



Annual Accounts 2018/19



The Royal Wolverhampton NHS Trust - Annual Accounts 2018-19

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Foreword to the Accounts

Financial Review - year ended 31 March 2019

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 targets set by the Department of Health and Social Care. Our performance against these targets is set out in the table below:

Financial Target	Actual Performance	
	2018-19	2017-18
To break even on income and expenditure, taking one year with another	Surplus of £1.382m	Surplus of £7.337m
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 and Social Care	Under-spent by £0.080m	On plan
To remain within a Capital Resource Limit set by the Department of Health and Social Care	Under-spent by £0.013m	Under-spent by £0.159m
To pay 95% of non-NHS trade creditors within 30 days	59%	76%



Kevin Stringer
Finance Director
24 May 2019

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

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum*. 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 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.....24 May 2019.....

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 HM 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, the 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.

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Trust's performance, business model and strategy

By order of the Board

24 May 2019.....Date..........Chief Executive

24 May 2019.....Date..........Finance Director



INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF THE ROYAL WOLVERHAMPTON NHS TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The Royal Wolverhampton NHS Trust ("the Trust") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2019 and of its income and expenditure 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 NHS Trusts in England and included in the Department of Health Group Accounting Manual 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information in the Annual Report

The Accountable Officer is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.

Annual Governance Statement

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the Department of Health Group Accounting Manual 2018/19. We have nothing to report in this respect.

Remuneration and Staff Report

In our opinion the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Department of Health Group Accounting Manual 2018/19.



Directors' and Accountable Officer's responsibilities

As explained more fully in the statement set out on page 5, the directors are responsible for: the preparation of financial statements that give a true and fair view. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity. As explained more fully in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, on page 4 the Accountable Officer is responsible for ensuring that annual statutory accounts are prepared in a format directed by the Secretary of State.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in its use of resources.

We have nothing to report in this respect.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

As explained in the statement set out on page 4, the Chief Executive, as the Accountable Officer, is responsible for ensuring that value for money is achieved from the resources available to the Trust. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made 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 the use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017 as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.



Statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Directors of The Royal Wolverhampton NHS Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Board of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of The Royal Wolverhampton NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

A handwritten signature in blue ink, appearing to read 'A Bostock'.

Andrew Bostock
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Birmingham

28 May 2019

GOVERNANCE STATEMENT 2018-2019
Organisational Code: RL4

1. Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS 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 Trust Accountable Officer Memorandum.

1.1 Partnership

I acknowledge that I must discharge my duty of partnership, and have undertaken this in a number of ways. As Chief Executive, I attend the Wolverhampton City Council Overview and Health Scrutiny Panel where a range of topics have been discussed with local authority elected members. Reflecting our footprint in Staffordshire, I have also engaged with Overview and Scrutiny Panels and Healthwatch within the County of Staffordshire. During the year a proportion of my time, and that of Director Colleagues, has included continued involvement in the development of Sustainability and Transformation Plans (STP) in both the Black Country and Staffordshire.

There has continued to be close contact with commissioning organisations, and members of my Executive Team and I have attended meetings with Wolverhampton Healthwatch, and the Wolverhampton Health and Wellbeing Board.

Close links have been maintained with NHS England and NHS Improvement (NHSI) through a range of group, individual, formal and informal meetings. I have continued to participate in the meetings of West Midland NHS Provider Trust Chief Executives meetings. All my Executive Directors are fully engaged in the relevant networks, including finance, nursing, medical, operations and human resources.

I am supported in my engagement with partner organisations by the Chairman of the Board, who this year has met with his counterparts at The Dudley Group NHS Foundation Trust, Walsall Healthcare NHS Trust, University Hospital of Birmingham/Heart of England NHS Foundation Trusts, Sandwell and West Birmingham Hospital NHS Trust, The Shrewsbury and Telford Hospital NHS Trust, the University Hospital of North Midlands NHS Trust, Black Country Partnership NHS Foundation Trust, West Midlands Ambulance Service NHS Foundation Trust, as well as regular meetings with local authority members and officers, and other key players in the city's business and third sector communities. He too has taken part in discussions towards further developing the sustainability and transformation plans (STPs).

I have met periodically with the local Members of Parliament and senior members of the national NHS team present and past.

Whilst the detailed provisions of the UK Corporate Governance Code are not mandatory for public sector bodies, compliance with relevant principles of the Code is considered to be good practice. This Governance Statement is intended to demonstrate how the Trust had regard to the principles set out in the Code considered appropriate for the Trust for the financial year ended 31 March 2019.

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 ongoing 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 Royal Wolverhampton NHS Trust NHS Trust for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

3. The Governance Framework of the Organisation

We have a well-established framework for governance to inform the Trust 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.

Sub Trust Board assurance committees are constituted to ensure the delegated operation of effective risk management systems, processes and outcomes. These committees inform and assure the Trust Board through the functioning and reporting of sub-groups and specialist working groups defined in their terms of reference.

In March 2018 the Trust piloted two new groups to replace the functions of the current Quality Standards Action Group and Patient Safety Improvement Group. The new groups have been reporting into the Quality Governance Assurance Committee and have facilitated the independent overview and assurance using the new Compliance Oversight Group; and have strengthened the Quality and Safety monitoring and accountability through the Quality and Safety Intelligence Group. The new arrangements continue to proceed through the stages of development and will continue to evolve during 2019/20.

In March 2019 internal audit reviewed the design and operation of the Trust's Risk Management Assurance Strategy and arrangements, which is underpinned by the Risk Management and Patient Safety Reporting Policy (OP10). The report concluded partial assurance with improvement required to further strengthen levels of assurance to the Board. Their recommendations are formed into an action plan that is regularly monitored by the Audit Committee.

The Trust has appointed a 'Freedom to speak up' (FTSU) Guardian and the Trust is taking a number of actions to support a positive, speaking up culture. To support the

commitment to an open and transparent culture where speaking up is the norm and where employees feel safe to raise concerns, the Trust has revised its Raising Concerns Policy, started to build a network of Speak Up Contact Links and the work for the FTSU Guardian. The number of concerns reported can be found in this report.

3.1 Trust Board

The Trust Board has met monthly (except in August 2018 and January 2019). Other than for matters requiring commercial confidence or having sensitive human resources implications it has conducted its business in public and allowed 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.

The Chairman's term of office continued to March 2019. At 31 March 2019 the Board comprised 5 female and 7 male directors; two from a minority ethnic background.

At each meeting the Trust Board considered reports on:

- Quality and safety
- Serious incidents
- Operational performance
- Financial issues and performance
- The progress of the Financial Recovery Board
- GP Vertical Integration
- Reports and minutes from the Trust Board's standing committees
- Cost improvement programme (financial and qualitative delivery – within the Finance Report)
- Mortality (within the Integrated Quality and Performance Report)

The Trust Board receives a monthly Integrated Quality and Performance Report (IQPR) (including national performance measures and 12 month trends). This report includes workforce data such as staff turnover and appraisal rates, metrics relevant to patient experience (such as medication incidents, infection prevention, friends and family test scores and safety thermometer), and those relating to operational performance (such as targets for referral to treatment times, time spent in the Emergency Department, ambulance handover times, cancelled operations and cancer waiting times). The indicators within the report are reviewed annually and approved by the Trust Board. This is added to by the Report of the Director of Workforce.

The Trust Board strives to maintain an appropriate balance between strategic matters and supervising the management of the Trust. Among the former in 2018-2019 were:

- the recruitment of key staff particularly doctors and nurses,
- the development of innovation programmes and exploration of the use of artificial intelligence, data and technology in improving healthcare,
- the development of a clinical quality improvement programme,
- the 5-year capital programme revisions,

- the continued development of the University of Wolverhampton Postgraduate Academic Institute of Medicine and
- the Trust's own clinical fellowship programme,
- the continued vertical integration of GP practices,
- the development of an accountable care organisation,
- the contributions to the development of the sustainability and transformation plans, and
- the ongoing financial challenges within the NHS.

The Trust Board maintains strong relations with stakeholders, including local commissioners, Healthwatch, and local authority overview and scrutiny committees.

The Non-Executive Directors (NED) are committed to self-development and learning, as evidenced by frequent attendance at events arranged by NHS Improvement (NHSI), NHS Providers, Healthcare Financial Management Associate (HFMA) NED forum, Chair and NED events put on by the Health Services Management Centre, and networking via private firms (particularly legal firms specialising in healthcare law).

Table 13 – Board Composition and Commitment / Experience

Board Governance
• All voting positions substantively filled
• Senior Independent Director in position
• Clarity over who is entitled to vote at Trust Board meetings
• At least half of the voting Board of Directors comprises Non-Executive Directors who are independent
• Appropriate blend of NEDs from the public, private and voluntary sectors
• One NED has clinical healthcare experience
• Appropriate balance between Directors who are new to the Trust Board and those who have served for longer
• Majority of the Trust Board are experienced board members
• Chairman has had previous non-executive director experience
• Membership and terms of reference of Trust Board committees reviewed during the year
• Two members of the Audit Committee have recent and relevant financial experience
• Trust Board members have a good attendance record at all formal board and committee meetings, and at other board events.
• A positive result from the independent external review of governance reported in year.

In addition to the Committees listed, Non-Executive Directors have individually taken part in the new format safety walkabouts, the Royal Awards, and chiring consultant interview panels.

As well as meeting formally, the whole Trust Board meets every month for a development session, this programme has covered a mixture of informal presentations around strategic and operational matters, as well as informal briefings and discussions, such as on financial pressures and service development

opportunities in the Black Country. The Trust Board has also held two away days during the year.

3.2 Audit Committee

Members: R Dunshea, M Martin, and R Edwards

The aims of the Committee are to provide the Trust Board with an independent and objective review of its financial systems, financial information, risk management and compliance with laws, guidance, and regulations governing the NHS.

During 2018-2019 the Audit Committee met quarterly, and at each meeting considered progress updates on: risk management and assurance, internal audit, external audit, fraud prevention, security management and tracking of the implementation of auditors' recommendations across the Trust. Each meeting received an update on any new risks or assurance concerns from the chairs of the Quality Governance Assurance Committee (QGAC), the Finance and Performance Committee (F&PC) and the Trust Management Committee (TMC). One joint meeting was held with QGAC.

The Committee received and discussed reports on the:

- Annual Report for Trust Charitable Funds 2017-18
- Trust Annual Report 2017-18
- Quality Account and Annual Accounts 2017-18
- Board Assurance Framework, Strategic Risk Register and related governance processes
- Theatre Productivity
- Waiting List Initiatives
- Consultant Job Planning

These matters featured in the Committee's reports to the Trust Board, including a high level summary of the Internal Audit reports received at each meeting. The Trust Board have been kept informed of when audit reports showed high or medium risk recommendations requiring management attention, and has been assured that mitigating actions are being taken in accordance with the agreed timeframes.

The Committee also receives regular reports from the Local Counter Fraud Specialist. The Trust currently complies fully with the National Strategy to combat and reduce NHS fraud, having a zero tolerance policy on fraud, bribery and corruption. The Trust has a counter fraud plan and strategy in place designed to make all staff aware of what they should do if they suspect fraud.

The Committee monitors this strategy and oversees when fraud is suspected and fully investigated. The Committee seeks assurance that appropriate action has been taken, which can result in criminal, disciplinary and civil sanctions being applied. There were no significant frauds detected during the year, although some cases reported to the counter fraud team remain on-going.

The Chair of the Quality Governance Assurance Committee (QGAC) is a member of the Audit Committee, which helps to maintain the flow of information between the

two committees, particularly on clinical audit matters. Two of the three Committee members have recent and relevant financial experience.

Non-Executive Directors' attendances were recorded as being high during the year, and the Committee was quorate at each meeting.

3.3 Quality Governance Assurance Committee (QGAC)

Members: J Small (to December 2018), R. Edwards, M. Martin

The Trust has established the QGAC to assure the Board of the effective functioning of risk management systems through a reporting framework. The framework reviews care standards and targets, monitors quality and safety performance, identifies risks and escalates as appropriate to the Board.

Within the reporting year period 18/19 the Trust has sustained reporting and escalation through its Committee and subgroup structure. It has reviewed format of the BAF and lead for maintenance of the BAF was transferred to the Company Secretary (as BAF custodian). BAF risks were reduced from 7 (as at Mar 18) to 4 (as at Mar 19), all risks have had regular updates by Exec leads.

The Trust assesses ongoing CQC Compliance via Quality Review Visits (QRV) and lead assessment against the Fundamental standards of care, and self-assessment against Core service frameworks.

The Trust has completed a programme of quality review visits throughout 18/19 to assess ongoing compliance with Care Quality Commission (CQC) regulations. QRVs are now well embedded and included a programme of review follow up delivered in 2018/2019. An annual report on the 18/19 visit programme will be presented during 2019/2020.

The QGAC have reviewed reports in line with its terms of reference (including items below) and escalated risks and assurances to the Board via monthly chairman reports and minutes to the trust Board.

- Board Assurance Framework (BAF) – Monthly
- Trust Risk Register (TRR) – Monthly
- Integrated Quality and Performance Report – Monthly
- Mortality Quality Improvement plan – commenced monthly in year
- External review Compliance – 6 monthly
- CQC Compliance – Monthly
- Clinical Audit – Annually
- Claims and Litigation – Annually
- Health & Safety – Annually
- Safeguarding - Annual

The Committee maintains links with the Audit Committee through a standing agenda item ('issues of significance from Audit Committee') which ensures a two way feed of information between the committees. There is also attendance overlap by a non-

executive director to both committees. QGAC has seen a change in NED membership with Mary Martin replacing Jackie Small as the QGAC NED member.

To inform the Committee, the QSIG and COG sub groups have conducted detailed reviews of compliance and risk status on the following key areas:

- Compliance with the use of the safer surgical checklist
- Policy audit reports e.g. Transfer, Discharge, Risk management and integrated Governance strategy, Being open, Legal services
- Safety alert compliance e.g. NPSA, MHRA, MDA
- SUI management (process, investigation outcomes and action tracking)
- CQC standard Compliance
- National Clinical guidelines/standards e.g. NICE, NCE, Royal College reports
- National and Local audit performance for a number of clinical services
- External assessment and validation for a number of clinical services
- Health and Safety Management
- Approval and review of new [clinical] procedure applications
- Safeguarding performance
- Radiation protection
- Information Governance
- Organ Donation
- Medicines management
- Patient and Staff survey reports
- Creating best practice group
- Sign up to Safety group
- Swan group
- Clinical Product Evaluation group

The non-exhaustive list above is managed on an annual plan of work for the QSIG / COG subgroups with upward reporting to QGAC through chairman reports and minutes. An issues log is shared with QSIG members to communicate issues for redress from oversight/assurance reports reviewed at COG.

The new meeting structure implemented in 2018/19 is well embedded and feedback on the new process has been received and actioned. Although timescales are tight for the new reporting arrangements, the information/reports produced are relevant, timely and prudent for Trust and Divisional review.

Committee objectives - During the year ahead QGAC has agreed two primary objectives:

1) That the Trust will have developed during the year metrics which will enable the Board to be assured that it can adequately assess the performance of all the divisions including in particular the new Community and Primary Care Division 3.

2) Mortality:

- To understand the drivers for elevated mortality ratios
- To have a robust improvement plan, including target dates
- To be able to demonstrate that we are providing reliable care

QGAC has monitored progress with these using the Integrated Quality and Performance report and the Mortality Report and BAF updates as the basis for questioning and discussion.

Committee Self-Assessment - QGAC assessed its competence and capability using a questionnaire based on one adapted by Finance and Performance from a questionnaire assessment tool developed by HFMA. The results were generally positive and were reported back to the committee with comments from the chair. The assessment will be repeated in 2020/21.

3.4 Finance and Performance Committee

Members: M Martin, S Rawlings, and J Hemans.

The F&PC provides assurance to the Trust Board on the effective financial and external performance targets of the organisation. It also supports the development, implementation and delivery of the medium term financial plan, and the efficient use of financial resources. The Committee meets monthly and considers in detail, among other things, the Trust's financial position, budget training report, the progress of the capital programme, and performance aspects of the Trust Board's quality and performance report.

It also considers the work of the Financial Recovery Board and Cost Improvement Programme Group, Service Line Reporting, Sustainability and Transformation Programme (STP), contractual performance against contractual standards, Commissioning for Quality and Innovation (CQUIN), Local Clinical Research Network (LCRN) finance report, the procurement strategy and other matters associated with operational finance and budgeting.

The Committee had oversight of two risks highlighted on the BAF and ensured that it reviewed progress with the mitigations against each of the risks assigned.

The Committee meetings have always been quorate and well attended. As with the other Committees, the Chair submits a report on each meeting to the next available Board and highlights pertinent issues. This is done in a timely fashion as the Committee meets the week before the Board. In addition, the minutes are submitted to the Board for information.

The Committee had set itself two objectives for the year. The first was to support improvements in cash flow management with quarterly reports coming to the Committee, which has been achieved. The second was to monitor the cancer recovery plan where the Trust is benefiting from working with the National Intensive Cancer support team.

3.5 Workforce & Organisational Development (WOD) Committee

Chair: Junior Hemans, Member: Roger Dunshea + one 'floating' Member

One of the Trust Strategic Objectives was and is to attract, retain and develop all employees and improve employee engagement year on year. This links to the Board Assurance Framework risk relating to the requirement for Recruitment and

Retention of staff across the Trust and in particular the future pipeline of nursing and medical staff.

The Committee was established as a Committee of the Trust Board with its Terms of Reference being approved in September 2017 and it commenced operation in October 2017.

The Committee was formed to give greater emphasis and assurance on workforce governance relating to Resourcing, Skills, Leadership & Organisational Effectiveness, Engagement and Productivity.

The outline remit of the committee is as follows:

- The organisational development and workforce strategy, structures, systems and processes are in place and functioning to support employees in the provision and delivery of high quality, safe patient care
- Processes are in place to support optimum employee performance to enable the delivery of strategy and business plans in line with the Trust's values
- The Trust is meeting its legal and regulatory duties in relation to its employees
- Where there are human resource risks and issues that may jeopardise the Trusts ability to deliver its objectives, that these are being managed in a controlled way.

In order to meet the requirements of the committee, the following points are key areas of focus:

1. The implementation of an overarching organisational development and human resources strategy that enables the Trust to deliver its strategy, vision and values
2. Effective identification and mitigation of Human Resources risks within the supporting infrastructure of the Board Assurance Framework and Risk Register
3. Robust workforce planning and recruitment processes are in place, supported with attraction & retention approaches, to ensure that the Trust has a workforce to deliver its strategy and annual plan
4. Mechanisms in place and effective to communicate with and inform the workforce in relation to strategy as well as constitution, values and ethos
5. The monitoring of staff engagement and experience, reviewing staff surveys (national & local) and delivering its plans to achieve a highly motivated and engaged workforce to enhance the quality of patient care
6. The monitoring of processes in place to identify and develop organisational structures, leadership and management capability to ensure the delivery of the Trust's strategy
7. Arrangements for the effective training and education of the workforce in all professions and disciplines
8. The Trust is delivering its ambition and legal obligations in relation to the Diversity/Equal opportunity of the workforce
9. Processes & resources are in place, to ensure the development of healthy teams and indicators of poor team health are acted upon, as well as support the wider Trust Health & Well-Being agenda.
10. Performance management reports are reviewed

3.6 Remuneration Committee

Members: J Vanes, R Dunshea, R Edwards, J Hemans, M Martin, S Rawlings and J Small (to December 2018).

The purpose of this Committee is to advise the Trust Board about appropriate remuneration and terms of service for the Chief Executive and other Executive Directors. The Remuneration Committee met several times during the year and reviewed Executive Director Remuneration and appraised the performance of the Chief Executive (in his absence). The Chairman appraised all of the Non-Executive Directors. NHS Improvement undertakes the appraisal of the Chairman, which took place in April 2017.

3.7 Charitable Funds Committee

Members: S Rawlings, R Dunshea, and J Vanes.

The aim of the Committee is to administer the Trust's Charitable Funds in accordance with any statutory or other legal requirements or best practice required by the Charities Commission.

During 2018/19, the Committee has continued to benefit from the dedicated support of an in-house fundraising coordinator, ably supported by the Head of Communications and her team, as well as the on-going help of the finance team and external investment adviser. The Newsletter and increased use of social media has raised further awareness of the charity and our work.

Processes have been revised, which means that fund advisors now have the opportunity to attend and present their applications for funding at committee meetings.

Some of the projects supported during the year include welfare rights service for renal patients, complimentary therapies for cancer patients; the RWT Singers - a choir made up of staff members who perform for patients across the hospital; plus a range of medical equipment for various departments.

3.8 Trust Management Committee

The Trust Management Committee (TMC) provides a formal platform for the major decision-making process for clinical and non-clinical operations, and as such is not attended by Non-Executive Directors, but all of the Executives attend, along with Divisional Medical Directors and Heads of Service. High attendance rates were recorded at all of these meetings.

The Committee, chaired by the Chief Executive, receives monthly reports from the Divisions on governance, nursing and quality issues, as well as business cases above a certain value. The Committee also receives monthly updates on finance, human resources, the capital programme, vertical integration, nursing and midwifery professional issues, policies, the IQPR, and the Trust efficiency programme.

Quarterly updates are presented on cancer services, infection prevention, research and development, information governance and the integrated electronic patient record project. Reports on other matters, such as education and training, are also submitted periodically. During the year, the Committee started to include on its agendas a strategic matter for discussion, in order to engage the members in considering and debating together some of the bigger issues facing the organisation going forward.

It approves in line with Standing Financial Instructions, some Business Cases and all new or significantly changed Policies and Procedures.

3.9 Freedom to speak up - concerns raised

NHSi and NGO Trust board self-review tool requires RWT to deliver;

- The Trust's Annual Report contains high level, anonymised data relating to speaking up as well as information on actions the trust is taking to support a positive speaking up culture.
- The Chief Executive and Chair are responsible for ensuring the Annual Report contains information about FTSU.

Creating a Positive Speaking Up Culture: Freedom to Speak Up. The Trust has undertaken a number of actions:

1. Produced a Trust Vision Poster
2. Revised Raising Concerns (Freedom to Speak Up) Policy,
3. Grown a network of Speak Up Contact Links,
4. Appointed a Freedom to Speak Up Guardian since October 2016,
5. Developed training for both staff and managers for raising and responding to speaking up concerns and
6. Over 100 Speaking Up concerns have been raised through the Freedom to Speak Up Guardian and Contact Link route.

Trust Freedom to Speak Up data recorded for the Financial year 2018/19 and reported to the our Trust Board, as well as our national requirement to report this data to the National Guardian Office; an independent, non-statutory body with the remit to lead culture change in the NHS so that speaking up becomes business as usual. The office is not a regulator, but is sponsored by the CQC, NHS England and NHS Improvement.

Table 14

Year 2018/19	Total number of cases brought to Freedom to Speak Up Guardians, Champions and Ambassadors in our trust	#Cases raised anonymously	#Patient safety/quality	#Bullying or harassment	#Suffering detriment
Q1	12	6	2	10	0
Q2	11	1	1	8	1
Q3	23	7	5	18	4
Q4	11	0	5	5	4

Freedom to Speak Up at The Royal Wolverhampton NHS Trust has taken a successful journey and already we have begun to see some positive outcomes as result of Freedom to Speak Up interventions. There was an internal audit review that provided significant assurance in respect of the FTSU process.

4. Capacity to handle risk

4.1 Risk Assessment

The Trust Board has approved a Risk Management Assurance Strategy, which identifies that the Chief Executive has overall responsibility for risk management within the Trust. Within the strategy (and supporting policies) all managers and staff have delegated responsibility identified for the management of risk as part of their core duties. Training is provided to equip staff with appropriate knowledge and skills via a combination of e-training packages and handbook resources. The risk management training for senior managers was reviewed, and a new Risk Management e-training package developed and further revised for all staff. The training for all staff will be considered for mandatory status in 2019/20.

We manage risk through a series of processes that identifies risks, 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 (e.g. incident, complaint, claim, audit, and compliance)
- Using committee / subgroup reporting to inform the risk registers
- Reviewing external / independent accounts of our performance to inform risk status (e.g. CQC standards, national benchmarks, external reviews 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. Our categorisation matrix supports a standard approach to risk tolerance
- Monitoring controls through positive and negative 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
- Refinement of risk management training made available to all staff (including senior managers)

4.2 Management of the Risk Register within the Trust:

Risk registers are managed at the following levels:

- Divisional / Directorate / Departmental – operational risks that include clinical, business / service, financial, reputational, and patient / staff / stakeholders
- Trust Risk Register (TRR) – Any risks graded as 12 or above are escalated to the TRR for consideration by Directors. This has the purpose to inform Directors and the Trust Board of operational risks which may adversely impact the BAF and strategic objectives. Risks / elements of controls may also be delegated from the BAF to operational risk registers for management
- Board Assurance Framework (BAF) – Contains all risks which impact on our strategic objectives

Each risk on the BAF and TRR has an identified Director and operations lead to manage the risk.

The TRR and BAF are reviewed by Directors, the Board and management at the following frequencies:

- QGAC – Monthly
- Trust Board – Bi Monthly
- Finance & Performance Committee - Monthly
- Delegated Committees – Monthly
- TMC review TRR – monthly
- Divisional Governance - monthly

During the year we have maintained focus on the quality of controls assigned to risks at all levels and the principles of measurable controls are applied. For risk registers to remain effective priority is also placed on the completion and update of assurances and actions to manage risk.

A total of 58 risks on the BAF and TRR were managed during the year 2018-2019, of these 19 were new risks identified in year. The 58 risks comprised of the following categories, 12 were red (red being the highest risk rating), 41 were amber, and 5 were yellow.

There were 18 risks closed as at 31 March 2019, the remaining 40 to be carried forward to 2019/20 are:

RED (4 – Board Assurance Framework (BAF) and 7 Trust Risk Register (TRR))

- Workforce - Recruitment and Retention of staff across the Trust and in particular the future pipeline of nursing and medical staff (BAF)
- That there is a failure to deliver recurrent CIP's (BAF)
- That the underlying deficit that the Trust has (in 2017/18) is not eliminated in medium term to bring the Trust back to financial surplus (BAF)
- Mortality rates – reputational risk (BAF)
- Risk to quality of patient care: reduced manpower (TRR)
- Lack of robust system for review and communication of test results (TRR)
- Divisions inability to achieve CIP (TRR)
- Delays in Cubicle Assessment and Triage (TRR)
- Fragility of SaTh Service (TRR)
- Lack of Network Support for Vascular Services at RWT (TRR)
- ePMA downtime / outage issues (TRR)

28 risks are RAG rated amber (28 - TRR), and 1 risk RAG rated yellow (1 – TRR). All remaining risks will be managed and regularly reviewed on the Trust Risk Register and BAF.

4.3 The Risk and Control Framework

The Board-approved Risk Management Assurance Strategy includes the following:

- The aims and objectives for risk management in the organisation, aligned to our vision
- A description of the committee arrangements and relationships between various corporate committees and subgroups
- The BAF 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 standard risk management systems as an integral part of assurance provision
- A description of the risk management process and a requirement for all risks to be recorded in a risk register prioritised (i.e. graded) and escalated using a standard scoring methodology

We seek to identify risks through all available intelligence sources including independent review, external review and assessment. The risk management process is supported by a number of policies which direct 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. All policies have identified audit, monitoring and training arrangements.

The BAF identifies the risks to our strategic objectives, the key controls in place to manage these risks and the effectiveness of the controls shown in positive and negative assurance. The Internal Audit of Risk Management (Nov 2017) reported recognisable alignment between the TRR and BAF and duplication was not evident.

In addition, during 2018-2019 the local audit of the Risk Management Reporting Policy (OP10) showed good compliance with risk register reviews at all levels and sustained improvement with risk escalation/management.

All Committees of the Trust Board (excluding TMC) are chaired by Non-Executive Directors to reflect the need for independence and objectivity, ensuring that effective governance and controls are in place. This structure facilitates appropriate scrutiny and challenge of the performance of the organisation. The Committees met regularly throughout the year, and reported to the Trust Board following their meetings.

We have a well-developed framework for assessing on-going compliance with CQC Fundamental standards of care (and 5 key questions of Safe, Caring, Effective, Responsive and Well Led) known as Quality Review Visits (QRV's). The assessment of compliance uses a combination of quality performance indicators, clinical audits and observational ward and department visits to measure on-going compliance with care standards. Following each QRV we use the CQC rating characteristics to make judgements about compliance with the fundamental standards of care and judgments are cross checked and challenged at Divisional Management Performance & Quality meetings and by Executives at Trust groups. This approach allows for information to be triangulated between performance results and observation of care standards and allows for assurance to be reported from ward to Board.

The programme aims to:

- Create a positive and proactive approach to observational assessment and external reviews.
- Ensure robust / reliable compliance reporting: ward to Trust Board.
- Support continuous quality improvement and patient safety.
- Highlight good practice and areas of excellence.

During 2018 we conducted nine QRVs identifying areas of good and excellent practice to be shared, as well as areas for improvement for local follow up. The QRVs are well embedded within the Trust with positive feedback and quality benefits being reported by both the clinical areas visited and those conducting the inspections.

A follow-up visit process has commenced since 2017 where areas requiring improvements are followed up. Six visits which met the criteria agreed by the Trust have been completed to date. These have shown some good improvements.

In areas not currently undertaking the QRV programme, self-assessments have been completed against CQC requirements with local improvement actions taken forward. The 2019/20 programme includes community areas and 2020/21 programme will include GP Practices.

4.4 The Risk and Control Framework - Looking Forward to 2019-2020

The key strategic risks identified as we go into the new financial year are:

- Workforce – Recruitment and retention of staff across the Trust
- Black Country or Staffordshire Sustainability Transformation Plans has an adverse impact on The Royal Wolverhampton NHS Trust (RWT) income or services
- That there is a failure to deliver recurrent Cost Improvement Programmes (CIPs)
- That the underlying deficit that the Trust has (in 2018/19) is not eliminated in the medium term to bring us back to surplus.

The Trust will develop a strategy, systems and processes to develop its capacity for learning and improvement. The strategy will include arrangements for the extraction and publication of lessons for improvement as well as evidence based components that support the nurturing of a learning organisation.

4.5 Compliance Summary

The Trust is fully compliant with the Self-assessment, declaration and registration requirements of the Care Quality Commission.

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

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 UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with

Developing Workforce Safeguards and Workforce Planning

We have considered the guidance and requirements set out within 'Developing Workforce Safeguards' published by NHS Improvement in October 2018. The Trust established Role Development Group focusing on new or expanded roles responding to service challenges and needs. This links into workforce planning and we are reviewing our approach to this to ensure engagement and integration. As part of improved workforce planning, Trusts are expected to make use of the *Operational workforce planning self-assessment tool*, which we undertook in early Autumn 2018 which highlighted engagement and integration at service levels as an area of focus and we have started to make good progress in this area.

The Trust's ambition is that we will enable our staff to be the best they can be in their chosen career. We will continue to explore and develop new roles, including

widening our offer of Apprenticeships across the organisation, which will support care delivery that will be required by our patients in the future.

In terms of the nursing and midwifery workforce, a gap analysis of the compliance with the Developing Workforce Safeguards has been undertaken which has identified some areas the Trust requires to strengthen. A resultant action plan has been developed in order to progress these areas and achieve full compliance. Allied Health Professionals are currently in the process of completing a gap analysis and will develop an action plan as necessary.

5. 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, F&PC, TMC and at Divisional Team meetings.

The Trust has achieved all of its statutory financial targets, achieving an end of year surplus of £3.0m, 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 Trust Board
- Monthly reporting to the Trust Board on key performance indicators covering finance, activity, governance, quality and performance
- Monthly reporting to the F&PC
- Regular reporting at Operational and Divisional meetings on financial performance
- Finance Recovery Board meetings to oversee the Lord Carter economies work streams, and the Cost Improvement Programme

Internal Audit has provided assurance on internal controls, risk management and governance systems to the Audit Committee and to the Trust 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.

6. Information Governance & Data Security

SUMMARY OF SERIOUS INCIDENT REQUIRING INVESTIGATIONS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2018-19

The next table details the incidents **reported** on the NHS Digital incident reporting tool and to the Information Commissioners Office (ICO), within the financial year 2018/19. Any incidents that are still being investigated for the period 18/19 are not included. The incidents listed below are for the Royal Wolverhampton NHS Trust and for the Vertical Integration GP partnerships that have joined the Trust as listed below.

Table 15

Date incident occurred (Month)	Nature of incident	Number of data subjects potentially affected	Description/ Nature of data involved	Further action on information risk
November 2018	YouTube clip had been found showing unauthorised access to old hospital building. The clip showed that there is what appears to be 'patient notes' found left in the building. The video was published in May 2018	1200	Clinical information	Approved contractors appointed to enter the building and attempt to recover and destroy any data that may have been left. It cannot be retained due to risk of documents being contaminated due to environment.
August 2018	Screen shot sent to complainant contained demographics of 15 other patients which were obscured, due to image being cropped.	15	Demographic data	Complainant was asked to delete data
August 2018	Ex Member of staff alleged to have access to 120 patient names and addresses and has advised would contact them once employment was ceased. Data had also been shared with NMC.	120+	Demographic data	Ex Staff member has been written to on several occasions' requesting return of information. ICO contacted to pursue retrieval of information.
July 2018	Social media disclosure, a clip containing patient data was made available via twitter as a part of a promotional video.	13	Clinical information	Clip was taken down and amended as soon as this was made known to Trust.
July 2018	An excel spread sheet containing staff sickness & absence information was sent in error via email to Trust email addresses. The Manager had intended to attach a staff briefing.	78	Staff information	All recipients were contacted and requested information deleted.
June 2018	A staff member who works for a third party that the Trust contract to provide a service, took a clinic laptop and clinical paperwork home in their car. The staff member's car was broken into and the laptop bag containing the laptop and clinical paperwork had been stolen. Incident was reported to the police. It was noted that all recent paperwork had demographic details only completed.	4	Demographic data	Reported to Police and Trust. Paper records were recovered but laptop was not, but was encrypted. Third party conducted investigation, and Trust carried out further assurance checks of provider.

Table 16 Incidents classified at lower severity level

Incidents classified at severity level 1 are aggregated and provided in table below:

SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2018-19		
Category	Breach Type	
A	Corruption or inability to recover electronic data	1
B	Disclosed in Error	111
C	Lost in Transit	6
D	Lost or stolen hardware	0
E	Lost or stolen paperwork	15
F	Non-secure Disposal – hardware	0
G	Non-secure Disposal – paperwork	4
H	Uploaded to website in error	2
I	Technical security failing (including hacking)	16
J	Unauthorised access/disclosure	7
		162

Table 17 Data Protection and Security Toolkit Return 2018/ 2019

Data Protection and Security Toolkit 2018/19 overall scores are as follows:

The Royal Wolverhampton NHS Trust	RL4 - Standards Not Met (Plan Agreed) (96/100)
Alfred Squire	M92002- Standards Met (52/52)
West Park Surgery	M92042- Standards Met (52/52)
Thornley Street	M92028 - Standards Met (52/52)
Ettingshall	Y02735- Standards Met (52/52)
Lea Road	M92007- Standards Met (52/52)
Penn Manor	M92011 - Standards Met (52/52)
Coalway Road	M92006- Standards Met (52/52)
Warstones	M92044 - Standards Met (52/52)
Lakeside	M83132 - Standards Met (52/52)

6.2 Looking forward to 2019/20 Data security and Protection

The Trust is working with NHS Digital to ensure that an agreed action plan for the DSPT toolkit is implemented, ensuring the Trust is equivalent to 'Standards Met'. Through specialist sub groups such as IG steering group, risks to compliance with the DSPT toolkit will be monitored.

The Trust continues to monitor patterns and trends of data security incidents and implementing measures to reduce these to the lowest level practicable. Current risks include continued and increasing risk of external threats in relation to Cyber security, particularly via email phishing. Other risks to data security include disclosure in error

via various means, and this is attributed to the ways of working in health which the Trust is aiming to improve with digital innovation and improvements in IT systems.

The Trust are continuing to embed the requirements of the General Data Protection Regulation 2016 (GDPR) into Trust practices, monitored via the GDPR implementation group ensuring data privacy is at the forefront of the care that we provide and the information that is captured. The Trust is also working closely with GP Partnerships that have joined the organisation to align practices and share good practice.

The Trust is yet to have its Well Led review, but anticipate the focus will be on areas of business continuity in relation to data security, assurance around access to key information assets and how this is monitored as well as how data flows are mapped and monitored. This program of work will be monitored through the committees as follows;

- The Trust has several committees dedicated to reviewing assurance in relation to DSPT and GDPR, chaired by senior board members.
- The Medical Director is the Trust's trained Caldicott guardian, and is responsible for protecting the confidentiality of patient and service-user information and enabling appropriate information-sharing. The Guardian plays a key role in ensuring that Trust satisfies the highest practical standards for handling patient identifiable information, and Chairs the IG Steering group and GDPR implementation group.
- The Chief Financial Officer is the Trust's Senior Information Risk Officer (SIRO) and is responsible for monitoring the Trust's overall information risk, ensuring we have a robust incident reporting process for information risks. The SIRO reports to the Trust Board and provides advice on the matter of information risk. The SIRO is also a member of the IG steering Group and co-chair of the GDPR implementation group.
- The Trust has appointed a Data Protection Officer who acts independently to ensure compliance with the GDPR as well as monitoring its application across the Trust. The DPO has a reporting line into the Caldicott Guardian through to the Trust board.
- The Trust is in the process of establishing clear responsibilities for Information Asset Owners across the Trust to facilitate robust and timely escalation of information risk escalation to the SIRO.
- Regular reports are provided to the Trust Board during the year to ensure that they are sighted on and support the Trust's plans in relation to data security and protection. To support this each toolkit assertion is aligned to a director responsible on the board.
- All Trust board members received NHS Digital approved GCHQ cyber and data security training, and will receive updates and briefings in relation to the Trust performance in this area.

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 for Quality Accounts remains in place nationally, which outlines the requirements with respect of the format, content and reporting arrangements for the annual Quality Accounts. The Trust used this guidance to ensure that its requirements were included in the Trust's Quality Account 2018/2019.

The Trust's quality priorities for 2018/19 were selected as part of a consultation process with our staff and external stakeholders. In addition, the Trust reviewed what patients and members of the public said about us through national and local surveys, in-patient feedback received through complaints, compliments and the Friends and Family Test. In addition, various national and local guidance and feedback from the Care Quality Commission were considered.

A variety of data reporting systems remained the source of information for the Quality Account 2017/18. For example, the incident and complaints data was extracted from Datix (incident reporting system). In addition, information was validated with individual leads, for example, the governance team, patient experience team, infection prevention and control lead, performance team. In terms of the elective waiting time data, the Trust has continued to employ a robust process of validation prior to submission. This involves an automated process which produces a data extract from Patient Administration System (PAS) to outline patient that have been listed for surgery, which is validated for duplicates and anomalies for investigation and correction. Following this, the data is reviewed further by a validation team to ensure patient records are accurate, up to date and reflect individual patient journeys and pathways. This process is repeated up until the point of submission to ensure any data lag issues are resolved in a timely manner.

Each year, a draft version of the Quality Account is approved by directors via the internal governance processes prior to being shared with the Local Authority's Overview and Scrutiny Committee, Wolverhampton Healthwatch and Clinical Commissioning Group. In addition, the Quality Account is subject to a limited assurance review by the Trust's independent auditors prior to the final version being shared with the Trust Board for approval and subsequently published.

8. Operational Performance

The Trust is committed to delivering the national requirements and operational performance standards. These are robustly monitored and managed to ensure patients receive the most appropriate levels of care. A comprehensive performance management process exists across the Trust to monitor delivery against these standards alongside trust wide organisational efficiency metrics and other quality based indicators of effective standards of care.

The framework we employ is multi-faceted and covers many levels across the organisation. This includes weekly review at the Chief Operating Officer's performance meeting and through subsequent meetings across the Divisions. A detailed Integrated Quality and Performance Report (IQPR) is produced monthly; performance is discussed in-depth at the monthly Finance and Performance Committee, which is chaired by a Non-executive Director, with further scrutiny taking place at the full Trust Board. Specific details of the Trust performance against the key operating standards can be found in section "What We Achieved – Performance Summary 2018-2019".

8.1 Emergency Planning / Resilience

As a provider of NHS-funded care the Trust has a legal duty under the Civil Contingencies Act (CCA) 2004 to have in place emergency plans to respond to a wide range of major, critical and business continuity incidents which could affect patient care. These could be anything from an infectious disease outbreak, cyber threat or a mass casualty incident.

In order to show that effective arrangements are in place to deliver its Emergency Preparedness Response and Resilience (EPRR) function the Trust is required to complete an annual assurance self-assessment based on the NHS England Core Standards for EPRR. For last year the Trust rated itself as being 'substantially compliant' in meeting these standards.

The Trust actively engages and cooperates with partner organisations to ensure a coordinated approach to planning and response to incidents. This is undertaken at a multi-agency level such as the Local Health Resilience Forum and provides a principle mechanism for information sharing and joint working.

In terms of preparedness activities the Trust over the last year has reviewed and updated a number of emergency plans. This includes revision of the Trust major incident plan which now contains a mass casualty addendum as well as refined processes for surgical triage within the Emergency Department.

The Trust has a rolling programme of exercises that are designed to test and develop our plans. One such exercise undertaken involved the setup of the Trust incident control centre in order to test the multi-agency response to a mass casualty incident. With regards to EPRR training the Trust has focused on improving training and has introduced a market stand during Trust Induction to provide awareness for all new starter staff.

Over the last year the Trust has seen good developments in resilience arrangements however more work is required to achieve full compliance with the EPRR Core Standards 2019. An action plan has been established and is being monitored through respective governance groups. Substantial progress has already been made and the Trust continues to improve current capabilities and resilience across the Trust.

An Emergency Preparedness annual report has been produced, identifying the status of the Trust's resilience over the last twelve months and identifying key priorities for the forthcoming year.

8.2 Health and Safety at Work

The Trust Health and Safety risk profile has been maintained and shows compliance with relevant Health and Safety Executive (HSE) legislation. Work continues to identify gaps and provide action plans to fill these gaps giving the Board an improved assurance around compliance with the Regulations. Estates and Facilities continue to work towards compliance with the Premises Assurance Model (PAM) accreditation system, this is adding to the robustness of assurance received from Estates. Estates Facilities are also maintaining their accreditation for CHAS (Contractors Health & Safety Assessment Scheme) allowing them to use the logo on their letterheads as approved contractors.

There has been a 6.73% reduction in the number of health and safety incidents when comparing 2018/19 to 2017/18. Focus has remained on the high incident reporting areas; ensuring investigations are undertaken where needed and risk assessments reviewed to improve control measures. Focus continues on sharing lessons identified across the Trust, using various forums to do this including the Safety Representative Forum, and our Risk Newsletter 'Risky Business' and direct email depending which method is felt most suitable at the time.

The top 5 reported health and safety related incidents for the year are:

- Sharps incidents (14% increase)
- Personal Contact Injury (4% increase)
- Violence and Aggression (7% decrease)
- Manual Handling (15% decrease overall) (patient handling 20% decrease; objects 9% decrease)
- Slips, trips & falls (25% decrease)

This shows an overall decrease in incidents, however a slight increase in 2 areas, The increase in 'sharps' incidents relates largely to non- clinical sharps incidents, a new category has been added to Datix for 2019/20. The H&S Team review and investigate for areas of concern.

8.3 Social Economic Responsibilities: Modern Slavery and Forced Labour

The Trust is committed to its Social Economic Responsibilities and ensuring that it is a Good Corporate Citizen (GCC). In its procurement practices the Trust stipulate that: suppliers shall use Good Industry Practice to ensure that there is no slavery or human trafficking in its supply chain and will monitor and notify the Authority immediately if it becomes aware of any actual or suspected incidents of slavery or human trafficking in its supply chains. Suppliers will also provide to the Trust any reports or other information as requested as evidence of the supplier's compliance.

In addition, sourcing staff within the Procurement team access external e-learning which covers Ethical & Sustainable Procurement. Procurement contracts now include the following stipulations:

10.1.15 it shall: (i) comply with all relevant Law and Guidance and shall use Good Industry Practice to ensure that there is no slavery or human trafficking in its supply chains; and (ii) notify the Authority immediately if it becomes aware of any actual or suspected incidents of slavery or human trafficking in its supply chains;

10.1.16 it shall at all times conduct its business in a manner that is consistent with any anti-slavery Policy of the Authority and shall provide to the Authority any reports or other information that the Authority may request as evidence of the Supplier's compliance with this Clause 10.1.16 and/or as may be requested or otherwise required by the Authority in accordance with its anti-slavery Policy;

9. Annual Declarations

1. The Royal Wolverhampton NHS Trust is required to register with the CQC and its current registration status is active. The Royal Wolverhampton NHS Trust has no conditions with its continued registration.

The CQC has not taken enforcement action against The Royal Wolverhampton NHS Trust during 2018-2019.

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.

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

The Trust strives to deliver safe, accessible and fair services to the diverse population that we serve. We value our greatest asset, our diverse workforce, and strive to create working environments in which everyone is able to reach their full potential and flourish, this in turn will help us deliver truly inclusive services that treat people with respect, care, dignity and compassion and improve the overall patient experience.

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 2019 on the Information Governance Toolkit. The Trust declared compliance in 96/100 standards with a plan agreed for the remaining 4. All integrated practices declared full compliance (see Data Protection and security Toolkit Return section of this report).

6. The trust has published an up-to-date register of interests for decision-making staff within the past twelve months, as required by the '*Managing Conflicts of Interest in the NHS*' guidance.

7. The trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

10. Head of Internal Audit Opinion

"Overall, significant assurance with some improvement required can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. We identified weaknesses which put system objectives at risk in relation to the Data Security and Protection Toolkit, Risk Management and Financial Sustainability. Otherwise, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.

Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.”

11. Review of 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, clinical audit and the executive managers and clinical leads within the NHS trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee and, the quality governance assurance committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

My review is informed by reports from external inspecting bodies including external audit and the Patient-Led Assessments of the Care Environment (PLACE) inspections (the system for assessing the quality of the patient environment). It 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 Trust Board, the Audit Committee, and the QGAC and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has continued to undertake regular Development meetings throughout the year and has recently commenced a review to inform future Board development. It has monitored the performance and effectiveness of the Trust Board Committee's including the Audit Committee, Finance and Performance Committee, the Quality Governance Assurance Committee and the Workforce and Organisational Development Committee all of which have key roles in the assessment of assurance and effectiveness of the Trust and in the identification of and mitigation of any identified risks.

The Audit Committee has managed on behalf of the Trust Board the agreed programme of Audit including internal audit, external audit and clinical audit (alongside the Quality Governance Assurance Committee). The Board receives the presentation of examples of clinical audit work.

I have not identified any significant internal control issues or gaps in control from the work and assurances provided to me and to the Trust Board.

12. Conclusion

No significant internal control issues have been identified during 2018-2019.

Accountable Officer: David Loughton CBE

Organisation: The Royal Wolverhampton NHS Trust

Signature:

A handwritten signature in blue ink, appearing to read 'D. Loughton', with a stylized flourish at the end.

Date: 24 May 2019

Statement of Comprehensive Income for year ended 31 March 2019

		2018-19	2017-18
	Note	£000	£000
Operating income from patient care activities	3	489,963	464,033
Other operating income	4	103,012	84,505
Operating expenses	7, 9	<u>(579,390)</u>	<u>(529,386)</u>
Operating surplus/(deficit) from continuing operations		13,585	19,152
Finance income	12	127	52
Finance expenses	13	(2,074)	(1,728)
PDC dividends payable		<u>(10,316)</u>	<u>(10,170)</u>
Net finance costs		(12,263)	(11,846)
Other gains / (losses)	14	<u>60</u>	<u>31</u>
Surplus / (deficit) for the year		<u>1,382</u>	<u>7,337</u>
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Revaluations	18	(2,880)	16,905
Other reserve movements		<u>0</u>	<u>(2)</u>
Total comprehensive income / (expense) for the period		<u>(1,498)</u>	<u>24,240</u>

Statement of Financial Position as at 31 March 2019

		31 March 2019	31 March 2018
	Note	£000	£000
Non-current assets			
Intangible assets	15	2,625	1,115
Property, plant and equipment	16	334,455	331,382
Receivables	20	4,002	0
Total non-current assets		341,082	332,497
Current assets			
Inventories	19	6,607	6,357
Receivables	20	36,180	35,572
Non-current assets held for sale / assets in disposal groups	21	0	800
Cash and cash equivalents	22	15,988	16,982
Total current assets		58,775	59,711
Current liabilities			
Trade and other payables	23	(56,811)	(52,971)
Borrowings	25	(2,013)	(1,979)
Provisions	27	(4,612)	(6,219)
Other liabilities	24	(3,009)	(3,205)
Total current liabilities		(66,445)	(64,374)
Total assets less current liabilities		333,412	327,834
Non-current liabilities			
Borrowings	25	(7,982)	(5,299)
Provisions	27	(542)	(581)
Total non-current liabilities		(8,524)	(5,880)
Total assets employed		324,888	321,954
Financed by			
Public dividend capital		237,185	232,753
Revaluation reserve		60,892	67,355
Other reserves		190	190
Income and expenditure reserve		26,621	21,656
Total taxpayers' equity		324,888	321,954

The notes on pages 43 to 72 form part of these accounts.

Name David Loughton
 Position Chief Executive
 Date 24 May 2019

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

	Public dividend capital £000	Revaluation reserve £000	Other reserves £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2018 - brought forward	232,753	67,355	190	21,656	321,954
Surplus/(deficit) for the year	0	0	0	1,382	1,382
Revaluations	0	(2,880)	0	0	(2,880)
Transfer to retained earnings on disposal of assets	0	(3,583)	0	3,583	0
Public dividend capital received	4,432	0	0	0	4,432
Taxpayers' equity at 31 March 2019	237,185	60,892	190	26,621	324,888

* Following the implementation of IFRS 9 from 1 April 2018, the 'Available for sale investment reserve' is now renamed as the 'Financial assets reserve' However the Trust does not have a 'Available for sale investment reserve'

Statement of Changes in Equity for the year ended 31 March 2018

	Public dividend capital £000	Revaluation reserve £000	Other reserves £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2017 - brought forward	231,398	50,457	190	14,314	296,359
Surplus/(deficit) for the year	0	0	0	7,337	7,337
Other transfers between reserves	0	(7)	0	7	0
Revaluations	0	16,905	0	0	16,905
Public dividend capital received	1,355	0	0	0	1,355
Other reserve movements	0	0	0	(2)	(2)
Taxpayers' equity at 31 March 2018	232,753	67,355	190	21,656	321,954

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Financial assets reserve/Available for sale investment reserve

Following the implementation of IFRS 9 from 1 April 2018, the 'Available for sale investment reserve' is now renamed as the 'Financial assets reserve'. This reserve comprises changes in the fair value of financial assets measured at fair value through other comprehensive income. When these instruments are derecognised, cumulative gains or losses previously recognised as other comprehensive income or expenditure are recycled to income or expenditure, unless the assets are equity instruments measured at fair value through other comprehensive income as a result of irrevivable election at recognition.

Merger reserve

This reserve reflects balances formed on merger of NHS bodies.

Income and expenditure reserve

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

Statement of Cash Flows for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Cash flows from operating activities			
Operating surplus / (deficit)		13,585	19,152
Non-cash income and expense:			
Depreciation and amortisation	7.1	14,575	15,237
Net impairments	8	1,731	(3,157)
Income recognised in respect of capital donations	4	(289)	(74)
(Increase) / decrease in receivables and other assets		(44)	(5,563)
(Increase) / decrease in inventories		(250)	(20)
Increase / (decrease) in payables and other liabilities		4,261	4,148
Increase / (decrease) in provisions		(1,648)	742
Net cash generated from / (used in) operating activities		31,921	30,465
Cash flows from investing activities			
Interest received		127	52
Purchase of intangible assets		(1,877)	(485)
Purchase of property, plant, equipment and investment property		(21,571)	(18,490)
Sales of property, plant, equipment and investment property		860	31
Receipt of cash donations to purchase capital assets		289	74
Net cash generated from / (used in) investing activities		(22,172)	(18,818)
Cash flows from financing activities			
Public dividend capital received		4,432	1,355
Capital element of finance lease rental payments		(227)	(259)
Capital element of PFI, LIFT and other service concession payments		(1,785)	(1,920)
Interest paid on finance lease liabilities		(17)	(18)
Interest paid on PFI, LIFT and other service concession obligations		(2,056)	(1,710)
PDC dividend (paid) / refunded		(11,090)	(6,293)
Net cash generated from / (used in) financing activities		(10,743)	(8,845)
Increase / (decrease) in cash and cash equivalents		(994)	2,802
Cash and cash equivalents at 1 April - brought forward		16,982	14,180
Cash and cash equivalents at 31 March	22.1	15,988	16,982

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2018/19 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Note 1.1.1 Accounting convention

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

Note 1.2 Going concern

IAS 1 requires the Trust to assess, as part of the accounts preparation process, its ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than the dissolution of the Trust without the transfer of its services to another entity within the public sector. These accounts have been prepared on a going concern basis.

Note 1.3 Income

Note 1.3.1 Income from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS). As directed by the GAM, the transition to IFRS 15 in 2018/19 has been completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

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

The main source of income for the Trust is contracts with commissioners in respect of health care services. The timing of the satisfaction of performance obligations is in line with typical timing of payment (i.e. 14-30 days dependant on credit terms agreed with customer). At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from NHS contracts

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

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

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

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at every month end, with the final value being agreed on a quarterly basis. At year end this portion of revenue is deferred as a contract liability.

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

Income from research contracts

Where research contracts fall under IFRS 15, income is recognised as and when performance obligations are satisfied. At contract inception, the Trust assesses the outputs promised in the research contract to identify as a performance obligation each promise to transfer either a good or service that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer. The Trust recognises income as these performance obligations are met, which may be at a point in time or over time depending upon the terms of the contract.

The Trust receives income from the National Institute for Health Research (NIHR) for the hosting of the Greater Midlands Clinical Research Network, which comprises the majority of the Trust's Research and Development Income.

NHS injury cost recovery scheme

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

Note 1.3.2 Income grants and other contributions to expenditure

Government grants are grants from government bodies other than income from commissioners or Trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.3.3 Other income

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Note 1.4 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is not accrued for at the year end on the grounds of immateriality.

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore the schemes are accounted for as though they are defined contribution schemes.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

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

Note 1.5 Expenditure on other goods and services

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

Note 1.6 Property, plant and equipment

Note 1.6.1 Recognition

Property, plant and equipment is capitalised where:

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

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

Note 1.6.2 Measurement

Valuation

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

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

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

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

A standard approach to depreciated replacement cost valuations has been adopted based on HM Treasury guidance and the concept of Modern Equivalent Asset (MEA) Valuations. The valuation included in the Statement of Financial Position is based on an alternative site MEA valuation, undertaken specifically in accordance with the HM Treasury guidance which states that such valuations are an option if the Trust's service requirements can be met from the alternative site.

The fair value of land and buildings is determined by valuations carried out by the Trust's Valuer GVA Grimley Ltd trading as Avison Young. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS). A desktop valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2019.

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

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

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. 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. Impairment losses that arise from a clear consumption of economic benefit is to be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

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

Depreciation

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

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

Revaluation gains and losses

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

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

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

Impairments

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

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

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

Note 1.6.3 De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:

- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

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

Note 1.6.4 Donated and grant funded assets

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

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

Note 1.6.5 Private Finance Initiative (PFI) transactions

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset.

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

Components of the asset replaced by the operator during the contract, 'lifecycle replacement', are measured and capitalised at the time they are provided by the operator at their fair value where they meet the NHS trust's criteria for capital expenditure.

The element of the annual unitary payment allocated to lifecycle replacement is predetermined 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 accrual 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 operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Note 1.6.6 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Buildings, excluding dwellings	1	90
Dwellings	5	60
Plant & machinery	5	15
Transport equipment	5	7
Information technology	4	5
Furniture & fittings	7	10

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

Note 1.7 Intangible assets

Note 1.7.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

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

Software

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

Note 1.7.2 Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

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

Amortisation

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

Note 1.7.3 Useful economic life of intangible assets

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

	Min life	Max life
	Years	Years
Software licences	4	5

Note 1.8 Inventories

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

Note 1.9 Cash and cash equivalents

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

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

Note 1.10 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The Trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.11 Financial assets and financial liabilities

Note 1.11.1 Recognition

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

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

Note 1.11.2 Classification and measurement

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

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

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

At the end of the reporting period, the Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' require an allowance for an expected credit loss. Lifetime credit losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset and that have an impact on the estimated future cash flows of the asset. However NHS bodies are not allowed to recognise any impairments against intra-DHSC balances as it is expected that they will be recoverable, therefore no lifetime credit losses are made against NHS bodies.

When estimating lifetime credit losses in relation to Injury Cost Recovery (ICR) receivables, the GAM instructs the Trust to include an amount within the credit loss allowances for contract receivables to reflect income that is not expected to be recoverable. Each year, the Compensation Recovery Unit (CRU) advises a percentage probability of not receiving the income. For 2018/19 this is 21.89% (2017/18 22.84%). In addition the Trust are in a position to make a reliable estimate of their own percentage and lifetime credit losses are recognised if there is objective evidence of impairment as result of one or more events that occurred after initial recognition of the asset and that have an impact on the estimated future cash flows of the asset.

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

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

Note 1.11.3 Derecognition

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

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

Note 1.12 Leases

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

Note 1.12.1 The trust as lessee**Finance leases**

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

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

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Operating leases

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.

Leases of land and buildings

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

Note 1.12.2 The trust as lessor**Finance leases**

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

Operating leases

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

Note 1.13 Provisions

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

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 27.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 28 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 28, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

Note 1.15 Public dividend capital

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

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.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for

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

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

Note 1.16 Value added tax

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

Note 1.17 Foreign exchange

The functional and presentational currency of the Trust is sterling.

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

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

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

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

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

Note 1.18 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. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's FRoM. Details of third party assets are given in Note 22.2 to the accounts.

Note 1.19 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 the Trust not been bearing their own risks (with insurance premiums then being included as normal income expenditure).

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

Note 1.20 Gifts

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

Note 1.21 Transfers of functions from other NHS bodies

For functions that have been transferred to the Trust from another NHS body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition.

For property, plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity's accounts are preserved on recognition in the Trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the Trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

Note 1.22 Critical judgements in applying accounting policies

In the application of the NHS 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.

The following are the 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.

Note 1.22.1 Sources of estimation uncertainty

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

-Useful Economic Lives

The Trust exercises judgement to determine the Useful Lives and residual values of property, plant and equipment and computer software. Depreciation and amortisation is provided so as to write down the value of these assets to their residual value over their estimated Useful Lives. 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, NHS Resolution claims and other legal cases The Trust uses estimates based on expert advice from agencies such as NHS Resolution, legal advice from Trust advisors and the experience of its managers.

Note 1.23 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2018-19.

Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted

The HM Treasury FRoM does not require the following Standards and Interpretations to be applied in 2018/19.

- IFRS 14 Regulatory Deferral Accounts – This is not EU endorsed and applied to first time adopters of IFRS after 1 January 2016. Therefore not applicable to DHSC group bodies
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, however FRoM has deferred implementation of the Standard until accounting period beginning on 1 April 2020, with the possible early adoption not applicable for the Trust
- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by FRoM: early adoption is therefore not permitted
- IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019

The Trust is not expecting the above standards to have significant impact on the Trust's accounts once adopted but will be further reviewing the impact in detail.

Note 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.

The Trust has identified two operating segments:-

Healthcare Services

This is the core activity of the Trust. It is primarily the provision of NHS Healthcare services to patients, paid for by the relevant NHS Commissioner. Income for this segment is disaggregated in Note 3.1 and Note 4 except for Research and Development which includes Clinical Research Network to which the proportion relating to Clinical Research Network within Research and Development is shown in this Note.

Clinical Research Network

The Trust hosts the Greater Midlands Clinical Research Network, which has a separate Chief Operating Officer and is separately accounted for, so is an operating segment for the Trust. It receives funds from the National Institute for Health Research and pays for research provided by 29 NHS Trusts (including this Trust) plus 3 Universities. The total income for the Network is c.£27.8m. The Network operates on a break even basis. Income for this segment derives from Research and Development (contract) as disclosed in Note 4 of the accounts.

	Healthcare Services		Clinical Research Network: West Midlands		Total			
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000		
Income	565,128	521,153	27,847	27,385	592,975	548,538		
Surplus/(Deficit)								
		Segment surplus/(deficit)	(1,947)	(1,676)	0	0	(1,947)	(1,676)
		Common costs	(561,800)	(512,140)	(27,847)	(27,385)	(589,647)	(539,525)
Surplus/(Deficit)	1,382	7,337	0	0	1,382	7,337		
Net Assets:								
		Segment net assets	324,888	321,954	0	0	324,888	321,954

All assets & liabilities are reported to the Trust Board at a consolidated level so it is not possible to separate these by segment.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.3.1

Note 3.1 Income from patient care activities (by nature)

	2018-19 £000	2017-18 £000
Acute services		
Elective income	72,969	69,488
Non elective income	116,601	107,991
First outpatient income	32,090	31,871
Follow up outpatient income	40,553	39,339
A & E income	18,585	17,422
High cost drugs income from commissioners (excluding pass-through costs)	47,991	47,766
Other NHS clinical income	99,109	95,685
Community services		
Community services income from CCGs and NHS England	40,326	38,896
Income from other sources (e.g. local authorities)	6,124	6,353
All services		
Private patient income	1,010	1,241
Agenda for Change pay award central funding	4,934	0
Other clinical income	9,671	7,981
Total income from activities	489,963	464,033

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2018-19	2017-18
	£000	£000
NHS England	108,716	109,428
Clinical commissioning groups	352,760	332,450
Department of Health and Social Care	4,934	0
Other NHS providers	1,709	2,588
Local authorities	8,609	9,029
Non-NHS: private patients	1,010	1,241
Non-NHS: overseas patients (chargeable to patient)	291	338
Injury cost recovery scheme	1,196	1,337
Non NHS: other	10,738	7,622
Total income from activities	<u>489,963</u>	<u>464,033</u>
Of which:		
Related to continuing operations	489,963	464,033

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

	2018-19	2017-18
	£000	£000
Income recognised this year	291	338
Cash payments received in-year	130	80
Amounts added to provision for impairment of receivables	44	121
Amounts written off in-year	189	33

Note 4 Other operating income

	2018-19	2017-18
	£000	£000
Other operating income from contracts with customers:		
Research and development (contract)	30,675	30,004
Education and training (excluding notional apprenticeship levy income)	17,474	15,915
Non-patient care services to other bodies	22,674	12,013
Provider sustainability / sustainability and transformation fund income (PSF / STF)	12,230	8,547
Other contract income	12,903	11,532
Other non-contract operating income		
Education and training - notional income from apprenticeship fund	426	69
Receipt of capital grants and donations	289	74
Support from the Department of Health and Social Care for mergers	6,000 ¹	6,000
Rental revenue from operating leases	341	351
Total other operating income	<u>103,012</u>	<u>84,505</u>
Of which:		
Related to continuing operations	103,012	84,505

Other contract income includes car parking income, catering income, pharmacy sales, staff accommodation rental and other income generation schemes (recognised under IFRS 15).

¹ Support from Department of Health and Social Care for mergers relates to income received following the dissolution of Mid-Staffordshire NHS Foundation Trust.

Note 5.1 Additional information on income from contracts with customers recognised in the period**2018-19****£000**

Income recognised in the reporting period that was included in within contract liabilities at the previous period end

581**Note 5.2 Transaction price allocated to remaining performance obligations**

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

The majority of the Trust Income derives from patient activities. The Trust does not expect to have any contracts where the period between the transfer of the promised goods or services to the patient and payment by the commissioner exceeds one year. As a consequence, the provider does not adjust any of the transaction prices for the time value of money.

For all other income this is derived from contracts with a duration of one year or less and the Trust recognises income directly corresponding to work done to date. Therefore for all other income the Trust has utilised the practical expedients from IFRS 15 paragraph 121.

Note 6 Fees and charges

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

	2018-19	2017-18
	£000	£000
Income	5,373	4,701
Full cost	(2,644)	(2,356)
Surplus / (deficit)	<u>2,729</u>	<u>2,345</u>

The fees and charges income generated 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.

Note 7.1 Operating expenses

	2018-19	2017-18
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	3,340	3,474
Purchase of healthcare from non-NHS and non-DHSC bodies	1,038	1,197
Staff and executive directors costs	353,210	317,645
Remuneration of non-executive directors	87	92
Supplies and services - clinical (excluding drugs costs)	52,256	49,357
Supplies and services - general	10,656	10,662
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	57,826	56,835
Inventories written down	15	0
Consultancy costs	1,631	1,654
Establishment	4,467	4,886
Premises	21,016	17,701
Transport (including patient travel)	2,017	2,216
Depreciation on property, plant and equipment	14,208	14,888
Amortisation on intangible assets	367	349
Net impairments	1,731	(3,157)
Movement in credit loss allowance: contract receivables / contract assets	82¹	0
Movement in credit loss allowance: all other receivables and investments	0¹	632
Audit fees payable to the external auditor		
audit services- statutory audit	59	61
other auditor remuneration (external auditor only)	9	9
Internal audit costs	137	137
Clinical negligence	12,608	10,087
Legal fees	349	270
Insurance	112	97
Research and development	29,740	29,184
Education and training	5,395	4,350
Rentals under operating leases	2,564	2,551
Redundancy	0	33
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	2,329	2,188
Car parking & security	681	646
Losses, ex gratia & special payments	2	5
Other	1,458	1,337
Total	<u>579,390</u>	<u>529,386</u>
Of which:		
Related to continuing operations	579,390	529,386

¹ Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income. IFRS 15 is applied without restatement therefore the comparative analysis has not been restated under IFRS 15.

Note 7.2 Other auditor remuneration

	2018-19 £000	2017-18 £000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	0	0
2. Audit-related assurance services	9	9
3. Taxation compliance services	0	0
4. All taxation advisory services not falling within item 3 above	0	0
5. Internal audit services	0	0
6. All assurance services not falling within items 1 to 5	0	0
7. Corporate finance transaction services not falling within items 1 to 6 above	0	0
8. Other non-audit services not falling within items 2 to 7 above	0	0
Total	9	9

Note 7.3 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2018-19 or 2017-18.

Note 8 Impairment of assets

	2018-19 £000	2017-18 £000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	1,731	(3,157)
Total net impairments charged to operating surplus / deficit	1,731	(3,157)
Impairments charged to the revaluation reserve	0	0
Total net impairments	1,731	(3,157)

Note 9 Employee benefits

	2018-19 £000	2017-18 £000
Salaries and wages	290,533	259,611
Social security costs	28,129	25,494
Apprenticeship levy	1,439	1,197
Employer's contributions to NHS pensions	34,423	31,314
Termination benefits	111	73
Temporary staff (including agency)	9,758	10,611
Total gross staff costs	364,393	328,300
Recoveries in respect of seconded staff	0	0
Total staff costs	364,393	328,300
Of which		
Costs capitalised as part of assets	481	489

Note 9.1 Retirements due to ill-health

During 2018-19 there were 2 early retirements from the trust agreed on the grounds of ill-health (2 in the year ended 31 March 2018). The estimated additional pension liabilities of these ill-health retirements is £50k (£90k in 2017-18).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

Note 10 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as at 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

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

Note 11 Operating leases

Note 11.1 The Royal Wolverhampton NHS Trust as a lessor

This note discloses income generated in operating lease agreements where The Royal Wolverhampton NHS Trust is the lessor.

Included within this note are a number of third party services and retail outlets on site with whom the Trust have a leasing arrangement.

	2018-19 £000	2017-18 £000
Operating lease revenue		
Minimum lease receipts	<u>341</u>	<u>351</u>
Total	<u><u>341</u></u>	<u><u>351</u></u>
	2018-19 £000	2017-18 £000
Future minimum lease receipts due:		
- not later than one year;	313	312
- later than one year and not later than five years;	<u>889</u>	<u>1,073</u>
Total	<u><u>1,202</u></u>	<u><u>1,385</u></u>

Note 11.2 The Royal Wolverhampton NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where The Royal Wolverhampton NHS Trust is the lessee.

Included in this note is the arrangement for the lease of buildings from NHS Property Services which were previously owned by Wolverhampton City PCT. The value of this arrangement is £2.5m per annum, some of the leased properties transferring to the Trust and others being transferred to NHS Property Services. There are no other individually significant operating leases included in the figures below:

	2018-19 £000	2017-18 £000
Operating lease expense		
Minimum lease payments	<u>2,564</u>	<u>2,551</u>
Total	<u><u>2,564</u></u>	<u><u>2,551</u></u>
	2018-19 £000	2017-18 £000
Future minimum lease payments due:		
- not later than one year;	129	328
- later than one year and not later than five years;	240	396
- later than five years.	<u>0</u>	<u>1</u>
Total	<u><u>369</u></u>	<u><u>725</u></u>
Future minimum sublease payments to be received	0	0

Note 12 Finance income

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

	2018-19	2017-18
	£000	£000
Interest on bank accounts	<u>127</u>	<u>52</u>
Total finance income	<u>127</u>	<u>52</u>

Note 13.1 Finance expenditure

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

	2018-19	2017-18
	£000	£000
Interest expense:		
Finance leases	17	18
Main finance costs on PFI and LIFT schemes obligations	574	404
Contingent finance costs on PFI and LIFT scheme obligations	<u>1,481</u>	<u>1,305</u>
Total interest expense	<u>2,072</u>	<u>1,727</u>
Unwinding of discount on provisions	<u>2</u>	<u>1</u>
Total finance costs	<u>2,074</u>	<u>1,728</u>

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

	2018-19	2017-18
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	0	0
Amounts included within interest payable arising from claims under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

Note 14 Other gains / (losses)

	2018-19	2017-18
	£000	£000
Gains on disposal of assets	<u>60</u>	<u>31</u>
Total other gains / (losses)	<u>60</u>	<u>31</u>

Note 15.1 Intangible assets - 2018-19

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2018 - brought forward	3,941	0	3,941
Additions	121	1,756	1,877
Disposals / derecognition	(40)	0	(40)
Valuation / gross cost at 31 March 2019	4,022	1,756	5,778
Amortisation at 1 April 2018 - brought forward	2,826	0	2,826
Provided during the year	367	0	367
Disposals / derecognition	(40)	0	(40)
Amortisation at 31 March 2019	3,153	0	3,153
Net book value at 31 March 2019	869	1,756	2,625
Net book value at 1 April 2018	1,115	0	1,115

Note 15.2 Intangible assets - 2017-18

	Software licences £000	Intangible assets under construction £000	Total £000
Valuation / gross cost at 1 April 2017 - as previously stated	3,456	0	3,456
Prior period adjustments	0	0	0
Valuation / gross cost at 1 April 2017 - restated	3,456	0	3,456
Additions	26	459	485
Reclassifications	459	(459)	0
Valuation / gross cost at 31 March 2018	3,941	0	3,941
Amortisation at 1 April 2017 - as previously stated	2,477	0	2,477
Prior period adjustments	0	0	0
Amortisation at 1 April 2017 - restated	2,477	0	2,477
Provided during the year	349	0	349
Amortisation at 31 March 2018	2,826	0	2,826
Net book value at 31 March 2018	1,115	0	1,115
Net book value at 1 April 2017	979	0	979

Note 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 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.

Note 16.1 Property, plant and equipment - 2018-19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2018 - brought forward	9,236	275,433	1,561	8,384	85,737	709	21,275	6,780	409,115
Additions	0	37	0	18,803	2,816	100	136	0	21,892
Impairments	0	(2,088)	0	0	0	0	0	0	(2,088)
Reversals of impairments	0	357	0	0	0	0	0	0	357
Revaluations	0	(7,959)	(59)	0	0	0	0	0	(8,018)
Reclassifications	0	4,173	0	(7,276)	2,636	27	437	3	0
Disposals / derecognition	0	0	0	0	(2,933)	0	0	0	(2,933)
Valuation/gross cost at 31 March 2019	9,236	269,953	1,502	19,911	88,256	836	21,848	6,783	418,325
Accumulated depreciation at 1 April 2018 - brought forward	0	0	0	0	55,957	580	15,780	5,416	77,733
Provided during the year	0	5,099	39	0	6,907	36	1,858	269	14,208
Revaluations	0	(5,099)	(39)	0	0	0	0	0	(5,138)
Disposals / derecognition	0	0	0	0	(2,933)	0	0	0	(2,933)
Accumulated depreciation at 31 March 2019	0	0	0	0	59,931	616	17,638	5,685	83,870
Net book value at 31 March 2019	9,236	269,953	1,502	19,911	28,325	220	4,210	1,098	334,455
Net book value at 1 April 2018	9,236	275,433	1,561	8,384	29,780	129	5,495	1,364	331,382

Note 16.2 Property, plant and equipment - 2017-18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2017 - as previously stated	9,011	249,651	1,489	10,423	81,624	749	19,929	6,173	379,049
Additions	0	1,593	0	14,553	2,905	14	219	214	19,498
Impairments	0	(1,410)	0	0	0	0	0	0	(1,410)
Reversals of impairments	0	4,567	0	0	0	0	0	0	4,567
Revaluations	225	10,688	72	0	0	0	0	0	10,985
Reclassifications	0	10,344	0	(16,592)	4,728	0	1,127	393	0
Disposals / derecognition	0	0	0	0	(3,520)	(54)	0	0	(3,574)
Valuation/gross cost at 31 March 2018	9,236	275,433	1,561	8,384	85,737	709	21,275	6,780	409,115
Accumulated depreciation at 1 April 2017 - as previously stated	0	0	0	0	52,713	599	13,932	5,095	72,339
Provided during the year	0	5,873	47	0	6,764	35	1,848	321	14,888
Revaluations	0	(5,873)	(47)	0	0	0	0	0	(5,920)
Disposals / derecognition	0	0	0	0	(3,520)	(54)	0	0	(3,574)
Accumulated depreciation at 31 March 2018	0	0	0	0	55,957	580	15,780	5,416	77,733
Net book value at 31 March 2018	9,236	275,433	1,561	8,384	29,780	129	5,495	1,364	331,382
Net book value at 1 April 2017	9,011	249,651	1,489	10,423	28,911	150	5,997	1,078	306,710

Note 16.3 Property, plant and equipment financing - 2018-19

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2019									
Owned - purchased	9,236	261,271	1,502	19,911	21,982	220	4,210	1,098	319,430
Finance leased	0	0	0	0	1,582	0	0	0	1,582
On-SoFP PFI contracts and other service concession arrangements	0	7,878	0	0	4,026	0	0	0	11,904
Owned - donated	0	804	0	0	735	0	0	0	1,539
NBV total at 31 March 2019	9,236	269,953	1,502	19,911	28,325	220	4,210	1,098	334,455

Note 16.4 Property, plant and equipment financing - 2017-18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2018									
Owned - purchased	9,236	266,530	1,561	8,384	22,919	129	5,495	1,364	315,618
Finance leased	0	0	0	0	1,790	0	0	0	1,790
On-SoFP PFI contracts and other service concession arrangements	0	8,041	0	0	4,444	0	0	0	12,485
Owned - donated	0	862	0	0	627	0	0	0	1,489
NBV total at 31 March 2018	9,236	275,433	1,561	8,384	29,780	129	5,495	1,364	331,382

Note 17 Donations of property, plant and equipment

The Royal Wolverhampton NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2019.

Note 18 Revaluations of property, plant and equipment

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. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value under IFRS 13 where there are no restrictions preventing access to the market at the reporting date and if it does not meet the requirement of IAS 40 or IFRS 5.

Revaluations of property, plant and equipment 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. Current values in existing use are determined as follows:

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

The fair value of land and buildings is determined by valuations carried out by a Professional Valuer GVA Grimley Limited trading as Avison Young. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and Social Care and HM Treasury. A desktop valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2019 and assets lives were also reviewed by GVA Grimley Limited trading as Avison Young as at this date. This valuation was based on published data from the Building Cost Information Service (BCIS) which provides a level of consistency in reporting and forecasting future trends. The valuation and the associated data was based on all in forecast Tender Price Index (TPI) as at 31 March 2019.

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

Note 19 Inventories

	31 March 2019 £000	31 March 2018 £000
Drugs	2,190	1,931
Consumables	4,087	4,148
Energy	150	138
Other	180	140
Total inventories	<u>6,607</u>	<u>6,357</u>
of which:		
Held at fair value less costs to sell	<u>0</u>	<u>0</u>

Inventories recognised in expenses for the year were £66,007k (2017-18: £86,021k). Write-down of inventories recognised as expenses for the year were £15k (2017-18: £0k).

Note 20.1 Trade receivables and other receivables

	31 March 2019 £000	31 March 2018 £000
Current		
Contract receivables*	32,517	0
Trade receivables*	0	26,356
Accrued income*	0	6,670
Allowance for impaired contract receivables / assets*	(2,003)	0
Allowance for other impaired receivables	0	(2,104)
Prepayments (non-PFI)	3,588	2,891
PDC dividend receivable	564	0
VAT receivable	972	919
Other receivables	542	840
Total current trade and other receivables	36,180	35,572
Non-current		
PFI lifecycle prepayments	4,002	0
Total non-current trade and other receivables	4,002	0

Of which receivables from NHS and DHSC group bodies:

Current	24,812	25,596
Non-current	0	0

*Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income. IFRS 15 is applied without restatement therefore the comparative analysis of receivables has not been restated under IFRS 15.

Note 20.2 Allowances for credit losses - 2018-19

	Contract receivables and contract assets £000	All other receivables £000
Allowances as at 1 Apr 2018 - brought forward	0	2,104
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	2,104	(2,104)
New allowances arising	778	0
Reversals of allowances	(696)	0
Utilisation of allowances (write offs)	(183)	0
Allowances as at 31 Mar 2019	2,003	0

Note 20.3 Allowances for credit losses - 2017-18

IFRS 9 and IFRS 15 are adopted without restatement therefore this analysis is prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure.

	All receivables £000
Allowances as at 1 Apr 2017 - as previously stated	1,624
Increase in provision	1,055
Amounts utilised	(152)
Unused amounts reversed	(423)
Allowances as at 31 Mar 2018	2,104

Note 20.4 Exposure to credit risk

The Trust under IFRS 9 has adopted the simplified approach, recognising full lifetime credit losses on initial recognition. Balances with Department of Health and Social Care and associated agencies are assessed at zero credit risk, therefore are excluded from impairment calculation below.

	31 March 2019	31 March 2018
	Trade and other receivables £000	Trade and other receivables £000
Ageing of impaired financial assets		
0-30 days	16	0
31-60 days	13	3
61-90 days	27	33
91-180 days	165	252
Over 181 days	501	627
Total	722	915
Ageing of non-impaired financial assets past their due date		
0-30 days	269	382
31-60 days	61	159
61-90 days	125	62
91-180 days	58	85
Over 181 days	834	657
Total	1,347	1,345

Note 21 Non-current assets held for sale and assets in disposal groups

	2018-19	2017-18
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	800	800
Assets sold in year	(800)	0
NBV of non-current assets for sale and assets in disposal groups at 31 March	0	800

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 was sold on 28th February 2019.

Note 22.1 Cash and cash equivalents movements

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

	2018-19	2017-18
	£000	£000
At 1 April	16,982	14,180
Net change in year	(994)	2,802
At 31 March	15,988	16,982
Broken down into:		
Cash at commercial banks and in hand	24	19
Cash with the Government Banking Service	15,964	16,963
Total cash and cash equivalents as in SoFP	15,988	16,982
Total cash and cash equivalents as in SoCF	15,988	16,982

Note 22.2 Third party assets held by the Trust

The Trust held cash and cash equivalents which relate to monies held by the 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 2019	31 March 2018
	£000	£000
Monies on deposit	4	45
Total third party assets	4	45

Note 23.1 Trade and other payables

	31 March 2019 £000	31 March 2018 £000
Current		
Trade payables	20,939	17,335
Capital payables	6,676	7,083
Accruals	15,676	16,821
Social security costs	4,354	3,737
VAT payables	116	74
Other taxes payable	3,589	3,146
PDC dividend payable	0	210
Other payables	5,461	4,565
Total current trade and other payables	56,811	52,971
Non-current		
Total non-current trade and other payables	0	0
Of which payables from NHS and DHSC group bodies:		
Current	5,803	5,984
Non-current	0	0

*Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note . IFRS 9 is applied without restatement therefore comparatives have not been restated.

Note 24 Other liabilities

	31 March 2019 £000	31 March 2018 £000
Current		
Deferred income: contract liabilities	3,009	3,205
Total other current liabilities	3,009	3,205
Non-current		
Total other non-current liabilities	0	0

Note 25 Borrowings

	31 March 2019 £000	31 March 2018 £000
Current		
Obligations under finance leases	196	196
Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle)	1,817	1,783
Total current borrowings	2,013	1,979
Non-current		
Obligations under finance leases	1,270	1,497
concession contracts	6,712	3,802
Total non-current borrowings	7,982	5,299

Note 25.1 Reconciliation of liabilities arising from financing activities

	Other loans £000	Finance leases £000	PFI and LIFT schemes £000	Total £000
Carrying value at 1 April 2018	0	1,693	5,585	7,278
Cash movements:				
Financing cash flows - payments and receipts of principal	0	(227)	(1,785)	(2,012)
Financing cash flows - payments of interest	0	(17)	(574)	(591)
Non-cash movements:				
Additions	0	0	4,729	4,729
Application of effective interest rate	0	17	574	591
Carrying value at 31 March 2019	0	1,466	8,529	9,995

Note 26 Finance leases

Note 26.1 The Royal Wolverhampton NHS Trust as a lessee

Obligations under finance leases where The Royal Wolverhampton NHS Trust is the lessee.

	31 March 2019 £000	31 March 2018 £000
Gross lease liabilities	1,571	1,813
of which liabilities are due:		
- not later than one year;	211	211
- later than one year and not later than five years;	844	844
- later than five years.	516	758
Finance charges allocated to future periods	(105)	(120)
Net lease liabilities	1,466	1,693
of which payable:		
- not later than one year;	196	196
- later than one year and not later than five years;	784	784
- later than five years.	486	713
Total of future minimum sublease payments to be received at the reporting date	0	0
Contingent rent recognised as an expense in the period	0	0

Note 27.1 Provisions for liabilities and charges analysis

	Pensions: injury benefits* £000	Legal claims £000	Other £000	Total £000
At 1 April 2018	622	249	5,929	6,800
Arising during the year	1	190	3,653	3,844
Utilised during the year	(41)	(96)	(5,251)	(5,388)
Reversed unused	0	(103)	(1)	(104)
Unwinding of discount	2	0	0	2
At 31 March 2019	584	240	4,330	5,154
Expected timing of cash flows:				
- not later than one year;	42	240	4,330	4,612
- later than one year and not later than five years;	163	0	0	163
- later than five years.	379	0	0	379
Total	584	240	4,330	5,154

Legal claims represent provisions for personal injury benefits. For these claims the Trust is provided the information by NHS Resolution.

Other includes: provisions for the possible return of money received by the Trust for contractual income and provisions for payments to be made regarding HR issues.

* In 2018/19 the analysis of provisions has been revised to separately identify provisions for injury benefit liabilities. In previous periods, these provisions were included within Legal claims.

Note 27.2 Clinical negligence liabilities

At 31 March 2019, £209,709k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Royal Wolverhampton NHS Trust (31 March 2018: £186,171k).

Note 28 Contingent assets and liabilities

	31 March 2019 £000	31 March 2018 £000
Net value of contingent liabilities	<u>0</u>	<u>0</u>
Net value of contingent assets	<u>575</u>	<u>700</u>

The Trust has submitted Fleming VAT reclaims totalling approximately £700k (2013/14 £700k) to H.M. Revenue and Customs under s.121 of the Finance Act 2008. During the Financial Year 2018/19 £125k plus £275k interest was received in respect to one of the Fleming VAT reclaims. The outcome and timing of the remaining balance of £575k of these claims is uncertain at 31 March 2019.

Note 29 Contractual capital commitments

	31 March 2019 £000	31 March 2018 £000
Property, plant and equipment	<u>10,709</u>	<u>3,943</u>
Total	<u>10,709</u>	<u>3,943</u>

Note 30 On-SoFP PFI, LIFT or other service concession arrangements

The Trust has one PFI scheme and this relates to the provision of Radiology services.

The Trust and Wolverhampton Radiology Limited Company No: 4235982 (formally trading as Impregilo Wolverhampton Limited) 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.

The agreement allows for Variations to the project. For example there were contract variations in 2004 and again in 2010 in line with service requirement.

Operational period of contract years is 30 years. The SPV is now Wolverhampton Radiology Limited (Company No: 4235982) of Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ

Service payments are made to the operator monthly following the submission to the Trust of an invoice accompanied by a Payment Report and a Performance Monitoring Report which list any payment adjustments.

Under IFRIC 12, the substance of the contract is that the Trust has a finance lease and payments comprising of two elements - imputed finance lease charges and service charges. Details of the imputed finance lease charges are provided in the tables below.

Note 30.1 Imputed finance lease obligations

The Royal Wolverhampton NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI and LIFT schemes:

	31 March 2019 £000	31 March 2018 £000
Gross PFI, LIFT or other service concession liabilities	<u>10,995</u>	<u>7,534</u>
Of which liabilities are due		
- not later than one year;	1,817	1,783
- later than one year and not later than five years;	5,054	3,880
- later than five years.	4,124	1,871
Finance charges allocated to future periods	<u>(2,466)</u>	<u>(1,949)</u>
Net PFI, LIFT or other service concession arrangement obligation	<u>8,529</u>	<u>5,585</u>
- not later than one year;	1,817	1,783
- later than one year and not later than five years;	3,912	2,855
- later than five years.	2,800	947

Note 30.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

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

	31 March 2019 £000	31 March 2018 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	89,928	95,934
Of which liabilities are due:		
- not later than one year;	6,169	6,023
- later than one year and not later than five years;	25,597	25,254
- later than five years.	58,162	64,657

Note 30.3 Analysis of amounts payable to service concession operator

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

	31 March 2019 £000	31 March 2018 £000
Unitary payment payable to service concession operator	6,023	5,817
Consisting of:		
- Interest charge	574	404
- Repayment of finance lease liability	1,785	1,920
- Service element and other charges to operating expenditure	2,183	2,188
- Contingent rent	1,481	1,305
Other amounts paid to operator due to a commitment under the service concession contract but not part of the unitary payment	146	0
Total amount paid to service concession operator	6,169	5,817

Note 31 Financial instruments

Note 31.1 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 Royal Wolverhampton NHS Trust has with commissioners and the way those commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's 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.

Credit risk

Because the majority of the Trust's income arises from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2019 are in contract receivables, as disclosed in the Trade and Other Receivables note.

Liquidity risk

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

Currency risk

The Trust is principally a domestic organisation with the 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 the 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.

Market risk

The Trust is part of the NHS which is supported by the government and unless there is a major overall of healthcare provision, most importantly a reduction to access to free healthcare, then the Trust has low market risk.

Note 31.2 Carrying values of financial assets

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Total book value £000
Carrying values of financial assets as at 31 March 2019 under IFRS 9		
Trade and other receivables excluding non financial assets	31,056	31,056
Cash and cash equivalents at bank and in hand	15,988	15,988
Total at 31 March 2019	47,044	47,044

	Loans and receivables £000	Total book value £000
Carrying values of financial assets as at 31 March 2018 under IAS 39		
Trade and other receivables excluding non financial assets	23,283	23,283
Cash and cash equivalents at bank and in hand	16,982	16,982
Total at 31 March 2018	40,265	40,265

Note 31.3 Carrying value of financial liabilities

IFRS 9 Financial Instruments is applied retrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analyses.

	Held at amortised cost £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2019 under IFRS 9		
Obligations under finance leases	1,466	1,466
Obligations under PFI, LIFT and other service concession contracts	8,529	8,529
Trade and other payables excluding non financial liabilities	<u>43,045</u>	<u>43,045</u>
Total at 31 March 2019	<u><u>53,040</u></u>	<u><u>53,040</u></u>

	Other financial liabilities £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2018 under IAS 39		
Obligations under finance leases	1,693	1,693
Obligations under PFI, LIFT and other service concession contracts	5,585	5,585
Trade and other payables excluding non financial liabilities	<u>39,430</u>	<u>39,430</u>
Total at 31 March 2018	<u><u>46,708</u></u>	<u><u>46,708</u></u>

Note 31.4 Fair values of financial assets and liabilities

Book value used as a reasonable approximation of fair value for financial assets and liabilities

Note 31.5 Maturity of financial liabilities

	31 March 2019 £000	31 March 2018 £000
In one year or less	45,058	41,409
In more than two years but not more than five years	5,144	3,639
In more than five years	<u>2,838</u>	<u>1,660</u>
Total	<u><u>53,040</u></u>	<u><u>46,708</u></u>

Note 32 Losses and special payments

	2018-19		2017-18	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	12	3	11	3
Fruitless payments	1	18	1	0
Bad debts and claims abandoned	<u>213</u>	<u>406</u>	<u>71</u>	<u>47</u>
Total losses	<u><u>226</u></u>	<u><u>427</u></u>	<u><u>83</u></u>	<u><u>50</u></u>
Special payments				
Ex-gratia payments	41	81	43	118
Special severance payments	<u>1</u>	<u>2</u>	<u>1</u>	<u>5</u>
Total special payments	<u><u>42</u></u>	<u><u>83</u></u>	<u><u>44</u></u>	<u><u>123</u></u>
Total losses and special payments	<u><u>268</u></u>	<u><u>510</u></u>	<u><u>127</u></u>	<u><u>173</u></u>
Compensation payments received		0		0

Note 33.1 Initial application of IFRS 9

IFRS 9 Financial Instruments as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to reserves on 1 April 2018.

IFRS 9 replaces IAS 39 and introduces a revised approach to classification and measurement of financial assets and financial liabilities, a new forward-looking 'expected loss' impairment model and a revised approach to hedge accounting.

The implementation of IFRS 9 has no material impact on the Trust's annual accounts. The implementation of the standard has not led to any change in categorisation of class or measurement of financial assets or financial liabilities. Financial assets and financial liabilities continue to be held at amortised cost.

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classification of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. This has had a nil effect on the Trust's Annual Accounts due to the Trust already classifying Injury Cost Recovery as a financial asset in prior years.

Note 33.2 Initial application of IFRS 15

IFRS 15 Revenue from Contracts with Customers as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the income and expenditure reserve on 1 April 2018.

IFRS 15 introduces a new model for the recognition of revenue from contracts with customers replacing the previous standards IAS 11, IAS 18 and related Interpretations. The core principle of IFRS 15 is that an entity recognises revenue when it satisfies performance obligations through the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The application of IFRS 15 has had no material impact for the Trust.

As directed by the GAM, the Trust has applied the practical expedient offered in C7A of the standard removing the need to retrospectively restate any contract modifications that occurred before the date of implementation (1 April 2018).

The Trust have applied the practical expedient offered in paragraph 121 of the standard and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The Trust have also applied the practical expedient in paragraph C5(d) of the standard and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Trust expects to recognise that amount as income for the year ended 31 March 2019.

Note 34 Related parties

During the year none of the Department of Health and Social Care 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 and Social Care is regarded as a related party. During the year 2018/19 the 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 and/or expenditure has been in excess of £500,000.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000's	£000's	£000's	£000's
Birmingham Community Healthcare NHS Foundation Trust	211	1,134	49	194
Birmingham Women's and Children's Hospital NHS Foundation Trust	2,032	658	260	125
Black Country Partnership NHS Foundation Trust	491	670	82	165
Community Health Partnerships	2,005	0	509	0
Department of Health and Social Care	0	38,800	45	413
Health Education England	6	16,726	0	30
HM Revenue & Customs - Other taxes and duties and NI contributions	29,568	0	7,943	0
HM Revenue & Customs - VAT	0	0	116	972
Midlands Partnership NHS Foundation Trust	935	840	287	124
NHS Birmingham and Solihull CCG	0	1,485	0	22
NHS Blood and Transplant	1,921	23	0	51
NHS Cannock Chase CCG	0	50,003	332	3,128
NHS Dudley CCG	0	7,493	1	97
NHS England	40	121,159	136	6,285
NHS Pension Scheme	34,423	0	0	0
NHS Property Services	908	14	398	30
NHS Resolution (formerly NHS Litigation Authority)	12,623	0	19	0
NHS Sandwell and West Birmingham CCG	23	2,886	48	520
NHS Shropshire CCG	0	4,658	2	185
NHS South East Staffs and Seisdon Peninsular CCG	0	29,435	89	281
NHS Stafford and Surrounds CCG	40	17,793	37	501
NHS Telford and Wrekin CCG	0	2,574	45	0
NHS Walsall CCG	0	34,373	13	2,926
NHS Wolverhampton CCG	0	205,634	966	6,127
Sandwell And West Birmingham Hospitals NHS Trust	1,116	5,991	131	68
Shrewsbury and Telford Hospital NHS Trust	725	503	2	97
The Dudley Group NHS Foundation Trust	2,428	5,662	459	577
University Hospitals Birmingham NHS Foundation Trust	5,034	135	1,048	47
University Hospitals Coventry And Warwickshire NHS Trust	2,158	63	542	1
University Hospitals of North Midlands NHS Trust	1,928	1,061	120	26
Walsall Healthcare NHS Trust	496	4,595	626	1,539
Wolverhampton City Council	320	8,339	0	352
Worcestershire Acute Hospitals NHS Trust	594	25	211	1

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

Note 35 Better Payment Practice code

	2018-19 Number	2018-19 £000	2017-18 Number	2017-18 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	113,985	285,615	111,667	254,137
Total non-NHS trade invoices paid within target	37,533	167,332	81,182	194,257
Percentage of non-NHS trade invoices paid within target	32.9%	58.6%	72.7%	76.4%
NHS Payables				
Total NHS trade invoices paid in the year	3,271	52,602	3,150	58,566
Total NHS trade invoices paid within target	1,447	35,904	2,124	50,165
Percentage of NHS trade invoices paid within target	44.2%	68.3%	67.4%	85.7%

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

Note 36 External financing

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

	2018-19	2017-18
	£000	£000
Cash flow financing	3,414	3,626
External financing requirement	3,414	3,626
External financing limit (EFL)	3,494	3,626
Under / (over) spend against EFL	80	0

Note 37 Capital Resource Limit

	2018-19	2017-18
	£000	£000
Gross capital expenditure	23,769	19,983
Less: Disposals	(800)	0
Less: Donated and granted capital additions	(289)	(74)
Charge against Capital Resource Limit	22,680	19,909
Capital Resource Limit	22,693	20,068
Under / (over) spend against CRL	13	159

Note 38 Breakeven duty financial performance

	2018-19
	£000
Adjusted financial performance surplus / (deficit) (control total basis)	3,021
Remove impairments scoring to Departmental Expenditure Limit	0
Add back non-cash element of On-SoFP pension scheme charges	0
IFRIC 12 breakeven adjustment	0
Breakeven duty financial performance surplus / (deficit)	3,021

Note 39 Breakeven duty rolling assessment

	1997-98 to	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	2008-09	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		8,035	7,964	9,297	8,688	7,891	3,663	153	8,542	4,327	3,021
Breakeven duty cumulative position	(7,438)	597	8,561	17,858	26,546	34,437	38,100	38,253	46,795	51,122	54,143
Operating income		289,830	306,023	374,417	384,917	394,045	461,810	509,405	536,028	548,538	592,975
Cumulative breakeven position as a percentage of operating income		0.2%	2.8%	4.8%	6.9%	8.7%	8.3%	7.5%	8.7%	9.3%	9.1%

NHS Improvement has provided guidance that the first year for consideration for the breakeven duty should be 2009-10. The Royal Wolverhampton NHS Trust is subject to a three year period for recovery of any deficit incurred.

Breakeven duty financial performance is determined as guided by NHS Improvement, in a manner consistent with previous years in this note.