The Royal Wolverhampton NHS Trust

Annual Accounts 2013/14



















Data entered below will be used throughout the workbook:

Trust name	Royal Wolverhampton NHS Trust
This year	2013-14
Last year	2012-13
This year ended	31 March 2014
Last year ended	31 March 2013
This year commencing:	1 April 2013
Last year commencing:	1 April 2012

Accounts 2013-14

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Foreword to the Accounts

Financial Review - year ended 31 March 2014

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

Financial Target	Actual Performance	
	2013/14	2012/13
To break even on income and expenditure, taking one year with another	Surplus of £8.466m	Surplus of £7.023m
To achieve a capital cost absorption rate of between 3% and 4%	3.5%	3.5%
To operate within an External Financing Limit set by the Department of Health	Undershoot of £2.332m	Undershoot of £5.923m
To remain within a Capital Resource Limit set by the Department of Health	Under-spent by £0.551m	Under-spent by £0.246m
To pay 95% of non-NHS trade creditors within 30 days	92%	93%

Kevin Stringer
Director of Finance
09 June 2013

2013-14 Annual Accounts of The Royal Wolverhampton NHS Trust

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

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

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

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

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

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

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

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

Signed..Chief Executive

Date....09 June 2014.....................

2013-14 Annual Accounts of The Royal Wolverhampton NHS Trust

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

....09 June 2014.....Date..Chief Executive

....09 June 2014.....Date..Finance Director

Independent auditors' report to the Directors of the Board of The Royal Wolverhampton NHS Trust

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view, of the state of the Trust's affairs as at 31 March 2014 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by The Royal Wolverhampton NHS Trust, comprise:

- the Statement of Financial Position as at 31 March 2014;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Taxpayers' Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the accounting policies directed by the Secretary of State for Health with the consent of the Treasury as being relevant to the National Health Service in England.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed by the Code of Audit Practice

In our opinion:

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

Other matters on which we are required to report by exception

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

- in our opinion, the Governance Statement does not comply with the Trust Development Authority's Guidance or is misleading or inconsistent with information of which we are aware from our audit;
- we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the accounting policies directed by the Secretary of State, with the consent of the Treasury, as being relevant to the National Health Service in England.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 for local NHS bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board of The Royal Wolverhampton NHS Trust in accordance with Part II of the Audit Commission Act 1998 as set out in paragraph 44 of the Statement of Responsibilities of Auditors and of Audited Bodies (Local NHS bodies) published by the Audit Commission in April 2014, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 15 October 2013, we are satisfied that, in all significant respects, The Royal Wolverhampton NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 15 October 2013, as to whether the Trust has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Our responsibilities and those of the Trust

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

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

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

Certificate

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

Richard Bacon

Richard Bacon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

9 June 2014

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

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

The Royal Wolverhampton NHS Trust

Governance Statement 2013-2014

Organisation 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 Trust's policies, aims and objectives, whilst safeguarding quality standards; the public funds and the Trust's assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively.

I also acknowledge my responsibilities for propriety and accountability issues as set out in the NHS Accountable Officer Memorandum.

2 The Purpose of the System of Internal Control

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

3 The governance framework of the organisation

The Trust has a well-established framework for governance to inform the Board of operational and strategic risks as well as to provide assurance on business performance and compliance. The framework sets in place under the Trust Board a high level committee and management structure for the delivery of assured governance.

In April 2013 PricewaterhouseCoopers completed an independent review of the Trust's Governance arrangements and their recommendations have informed a revised committee and reporting structure for the Trust. Sub Board assurance committees are constituted to ensure the delegated operation of effective risk management systems, processes and outcomes. These committees inform and assure the Board through the functioning and reporting of sub-groups and specialist working groups defined in their terms of reference. In August 2013 PricewaterhouseCoopers conducted a follow up review to assess progress in implementing their recommendations. Their review showed that the Trust had made good progress.

Trust Board

The Board has met monthly (except in December and August), with three additional meetings (to consider the Long Term Financial Model/Integrated Business Plan, the Mid Staffordshire NHS Foundation Trust (FT), and the proposed new Emergency Centre). Except 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. Following the resignation of the Chairman and turnover among the Non-executive Directors (NED), by the year end the Board was being led by an Acting Chair (who has served as a NED since 2006), and a new Non-executive Director had been appointed to start on 1 April 2014. Arrangements to appoint a substantive Chair were in hand by the end of the year.

Each meeting the Trust Board considered reports on:

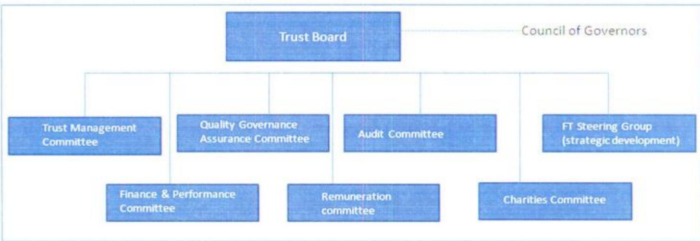
- Patients' experiences;
- Quality and safety;
- Serious incidents;
- Operational Performance;
- Finance;
- Board Assurance Framework and Trust Risk Register;
- Reports and minutes from the Board's standing committees;
- Cost Improvement Programme (financial and qualitative delivery);
- Never Events (standing item on the public agenda); and
- Mortality (within the Integrated Quality and Performance Report and as specific reports quarterly).

The Board receives a monthly Integrated Quality and Performance report (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 cancelled operations), and those relating to operational performance (such as targets for Referral to Treatment Times, time spent in the Emergency Department, ambulance handover times and cancer waiting times). The indicators within the report are reviewed annually and approved by the Trust Board.

The external review of governance during the year included Board function and effectiveness, and Board focus and roles. One of the actions arising from this was to review and revise the Board Committee structure (including terms of reference), and to place greater reliance on the effective use of these committees for more detailed scrutiny of performance and risk, with greater exception based reporting to support escalation of performance and risk matters requiring the full Board's attention or decision.

The Board strives to maintain an appropriate balance between strategic and operational matters. Among the former during 2013/14 were: development of Pathology Services, strategic and operational matters concerning a neighbouring Foundation Trust which was placed under the Trust Special Administrator, the development of a new Emergency Centre, preparation for becoming the West Midlands host for the National Institute for Health Research (NIHR) local research network, the nursing skill mix review and consequent planning to resource and recruit significant additional numbers of nurses, and the Cost Improvement Programme.

The revised Board and Board Committee structure is as follows:



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 2014.

As part of its preparation to apply for Foundation Trust status, the Board underwent a refreshed self-assessment review against Monitor's Board Governance Assurance Framework, took part in a board to board confirm and challenge meeting with the TDA, and received TDA feedback from an observed Board meeting. These assessments, together with the external review of governance, have touched upon the operation of the Board and the skills and capabilities of Directors, and actions to address the findings of these have been incorporated into board development action plans and Board reports. Therefore a separate external board evaluation has not taken place this year.

The Remuneration Committee met during the year and reviewed Executive Director Remuneration and appraised the performance of the Chief Executive. The Chairman appraised the Non-executive Directors. The Board maintains strong relations with stakeholders, including local commissioners, Healthwatch, local authority overview and scrutiny committees, and the Trust's shadow governors, who meet bi-monthly and whose meetings are chaired by the Board Chairman. The Shadow Lead Governor attends all Board meetings.

Audit Committee

During the year under review the Audit Committee met quarterly, and at each meeting considered progress updates on: Security management, Internal Audit, External Audit, the work of the Local Counter Fraud Specialist, and tracking of the implementation of auditors' recommendations across the Trust. Any significant issues raised at the Board Assurance Committee (replaced from September 2013 by the Quality Governance Assurance Committee) have continued to be reported by the Non-executive Director who sits on both Committees and this, coupled with an annual joint meeting, ensures a strong flow of information between the two Committees and avoids duplication of effort. The Committee also received and discussed occasional reports on, among other things: Registers of Interests, the Annual Report for the Trust's Charitable Funds, the Trust's Annual Report, the Quality Account and Annual Accounts 2012/13, the development of KPIs to test the Committee's effectiveness, and undertook its own annual assessment. These featured in the Committee's reports to the Board, as did an account of the Internal Audit reports received at each meeting. The Board has been kept informed of when audit reports showed high or medium risk recommendations requiring management attention, and has been assured that mitigating actions are being taken in accordance with the agreed timeframes.

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

Quality Governance Assurance Committee (formerly Board Assurance Committee)

As a result of the external review of governance the former Board Assurance Committee was replaced by a Quality Governance Assurance Committee to provide assurance on risk and quality to the Board. Between April and August 2013 this Committee met every two months and monthly thereafter. High Non-executive Directors' attendance rates were recorded throughout the year.

The Committee considered various matters during the year, including the Board Assurance Framework and Trust Risk Register, Integrated Quality and Performance Report, Safeguarding Assurance Report, National Institute for Health and Care Excellence (NICE) and National Guidance Assurance Report, Care Quality Commission (CQC) Regulatory Compliance, Litigation and Inquests, Clinical Audit, Mortality and Subgroup reporting. Following expressions of concern by Non-executive Directors, clinical audit performance and activity is being reported to the board every six months. The Committee also reviewed the Trust's Annual Governance Statement for 2012/13 at a joint meeting with the Audit Committee in April 2013 (alongside the opinion of the Head of Internal Audit).

The Committee relied upon the work of two sub groups:

- **Patient Safety Improvement Group (formerly the Quality and Safety Committee)**

This group met every month, and reports reviewed included Serious Untoward Incidents, safety alert compliance, Integrated Quality and Performance, complaints (Ombudsman), Francis Report, Policy Audit Reports (including Complaints, Being Open, Discharge, Transfer, Legal Services and Risk Management and Patient Safety Policy), ad hoc reports relevant to quality and safety of care (for example, Surgical Safety Checklist compliance, Supervisor of Midwives Report and Epilepsy 12 UK Clinical Audit), and Subgroup/Committee reports (including Mortality, Radiation Protection, Organ Donation and Pleural Services Committees). In addition the group have reviewed various applications for new procedures/techniques.

- **Quality Standards Action Group (formerly Compliance Committee)**

This Group met bi-monthly between April and December 2013 and monthly thereafter. It considered a variety of matters, including CQC compliance reports and inspection action plans, NHS Litigation Authority (NHSLA) Risk Management Standard Compliance, external reviews and inspections, Staff Experience Survey (annual), Patient Experience Survey (annual), National Audit Reports (for example, National Bowel Cancer Audit report), National Confidentiality Reports (for example National Confidential Enquiry into Patient Outcome and Death (NCEPOD)), and Subgroup/Committee reports (for example Divisional Governance, Clinical Audit Committee, Medicines Management, Information Governance, and Patient Experience Forum).

During the year, the Committee, through the Quality Standards Action Group and Patient Safety Improvement Group, and groups reporting to them, has been able to provide assurance to the Board on, for example, the robustness and adequacy of the monitoring of actions in response to inspections and visits by external agencies (External Reviews

Registry Report) and of progress on actions following the CQC inspection. It sought further information in reports on actions in response to NICE Guidance and on clinical audits to permit more effective judgments on progress. It encouraged the development of a more sharply focussed BAF and gave feedback on strengths and weaknesses of the new approach, to enable the Trust to better identify risk controls and evidence of their effectiveness.

Finance and Performance Committee

This new Committee was formed in September 2013 as one of the outcomes of the external review of governance. The Committee meets monthly and considers in detail, among other things, the Trust's financial position, the progress of the capital programme, and performance aspects of the Board's quality and performance report. It also considers the Cost Improvement Programme, Service Line Reporting, Reference Costs, and other matters associated with operational finance and budgeting. A major focus on payroll costs has included detailed examination of matters such as the use of locum staff, sickness absence rates and the filling of vacancies. The Committee's challenge and discussion has contributed to the decision to appoint project leaders for the Trust's transformational work streams, and to the development of revised governance arrangements for the Cost Improvement Programme.

The Committee meetings have always been well attended. As with the other Committees, the Chair submits a report on each meeting to the next available Board, and the minutes are also submitted there for information.

Other Board Committees

The Board also has standing Committees for Charitable Funds, and Remuneration. Non-executive Directors are also involved in sub Board level groups. This enables them to gather information, question and, when appropriate, offer challenge and/or assurance at different levels within the organisation. In addition, a monthly meeting of the Trust Management Committee deals with operational management and policies, 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.

4 Risk Assessment

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

During 2013/14, in line with the recommendations of the independent review of Governance arrangements, changes have been implemented to the Governance framework affecting the committee structure, committees' terms of reference and membership, and the mapping of information flows from ward to Board.

The current (at 31 March 2014) CQC risk profile for the Trust is Band 5 (1 being the highest risk level, and 6 the lowest on the CQC risk categorisation) and the Trust reviews and responds to the CQC Intelligence Monitoring reports issued quarterly along with its own internal assurance framework.

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

- Interrogating internal sources of risk intelligence and activity to inform local and Trust level risk registers and assurance frameworks (eg incident, complaint, claim, audit, and compliance).
- Using Committee/subgroup reporting to inform the risk registers.
- Reviewing external/independent accounts of Trust performance to inform risk status (e.g. Care Quality Commission standards, NHSLA and internal audit reports).
- Integrating functions (strategic and operational) at all levels of the Trust to feed a risk register and escalation process.
- Using a standardised approach to risk reporting, grading and escalation. The Trust categorisation matrix supports a standard approach to risk tolerance.
- 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).

Management of Risk Registers within the Trust:

Risk registers are managed at the following levels:

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

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

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

- Executive Director Meetings – Monthly.
- Quality Governance Assurance Committee – Monthly.
- Trust Board – Monthly.

In March 2014 the Trust trialled and subsequently approved the use of a new format for the BAF. The format allows for closer monitoring of controls identified to manage risks, facilitates up to date results (i.e. positive/negative assurance) to be reported against the control identified and a current risk status. Over time this provides an indication of the overall effectiveness of control measures and management of the risk. This format will be progressed to the Trust Risk Register in 2014/15 with principles cascaded to local risk registers (i.e. Divisions and Directorates).

A total of 63 risks were managed during the year 2013/14. Fifteen of these were new risks identified in year. Of the 63 risks, five were red (red being the rating for the highest risks), fifty-one were amber, four yellow and three green.

Sixteen risks were closed as at 31 March 2014. Of the remaining 47 to be carried forward to 2014/15, four are rated red (Failure to deliver recurrent efficiency gains and CIPs, Non-adherence to chemotherapy policy and procedures resulting in poor patient and staff experience/confidence, Failure to reduce Never Events, and Staffing levels and quality of nursing care on Ward A6), thirty-eight amber, four yellow and one green. Management actions and controls are identified for each risk, and regular reviews will monitor the progress.

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

- Care Quality Commission (CQC) – Assessment of Evidence – Substantial Assurance.
- Follow up of the Information Governance Toolkit – Internal audit opinion: management has demonstrated good progress in implementing actions agreed to address internal audit recommendations.
- Board Assurance Framework – Reasonable Assurance.

Based on the work undertaken during 2013/14, the annual Head of Internal Audit Opinion was that significant assurance could be given that a sound system of internal control was in place. During the year, Internal Audit did identify a number of specific internal control weaknesses, however through the recommendation tracking process the delivery of the recommended improvement has been monitored via the Audit Committee and the Executive Team.

Information Governance

A summary of serious untoward incidents involving personal data as reported to the NHS Trust Development Authority and/or Information Commissioner's Office (ICO) in 2013/14 are outlined below:

Incident 1: Theft of PCs;
Incident 2: Letter was sent to the wrong patient;
Incident 3: Letter was sent to the wrong address;
Incident 4: Letter was sent to a patient in error;
Incident 5: Information was sent to an incorrect source;
Incident 6: Incorrect details were placed in a patient's information pack; and
Incident 7: Records were left in an unsecure location.

All seven incidents were closed during the year. The increase in reported incidents involving personal data within 2013/14 is coupled with an increase in staff training and awareness of the importance of protecting personal data and incident reporting.

For the annual self-assessment submission on the Information Governance Toolkit to the Department of Health for 2013/14, the overall score was 87% and was graded Satisfactory/Green, as attainment Level 2 or above was achieved on all 45 requirements.

ICO Audit Review:

In November 2013 the ICO reviewed the Trust's evidence of progress it had made in responding to the ICO's 2012/13 audit, and confirmed that the Trust had made progress against the ICO's recommendations. This completed the ICO audit programme within the Trust.

5 The risk and control framework

The Board-approved Integrated Governance Strategy includes the following:

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

The Trust seeks to identify risks through all available intelligence sources including independent/external review/assessment. The risk management process is supported by a number of policies which impact on 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 arrangements.

The Board Assurance Framework identifies the risks to the Trust's strategic objectives, the key controls in place to manage these risks and the level of assurance with regard to the effectiveness of the controls. The Internal Audit of the Board Assurance Framework and process for 2013/14 concludes that the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

In addition, during 2013/14 the audit of the Risk Management and Patient Safety Policy (OP10) showed that 100% of directorates across the Trust held and maintained risk registers and there was marked improvement (on previous year) with the prompt escalation of appropriate risks to the Trust risk register from lower levels. For further independent assurance the Trust achieved level 3 compliance (scoring top marks 50/50) with the NHSLA Risk Management standards in September 2013.

Looking forward to 2014/15

Over the coming year the Trust will continue to progress enhancements to its internal assurance including refinements in quality data management and performance, committee assurance reporting and increased risk management training across all staff levels.

The Trust will revise its Governance strategy in 2014/15 to align with developments (around building an internal assurance framework for the Trust driven by our CQC registration requirements) and maintain a comprehensive assurance reporting and risk register framework. The new format for the BAF and Trust Risk register will further enhance risk controls and management within the Trust.

Local authority Overview and Scrutiny Committee and Other Local Partners

As Chief Executive, I attend the Local Authority Overview and Health Scrutiny Panel in Wolverhampton where the following range of topics have been discussed with elected members during 2013/14:-

- The Royal Wolverhampton NHS Trust (RWT) Quality Account and Annual Report 2012/13;
- CQC Report on Inspection of the hospital in September 2013;
- Application for Foundation Trust Status;
- Care Quality Commission - Chief Inspector of Hospitals inspection (outcome and action plan);
- Provision of Urgent and Emergency Care for Patients using Services in Wolverhampton to 2016/17;
- Patient Experience;
- The role, composition and priorities of the Board of Directors;
- Patient Misuse of Hospital Services; and
- The Royal Wolverhampton NHS Trust (RWH) response to the Government report 'Patients First and Foremost'.

The health economy which we serve is increasingly complex, reflecting the establishment of Clinical Commissioning Groups, Healthwatch and Health and Wellbeing Boards, not only in Wolverhampton but also in Staffordshire from where increasing numbers of our patients are now being drawn. Accordingly, the Trust continues to build relationships with a wider group of partners and interested organisations than hitherto.

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

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

The Trust has achieved all of its financial targets, achieving an end of year surplus of £8.466m, delivering the Capital Programme within its Capital Resource Limit and achieving its External Funding Limit.

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

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

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

7 Annual Quality Report

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

Our priorities for 2013/14 were chosen after consulting both our staff and clinical teams who work in the Trust, and looking at what patients and members of the public say about us and our services in national and local surveys and in complaints and compliments. We have also taken account of what people say nationally about health services and where services need to improve.

The Department of Health Quality Accounts Toolkit 2013/14 has influenced the format and content of the Quality Account. The Trust's existing reporting structure has been the source for information, for example Datix for numbers and themes of complaints and incidents. Specific information has been validated by the key leaders in the Trust, for example Infection Prevention data provided by the Director of Infection Prevention and Control (DIPC), and incident data by the Head of Governance and Legal Services.

A draft version of the Quality Account is approved by Directors before being circulated to the local authority's Overview and Scrutiny Committee, Wolverhampton and Staffordshire Healthwatch, and the Trust's Shadow Governors for comments. The Quality Account is approved by the Trust's External Auditors before a final version is produced for publication. For the Year 2013/14, the Trust has produced a combined document incorporating the Annual Accounts, Annual Report and Quality Account.

8 Operational Performance

During the year under review, the Trust has experienced some challenges in maintaining its strong track record in terms of achieving the national priorities identified within the Operating Framework, alongside the local priorities defined by the commissioner. Performance against operational standards is monitored weekly at the Chief Operating Officer's performance meeting and through subsequent meetings across the divisions. A detailed integrated quality and performance report is produced monthly; including all exceptions for the Board for scrutiny, with public health indictors reported on a quarterly basis. Examples of the Operating Framework targets can be evidenced below:

- This year has seen on-going achievement of the Referral to Treatment (RTT) measures at Trust level for admitted, non-admitted and incomplete pathways. However, growth in referrals and operational pressures at speciality level has resulted in two specialties (Orthopaedics and General Surgery) failing the admitted and incomplete targets within the year.

- Accident and Emergency performance has been strong; the Trust met the 95% target for both quarters 1 and 2 and whilst winter saw deteriorating performance in Q3 the Trust was able to respond to the pressures and meet the Q4 Target. The overall year to date standard has been achieved. We continue to see a rise in both attendances and ambulance conveyances.

- The Trust maintains its excellent reputation for avoiding and managing the risk of Health Care Acquired Infections (HCAIs), reporting only a single MRSA (meticillin-resistant staphylococcus aureusis) breach in year; further evidence of the strong approach to managing HCAIs is seen by the delivery of the clostridium difficile (C.Diff) objective.

- Cancer targets remain a high priority, with all targets achieving the standard within the year. Seven of the nine targets maintained the standard in every quarter during the year and one of the other two achieved the target in 3 of the 4 quarters. There have been

9 Annual Declarations

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

The Care Quality Commission has not taken enforcement action against The Royal Wolverhampton NHS Trust during 2013/14.

In September 2013, The Royal Wolverhampton NHS Trust participated in the first wave of hospital inspections by the Care Quality Commission relating to the following areas of care:

- Safe;
- Effective;
- Caring;
- Responsive to people's needs; and
- Well-led.

The Royal Wolverhampton NHS Trust intends to take the following actions to address the conclusions by the CQC:

- Address the shortage of midwives and nurses;
- Improve dementia care and access to dementia outreach services;
- Make environmental improvements in relation to infection prevention, bereavement facilities and safe room for patients with mental health issues;
- Improve information about complaints;
- Improve staff understanding of Trust feedback channels;
- Increase learning disability support to children;
- Improve Do not Resuscitate documentation;
- Support junior doctors in breaking bad news; and
- Improve the service provided to bereaved relatives.

The Royal Wolverhampton NHS Trust has made the following progress by 31st March 2014 in taking such action: a comprehensive action plan is in place with executive director leadership on each action. This is monitored through the Trust's governance framework and demonstrates significant improvement.

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

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

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

5. The Trust made its annual self-assessment submission to the Department of Health by the 31st March 2014 on the Information Governance Toolkit. The overall score for 2013/14 was 87% and was graded Satisfactory/ Green, as attainment Level 2 or above was achieved on all 45 requirements.

10 Review of the effectiveness of risk management and internal control

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

10 Conclusion

No significant internal control issues have been identified during 2013/14.

Accountable Officer: David Loughton CBE

Organisation: The Royal Wolverhampton NHS Trust

Signature...

Date.....9 JUNE 2014.....................................

Statement of Comprehensive Income for year ended 31 March 2014

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	9.1	**(243,897)**	(235,976)
Other operating costs	7	**(132,173)**	(132,430)
Revenue from patient care activities	4	**357,681**	351,640
Other Operating revenue	5	**36,364**	33,277
Operating surplus		**17,975**	16,511
Investment revenue	11	**104**	84
Other gains	12	**216**	18
Finance costs	13	**(1,583)**	(1,555)
Surplus for the financial year		**16,712**	15,058
Public dividend capital dividends payable		**(8,246)**	(8,035)
Retained surplus for the year		**8,466**	7,023

Other Comprehensive Income

	2013-14 £000s	2012-13 £000s
Impairments and reversals taken to the Revaluation Reserve	**(2,876)**	(4,107)
Net gain on revaluation of property, plant & equipment	**29,825**	0
Total Comprehensive Income for the year	**35,415**	2,916

Financial performance for the year

	2013-14	2012-13
Retained surplus for the year	**8,466**	7,023
Impairments (excluding IFRIC 12 impairments)	**155**	1,604
Adjustments in respect of donated asset reserve elimination	**(730)**	61
Adjusted retained surplus	**7,891**	8,688

The Trust has a statutory duty to break even year on year. In determining the Trust's break even performance for the year the Department of Health has determined that the effect of impairments and the impact of the change in accounting treatment for donated assets introduced in 2011/12 can be removed from the calculation
The Trust's year on year break even performance is shown in note 35.1

PDC dividend: balance (payable) at 31 March 2014	**(126)**
PDC dividend: balance receivable at 1 April 2013	**85**

The notes on pages 18 to 54 form part of this account.

Statement of Financial Position as at 31 March 2014

	NOTE	**31 March 2014** £000s	31 March 2013 £000s
Non-current assets:			
Property, plant and equipment	14	**296,807**	253,588
Intangible assets	15	**566**	459
Trade and other receivables	20.1	**1,311**	2,646
Total non-current assets		**298,684**	256,693
Current assets:			
Inventories	19	**5,809**	5,823
Trade and other receivables	20.1	**15,478**	14,362
Cash and cash equivalents	21	**27,087**	22,566
Total current assets		**48,374**	42,751
Non-current assets held for sale	22	**800**	800
Total current assets		**49,174**	43,551
Total assets		**347,858**	300,244
Current liabilities			
Trade and other payables	23	**(33,599)**	(33,547)
Provisions	27	**(4,514)**	(3,730)
Borrowings	24	**(1,774)**	(1,771)
Total current liabilities		**(39,887)**	(39,048)
Net current assets		**9,287**	4,503
Non-current assets plus net current assets		**307,971**	261,196
Non-current liabilities			
Provisions	27	**(630)**	(539)
Borrowings	24	**(6,440)**	(7,545)
Total non-current liabilities		**(7,070)**	(8,084)
Total Assets Employed:		**300,901**	253,112
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**173,281**	173,082
Retained earnings		**38,551**	19,623
Revaluation reserve		**88,879**	60,217
Other reserves		**190**	190
Total Taxpayers' Equity:		**300,901**	253,112

The notes on pages 18 to 54 form part of this account.

The financial statements on pages 14 to 17 were approved by the Board on 05 June 2014 and signed on its behalf by

Chief Executive: David Loughton Date: 09 June 2014

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2014

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**173,082**	**19,623**	**60,217**	**190**	**253,112**
Changes in taxpayers' equity for 2013-14					
Retained surplus for the year	0	8,466	0	0	**8,466**
Net gain on revaluation of property, plant, equipment	0	0	29,825	0	**29,825**
Impairments and reversals	0	0	(2,876)	0	**(2,876)**
Transfers between reserves	0	117	(117)	0	**0**
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	12,175	0	0	**12,175**
Reclassification Adjustments					
New PDC Received - Cash	183	0	0	0	**183**
New PDC Received - PCTs and SHAs Legacy items paid for by Department of Health	16	0	0	0	**16**
Net recognised revenue for the year	**199**	**20,758**	**26,832**	**0**	**47,789**
Transfers between reserves in respect of modified absorption - PCTs & SHAs	0	(1,830)	1,830	0	**0**
Balance at 31 March 2014	**173,281**	**38,551**	**88,879**	**190**	**300,901**
Balance at 1 April 2012	**170,082**	**7,815**	**69,109**	**190**	**247,196**
Changes in taxpayers' equity for the year ended 31 March 2013					
Retained surplus for the year	0	7,023	0	0	7,023
Impairments and reversals	0	0	(4,107)	0	(4,107)
Transfers between reserves	0	4,785	(4,785)	0	0
Reclassification Adjustments					
New PDC Received	3,000	0	0	0	3,000
Net recognised revenue for the year	**3,000**	**11,808**	**(8,892)**	**0**	**5,916**
Balance at 31 March 2013	**173,082**	**19,623**	**60,217**	**190**	**253,112**

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

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

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

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2014

	NOTE	**2013-14 £000s**	2012-13 £000s
Cash Flows from Operating Activities			
Operating Surplus		**17,975**	16,511
Depreciation and Amortisation	14 & 15	**16,695**	15,356
Impairments and Reversals	14	**155**	1,604
Interest Paid	13	**(1,573)**	(1,544)
Dividend Paid	SOCI	**(8,035)**	(8,120)
Decrease of PFI/deferred credit		**0**	499
(Increase)/Decrease in Inventories	19	**14**	(120)
(Increase)/Decrease in Trade and Other Receivables	20	**(982)**	3,771
Increase/(Decrease) in Trade and Other Payables	23	**1,489**	(2,338)
Provisions Utilised	27	**(1,414)**	(2,207)
Increase in Provisions	27	**2,279**	2,815
Net Cash Inflow from Operating Activities		**26,603**	26,227
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	11	**104**	84
Payments for Property, Plant and Equipment	14	**(20,362)**	(20,577)
Payments for Intangible Assets	15	**(422)**	0
Proceeds of disposal of Property, Plant and Equipment	12	**116**	18
Net Cash Outflow from Investing Activities		**(20,564)**	(20,475)
NET CASH INFLOW BEFORE FINANCING		**6,039**	5,752
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		**199**	3,000
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI		**(1,717)**	(1,844)
Net Cash (Outflow) / Inflow from Financing Activities		**(1,518)**	1,156
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,521**	6,908
Cash and Cash Equivalents at Beginning of the Period		**22,566**	15,658
Cash and Cash Equivalents at year end	21	**27,087**	22,566

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2013-14 NHS Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Movement of assets within the Department of Health Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury Financial Reporting Manual (FReM). The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement Of Changes In Taxpayers Equity/ Statement Of Comprehensive Income, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with International Accounting Standard IAS20 and similarly give rise to income and expenditure entries.

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the Statement Of Changes In Taxpayers Equity/ Statement Of Comprehensive Income.

On 1 April 2013 the Trust received Land and Buildings transferred from Wolverhampton City PCT as well as associated creditors. The value of this transfer was £12,175k and comprises £12,308k of Plant, Property and Equipment less £133k Creditors. This resulted in an increase in the Retained Earnings Reserve of £12,175k and an increase in Property Plant and Equipment of £12,175k. The Properties transfered were those where the Trust provides services and occupies more than 50% of the area and it is anticipated that the Trust will continue to provide services from these buildings.

1.3 Charitable Funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with NHS Trust's own returns is removed. Under the provisions of IAS 27 *Consolidated and Separate Financial Statements* , those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 *Presentation of Financial Statements* , restated prior period accounts are presented where the adoption of the new policy has a material impact.

The Trust is Corporate Trustee for Royal Wolverhampton NHS Trust Charitable Funds and the mission of the Charity is to make a real difference to the patients of the Royal Wolverhampton NHS Trust, their families and the staff who treat them above and beyond that provided by the NHS. This is done through additional equipment, facilities and an improved environment as well as opportunities for staff training and to further medical knowledge through research..

As a Corporate Trustee, therefore, the financial statements should be consolidated if this is material to the Trust. The level of fund balances are approximately £3million on an annual basis and are not material, whilst the level of annual income for the Charity at around £1million represents 0.3% of the Trust's annual income and so is immaterial, using a materiality level of 2%. On this basis the Charitable Funds statements have not been consolidated into the Trust Accounts.

In 2012/13, the Department of Health consolidated the results of all NHS Charities and this will continue in 2013/14, regardless of the local consolidation decisions made by Trusts

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

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

1.4.1 Critical judgements in applying accounting policies

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

- Leases

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

1.4.2 Key sources of estimation uncertainty

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

- Useful economic lives of assets

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

- Provisions

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

1.5 Revenue

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

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

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

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

1.6 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

1.7 Other expenses

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

1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.
Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

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

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:
● Land and non-specialised buildings – market value for existing use
● Specialised buildings – depreciated replacement cost

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

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

Fixtures and fittings are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

1.9 Intangible assets

Recognition

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:-
● the technical feasibility of completing the intangible asset so that it will be available for use;
● the intention to complete the intangible asset and use it;
● the ability to sell or use the intangible asset;
● how the intangible asset will generate probable future economic benefits or service potential;
● the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it;
● the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.10 Depreciation, amortisation and impairments

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

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.
AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean Departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

Useful economic life in years for depreciation/amortisation are as follows:-
Buildings (excluding Dwellings) between 3 and 74 years.
Dwellings between 9 and 35 years.
Plant and machinery between 5 and 15 years.
Transport equipment between 5 and 7 years.
Information Technology between 4 and 5 years.
Furniture and fittings between 7 and 10 years.
Intangible Assets between 4 and 5 years.

1.11 Donated assets

Donated non-current assets are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is deferred only where conditions attached to the donation have not been met.

1.12 Government grants

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

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

1.13 Non-current assets held for sale

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

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

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

1.14 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

1.15 Private Finance Initiative (PFI) transactions

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

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:-
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

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

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

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

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

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

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

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

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

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

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

Other assets contributed by the Trust to the operator

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

1.16 Inventories

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

1.17 Cash and cash equivalents

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

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.

1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 1.8% in real terms 1.8% for employee early departure obligations).

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

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

1.19 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust'. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 27. These are included in the NHSLA accounts and are not accounted for in individual NHS bodies accounts.

1.20 Non-clinical risk pooling

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

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

1.21 Contingencies

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

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

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

1.22 Financial assets

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

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

Loans and receivables

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

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

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

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

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

1.23 Financial liabilities

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

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Other financial liabilities

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

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

1.24 Value Added Tax

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

1.25 Foreign currencies

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

1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 38 to the accounts.

1.27 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets, net assets transferred from NHS bodies dissolved on 1 April 2013 and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. The dividend is calculated on the basis of the draft Annual Accounts.

1.28 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

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

1.29 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust or where the subsidiary's accounting date is not co-terminus.

From 2013-14, the Trust should consolidate the results of Royal Wolverhampton Charitable Funds over which it considers it has the power to exercise control in accordance with IAS27 requirements if this was a material entity. However, as this is not considered material the Charitable Funds have not been consolidated.

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

1.30 Research and Development

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

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

Standards applicable from 2014/15:

IFRS 10 Consolidated Financial Statements currently covered under IAS 27 covering the consolidation of Charitable Funds
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IAS 27 Separate Financial Statements (amendment)
IAS 28 Investments in Associates and Joint Ventures (amendment)
IAS 32 Financial instruments: Presentation (amendment)

Other standards in issue:

IFRS 9 Financial Instruments
IFRS 13 Fair Value

2. Operating segments

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

There are no operating segments within the Trust.

The total income for the Trust from Clinical Commissioning Groups and NHS England for services provided is £345,741,000 which represents 88% of the total income.

3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Summary Table - aggregate of all schemes	**2013-14 £000s**	2012-13 £000s
Income	**2,497**	1,872
Full cost	**(921)**	(1,040)
Surplus	**1,576**	832

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

4. Revenue from patient care activities

	2013-14 £000s	2012-13 £000s
NHS Trusts	**503**	510
NHS England	**85,895**	0
Clinical Commissioning Groups	**259,846**	0
Primary Care Trusts	**0**	347,571
Strategic Health Authorities	**0**	480
NHS Foundation Trusts	**928**	51
Department of Health	**729**	380
NHS Other	**46**	0
Non-NHS:		
Local Authorities	**6,871**	0
Private patients	**1,083**	1,083
Overseas patients (non-reciprocal)	**83**	42
Injury costs recovery	**1,019**	1,026
Other	**678**	497
Total Revenue from patient care activities	**357,681**	351,640

In 2012-13 the main Commissioners of services were Primary Care Trusts which ceased to exist on 31 March 2013. From 1 April 2013 onwards these services were commissioned by Clinical Commissioning Groups, NHS England and Local Authorites. These changes are reflected in the note above. Additionally Strategic Health Authorities ceased to exist on 31 March 2013. From 1 April 2013 onwards the services previously commissioned by SHAs were commissioned by various other NHS bodies.

5. Other operating revenue

	2013-14 £000s	2012-13 £000s
Education, training and research	**18,422**	16,995
Receipt of donations for capital acquisitions - NHS Charity	**899**	120
Non-patient care services to other bodies	**10,303**	10,429
Income generation	**3,329**	2,669
Rental revenue from operating leases	**257**	251
Other revenue	**3,154**	2,813
Total Other Operating Revenue	**36,364**	33,277
Total operating revenue	**394,045**	384,917

6. Revenue

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

7. Operating expenses

	2013-14 £000s	2012-13 £000s
Services from other NHS Trusts	**207**	108
Services from CCGs/NHS England	**16**	0
Services from other NHS bodies	**139**	128
Services from NHS Foundation Trusts	**965**	717
Services from Primary Care Trusts	0	24
Total Services from NHS bodies*	**1,327**	977
Purchase of healthcare from non-NHS bodies	**1,371**	1,512
Trust Chair and Non-executive Directors	**73**	78
Supplies and services - clinical	**70,602**	66,472
Supplies and services - general	**6,731**	8,213
Consultancy services	**2,432**	1,822
Establishment	**6,831**	3,925
Transport	**2,283**	2,453
Premises	**12,320**	17,315
Impairments and reversals of receivables	**628**	80
Inventories write down	**49**	0
Depreciation	**16,397**	15,061
Amortisation	**298**	295
Impairments and reversals of property, plant and equipment	**155**	1,604
Audit fees	**98**	98
Other auditors' remuneration all other services	**7**	72
Clinical negligence	**5,102**	6,072
Research and development (excluding staff costs)	**1,277**	1,382
Education and Training	**1,180**	1,074
Other	**3,012**	3,925
Total Operating expenses (excluding employee benefits)	**132,173**	132,430
Employee Benefits		
Employee benefits excluding Board members	**242,965**	235,094
Board members	**932**	882
Total Employee Benefits	**243,897**	235,976
Total Operating Expenses	**376,070**	368,406

As Primary Care Trusts ceased to exist on 31 March 2013 there is no spend with PCTs in 2013-14.

*Services from NHS bodies does not include expenditure which falls into a category below

The Trust pays an audit fee of £4,392, (2012-13 £4,392) in respect of the audit of charitable funds. This is paid from Trust Charitable Funds and not by the Trust itself.

Other auditors remuneration is in respect of non-audit services for a follow up of the quality governance work initially undertaken in 2012/13. The Trust were able to recover the VAT incurred on this under HMRC's VAT recovery rules for the NHS.

8 Operating Leases

Included in this note is the arrangement for the lease of buildings from NHS Property Services whi previously owned by Wolverhampton City PCT. The value of this arrangement is £2.5 million per annum.some of the leased properties transferring to the Trust and others being transferred to NHS Services. This arrangement is currently for 12 months. There are no other individually significant c leases included in the figures below.

8.1 Trust as lessee

	2013-14 Total £000s	2012-13 £000s
Payments recognised as an expense		
Minimum lease payments	**2,979**	4,657
Total	**2,979**	4,657
Payable:		
No later than one year	**468**	434
Between one and five years	**535**	846
Total	**1,003**	1,280

8.2 Trust as lessor

	2013-14 £000s	2012-13 £000s
Recognised as revenue		
Rental revenue	**257**	251
Total	**257**	251
Receivable:		
No later than one year	**201**	165
Between one and five years	**702**	508
After five years	**558**	460
Total	**1,461**	1,133

9 Employee benefits and staff numbers

9.1 Employee benefits

	2013-14 Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	**204,812**	192,848	11,964
Social security costs	**15,081**	14,546	535
Employer Contributions to NHS BSA - Pensions Division	**24,180**	23,322	858
Termination benefits	**262**	262	0
Total employee benefits	**244,335**	**230,978**	**13,357**
Employee costs capitalised	**438**	438	0
Gross Employee Benefits excluding capitalised costs	**243,897**	**230,540**	**13,357**

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

9.2 Staff Numbers

	2013-14 Total Number	Permanently employed Number	Other Number	2012-13 Total Number
Average Staff Numbers				
Medical and dental	**683**	643	41	663
Administration and estates	**1,313**	1,303	10	1,303
Healthcare assistants and other support staff	**1,198**	1,095	103	1,138
Nursing, midwifery and health visiting staff	**1,939**	1,876	64	1,910
Scientific, therapeutic and technical staff	**935**	931	4	884
TOTAL	**6,069**	**5,847**	**222**	5,898
Of the above - staff engaged on capital projects	**8**	8	0	10

9.3 Ill health retirements

	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	**7**	6
	£000s	£000s
Total additional pensions liabilities accrued in the year	**0**	0

9.4 Exit Packages agreed in 2013-14

	2013-14			2012-13		
Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	**1**	**23**	**24**	0	9	9
£10,000 - £25,000	**3**	**0**	**3**	0	18	18
£25,001 - £50,000	**5**	**0**	**5**	0	7	7
£50,001 - £100,000	**0**	**0**	**0**	0	2	2
Total number of exit packages by type (total cost	**9**	**23**	**32**	0	36	36
Total resource cost (£000s)	**196,141**	**66,171**	**262,312**	0	723,805	723,805

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS redundancy scheme. Exit costs in this note are accounted for in full in the year departure is agreed. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

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

9.5 Exit packages - Other Departures analysis

	2013-14		2012-13	
	Agreements	**Total value of agreements**	Agreements	Total value of agreements
	Number	**£000s**	Number	£000s
Mutually agreed resignations (MARS) contractual costs	**0**	**0**	36	724
Contractual payments in lieu of notice	**22**	**59**	0	0
Exit payments following Employment Tribunals or court orders	**1**	**7**	0	0
Total	**23**	**66**	36	724

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

As a single exit packages can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in Note 9.4 which will be the number of individuals.

The Remuneration Report includes disclosure of exit payments payable to individuals named in that Report.

9.6 Pension costs

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

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

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

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

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

10 Better Payment Practice Code

10.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**85,627**	**124,432**	83,651	118,886
Total Non-NHS Trade Invoices Paid Within Target	**80,016**	**114,485**	76,253	110,074
Percentage of NHS Trade Invoices Paid Within Target	**93.45%**	**92.01%**	91.16%	92.59%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**2,438**	**22,964**	2,319	24,909
Total NHS Trade Invoices Paid Within Target	**2,229**	**22,273**	2,160	24,385
Percentage of NHS Trade Invoices Paid Within Target	**91.43%**	**96.99%**	93.14%	97.90%

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 a valid invoice, whichever is later.

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

	2013-14 £000s	2012-13 £000s
Amounts included in finance costs from claims made under this legislation	**1**	0
Compensation paid to cover debt recovery costs under this legislation	**1**	0
Total	**2**	0

11 Investment Revenue

	2013-14 £000s	2012-13 £000s
Interest revenue		
Bank interest	**104**	84
Total investment revenue	**104**	84

12 Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Gain on disposal of assets other than by sale (PPE)	**216**	18
Total	**216**	18

13 Finance Costs

	2013-14 £000s	2012-13 £000s
Interest		
Interest on obligations under finance leases	**1**	5
Interest on obligations under PFI contracts:		
- main finance cost	**556**	615
- contingent finance cost	**1,016**	924
Total interest expense	**1,573**	1,544
Provisions - unwinding of discount	**10**	11
Total	**1,583**	1,555

14.1 Property, plant and equipment

2013-14	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2013	**13,002**	**224,285**	**1,980**	**9,054**	**62,913**	**560**	**11,370**	**5,292**	**328,456**
Opening Balance Adjustment - Local PPAs	0	5,995	663	0	(2,394)	0	0	0	**4,264**
Local Accounts - Restated Opening Cost or Valuati	**13,002**	**230,280 0**	**2,643**	**9,054**	**60,519**	**560**	**11,370**	**5,292**	**332,720**
Transfers under Modified Absorption Accounting - PCTs & SHAs	3,125	8,886	61	0	93	39	2	102	**12,308**
Additions of Assets Under Construction	0	0	0	13,656	0	0	0	0	**13,656**
Additions Purchased	76	1,518	0	0	4,317	0	749	102	**6,762**
Additions Donated	0	0	0	0	499	0	0	0	**499**
Reclassifications	184	11,998	(61)	(15,130)	1,710	(22)	765	135	**(421)**
Disposals other than for sale	0	(1,443)	0	0	(4,421)	0	(275)	(17)	**(6,156)**
Upward revaluation/positive indexation	1,735	(2,730)	1	0	0	0	0	0	**(994)**
Impairments/negative indexation	0	(2,876)	0	0	0	0	0	0	**(2,876)**
At 31 March 2014	**18,122**	**245,633 0**	**2,644**	**7,580**	**62,717**	**577**	**12,611**	**5,614**	**355,498**
Depreciation:									
At 1 April 2013	**0**	**21,267**	**303**	**0**	**41,920**	**366**	**7,122**	**3,890**	**74,868**
Opening Balance Adjustment - Local PPAs	0	5,995	663	0	(2,394)	0	0	0	**4,264**
Local Accounts - Restated Opening Depreciation	**0**	**27,262 0**	**966**	**0**	**39,526**	**366**	**7,122**	**3,890**	**79,132**
Reclassifications	0	(144)	0	**0**	64	0	(18)	80	**(18)**
Disposals other than for sale	0	(1,443)	0	**0**	(4,421)	0	(275)	(17)	**(6,156)**
Upward revaluation/positive indexation	0	(30,489)	(330)	**0**	0	0	0	0	**(30,819)**
Impairments	0	145	0	0	10	0	0	0	**155**
Charged During the Year	0	9,224	82	**0**	5,163	79	1,491	358	**16,397**
At 31 March 2014	**0**	**4,555 0**	**718**	**0**	**40,342**	**445**	**8,320**	**4,311**	**58,691**
Net Book Value at 31 March 2014	**18,122**	**241,078**	**1,926**	**7,580**	**22,375**	**132**	**4,291**	**1,303**	**296,807**
Asset financing:									
Purchased	18,122	231,393	1,926	7,580	16,803	132	4,288	1,292	**281,536**
Donated	0	1,121	0	0	771	0	3	11	**1,906**
On-SOFP PFI contracts	0	8,564	0	0	4,801	0	0	0	**13,365**
Total at 31 March 2014	**18,122**	**241,078**	**1,926**	**7,580**	**22,375**	**132**	**4,291**	**1,303**	**296,807**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	**4,595**	**53,055**	**1,040**	**0**	**282**	**5**	**3**	**21**	**59,001**
TFR for PCT Assets (Modified Absorbtion Accting.)	484	1,346	0	0	0	0	0	0	**1,830**
Movements to I&E reserve for impairments and balance on reserve for assets disposed of		(2,990)	0	0	(3)	0	0	0	**(2,993)**
Movements - revaluation	1,735	27,759	331	0	0	0	0	0	**29,825**
At 31 March 2014	**6,814**	**79,170**	**1,371**	**0**	**279**	**5**	**3**	**21**	**87,663**

Additions to Assets Under Construction in 2013/14

	£000's
Buildings excl Dwellings	11,902
Plant & Machinery	1,754
Balance as at YTD	**13,656**

Opening Balance Adjustment - Local PPAs

Adjustments were necessary to correct asset's costs and depreciation balances. These were compensating adjustments between cost and depreciation values – they have no impact on net book values.

14.2 Property, plant and equipment prior-year

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

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	4,595	61,630	1,071	0	346	5	193	53	67,893
Movements to I&E reserve for impairments and balance on reserve for assets disposed of	0	(8,575)	(31)	0	(64)	0	(190)	(32)	(8,892)
At 31 March 2013	4,595	53,055	1,040	0	282	5	3	21	59,001

Additions to Assets Under Construction in 2012/13

	£000's
Buildings excl Dwellings	14,886
Plant & Machinery	4,460
Balance as at YTD	19,346

14.3 (cont). Property, plant and equipment

The Royal Wolverhampton Hospitals NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2014.

The value of the Trust's land and buildings have been assessed by DTZ, an independent professional valuer as at 31 March 2014 to give an overall valuation, which was deemed reasonable by the external auditors. New additions and refurbishments completed in year were valued by the same independent valuer on a modern equivalent asset basis. The valuation was incorporated into the figures shown above.

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

Valuation

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

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. HM Treasury has agreed that NHS Trusts must apply these new valuation requirements by 1 April 2010 at the latest. The Trust has obtained and incorporated a modern equivalent asset valuation of its properties into the accounts for the year ended 31 March 2014.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure; the Trust’s revaluation decrease at 31 March 2014 falls into this category. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure.

15.1 Intangible non-current assets

	Computer Licenses	Total
2013-14		
	£000s	**£000s**
Cost or Valuation:		
At 1 April 2013	**1,817**	**1,817**
Additions - purchased	2	**2**
Reclassifications	421	**421**
At 31 March 2014	**2,240**	**2,240**
Amortisation:		
At 1 April 2013	**1,358**	**1,358**
Reclassifications	18	**18**
Charged during the year	298	**298**
At 31 March 2014	**1,674**	**1,674**
Net Book Value at 31 March 2014	**566**	**566**
Asset Financing: Net book value at 31 March 2014 comprises:		
Purchased	565	**565**
Donated	1	**1**
Total at 31 March 2014	**566**	**566**

15.2 Intangible non-current assets prior year

	Computer Licenses	Total
2012-13		
	£000s	£000s
Cost or valuation:		
At 1 April 2012	1,815	1,815
Reclassifications	2	2
At 31 March 2013	1,817	1,817
Amortisation		
At 1 April 2012	1,069	1,069
Reclassifications	(6)	(6)
Charged during the year	295	295
At 31 March 2013	1,358	1,358
Net book value at 31 March 2013	459	459
Net book value at 31 March 2013 comprises:		
Purchased	457	457
Donated	2	2
Total at 31 March 2013	459	459

15.3 Intangible non-current assets

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

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

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

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

16 Analysis of impairments and reversals recognised in 2013-14

	2013-14 Total £000s	2012-13 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI		
Loss or damage resulting from normal operations	10	0
Total charged to Departmental Expenditure Limit	**10**	0
Changes in market price	145	1,604
Total charged to Annually Managed Expenditure	**145**	1,604
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve		
Other	0	3,199
Changes in market price	0	908
Total impairments for PPE charged to reserves	**0**	4,107
Total Impairments of Property, Plant and Equipment changed to SoCI	**155**	5,711
Total Impairments charged to Revaluation Reserve	0	4,107
Total Impairments charged to SoCI - DEL	**10**	0
Total Impairments charged to SoCI - AME	**145**	1,604
Overall Total Impairments	**155**	5,711
Donated and Gov Granted Assets, included above		
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**	0

16 Analysis of impairments and reversals recognised in 2013-14

	Total £000s	**Property Plant and Equipment £000s**
Impairments and reversals taken to SoCI		
Loss or damage resulting from normal operations	**10**	10
Total charged to Departmental Expenditure Limit	**10**	**10**
Changes in market price	**145**	145
Total charged to Annually Managed Expenditure	**145**	**145**
Total Impairments of Property, Plant and Equipment changed to SoCI	**155**	**155**

17 Commitments

17.1 Capital commitments

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

	31 March 2014 £000s	31 March 2013 £000s
Property, plant and equipment	**3,131**	1,612
Total	**3,131**	1,612

18 Intra-Government and other balances

	Current receivables £000s	**Non-current receivables £000s**	**Current payables £000s**
Balances with other Central Government Bodies	10,186	0	11,943
Balances with Local Authorities	968	0	19
Balances with NHS bodies outside the Departmental Group	0	0	33
Balances with NHS Trusts and Foundation Trusts	1,685	0	618
Balances with bodies external to government	2,639	1,311	20,986
At 31 March 2014	**15,478**	**1,311**	**33,599**
prior period:			
Balances with other Central Government Bodies	9,675	0	10,007
Balances with Local Authorities	0	0	599
Balances with NHS bodies outside the Departmental Group	97	0	0
Balances with NHS Trusts and Foundation Trusts	1,066	0	256
Balances with bodies external to government	3,524	2,646	22,685
At 31 March 2013	**14,362**	**2,646**	**33,547**

19 Inventories

Current Year	Drugs £000s	Consumables £000s	Energy £000s	Other £000s	Total £000s	Of which held at NRV £000s
Balance at 1 April 2013	**1,952**	**3,648**	**139**	**84**	**5,823**	**5,823**
Additions	27,083	18,772	9	413	**46,277**	**46,277**
Inventories recognised as an expense in the period	(27,357)	(18,455)	(18)	(412)	**(46,242)**	**(46,242)**
Write-down of inventories (including losses)	0	(49)	0	0	**(49)**	**(49)**
Balance at 31 March 2014	**1,678**	**3,916**	**130**	**85**	**5,809**	**5,809**

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

20.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
NHS receivables - revenue	**11,039**	10,310	**0**	0
Non-NHS receivables - revenue	**1,841**	1,366	**0**	0
Non-NHS prepayments and accrued income	**1,447**	1,490	**0**	0
Provision for the impairment of receivables	**(829)**	(344)	**(275)**	(715)
VAT	**695**	528	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**593**	1,809
Other receivables	**1,285**	1,012	**993**	1,552
Total	**15,478**	14,362	**1,311**	2,646
Total current and non current	**16,789**	17,008		

The great majority of NHS Receivables are with Clinical Commissioning Groups and NHS England. As these bodies are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

20.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	**352**	446
Total	**352**	446

20.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	**(1,059)**	(979)
Amount written off during the year	**583**	0
Increase in receivables impaired	**(628)**	(80)
Balance at 31 March 2014	**(1,104)**	**(1,059)**

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

The £(1.1m) balance includes a provision of £(0.4m) for Injury Cost Recovery (ICR) (31 March 2013 £(0.8m)). ICRs are not included in Note 20.2 as the Trust can not be certain as to when these will be settled.

21 Cash and Cash Equivalents

	31 March 2014 £000s	31 March 2013 £000s
Opening balance	**22,566**	15,658
Net change in year	**4,521**	6,908
Closing balance	**27,087**	22,566
Made up of		
Cash with Government Banking Service	**27,053**	22,541
Commercial banks	**26**	15
Cash in hand	**8**	10
Cash and cash equivalents as in statement of financial position	**27,087**	22,566
Cash and cash equivalents as in statement of cash flows	**27,087**	22,566
Patients' money held by the Trust, not included above	**72**	96

22 Non-current assets held for sale

	Land	Total
	£000s	£000s
Balance at 1 April 2013	800	**800**
Balance at 31 March 2014	**800**	**800**
Liabilities associated with assets held for sale at 31 March 2014	**0**	**0**
Balance at 1 April 2012	800	800
Balance at 31 March 2013	**800**	800
Liabilities associated with assets held for sale at 31 March 2013	0	0

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

The Compton Road site has been valued on the open market by a professional chartered surveyor for £0.8m, and it is anticipated that disposal will be completed by the end of 2014.

23 Trade and other payables

	Current	
	31 March 2014	31 March 2013
	£000s	£000s
NHS payables - revenue	**4,364**	2,019
NHS accruals and deferred income	**0**	187
Non-NHS payables - revenue	**5,377**	6,558
Non-NHS payables - capital	**4,012**	5,760
Non-NHS accruals and deferred income	**11,217**	10,777
Social security costs	**2,330**	2,310
VAT	**29**	223
Tax	**2,533**	2,554
Other	**3,737**	3,159
Total	**33,599**	33,547
Total payables (current and non-current)	**33,599**	**33,547**
Included above:		
Outstanding Pension Contributions at the year end	**3,337**	2,937

24 Borrowings

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
PFI liabilities:				
Main liability	**1,774**	1,721	**6,440**	7,545
Finance lease liabilities	**0**	50	**0**	0
Total	**1,774**	1,771	**6,440**	7,545
Total other liabilities (current and non-current)	**8,214**	9,316		

Loans - repayment of principal falling due in:

	Other	Total
	£000s	**£000s**
0 - 1 Years	1,774	**1,774**
1 - 2 Years	965	**965**
2 - 5 Years	2,117	**2,117**
Over 5 Years	3,358	**3,358**
TOTAL	**8,214**	**8,214**

25 Deferred revenue

	Current	
	31 March 2014	31 March 2013
	£000s	£000s
Opening balance at 1 April 2013	**2,656**	2,663
Deferred revenue addition	**188**	485
Transfer of deferred revenue	**(1,430)**	(492)
Current deferred Income at 31 March 2014	**1,414**	2,656
Total deferred income	**1,414**	2,656

26 Finance lease obligations as lessee

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year	**0**	50	**0**	50
Minimum Lease Payments / Present value of minimum lease payments	**0**	50	**0**	50
Included in:				
Current borrowings			**0**	50
Non-current borrowings			**0**	0
			0	50

27 Provisions

		Comprising:		
	Total	**Legal Claims**	**Other**	**Redundancy**
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April 2013	**4,269**	934	2,343	992
Arising During the Year	**3,778**	483	3,295	0
Utilised During the Year	**(1,414)**	(324)	(552)	(538)
Reversed Unused	**(1,499)**	(129)	(916)	(454)
Unwinding of Discount	**10**	10	0	0
Balance at 31 March 2014	**5,144**	**974**	**4,170**	**0**
Expected Timing of Cash Flows:				
No Later than One Year	**4,514**	345	4,169	0
Later than One Year and not later than Five Years	**159**	159	0	0
Later than Five Years	**471**	470	1	0

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

As at 31 March 2014	**49,998**
As at 31 March 2013	43,833

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

Other includes: provisions for accrued staff holiday pay, provisions for the possible return of money received by the Trust for contractual income, provision for payments under the Carbon Reduction Commitment scheme and provisions for payments to be made regarding HR issues. There is reasonable certainty that all claims will be settled within the 12 months to 31 March 2015.

28 Contingencies

	31 March 2014 £000s	31 March 2013 £000s
Contingent liabilities		
Other	**(179)**	(165)
Net Value of Contingent Liabilities	**(179)**	(165)

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

	31 March 2014 £000s	31 March 2013 £000s
Contingent Assets		
Contingent Assets	**700**	700
Net Value of Contingent Assets	**700**	700

The Trust has submitted Fleming VAT reclaims totalling approximately £0.7m (2012-13 £0.7m) to H.M. Revenue and Customs under s.121 of the Finance Act 2008. The outcome and timing of these claims is uncertain at 31 March 2014.

29 PFI - additional information

Charges to operating expenditure and future commitments in respect of On SOFP PFI	2013-14 £000s	2012-13 £000s
Service element of on SOFP PFI charged to operating expenses in year	**2,046**	1,910
Total	**2,046**	1,910

Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI	2013-14 £000s	2012-13 £000s
No Later than One Year	**2,053**	2,046
Later than One Year, No Later than Five Years	**8,519**	7,865
Later than Five Years	**35,387**	27,937
Total	**45,959**	37,848

Imputed "finance lease" obligations for on SOFP PFI contracts due	2013-14 £000s	2012-13 £000s
No Later than One Year	**1,774**	1,721
Later than One Year, No Later than Five Years	**4,159**	5,172
Later than Five Years	**5,215**	5,613
Subtotal	**11,148**	12,506
Less: Interest Element	**(2,934)**	(3,240)
Total	**8,214**	9,266

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due	2013-14 £000s
No Later than One Year	**1,043**
Later than One Year, No Later than Five Years	**3,082**
Later than Five Years	**2,924**
Total	**7,049**

Number of on SOFP PFI Contracts		
Total Number of on PFI contracts	**1**	1
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**0**	0

PFI Contract Details

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

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

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

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.

Radiology staff remain employees of the Trust.

At the end of the project period the Operator shall hand over to the Trust all the Project's Facility and the Equipment; the Trust thereby taking legal ownership.

Under IFRIC 12 , the substance of the contract is that the Trust has a finance lease and payments comprise 2 elements - imputed finance lease charges and service charges. Details of the imputed finance lease charges are provided in the tables above.

NBV of PFI Assets are as follows:	2013-14 £000's	2012-13 £000's
Radiology PFI Building	**8,564**	8,217
Radiology PFI Equipment	**4,801**	4,075
PFI Deferred Asset	**593**	1,809

30 Impact of IFRS treatment - current year

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

	2013-14 £000s	2012-13 £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)		
Depreciation charges	**1,198**	1,160
Interest Expense	**1,572**	1,539
Impairment charge - AME	**0**	0
Impairment charge - DEL	**0**	0
Other Expenditure	**2,046**	1,910
Revenue Receivable from subleasing	**0**	0
Impact on PDC dividend payable	**126**	84
Total IFRS Expenditure (IFRIC12)	**4,942**	4,693
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)	**(5,341)**	(5,177)
Net IFRS change (IFRIC12)	**(399)**	(484)
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12		
Capital expenditure 2013-14	**1,885**	732
UK GAAP capital expenditure 2013-14 (Reversionary Interest)	**1,198**	1,160

31 Financial Instruments

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

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

Currency risk

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

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

31.2 Financial Assets

	Loans and receivables £000s	Total £000s
Receivables - NHS	**11,039**	**11,039**
Receivables - non-NHS	**2,297**	**2,297**
Cash at bank and in hand	**27,087**	**27,087**
Total at 31 March 2014	**40,423**	**40,423**
Receivables - NHS	10,310	10,310
Receivables - non-NHS	2,562	2,562
Cash at bank and in hand	22,566	22,566
Total at 31 March 2013	35,438	35,438

31.3 Financial Liabilities

	Other £000s	Total £000s
NHS payables	**4,364**	**4,364**
Non-NHS payables	**29,206**	**29,206**
PFI & finance lease obligations	**8,214**	**8,214**
Total at 31 March 2014	**41,784**	**41,784**
NHS payables	2,206	2,206
Non-NHS payables	26,254	26,254
PFI & finance lease obligations	9,316	9,316
Total at 31 March 2013	37,776	37,776

32 Events after the end of the reporting period

From 1 April 2014 the Trust takes on responsibility for the CLRN network for Research and Development. The income and cost associated with this have not been finalised but expected to be approximately £28million.

33 Related party transactions

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

The Department of Health is regarded as a related party. During the year The Royal Wolverhampton NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below where income or expenditure has been in excess of £100,000.

	2013-14				2012-13			
Name	**Expenditure (net of recharges) to Related Party**	**Income (net of recharges) from Related Party**	**Amounts owed to Related Party**	**Amounts due from Related Party**	Expenditure (net of recharges) to Related Party	Income (net of recharges) from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000s	**£000s**	**£000s**	**£000s**	£000s	£000s	£000s	£000s
Department of Health	580	729	1	0	0	1,246	33	0
NHS England including Regional Offices	43	89,451	60	1,682	0	0	0	0
West Midlands Strategic Health Authority	0	0	0	0	8	12,466	38	5
Birmingham Children's Hospital NHS Foundation Trust	78	488	6	295	56	113	8	48
Birmingham Community Healthcare NHS Trust	34	504	0	4	0	510	2	43
Birmingham East And North PCT	0	0	0	0	8	60,301	468	0
Birmingham Cross City CCG	0	447	0	153	0	0	0	0
Birmingham Womens NHS Foundation Trust	118	0	34	0	23	11	13	0
Black Country Partnership NHS Foundation Trust	439	1,017	149	150	328	491	21	181
Community Health Partnerships	2,088	19	2,088	19	0	0	0	0
Dudley PCT	0	0	0	0	0	9,496	151	0
Dudley CCG	0	7,301	563	54	0	0	0	0
Health Education England	0	13,603	0	139	0	0	0	0
Health Protection Agency	0	0	0	0	121	6	3	3
Heart of England NHS Foundation Trust	98	190	46	177	0	0	0	0
Heart of Birmingham Teaching PCT	0	0	0	0	6	237	0	20
Herefordshire PCT	0	0	0	0	0	28	0	3
Mid Staffordshire NHS Foundation Trust	458	1,935	72	241	460	997	70	178
NHS Blood and Transplant	2,730	92	33	0	3,604	84	0	97
NHS Litigation Authority	5,406	0	6	0	6,072	0	1	0
NHS Property Services	635	169	608	245	0	0	0	0
North Staffordshire PCT	0	0	0	0	21	1,457	0	46
North Staffordshire Combined Healthcare NHS Trust	15	1,348	8	1	0	0	0	0
Oxford Health NHS Foundation Trust	165	0	13	0	242	0	11	0
Public Health England	140	1,112	4	199	0	0	0	0
Sandwell and West Birmingham Hospitals NHS Trust	188	38	48	9	165	20	23	0
Sandwell PCT	0	0	0	0	0	2,003	364	0
Sandwell and West Birmingham CCG	0	2,300	0	169	0	0	0	0
Shrewsbury and Telford Hospitals NHS Trust	175	469	0	54	191	367	5	80
Shropshire Community Health NHS Trust	0	213	0	20	0	172	0	3
Shropshire County PCT	0	0	0	0	0	4,293	29	0
Shropshire CCG	0	4,393	0	552	0	0	0	0
South Birmingham PCT	0	0	0	0	10	223	0	37
South Staffordshire PCT	0	0	0	0	0	38,293	0	2,589
Cannock Chase CCG	0	9,386	196	60	0	0	0	0
South East Staffs and Seisdon Peninsular CCG	0	19,983	0	554	0	0	0	0
Stafford and Surrounds CCG	0	6,543	0	121	0	0	0	0
Staffordshire County Council	0	151	6	0	0	0	0	0
Stoke on Trent PCT	0	0	0	0	0	150	0	32
Telford and Wrekin PCT	0	0	0	0	0	1,778	0	116
Telford and Wrekin CCG	0	2,037	0	460	0	0	0	0
The Dudley Group of Hospitals NHS Foundation Trust	512	1,234	141	104	379	1,005	4	162
University Hospital Birmingham NHS Foundation Trust	287	54	31	23	227	42	18	19
University Hospital of North Staffordshire NHS Trust	221	65	13	42	124	8	11	4
Walsall Healthcare NHS Trust	155	1,427	31	443	106	1,272	8	222
Walsall Teaching PCT	0	0	0	0	0	22,974	0	380
Walsall CCG	0	22,518	0	1,193	0	0	0	0
Warwickshire PCT	0	0	0	0	0	159	0	44
West Midlands Ambulance Service NHS Foundation Trust	6	265	6	40	0	230	0	87
Wolverhampton City PCT	0	0	0	0	4,455	206,680	766	5,616
Wolverhampton CCG	714	183,708	94	3,446	0	0	0	0
Wolverhampton City Council	2,107	7,382	13	858	2,388	858	590	0
Worcester Acute Hospitals NHS Trust	1	136	1	6	1	0	22	21
Worcestershire PCT	0	0	0	0	0	921	27	0
Wyre Forest CCG	0	457	0	8	0	0	0	0
South Worcestershire CCG	0	214	0	29	0	0	0	0
Yorkshire and Humber Strategic Health Authority	0	0	0	0	0	548	0	0

The Trust has also received revenue and capital payments from a number of charitable funds for which the Trust acts as the Corporate Trustee, 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.

34 Losses and special payments

The total number of losses cases in 2013-14 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	**554,460**	**129**
Special payments	**338,063**	**190**
Total losses and special payments	**892,523**	**319**

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

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

35. Financial performance targets

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

35.1 Breakeven performance

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	**2013-14 £000s**
Turnover	222,570	234,507	251,969	266,687	289,830	306,023	374,417	384,917	**394,045**
Retained surplus/(deficit) for the year	(9,423)	82	8,335	6,913	880	8,364	8,735	7,023	**8,466**
Adjustment for:									
Timing/non-cash impacting distortions:									
Adjustments for Impairments				3,872	7,487	319	329	1,604	**155**
Adjustments for impact of policy change re donated/government grants assets							322	61	**(730)**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					(332)	(719)	(89)	0	**0**
Break-even in-year position	(9,423)	82	8,335	10,785	8,035	7,964	9,297	8,688	**7,891**
Break-even cumulative position	(26,640)	(26,558)	(18,223)	(7,438)	597	8,561	17,858	26,546	**34,437**

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	**2013-14 %**
Materiality test (i.e. is it equal to or less than 0.5%):									
Break-even in-year position as a percentage of turnover	-4.23	0.03	3.31	4.04	2.77	2.60	2.48	2.26	2.00
Break-even cumulative position as a percentage of turnover	-11.97	-11.33	-7.23	-2.79	0.21	2.80	4.77	6.90	8.74

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

35.2 Capital cost absorption rate

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

35.3 External financing

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

	2013-14	2012-13
	£000s	£000s
External financing limit (EFL)	**(3,697)**	171
Cash flow financing	**(6,039)**	(5,752)
Unwinding of Discount Adjustment	**10**	0
External financing requirement	**(6,029)**	(5,752)
Under Spend against EFL	**2,332**	5,923

35.4 Capital resource limit

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

	2013-14	2012-13
	£000s	£000s
Gross capital expenditure	**20,921**	23,431
Less: donations towards the acquisition of non-current assets	**(899)**	(120)
Charge against the capital resource limit	**20,022**	23,311
Capital resource limit	**20,573**	23,557
Underspend against the capital resource limit	**551**	246

36 Third party assets

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

	31 March	31 March
	£000s	£000s
Third party assets held by the Trust	**72**	96

36 Third party assets

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

	31 March 2014 £000s	31 March 2013 £000s
Third party assets held by the Trust	**72**	96

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