks	**15**	61
Cash in hand	**10**	10
Cash and cash equivalents as in statement of financial position	**22,566**	15,658
Cash and cash equivalents as in statement of cash flows	**22,566**	15,658
Patients' money held by the Trust, not included above	**96**	124

23 Non-current assets held for sale

	Total
	£000s
Balance at 1 April 2012	**800**
Balance at 31 March 2013	**800**
Liabilities associated with assets held for sale at 31 March 2013	**0**
Balance at 1 April 2011	800
Balance at 31 March 2012	800
Liabilities associated with assets held for sale at 31 March 2012	0

The non current assets held for sale are the building and land relating to the former Eye Infirmary Unit on Compton Road, in Wolverhampton. These assets became surplus to requirements following the rationalisation of the Trust's estate onto the New Cross Hospital site.

The Compton Road site has been valued on the open market by a professional chartered surveyor for £0.8m, and it is anticipated that disposal will be completed by the end of 2013.

24 Trade and other payables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
NHS payables - revenue	**2,019**	3,262	**0**	0
NHS accruals and deferred income	**187**	21	**0**	0
Non-NHS payables - revenue	**6,558**	6,447	**0**	0
Non-NHS payables - capital	**5,760**	3,644	**0**	0
Non_NHS accruals and deferred income	**10,777**	17,791	**0**	0
Social security costs	**2,310**	0	**0**	0
VAT	**223**	11	**0**	0
Tax	**2,554**	0	**0**	0
Other	**3,159**	2,839	**0**	0
Total	**33,547**	34,015	**0**	0
Total payables (current and non-current)	**33,547**	34,015		
Included above:				
outstanding Pension Contributions at the year end	**2,937**	2,749		

25 Other liabilities

There are no other liabilities. (2011-12 none)

26 Borrowings

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
PFI liabilities:				
Main liability	**1,721**	1,728	**7,545**	8,035
Finance lease liabilities	**50**	116	**0**	50
Total	**1,771**	1,844	**7,545**	8,085
Total other liabilities (current and non-current)	**9,316**	9,929		

Loans - repayment of principal falling due in:

	31 March 2013		31 March 2012	
	Other (PFI and Finance Lease) £000s	**Total £000s**	Other (PFI and Finance Lease) £000s	Total £000s
0-1 years	1,771	**1,771**	1,844	1,844
1 - 2 Years	973	**973**	946	946
2 - 5 Years	2,516	**2,516**	2,382	2,382
Over 5 Years	4,056	**4,056**	4,757	4,757
TOTAL	9,316	**9,316**	9,929	9,929

27 Deferred income

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
Opening balance at 1 April 2012	**2,663**	3,916	0	0
Deferred income addition	**485**	290	0	0
Transfer of deferred income	**(492)**	(1,543)	0	0
Current deferred Income at 31 March 2013	**2,656**	2,663	**0**	0
Total deferred income (current and non-current)	**2,656**	2,663		

28 Finance lease obligations as lessee

Amounts payable under finance leases (Other)	**Minimum lease payments**		**Present value of minimum lease**	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
Within one year	**50**	116	**50**	116
Between one and five years	**0**	50	**0**	50
Present value of minimum lease payments	**50**	166	**50**	166
Included in:				
Current borrowings			**50**	116
Non-current borrowings			**0**	50
			50	166

29 Finance lease receivables as lessor

There are no finance lease receivables at 31 March 2013 (31 March 2012: £nil)

30 Provisions

		Comprising:		
	Total	**Legal Claims**	**Other**	**Redundancy**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April 2012	**3,650**	909	2,741	0
Arising During the Year	**3,277**	459	1,826	992
Utilised During the Year	**(2,207)**	(353)	(1,854)	0
Reversed Unused	**(462)**	(92)	(370)	0
Unwinding of Discount	**11**	11	0	0
Balance at 31 March 2013	**4,269**	**934**	**2,343**	**992**
Expected Timing of Cash Flows:				
No Later than One Year	**3,730**	395	2,343	992
Later than One Year and not later than Five Years	**137**	137	0	0
Later than Five Years	**402**	402	0	0

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

As at 31 March 2013	**43,833**
As at 31 March 2012	43,771

Legal claims represent provisions for personal injury and injury benefits. For these claims the Trust has taken legal advice regarding legal liability and cash flow settlement timings.

Other includes: provisions for accrued staff holiday pay, provisions for the possible return of money received by the Trust for Reablement and other contractual income, provision for payments under the Carbon Reduction Commitment scheme, provisions for potential VAT repayments, provisions for payments to be made regarding HR issues and provision for the costs of and in respect of restructuring of services including redundancies. There is reasonable certainty that all claims will be settled within the 12 months to 31 March 2014. Reimbursement of costs for the restructuring of Dental Services has already been agreed with Commissioners. No other reimbursement is expected.

31 Contingencies

	31 March 2013	31 March 2012
	£000s	£000s
Contingent liabilities		
Other	**(165)**	(172)
Net Value of Contingent Liabilities	**(165)**	(172)

The contingent liabilities relate entirely to personal injury claims where the Trust may be responsible for further payments, in addition to those already provided for, depending on the outcome of the claims as administered through the National Health Service Litigation Authority. The timing of such payments is uncertain.

Contingent Assets		
Contingent Assets	**700**	700
Net Value of Contingent Assets	**700**	700

The Trust has submitted Fleming VAT reclaims totalling approximately £0.7m (2011-12 £0.7m) to H.M. Revenue and Customs under s.121 of the Finance Act 2008. The outcome and timing of these claims is uncertain at 31 March 2013.

32.1 PFI and LIFT - additional information

Charges to operating expenditure and future commitments in respect of ON SOFP PFI	**2012-13 £000s**	2011-12 £000s
Service element of on SOFP PFI charged to operating expenses in year	**1,910**	1,877
Total	**1,910**	1,877
Payments committed to in respect of the service element of on SOFP PFI		
No Later than One Year	**2,046**	1,910
Later than One Year, No Later than Five Years	**7,865**	7,736
Later than Five Years	**27,937**	29,166
Total	**37,848**	38,812

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2012-13 £000s**	2011-12 £000s
No Later than One Year	**1,721**	1,728
Later than One Year, No Later than Five Years	**5,172**	5,174
Later than Five Years	**5,613**	6,462
Subtotal	**12,506**	13,364
Less: Interest Element	**(3,240)**	(3,601)
Total	**9,266**	9,763

PFI Contract Details

The Trust and Impregilo Wolverhampton Limited (Company No: 4235982) entered into a contract dated 20 March 2002 for the design, construction, financing and equipping of, and provision of certain services in connection with the provision of a new serviced radiology facility. There were contract variations 2004 and again in 2010 in line with service requirement.

Operational period of contract years is 30 years from 24 June 2003. The SPV is Impregilo Wolverhampton Limited (Company No: 4235982) of 85E Centurion Court Milton Park Abingdon Oxfordshire OX14 4RY.

NBV of PFI Assets are as follows:	**2012-13 £000's**	2011-12 £000's
Radiology PFI Building	**8,217**	8,365
Radiology PFI Equipment	**4,075**	4,504
PFI Deferred Asset	**1,809**	1,310

32.2 Other financial Commitments

	2012-13 £000s	2011-12 £000s
Total	**0**	0

33 Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliation purposes

	Total £000s	Total £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (PFI)		
Depreciation charges	**1,160**	1,162
Interest Expense	**1,539**	1,777
Other Expenditure	**1,910**	1,877
Impact on PDC dividend payable	**84**	84
Total IFRS Expenditure (IFRIC12)	**4,693**	4,900
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease income)	**(5,177)**	(4,989)
Net IFRS change (IFRIC12)	**(484)**	(89)
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12		
Capital expenditure 2012-13	**732**	657

34 Financial Instruments

34.1 Financial risk management

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

The Trust’s treasury management operations are carried out by the Finance Department, within parameters defined formally within the Trust’s Standing Financial Instructions and Policies agreed by the board of Directors. Trust 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 the Strategic Health Authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

As the majority of the Trust’s income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2013 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 Primary Care Trusts, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its Prudential Borrowing Limit. The trust is not, therefore, exposed to significant liquidity risks.

34.2 Financial Assets	**Loans and receivables £000s**	**Total £000s**
Receivables - NHS	10,310	**10,310**
Receivables - non-NHS	2,562	**2,562**
Cash at bank and in hand	22,566	**22,566**
Total at 31 March 2013	**35,438**	**35,438**
Receivables - NHS	14,036	14,036
Receivables - non-NHS	3,385	3,385
Cash at bank and in hand	15,658	15,658
Total at 31 March 2012	33,079	33,079

34.3 Financial Liabilities	**Other £000s**	**Total £000s**
NHS payables	2,206	**2,206**
Non-NHS payables	26,254	**26,254**
PFI & finance lease obligations	9,316	**9,316**
Total at 31 March 2013	**37,776**	**37,776**
NHS payables	3,283	3,283
Non-NHS payables	30,996	30,996
PFI & finance lease obligations	9,929	9,929
Total at 31 March 2012	44,208	44,208

35 Events after the end of the reporting period

On 1 April the Trust took onto its balance sheet properties currently owned by Wolverhampton City PCT and leased by the Trust. The net book value of these properties is £11.6million
There are 5 properties transfering to the Trust, 3 of which will be owned by the Trust (West Park Hospital plus two Health Centres) and two where the lease for the premises is transfering.
In 2012-13 the Trust leased these properties from Wolverhampton City PCT, the costs of leasing are shown in Note 8: Operating Leases.

36 Related party transactions

During the year none of the Department of Health Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with The Royal Wolverhampton NHS Trust

The Department of Health is regarded as a related party. During the year The Royal Wolverhampton 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. These entities are listed below where income or expenditure has been in excess of £100,000.

	2012-13				2011-12			
Name	**Expenditure (net of recharges) to Related Party**	**Income (net of recharges) from Related Party**	**Amounts owed to Related Party**	**Amounts due from Related Party**	Expenditure (net of recharges) to Related Party	Income (net of recharges) from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000's	**£000's**	**£000's**	**£000's**	£000	£000	£000	£000
Department of Health	0	1,246	33	0	1,027	865	176	0
West Midlands Strategic Health Authority	8	12,466	38	5	10	12,285	6	40
Birmingham Children's Hospital NHS Foundation Trust	56	113	8	48	0	0	0	0
Birmingham Community Healthcare NHS Trust	0	510	2	43	0	524	3	14
Birmingham East And North PCT	8	60,301	468	0	0	57,552	1,501	0
Black Country Partnership NHS Foundation Trust	328	491	21	181	162	794	88	269
Dudley PCT	0	9,496	151	0	4	9,236	4	261
Health Protection Agency	121	6	3	3	152	12	0	11
Heart of Birmingham Teaching PCT	6	237	0	20	0	174	57	0
Herefordshire PCT	0	28	0	3	0	105	0	37
Mid Staffordshire NHS Foundation Trust	460	997	70	178	447	813	11	144
NHS Blood and Transplant	3,604	84	0	97	2,877	71	109	0
NHS Litigation Authority	6,072	0	1	0	5,727	0	12	0
North Staffordshire PCT	21	1,457	0	46	43	109	36	0
Oxford Health NHS Foundation Trust	242	0	11	0	220	0	24	0
Sandwell and West Birmingham Hospitals NHS Trust	165	20	23	0	161	17	30	0
Sandwell PCT	0	2,003	364	0	0	2,085	1	291
Shrewsbury and Telford Hospitals NHS Trust	191	367	5	80	188	294	1	14
Shropshire Community Health NHS Trust	0	172	0	3	0	114	0	2
Shropshire County PCT	0	4,293	29	0	0	4,268	0	47
South Birmingham PCT	10	223	0	37	100	131	0	2
South Staffordshire PCT	0	38,293	0	2,589	0	38,116	0	2,094
Stoke on Trent PCT	0	150	0	32	0	0	0	0
Telford and Wrekin PCT	0	1,778	0	116	0	1,556	0	255
The Dudley Group of Hospitals NHS Foundation Trust	379	1,005	4	162	339	898	37	12
University Hospital Birmingham NHS Foundation Trust	227	42	18	19	109	65	49	49
University Hospital of North Staffordshire NHS Trust	124	8	11	4	184	5	48	0
Walsall Healthcare NHS Trust	106	1,272	8	222	0	1,098	8	133
Walsall Teaching PCT	0	22,974	0	380	0	23,097	0	2,470
Warwickshire PCT	0	159	0	44	22	135	22	3
West Midlands Ambulance Service NHS Foundation Trust	0	230	0	87	0	337	0	60
Wolverhampton City PCT	4,455	206,680	766	5,616	4,518	204,708	654	7,500
Worcestershire PCT	0	921	27	0	0	1,366	411	0
Yorkshire and Humber Strategic Health Authority	0	548	0	0	0	415	0	0

The Trust has also received revenue and capital payments from a number of charitable funds for which the Trust acts as the Corporate Trustee.
Charitable Funds held by the Trust are a related party as the Trust is Corporate Trustee for the funds.

37 Losses and special payments

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	**13,820**	**92**
Special payments	**390,869**	**193**
Total losses and special payments	**404,689**	**285**

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	59,121	125
Special payments	400,369	244
Total losses and special payments	459,490	369

Details of cases individually over £250,000

There were no cases of over £250,000 (31 March 2012: no cases).

38. Financial performance targets
The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

38.1 Breakeven performance	**2005-06 £000s**	**2006-07 £000s**	**2007-08 £000s**	**2008-09 £000s**	**2009-10 £000s**	**2010-11 £000s**	**2011-12 £000s**	**2012-13 £000s**
Turnover	222,570	234,507	251,969	266,687	289,830	306,023	374,417	**384,917**
Retained surplus/(deficit) for the year	(9,423)	82	8,335	6,913	880	8,364	8,735	**7,023**
Adjustment for:								
Adjustments for Impairments	0	0	0	3,872	7,487	319	329	**1,604**
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	322	**61**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	(332)	(719)	(89)	**0**
Break-even in-year position	(9,423)	82	8,335	10,785	8,035	7,964	9,297	**8,688**
Break-even cumulative position	(26,640)	(26,558)	(18,223)	(7,438)	597	8,561	17,858	**26,546**

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2005-06 %	**2006-07 %**	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**	**2011-12 %**	**2012-13 %**
Materiality test (I.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover	-4.23	0.03	3.31	4.04	2.77	2.60	2.48	**2.26**
Break-even cumulative position as a percentage of turnover	-11.97	-11.33	-7.23	-2.79	0.21	2.80	4.77	**6.90**

38.2 Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

38.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

		2012-13	2011-12
	£000s	**£000s**	£000s
External financing limit		**171**	(2,609)
Cash flow financing	**(5,752)**		(5,299)
Other capital receipts	**0**		(74)
External financing requirement		**(5,752)**	(5,373)
Undershoot		**5,923**	2,764

38.4 Capital resource limit

The Trust is given a capital resource limit which it is not permitted to exceed.

	2012-13	2011-12
	£000s	£000s
Gross capital expenditure	**23,431**	19,976
Less: book value of assets disposed of	**0**	(45)
Less: donations towards the acquisition of non-current assets	**(120)**	(74)
Charge against the capital resource limit	**23,311**	19,857
Capital resource limit	**23,557**	20,240
Underspend against the capital resource limit	**246**	383

39 Third party assets

The Trust held cash and cash equivalents which relate to monies held by the NHS Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2013	31 March 2012
	£000s	£000s
Third party assets held by the Trust	**96**	124