The Royal Wolverhampton NHS
NHS Trust

Annual Accounts 2014/15

Data entered below will be used throughout the workbook:

Trust name	The Royal Wolverhampton NHS Trust
This year	2014-15
Last year	2013-14
This year ended	31 March 2015
Last year ended	31 March 2014
This year commencing:	1 April 2014
Last year commencing:	1 April 2013

Accounts 2014-15

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Foreword to the Accounts

Financial Review - year ended 31 March 2015

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	
	2014/15	2013/14
To break even on income and expenditure, taking one year with another, excluding 2014/15 transfer gain by absorption	Surplus of £3.120m	Surplus of £8.466m
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 £0.608m	Undershoot of £2.332m
To remain within a Capital Resource Limit set by the Department of Health	Under-spent by £0.098m	Under-spent by £0.551m
To pay 95% of non-NHS trade creditors within 30 days	92%	92%

Kevin Stringer
Director of Finance
04 June 2015

2014-15 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;

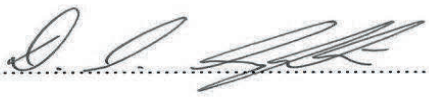
- value for money is achieved from the resources available to the trust;

- 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.....04 June 2015.....

2014-15 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;

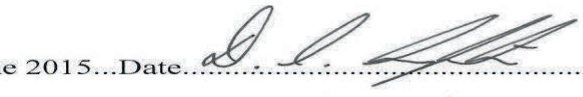
- make judgements and estimates which are reasonable and prudent;

- 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

.....04 June 2015...Date.....  .....Chief Executive

.....04 June 2015...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 2015 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 2015;
- 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.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances and senior managers and related narrative notes;
- the table of pension benefits of senior managers and related narrative notes; and
- the table of pay multiples and related narrative notes.

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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We have referred a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 in respect of extra payments by the Trust to non-executive directors between 2008/09 and 2014/15 in excess of statutory limits for which the Trust did not seek prior approval from HM Treasury. It has now substantially recovered the amounts.

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 13 October 2014, 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 2015.

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 13 October 2014, 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 2015.

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 on 13 October 2014.

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

We certify that we have completed the audit of the financial statements of The Royal Wolverhampton NHS Trust in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

4 June 2015

(a) The maintenance and integrity of the 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 2014-2015

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 Trust 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.

I acknowledge that I must discharge my duty of partnership, and this is effected in a number of ways. As Chief Executive, I attend the Local Authority Overview and Health Scrutiny Panel in Wolverhampton where a range of topics has been discussed with elected members during the year. I have also attended the Healthy Staffordshire Select Committee, and met with leading members and officers at Cannock Chase District Council, in recognition of the fact that with the acquisition of Cannock Chase Hospital and the transfer of services from Mid Staffordshire NHS Foundation Trust (MSFT) an increasing number of our patients are now being drawn from Staffordshire, and therefore our relationship with the health economy there is growing closer and stronger. The health economy which we serve is increasingly complex.

There has been a board to board meeting with the Wolverhampton Clinical Commissioning Group (CCG) and members of my Executive Team and I have attended meetings with the Cannock Chase and Stafford and Surrounds CCGs, Wolverhampton Healthwatch, and Wolverhampton Health and Wellbeing Board (of which the Trust will be a full member from 2015/16). Wolverhampton Healthwatch participated in the appointment of the Non-executive Director who joined the Trust on 1 April.

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

I am supported in my engagement with partner organisations by the Chairman of the Board, who this year has met with his counterparts at Dudley, Walsall, North Staffs, Sandwell, Black Country Partnership NHS Foundation Trust (BCPMHFT), West Midlands Ambulance Service NHS Foundation Trust (WMAS), as well as regular meetings with local authority members and officers, and other key players in the city's business and third sector communities.

I meet periodically with the local Members of Parliament.

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.

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.

Trust Board

The Board has met monthly (except in August), with additional meetings (to consider the MSFT transaction, the proposed new Emergency Centre, and the transfer of services and assets from MSFT). 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. To raise the Board's profile one meeting was held at Cannock Chase Hospital, and one in the Gem Centre (Wednesfield). A high attendance rate by Directors was recorded during the year. The Acting Chair became the substantive Chair at the end of September, and a new Non-executive Director (NED) joined in April (taking over as Chair of Audit Committee). The Director of Human Resources left the Trust in April 2014, and her Deputy acted up as Interim Director, until her substantive replacement joined in November. The Board was further strengthened in August 2014 by the appointment of an Interim Programme Integration Director, with particular responsibilities for the transfer and development of services at the Trust, including the recently acquired Cannock Chase Hospital. The Associate Non-executive Director resigned with effect from 31 March 2015, and the process to recruit a Non-executive Director (the vacancy left when the Acting Chair became Chair) and an Associate Non-executive Director was well underway by the year's end. At 31 March 2015 the Board comprised 9 female and 6 male directors; two were from a minority ethnic background.

At each meeting the Trust Board considered reports on:

- Quality and safety;
- Serious incidents;
- Operational Performance;
- Financial issues and performance;
- Board Assurance Framework and Trust Risk Register;
- Reports and minutes from the Board's standing committees;
- Cost Improvement Programme (financial and qualitative delivery – within the finance report);
- Never Events (standing item on the public agenda); and
- Mortality (within the Integrated Quality and Performance Report)

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 Board positively welcomed the seminar on "Never Events and Human Factors", laid on for a cross section of Trust staff previously involved in, or concerned to know more about, never events. They also appreciated the visit by the Emergency Care Intensive Support Team, to examine systems and processes for delays in transfer of care.

Building on the external review of governance during 2013/14 there was increased reliance on the effective use of Board committees for more detailed scrutiny of performance and risk, with greater exception based reporting to support escalation of performance and risk matters which required the full Board's attention or decision.

During the course of the year, the Non-executives made the Board aware of an NHS organisation that had allegedly made wrongful payments to its non-executive directors. As a result, the Trust instigated work to review payments to its own non-executive directors over the preceding eight years and identified some wrongful payments. The salary-related payments were fully declared in the Trust's remuneration reports and action has been taken to recover the payments. The Trust Development Authority were informed. Policies and procedures have been reviewed and updated with training provided to prevent any recurrence.

The Board strives to maintain an appropriate balance between strategic matters and supervising the management of the Trust. Among the former during 2014/15 were: the acquisition of services and assets from MSFT, including Cannock Chase Hospital, the development of a new Emergency and Urgent Care Centre, nurse recruitment, the development of the Health Clinical Research Network (West Midlands) for which the Trust serves as host, and the Cost Improvement Programme (CIP). One of its strategic decisions, taken in consultation with the Trust Development Authority, was to formally cease its current Foundation Trust application.

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 2015. The Board was in a position to comply with the Fit and Proper Persons Test regulations from 1 April 2015.

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. A Board to Board meeting with Wolverhampton CCG took place and more are planned. The Board was represented at the City-wide Obesity Summit in 2014, and the City's Director of Public Health addressed the Board on this topic and on infant mortality. I spent a considerable amount of time, variously supported by other Directors, attending meetings in Staffordshire in connection with MFST. This included the meetings of the Local Transition Board and Joint Transition Board, joint Executive Director meetings with counterparts at MSFT, Stafford CCG, Cannock Chase CCG, Staffordshire Healthwatch, and the Overview and Scrutiny Committee meetings of the County Council and of certain District Councils as well.

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

In addition to the Committees listed below, 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. As a group they have visited community services, and visited a number of key building projects on the New Cross site, as well as individually taking part in Safety Walkabouts and Chairing Consultant Interview Panels.

Audit Committee

Members: R Dunshea, J Anderson, M Martin, R Edwards (from July 2014), and S Rawlings (until July 2014).

The aims of the Committee are to provide the Board with an independent and objective review of its financial systems, financial information and compliance with laws, guidance, and regulations governing the NHS. 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 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: the Annual Report for Trust Charitable Funds, the Trust Annual Report, the Quality Account and Annual Accounts 2013/14, and the development of KPIs to test the Committee's effectiveness. The Committee also undertook its own annual assessment. These matters featured in the Committee's reports to the Board, as did a high level summary 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.

The Committee also receives regular reports from the Local Counter Fraud Specialist. The Trust currently complies fully with the National Strategy to combat and reduce NHS fraud, having a zero tolerance policy on fraud, bribery and corruption, and has a counter fraud plan and strategy in place designed to make all staff aware of what they should do if they suspect fraud. The Committee monitors this strategy and oversees where fraud is suspected and fully investigated. The Committee seeks assurance that appropriate action has been taken, which can result in criminal, disciplinary and civil sanctions being applied. There were no significant frauds detected during the year, although some cases reported to the counter fraud team remain on-going.

Particular attention has been paid this year to the transfer of services from the former MSFT. The Committee has sought information and assurance about the financial and risk aspects of this significant development. This included work around the transfer, as appropriate, Internal Audit recommendations relating to MSFT, and their incorporation into our own recommendation tracker.

The Chair of the Quality Governance Assurance Committee (a retired consultant paediatrician) is a member of the Audit Committee, which helps to maintain the flow of information between the two, including clinical audit matters. Two of the other three Committee members have a background in accountancy. The Committee has given greater priority, when creating its internal audit work plan for 2015/16, to the audit and assurance requirements of the Finance and Performance Committee and Quality Governance Assurance Committee.

Non-executive Directors' attendances were recorded as being high during the year, and the Committee was quorate at each meeting. A new Chair commenced in June, and he has initiated a number of changes in the content and management of the agenda.

Quality Governance Assurance Committee (QGAC)

Members: J Anderson, R Edwards, D Kelly, J Vanes.

The Quality Governance Assurance Committee provides assurance to the Board that patient care is of the highest achievable standard and in accordance with all statutory and regulatory requirements. It also provides assurance of proactive management and early detection of risks across the Trust. High Non-executive Directors' attendance rates at the monthly meetings of this Committee were recorded throughout the year, although its October meeting was not quorate.

The Committee considered various matters during the year. The Board Assurance Framework (BAF) and Trust Risk Register (TRR), and the Integrated Quality and Performance Report were reviewed in detail at each meeting. One outcome of this was to recommend the Board to place greater reliance upon the committee structure in terms of considering the BAF, so that from April 2015 the Board will receive the full BAF at alternate meetings (instead of monthly). To satisfy itself about this proposal, a facilitated whole Board discussion took place to debate the Trust's refreshed Trust strategic objectives mapped against risks and committee responsibilities. Other topics considered during the year included Urinary Catheter Infections, National Guidance Compliance, 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 on risks and exception from Patient Safety Improvement Group and the Quality Standards Action Group. The membership and organisation of workload between these two groups has supported the management of priority patient safety issues, such as World Health organisation (WHO) checklist compliance, timely and appropriate serious untoward incident (SUI) investigation, safety alert response, venous thromboembolism (VTE) compliance, as well as performance against national audits and benchmarks. The Committee also reviewed the Trust Annual Governance Statement for 2013/14 at a joint meeting with the Audit Committee in April 2014 (alongside the opinion of the Head of Internal Audit).

The Committee relied upon the work of two sub groups:

- **Patient Safety Improvement Group**

This Group met monthly, and reports discussed every month included Serious Untoward Incidents, the use of Safer Surgery Checklists, Ward Performance monitoring reports, various applications for new procedures/techniques and Quality Impact Assessments for Programme Initiation Documents for CIP schemes in 2014/15. At various times during the year the Group received reports on complaints (Ombudsman), Being Open, Discharge, Transfer, Legal Services and Evaluating the Safety Culture Survey of the Organisation, as well as ad hoc reports relevant to quality and safety of care (for example, Supervisor of Midwives Report), and specialist subgroup reports (including Mortality, Medicines Management, Organ Donation and Medication Safety Groups).

- **Quality Standards Action Group**

This Group met monthly. It considered a variety of matters, including CQC on-going compliance monitoring reports, Wolverhampton and Dudley Breast screening, Safeguarding, NHS Litigation Authority (NHSLA) Risk Management Standard Compliance, external reviews and inspections, Clinical Audit (annual), Inpatient care and inpatient experience (annual), National Audit Reports (for example, National Care of the Dying Audit report), National Confidentiality Reports (for example National Confidential Enquiry into Patient Outcome and Death (NCEPOD)), miscellaneous national reports (such as Clwyd Hart, Cavendish Review, Francis report, National Never Event data), and Subgroup reports (for example, 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 measurable risk controls and evidence of their effectiveness. As well as routine reporting the QGAC have requested a schedule of themed review (deep dive reports) to cover priority areas for assurance.

Finance and Performance Committee

Members: M Martin, S Rawlings (from July 2014), J Vanes, and R Edwards (until July 2014).

The Finance and Performance Committee provides assurance to the Board on the effective financial and external performance targets of the organisation. It also supports the development, implementation and delivery of the Medium Term Financial Plan, and the efficient use of financial resources. The Committee meets monthly and considers in detail, among other things, the Trust's financial position, 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, contractual performance against contractual standards, Commissioning for Quality and Innovation (CQUIN), Local Clinical Research Network (LCRN) Finance report 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. Earlier in the year the figures relating to the new Maternity Pathway Income were challenged which enabled the finance function to review the new accounting methodology and make some corrections in the reported results. The Committee's discussion has contributed to the development of a new finance report for the Board, which will be implemented from the start of the new financial year.

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

Remuneration Committee

Members: J Vanes, J Anderson, R Dunshea, R Edwards, M Martin and S Rawlings.

The purpose of this Committee is to advise the Board about appropriate remuneration and terms of service for the Chief Executive and other Executive Directors. The Remuneration Committee met several times during the year and reviewed Executive Director Remuneration and appraised the performance of the Chief Executive (in his absence). The Chairman appraised all of the Non-executive Directors. The TDA undertakes the appraisal of the Chairman, and as he took up the position mid-year, his first appraisal is not due to take place until April 2015.

Charitable Funds Committee

Members: S Rawlings, R Dunshea (from July 2014), R Edwards and J Vanes.

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

During a particularly busy and productive year, the Committee has enjoyed the dedicated support of an in-house fundraising manager, and the support of an Interim Head of Communications, as well as the on-going help of the Finance Team and external investment adviser. It has developed a new marketing and communications strategy to raise awareness of the charity and the work it supports. Projects supported this year have included chaplaincy refurbishment at both New Cross and Cannock, Eye Infirmary refurbishment and aromatherapy for cancer patients.

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

During 2014/15 an additional standing group (the **Integration Programme Steering Group**), comprising Executives and senior managers, has been in place to manage the acquisition of services and assets, and the associated risks, from MSFT.

4 Risk Assessment
The Trust has a Board-approved Risk Management Assurance Strategy (reviewed in March 2015), which identifies that the Chief Executive has overall responsibility for risk management within the Trust. Within the Strategy (and supporting policies) all managers and staff have delegated responsibility identified for the management of risk as part of their core duties. Training is provided to equip staff with appropriate knowledge and skills via a combination of face to face training, e packages and handbook resources. An on-going review of risk management training is undertaken to identify areas to be strengthened.

The current (at 31 March 2015) 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/Departmental – 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 and Corporate Departments 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. Risks/elements of controls may also be delegated from the Board Assurance Framework to operational risk registers for management.
- Board Assurance Framework (BAF) – Contains all risks which impact on the Trust 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 (bi-monthly from April 2015).

In 2014/15 the Trust undertook to strengthen the standard of controls assigned to risks on the Board Assurance Framework (BAF) and the principles of measurable controls were cascaded down to risk registers beneath the BAF. The BAF took on a new format and a numbering system was added to the Datix to more closely monitor the effect on risk controls. Over time this provides a clearer indication of the overall effectiveness of control measures for management of the risk.

A total of 55 risks were managed during the year 2014/15. 6 of these were new risks identified in year. Of the 55 risks, 6 were red (red being the highest risk rating), 44 were amber, 4 yellow and 1 green.

28 risks were closed as at 31 March 2015. Of the remaining 27 to be carried forward to 2015/16, 2 are rated red (Failure to deliver recurrent efficiency gains and CIPs, and Impact of economic environment), 24 amber, and 1 yellow. Management actions and controls are identified for each risk, and regular reviews will monitor the progress.

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

- Care Quality Commission (CQC) – Assessment of Evidence – Reasonable Assurance.
- Follow up of the Information Governance (IG) Toolkit – reasonable assurance that sufficient evidence has been provided to support the interim July 2014 IG Toolkit scores.
- Board Assurance Framework – Review of the Board Assurance Framework against nine basic principles of good governance identified that the work being undertaken by the Trust is already addressing areas for improvement identified by Internal Audit.
- Clinical Audit – Compliance with Healthcare Quality Improvement Partnership (HQIP) 10 Simple Rules for NHS Boards – Reasonable Assurance.
- Organisational Response to Francis – Report found that the Trust has appropriately considered and excluded recommendations from the Francis report and that these were reviewed internally. Recommendations were made from the report to strengthen Trust actions.

Based on the work undertaken during 2014/15, the annual Head of Internal Audit Opinion was that significant assurance could be given that there is a generally sound system of internal control in place, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

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 Commissioners in line with Strategic Executive Information System (STEIS) reporting requirements and/or Information Commissioner's Office (ICO) in 2014/15 is outlined below:

Number of incidents	Brief Description
12	Data found in public place
7	Data lost/missing/stolen
12	Data sent/given to wrong person

There are currently ten incidents still open and on-going. An incident involving a personal laptop was reported to the ICO and is open, and actions are being implemented.

There has been a marked increase on STEIS incidents from last year due to increased awareness and robust reporting. In line with changes in national reporting which will go live in April 2015, and an increased incident threshold a number of incidents will fall below the threshold for STEIS reporting but will continue to require internal investigation and monitoring of themes and trends.

From 1 April 2015, the Trust is introducing new Datix reporting categories in line with the Health and Social Care Information Centre (HSCIC) will enable improved internal benchmarking, and a new incident investigation prompt form will be introduced to improve consistency in investigation. This will be supported by targeted awareness and training campaigns. A work programme led by the Information Governance Action group will be specifically looking to address common themes of incidents such as loss of ward handover sheets and use of personal devices.

For the annual self-assessment submission on the Information Governance Toolkit to the Department of Health for 2014/15, the overall score was 78% and was graded Satisfactory/Green, as attainment Level 2 or above was achieved on all 45 requirements.

5 The risk and control framework

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

- The aims and objectives for risk management in the organisation, aligned to the Trust 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 standard risk management systems as an integral part of assurance provision.
- A description of the risk management process and a requirement for all risks to be recorded in a risk register prioritised (i.e. graded) and escalated using a standard scoring methodology.

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 and training arrangements.

The Board Assurance Framework identifies the risks to the Trust 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 2014/15 concludes that the Trust has identified and begun to implement the necessary areas for improvement based on the nine Basic Principles for Good governance.

In addition, during 2014/15 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.

Looking forward to 2015/16
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 has updated its Risk Management Assurance Strategy to align with developments (e.g. an internal assurance framework driven by 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.

The key risks identified as the Trust goes into the new financial year are:

- Failure to deliver recurrent efficiency gains and CIPs;
- Impact of economic environment: potential reduction of income and activity due to efficiency requirements placed on commissioners and/or private sector withdrawal from the market;
- The short term impact on the Trust of the changes occurring at MSFT and within the Staffordshire Health economy; and
- The short term impact on the Trust of service sustainability in Staffordshire.

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 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 statutory financial targets, achieving an end of year surplus of £3.6M, 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 2014/15 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 2014/15 has influenced the format and content of the Quality Account. The 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 Shadow Governors for comments. The Quality Account is approved by the Trust External Auditors before a final version is produced for publication. For 2014/15, the Trust has produced a combined document incorporating the Annual Accounts, Annual Report and Quality Account.

8 Operational Performance

2015/16 saw increased operational pressures nationally and this gave rise to increased demand across all key services. In addition, following the dissolution of MSFT, the Trust also took over managerial responsibility for Cannock Chase Hospital, and the associated services, from 1 November 2014. However, against this backdrop, the Trust maintains a focus on delivering the national priorities identified within the Operating Framework, alongside the local priorities defined by the commissioner.

A comprehensive and robust performance management process exists across the Trust to monitor delivery against operational standards. This involves weekly review 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; this is discussed in-depth at the monthly Finance and Performance Committee, which is chaired by a Non-executive Director, with further scrutiny taking place at the full Trust Board, Examples of the Operating Framework targets can be evidenced below:

- The Trust maintained compliance with the headline position for all Referral to Treatment (RTT) measures at Trust level for admitted, non-admitted and incomplete pathways. However, during the national RTT Backlog Recovery Programme the Trust was asked to concentrate on reducing overall backlog of patients which meant the headline position was non-compliant for these periods. Critically, no patients waited longer than 50 weeks for any treatment. During 2014/15 95.36% of the waiting list was under 18 weeks compared with 92.69% in the previous year.

- The Emergency Department has seen record attendances during 2014/15 in both attendances and ambulance conveyances. This has had the inevitable detrimental impact on performance. Overall the Trust saw an increase of 7% in attendances which meant nearly 11,000 additional patients seen during the year. Consequently, the Trust only met the 95% target in Quarter 1. However, the Trust still benchmarks favourably when compared to the regional and national position. Importantly, there were zero 12 hour trolley waits all year.

- Cancer targets remain a high priority and again, there has been increased demand for all areas. Despite this, three of the nine targets maintained the standard in every month and five targets have achieved in every quarter during the year to date. Challenges still exist with certain specialties particularly with a national lack of consultants. Additionally, all regional providers are looking to improve patient pathways in order to ensure tertiary patient referrals are made within agreed timescales.

Emergency Planning/Resilience

As a Category 1 responder with key emergency response duties under the Civil Contingencies Act 2004, the Trust is required to ensure it has robust plans for Emergency Preparedness, Resilience and Response (EPRR). In addition, the Trust has key requirements to meet against Care Quality Commission (CQC) standards as well as meeting the guidance set out in the NHS Operating Framework. This responsibility includes the needs to produce and review incident plans, to undertake multi agency planning, to work in partnership with other local health agencies, and to ensure education and training for staff. To this end, an Emergency Preparedness Annual plan is produced, identifying objectives for the year. The Trust's EPRR lead meets regularly with her counterparts from other NHS organisations and is part of a region wide Health Emergency Planning Work and City wide resilience Group. The Trust is an active member of the Local Health Resilience Partnership and Local Health Resilience Forum.

Health and Safety at Work

The Management of Health and Safety Policy (HS01) was reviewed and approved in November 2014. The policy is now being implemented across the Trust's sites including the newly acquired Cannock site. The management of Health and Safety at the Cannock site has been a significant focus with improvements seen in the structure and implementation of Health and Safety regulations, staff and safety representative

training and improved identification and management of Health and Safety risks. There is good engagement between staff and the Health and Safety team working at Cannock.

Health and Safety audits Trust wide have shown a marked improvement over 2014/15 and have provided assurance that the Trust is meeting the mandatory requirements of relevant Health and Safety Executive (HSE) Legislation. In summary it shows that risk assessments undertaken are being monitored through local governance processes, workplace inspections are being undertaken and reported where relevant, and risks identified. Further to audit benchmarks obtained at Cannock at November 2014, the Trust's annual audit programme is to be rolled out at the Cannock site during 2015/16. The Trust policy (HS01) has provided a workable Health and Safety system to enable this to be achieved.

The Health and Safety Steering Group (HSSG) are active in supporting and monitoring HSE compliance and providing assurance to the Trust of work being undertaken. Assurance reports received by HSSG have improved during 2014/15 from specialist areas (e.g. Waste, Electrical, Facilities, Water (Safety)) providing the detail required to provide assurance to the Board (in its Annual Health and Safety Report) of compliance with HSE regulation.

Focus for 2015/16 will be on the introduction of Health and Safety indicators for incidents relating to Contact, Manual Handling (inanimate), Manual Handling (people), Sharps and Slips trips falls. These topics were highlighted during the audit of 2014/15 as areas the Trust requires to improve on. It is proposed that the indicators as well as focused work will assist in the reduction of incidents and harm (including Reporting of Injuries Diseases and Dangerous Occurrence Regulations (RIDDOR) reportable incidents). With the improved position of all areas having the necessary risk assessments in place, the Health and Safety team will be able to place more focus on targeted intervention using the information being monitored. Audits will change to focus on practical observation, self-assessment and audit of staff knowledge of local Health and Safety systems.

The Health and Safety team work plan has now shifted to undertaking a review of the Trust against the HSE guidance for Health & Social Care organisations and working with the corporate areas responsible for the areas within the guidance, such as water safety (Legionella), electricity, contractors, bedrails, and driving for work.

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 2014/15.

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 has taken 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 progress in agreeing a comprehensive action plan with executive director leadership on each action. This has been periodically reviewed and monitored through the Trust governance framework and demonstrates significant improvement. In Quarter 4 the Trust piloted an internal peer review to further review compliance to CQC standards.

The second CQC inspection is expected to take place in June 2015.

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 2015 on the Information Governance Toolkit. The overall score for 2014/15 was 78% and was graded, 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 2014/15.

Accountable Officer: David Loughton CBE
Organisation: The Royal Wolverhampton NHS Trust

Signature……..

04 June 2015
Date……..

Statement of Comprehensive Income for year ended 31 March 2015

2014-15 cannot be directly compared to 2013-14 due to the transfer of Mid Staffordshire NHS Foundation Trust (MSFT) services, on the 1 November 2014, (therefore incorporating only five months of trading in 2014-15), as part of the solution for Mid Staffordshire services, and the Trust hosting the Clinical Research Network: West Midlands from the 1 April 2014. The Network details are provided at page 31, Note 2, Operating Segments.

	NOTE	2014-15 £000s		2013-14 £000s
Gross employee benefits	9.1	**(269,592)**		(243,897)
Other operating costs	7	**(177,117)**		(132,173)
Revenue from patient care activities	4	**421,453**		357,681
Other operating revenue	5	**40,357**		36,364
Operating surplus		**15,101**		17,975
Investment revenue	11	**107**		104
Other gains	12	**15**		216
Finance costs	13	**(1,658)**		(1,583)
Surplus for the financial year		**13,565**		16,712
Public dividend capital dividends payable		**(10,445)**		(8,246)
Retained surplus prior to transfers		**3,120**		8,466
Transfers by absorption - gains		**30,462**	*	0
Net Gain on transfers by absorption		**30,462**		0
Retained surplus for the year		**33,582**		8,466

Other Comprehensive Income

	2014-15 £000s		2013-14 £000s
Impairments and reversals taken to the revaluation reserve	**0**		(2,876)
Net gain on revaluation of property, plant & equipment	**29,861**	**	29,825
Other comprehensive income for the year	**29,861**		26,949
Total comprehensive income for the year	**63,443**		35,415
PDC dividend: balance (payable) at 31 March 2015	**(306)**		
PDC dividend: balance (payable) at 1 April 2014	**(126)**		

The Trust has a statutory duty to break-even year on year. In determining the Trust's break-even performance for the year, shown below as £3.7million, the Department of Health has determined that the effect of:- impairments; the impact of the change in accounting treatment for donated assets introduced in 2011/12; and the absorption accounting transfer gain, can be removed from the calculation.

The Trust's year on year break even performance is shown in note 35.1

Financial performance for the year

Retained surplus for the year	**33,582**	8,466
IFRIC 12 adjustment (including IFRIC 12 impairments)	**296**	0
Impairments (excluding IFRIC 12 impairments)	**354**	155
Adjustments in respect of donated gov't grant asset reserve elimination	**(107)**	(730)
Adjustment re absorption accounting	**(30,462)**	0
Adjusted retained surplus	**3,663**	7,891

The notes on pages 20 to 51 form part of this account.

* On 1 April 2014 the Trust received Land, Buildings and Vehicles transferred from NHS Property Services (NHSPS) in respect of Pendeford Health Centre where the Trust now occupies over 50% of the building. The property was transferred using absorption accounting with the transfer being charged to Retained Earnings.

On 1 November 2014 the formal transfer of Cannock Chase Hospital and other services and assets, from MSFT to the Trust took place using modified absorption accounting.

Transfers as part of reorganisation are accounted for by the 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, (SoCiTE)/Statement Of Comprehensive Income, (SoCI), and this is disclosed separately from operating costs. By taking on the net assets from NHSPS of £1,181k and from MSFT of £29,281k, the Trust is seen to have made a net asset gain of £30,462k, shown in the SOCI above. the impact on SoCiTE is shown on page 18.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS20 and similarly give rise to income and expenditure entries. For transfers of assets and liabilities from those NHS bodies that have closed, Treasury agreed that a modified absorption approach should be applied. For these transactions gains and losses are recognised in Reserves rather than the SOCI.

** The net gain shown in Other Comprehensive Income represents the change in value of Property, Plant and Equipment, (PPE), following revaluation by the professional valuer.

Statement of Financial Position as at 31 March 2015

Land, Property, Equipment and other assets were transferred to the Trust in 2014/15 from both MSFT and NHSPS and are shown in the Non-Current Assets Balances as at 31 March 2015 below.

		31 March 2015	31 March 2014
	NOTE	**£000s**	£000s
Non-current assets:			
Property, plant and equipment	14	**382,971**	296,807
Intangible assets	15	**676**	566
Trade and other receivables	20.1	**1,710**	1,311
Total non-current assets		**385,357**	298,684
Current assets:			
Inventories	19	**6,291**	5,809
Trade and other receivables	20.1	**19,783**	15,478
Cash and cash equivalents	21	**41,598**	27,087
Sub-total current assets		**67,672**	48,374
Non-current assets held for sale	22	**800**	800
Total current assets		**68,472**	49,174
Total assets		**453,829**	347,858
Current liabilities			
Trade and other payables	23	**(52,498)**	(33,599)
Provisions	27	**(5,821)**	(4,514)
Borrowings	24	**(1,885)**	(1,774)
Total current liabilities		**(60,204)**	(39,887)
Net current assets		**8,268**	9,287
Total assets less current liabilities		**393,625**	307,971
Non-current liabilities			
Provisions	27	**(648)**	(630)
Borrowings	24	**(5,943)**	(6,440)
Total non-current liabilities		**(6,591)**	(7,070)
Total assets employed:		**387,034**	300,901
FINANCED BY:			
Public Dividend Capital		**225,252**	173,281
Retained earnings		**28,550**	38,551
Revaluation reserve		**133,042**	88,879
Other reserves		**190**	190
Total Taxpayers' Equity:		**387,034**	300,901

On 1 April 2014 the Trust received Land, Buildings and Vehicles transferred from NHSPS in respect of Pendeford Health Centre, with £1.2million PPE, where the Trust now occupies over 50% of the building. The property was transferred using absorption accounting with the transfer being charged to Retained Earnings, £1.2m..

On 1 November 2014 the Trust received land buildings and other assets and liabilities in respect of the transfer of Cannock Chase Hospital and other services from MSFT. The transfer of assets and liabilities, providing £29.3million net assets, details at page 20, took place using modified absorption accounting. The transfer was actionned with a transfer of £29.3million Public Dividend Capital (PDC).

The Revaluation Reserve was restated for the transferred assets, £14.3million, and adjusted against Retained Earnings

The notes on pages 20 to 51 form part of this account.

The financial statements on pages 16 to 19 were approved by the Board on 04 June 2015 and signed on its behalf by

Chief Executive:  Date: 04 June 2015

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2015

	NOTE	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2014		**173,281**	**38,551**	**88,879**	**190**	**300,901**
Changes in taxpayers' equity for 2014-15						
Retained surplus for the year	SOCI	0	33,582	0	0	**33,582**
Net gain on revaluation of property, plant, equipment	14	0	0	29,861	0	**29,861**
Reclassification Adjustments						
Transfers from other bodies within the resource account boundary	SOCI	0	(30,462)	0	0	**(30,462)**
Transfers between revaluation reserve & retained earnings in respect of assets transferred under absorption	14	0	(14,302)	14,302	0	**0**
New temporary and permanent PDC received - cash	SCF	22,690	0	0	0	**22,690**
Other movements	1.2	29,281	1,181	0	0	**30,462**
Net recognised revenue for the year		**51,971**	**(10,001)**	**44,163**	**0**	**86,133**
Balance at 31 March 2015		**225,252**	**28,550**	**133,042**	**190**	**387,034**
Balance at 1 April 2013		**173,082**	**19,623**	**60,217**	**190**	**253,112**
Changes in taxpayers' equity for the year ended 31 March 2014						
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 temporary and permanent PDC received - cash		183	0	0	0	183
New PDC received - PCTs and SHAs legacy items paid for by DH		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**

Public Dividend Capital, (PDC), above refers to 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 Trust 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 Retained Earnings 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.

On 1 April 2014 the Trust received Land, Buildings and Vehicles transferred from NHSPS mainly in respect of Pendeford Health Centre, where the Trust now occupies over 50% of the building. The property was transferred using absorption accounting with the transfer being charged to Retained Earnings.

On 1 November 2014 the Trust received land, buildings and other assets and liabilities in respect of the transfer of Cannock Chase Hospital and other services from MSFT. The transfer of assets and liabilities took place using modified absorption accounting with the transfer being actioned with a transfer of Public Dividend Capital.

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury Financial Reporting Manual (FReM), as noted on page 16. The impact on PDC, Retained Earnings and Revaluation Reserve is noted at page 17 Statement of Financial Position, with full details provided at pages 20 and 21, Note 1.2.

Statement of Cash Flows for the Year ended 31 March 2015

	NOTE	**2014-15 £000s**	2013-14 £000s
Cash Flows from Operating Activities			
Operating surplus	SOCI	**15,101**	17,975
Depreciation and amortisation	7	**17,265**	16,695
Impairments and reversals	7	**650**	155
Interest paid	13	**(1,649)**	(1,573)
Dividend paid		**(10,265)**	(8,035)
(Increase)/Decrease in Inventories	19	**(116)**	14
Increase in Trade and Other Receivables		**(4,490)**	(982)
Increase in Trade and Other Payables		**12,019**	1,489
Increase in Other Current Liabilities	25	**(71)**	0
Provisions utilised	27	**(1,052)**	(1,414)
Increase in movement in non-cash provisions	27	**2,011**	2,279
Net Cash Inflow from Operating Activities		**29,403**	26,603
Cash Flows from Investing Activities			
Interest Received	11	**107**	104
Payments for Property, Plant and Equipment	14	**(35,668)**	(20,362)
Payments for Intangible Assets	15	**(249)**	(422)
Proceeds of disposal of assets held for sale (PPE)	12	**15**	116
Net Cash Outflow from Investing Activities		**(35,795)**	(20,564)
Net Cash (Outflow) / Inflow before Financing		**(6,392)**	6,039
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received	SOCITE	**22,690**	199
Cash transferred to NHS Foundation Trusts or on dissolution	1.2	**1**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI		**(1,788)**	(1,717)
Net Cash Inflow/(Outflow) from Financing Activities		**20,903**	(1,518)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,511**	4,521
Cash and Cash Equivalents at Beginning of the year		**27,087**	22,566
Cash and Cash Equivalents at year end		**41,598**	27,087

NOTES TO THE ACCOUNTS

1. Accounting Policies

These accounts have been prepared for Royal Wolverhampton NHS Trust, an NHS Trust operating as part of the Department of Health providing emergency and non emergency hospital services and community healthcare services. The Trust is based at New Cross Hospital, Wolverhampton Road, Wolverhampton WV10 0QP and also provides services from Cannock Chase Hospital, Brunswick Road, Cannock, WS11 5XYand West Park Hospital, Park Road West, Wolverhampton, WV1 4PW as well as providing services from various clinics and within the community in Wolverhampton.

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the Group Manual for Accounts 2014-15 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 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 IAS20 and similarly give rise to income and expenditure entries.

For transfers of assets and liabilities from those NHS bodies that have closed, Treasury agreed that a modified absorption approach should be applied. For these transactions gains and losses are recognised in reserves rather than the Statement of Comprehensive Income.

On 1 April 2014 the Trust received land, buildings and vehicles, £1.2million, transferred from NHS Property Services (NHSPS), mainly in respect of Pendeford Health Centre, where the Trust now occupies over 50% of the building (details are shown below). The property was transferred using absorption accounting with the transfer being charged to Retained Earnings, £1.2m.

On 1 November 2014 the Trust received land, buildings and other assets and liabilities in respect of the transfer of Cannock Chase Hospital and other services from Mid Staffordshire Foundation Trust (MSFT), (details shown below), as part of the solution for Mid Staffordshire services. The transfer of assets and liabilities took place using modified absorption accounting with the transfer being actionned with a transfer of Public Dividend Capital, £29.3m.

The accounting details of these transfers are shown in the tables below:-

	Transfer from NHSPS £000s	Transfer from MSFT £000s
Non-current assets:		
Land		
Building (Net Book Value)		
Assets Under Construction		
Other plant and equipment	1,181	30,958
Total Non-Current Assets	**1,181**	**30,958**
Current Assets		
Inventories	0	366
Trade and other receivables	0	214
Cash and cash equivalents	0	1
Total Current Assets	**0**	**581**
Current liabilities		
Trade and other payables	**0**	(1,781)
Provisions	**0**	(357)
Borrowings	**0**	(49)
Other Liabilities	**0**	(71)
Total Current Liabilities	**0**	**(2,258)**
Non-Current Liabilities	**0**	**0**
Total Assets Employed:	**1,181**	**29,281**
FINANCED BY:		
Public Dividend Capital	**0**	29,281
Retained earnings	1,181	**0**
Total Taxpayers' Equity:	**1,181**	**29,281**

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

Following the transfer the Trust was required to recreate the Revaluation Reserve associated with the assets transferred via Retained Earnings. Details of these adjustments are shown below:

	Transfer from NHSPS	Transfer from MSFT
	£000s	£000s
Revaluation Reserve	118	14,184
Retained Earnings	(118)	(14,184)

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 was 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.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

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 NHS 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

- 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

- 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.

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

1.5 Revenue

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

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

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

1.6 Employee Benefits

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

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

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

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

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

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

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

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

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.

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

1.10 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated. All other assets are depreciated on a straight line basis.

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, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS trust expects to obtain economic benefits or service potential from the asset. This is specific to the NHS 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 NHS 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. Impairment losses that arise from a clear consumption of economic benefit should be 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 3 and 5 years.

1.11 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.12 Government grants

The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

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.

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.

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 NHS 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 NHS 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 NHS trust's Statement of Financial Position.

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

Other assets contributed by the NHS trust to the operator
Assets contributed (e.g. cash payments, surplus property) by the NHS 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 NHS 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 NHS trust's cash management.

1.18 Provisions
Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS 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 rates and 1.3% 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 NHS trust'. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 27.

1.20 Non-clinical risk pooling
The NHS trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the NHS 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 NHS 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 NHS 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 NHS 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 categories: loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

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

At the end of the reporting period, the NHS 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.

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

1.23 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the NHS 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.

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 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 36 to the accounts.

1.27 Public Dividend Capital (PDC) and PDC dividend

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

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

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

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

1.29 Subsidiaries

Material entities over which the NHS trust has the power to exercise control are classified as subsidiaries and are consolidated. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary 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 NHS 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.

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 2014-15. The application of the Standards as revised would not have a material impact on the accounts for 2014-15, were they applied in that year :

IFRS 9 Financial Instruments - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IFRS 15 Revenue from Contracts with Customers

2. Operating segments

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

The Trust has identified two operating segments:-

Healthcare Services

This is the core activity of the Trust. It is primarily the provision of NHS Healthcare services to patients, paid for by the relevant NHS Commissioner.

Clinical Research Network

The Trust hosts the Clinical Research Network: West Midlands. It receives funds from the National Institute for Health Research and pays for research provided by 28 NHS Trusts (including this Trust), 3 other NHS organisations plus 3 Universities. The total turnover for the Network is approximately £30m. The Network operates on a break even basis and cash received in month is passed out to partners. Therefore, the level of net assets is zero.

The inter segment transactions represent the £1,661k the CRN pays theTrust for the delivery of research and the £5,265k for the costs incurred in hosting the service.

	Healthcare Services		Clinical Research Network: West Midlands		Inter segment transaction		Total	
	2014-15 £000s	2013-14 £000s	**2014-15 £000s**	2013-14 £000s	**2014-15 £000s**	2013-14 £000s	**2014-15 £000s**	2013-14 £000s
Segmental Income	**438,737**	394,045	**29,999**	0	**(6,926)**	0	**461,810**	394,045
Segmental Expenditure	**(423,636)**	(376,070)	**(29,999)**	0	**6,926**	0	**(446,709)**	(376,070)
Operating Surplus	**15,101**	17,975	**0**	0	**0**	0	**15,101**	17,975
Investment Revenue	**107**	104	**0**	0	**0**	0	**107**	104
Other Gains	**15**	216	**0**	0	**0**	0	**15**	216
Finance Costs	**(1,658)**	(1,583)	**0**	0	**0**	0	**(1,658)**	(1,583)
Surplus for Financial Year	**13,565**	16,712	**0**	0	**0**	0	**13,565**	16,712
Public Dividend Capital dividends	**(10,445)**	(8,246)	**0**	0	**0**	0	**(10,445)**	(8,246)
Transfer by absorption	**30,462**	0	**0**	0	**0**	0	**30,462**	0
Surplus before interest	**33,582**	**8,466**	**0**	**0**	**0**	0	**33,582**	8,466
Net Assets	**387,034**	300,901	**0**	0	**0**	0	**387,034**	300,901

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

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	**2014-15 £000s**	2013-14 £000s
Income	**2,812**	2,497
Full cost	**(935)**	(921)
Surplus	**1,877**	1,576

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

2014-15 cannot be directly compared to 2013-14 due to the transfer of Mid Staffordshire NHS Foundation Trust (MSFT) services, on the 1 November 2014 (therefore, incorporating only five months of trading in 2014/15), as part of the solution for Mid Staffordshire services, and the Trust hosting the Clinical Research Network: West Midlands from 1 April 2014. The Network details are provided at page 31, Note 2, Operating Segments.

	2014-15 £000s	2013-14 £000s
NHS Trusts	**1,360**	503
NHS England	**90,144**	85,895
Clinical Commissioning Groups	**286,305**	259,846
Foundation Trusts	**2,113**	928
NHS Other (including Public Health England and Prop Co)	**1,528**	46
Additional income for delivery of healthcare services	**0**	0
Non-NHS:		
Local Authorities	**7,233**	6,871
Private patients	**671**	1,083
Overseas patients (non-reciprocal)	**58**	83
Injury costs recovery	**1,155**	1,019
Other	**563**	678
Total Revenue from patient care activities	**421,453**	357,681

5. Other operating revenue

2014-15 cannot be directly compared to 2013-14 due to the transfer of Mid Staffordshire NHS Foundation Trust (MSFT) services, on the 1 November 2014 (therefore, incorporating only five months of trading in 2014/15), as part of the solution for Mid Staffordshire services, and the Trust hosting the Clinical Research Network: West Midlands from 1 April 2014. The Network details are provided at page 31, Note 2, Operating Segments.

	2014-15 £000s	2013-14 £000s
Recoveries in respect of employee benefits	**0**	0
Charitable and other contributions to revenue expenditure - NHS	**0**	0
Receipt of donations for capital acquisitions - Charity	**257**	899
Support from DH for acquisition	**7,000**	0
Receipt of Government grants for capital acquisitions	**48**	0
Income generation	**3,638**	3,329
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**164**	257
Other revenue	**3,994**	3,154
Total Other Operating Revenue	**40,357**	36,364
Total operating revenue	**461,810**	394,045

6. Overseas Visitors Disclosure

	2014-15 £000	2013-14 £000s
Income recognised during 2014-15 (invoiced amounts and accruals)	**58**	83
Cash payments received in-year (receivables at 31 March 2014)	**10**	16
Cash payments received in-year (invoices issued 2014-15)	**48**	67
Amounts added to provision for impairment of receivables (receivables at 31 March 2014)	**81**	209
Amounts added to provision for impairment of receivables (invoices issued 2014-15)	**334**	61
Amounts written off in-year (irrespective of year of recognition)	**179**	243

7. Other Operating costs

2014-15 cannot be directly compared to 2013-14 due to the transfer of Mid Staffordshire NHS Foundation Trust (MSFT) services, on the 1 November 2014, (therefore incorporating only five months of trading in 2014-15), as part of the solution for Mid Staffordshire services, and the Trust hosting the Clinical Research Network: West Midlands from 1 April 2014. The Network details are provided at page 31, Note 2, Operating Segments.

	2014-15 £000s	2013-14 £000s
Services from other NHS Trusts	**2,468**	207
Services from CCGs/NHS England	**46**	16
Services from other NHS bodies	**135**	139
Services from NHS Foundation Trusts	**1,760**	965
Total Services from NHS bodies*	**4,409**	1,327
Purchase of healthcare from non-NHS bodies	**3,026**	1,371
Trust Chair and Non-executive Directors	**66**	73
Supplies and services - clinical	**82,008**	70,602
Supplies and services - general	**8,973**	6,731
Consultancy services	**2,202**	2,432
Establishment	**7,084**	6,831
Transport	**2,358**	2,283
Service charges - ON-SOFP PFIs and other service concession arrangements	**2,053**	0
Business rates paid to local authorities	**2,003**	0
Premises	**12,671**	12,320
Impairments and Reversals of Receivables	**19**	628
Inventories write down	**0**	49
Depreciation	**17,023**	16,397
Amortisation	**242**	298
Impairments and reversals of property, plant and equipment	**650**	155
Audit fees	**110**	98
Other auditors' remuneration	**0**	7
Clinical negligence	**5,395**	5,102
Research and development (excluding staff costs)	**24,239**	1,277
Education and Training	**1,510**	1,180
Other	**1,076**	3,012
Total Operating expenses (excluding employee benefits)	**177,117**	132,173
Employee Benefits		
Employee benefits excluding Board members	**268,610**	242,965
Board members	**982**	932
Total Employee Benefits	**269,592**	243,897
Total Operating Expenses	**446,709**	376,070

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

8 Operating Leases

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

8.1 Trust as lessee

	2014-15 Total £000s	2013-14 £000s
Payments recognised as an expense		
Minimum lease payments	**2,717**	2,979
Total	**2,717**	2,979
Payable:		
No later than one year	**405**	468
Between one and five years	**131**	535
Total	**536**	1,003

8.2 Trust as lessor

	2014-15 £000	2013-14 £000s
Recognised as revenue		
Rental revenue	**164**	257
Total	**164**	257
Receivable:		
No later than one year	**205**	201
Between one and five years	**723**	702
After five years	**421**	558
Total	**1,349**	1,461

9 Employee benefits and staff numbers

2014-15 cannot be directly compared to 2013-14 due to the transfer of Mid Staffordshire NHS Foundation Trust (MSFT) services, on the 1 November 2014 (therefore incorporating only five months of trading in 2014/15), as part of the solution for Mid Staffordshire services, and the Trust hosting the Clinical Research Network: West Midlands from 1 April 2014. The Network details are provided at page 31, Note 2, Operating Segments.

9.1 Employee benefits

	2014-15		
	Total £000s	**Permanently employed £000s**	**Other £000s**
Employee Benefits - Gross Expenditure			
Salaries and wages	**227,500**	214,883	12,617
Social security costs	**16,300**	15,690	610
Employer Contributions to NHS BSA - Pensions Division	**25,754**	24,789	965
Termination benefits	**497**	497	0
Total employee benefits	**270,051**	**255,859**	**14,192**
Employee costs capitalised	**459**	459	0
Gross Employee Benefits excluding capitalised costs	**269,592**	**255,400**	**14,192**

Employee Benefits - Gross Expenditure 2013-14	**Total £000s**	**Permanently employed £000s**	**Other £000s**
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 - including capitalised costs	244,335	230,978	13,357
Employee costs capitalised	438	438	0
Gross Employee Benefits excluding capitalised costs	243,897	230,540	13,357

9.2 Staff Numbers

	2014-15			2013-14
	Total Number	**Permanently employed Number**	**Other Number**	Total Number
Average Staff Numbers				
Medical and dental	**710**	672	38	683
Administration and estates	**1,436**	1,411	25	1,313
Healthcare assistants and other support staff	**1,358**	1,217	141	1,198
Nursing, midwifery and health visiting staff	**2,147**	2,050	97	1,939
Scientific, therapeutic and technical staff	**1,015**	1,007	8	935
TOTAL	**6,666**	**6,357**	**309**	6,068
Of the above - staff engaged on capital projects	**8**	8	0	8
Of the above - additional staff as part of MSFT service transfer	222	213	9	0

9.3 Staff Sickness absence and ill health retirements

	2014-15 Number	2013-14 Number
Total Days Lost	53,243	50,683
Total Staff Years	6,129	5,801
Average working Days Lost	8.69	8.74

	2014-15 Number	2013-14 Number
Number of persons retired early on ill health grounds	**6**	7

	£000s	£000s
Total additional pensions liabilities accrued in the year	**491**	0

9.4 Exit Packages agreed in 2014-15

	2014-15			2013-14		
Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	0	18	18	1	23	24
£10,000-£25,000	0	2	2	3	0	3
£25,001-£50,000	0	6	6	5	0	5
£50,001-£100,000	0	2	2	0	0	0
Total number of exit packages by type (total cost	**0**	**28**	**28**	9	23	32
Total resource cost (£s)	**0**	**496,877**	**496,877**	196,141	66,171	262,312

Exit costs in this note are accounted for in full in the year of departure. 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 year.

In the exit packages disclosed above there is no impact of the transfer of services from Mid Staffordshire NHS Foundation Trust.

9.5 Exit packages - Other Departures analysis

	2014-15		2013-14	
	Agreements	**Total value of agreements**	**Agreements**	**Total value of agreements**
	Number	**£000s**	**Number**	**£000s**
Mutually agreed resignations (MARS) contractual costs	10	395	0	0
Contractual payments in lieu of notice	17	92	22	59
Exit payments following Employment Tribunals or court orders	0	0	1	7
Non-contractual payments requiring HMT approval*	1	10	0	0
Total	28	497	23	66
Non-contractual payments made to individuals where the payment value was more than 12 months of their annual salary	0	0	0	0

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 year

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.

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015, is based on valuation data as 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

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

c) Scheme provisions

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

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

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

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

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

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

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

10 Better Payment Practice Code

10.1 Measure of compliance

	2014-15 Number	2014-15 £000s	2013-14 Number	2013-14 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**93,642**	**158,933**	85,627	124,432
Total Non-NHS Trade Invoices Paid Within Target	**87,215**	**146,571**	80,016	114,485
Percentage of NHS Trade Invoices Paid Within Target	**93.14%**	**92.22%**	93.45%	92.01%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,014**	**46,805**	2,438	**22,964**
Total NHS Trade Invoices Paid Within Target	**2,816**	**46,026**	2,229	**22,273**
Percentage of NHS Trade Invoices Paid Within Target	**93.43%**	**98.34%**	91.43%	96.99%

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

	2014-15 £000s	2013-14 £000s
Amounts included in finance costs from claims made under this legislation	**0**	1
Compensation paid to cover debt recovery costs under this legislation	**0**	1
Total	**0**	2

11 Investment Revenue

	2014-15 £000s	2013-14 £000s
Interest revenue		
Bank interest	**107**	104
Total investment revenue	**107**	104

12 Other Gains and Losses

	2014-15 £000s	2013-14 £000s
Gain on disposal of assets other than by sale (PPE)	**15**	216
Total	**15**	216

13 Finance Costs

	2014-15 £000s	2013-14 £000s
Interest		
Interest on obligations under finance leases	**0**	1
Interest on obligations under PFI contracts:		
- main finance cost	**535**	556
- contingent finance cost	**1,114**	1,016
Total interest expense	**1,649**	1,573
Provisions - unwinding of discount	**9**	10
Total	**1,658**	1,583

14.1 Property, plant and equipment

2014-15	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 31 March 2014	**18,122**	245,633	2,644	7,580	62,717	577	12,611	5,614	355,498
Opening Balance Adjustment/ Reclassification	0	0	0	0	(316)	0	0	0	(316)
At 1 April 2014	**18,122**	**245,633**	**2,644**	**7,580**	**62,401**	**577**	**12,611**	**5,614**	**355,182**
Additions of Assets Under Construction	0	0	0	**34,417**	0	0	0	0	**34,417**
Additions Purchased	43	2,260	4	0	3,446	48	314	181	**6,296**
Additions - Purchases from Cash Donations & Government Grants	0	200	0	0	105	0	0	0	**305**
Additions Leased	0	0	0	0	922	0	0	0	**922**
Reclassifications	190	12,380	26	(16,241)	3,209	0	340	(7)	**(103)**
Disposals other than for sale	0	0	0	0	(1,991)	0	0	0	**(1,991)**
Upward revaluation/positive indexation	(142)	14,539	(666)	0	0	0	0	0	**13,731**
Transfers from Other Public Sector Bodies under Absorption Accounting	3,755	25,074	0	1,521	6,387	18	585	0	**37,340**
At 31 March 2015	**21,968**	**300,086**	**2,008**	**27,277**	**74,479**	**643**	**13,850**	**5,788**	**446,099**
Depreciation									
At 31 March 2014	0	4,555	718	0	40,342	445	8,320	4,311	**58,691**
Opening Balance Adjustment/ Reclassification	0	0	0	0	(316)	0	0	0	**(316)**
At 1 April 2014	**0**	**4,555**	**718**	**0**	**40,026**	**445**	**8,320**	**4,311**	**58,375**
Reclassifications	0	73	0	0	0	0	0	(73)	**0**
Disposals other than for sale	0	0	0	0	(1,991)	0	0	0	**(1,991)**
Upward revaluation/positive indexation	0	(15,318)	(812)	0	0	0	0	0	**(16,130)**
Impairments	0	350	0	0	309	0	0	0	**659**
Reversal of Impairments	0	(9)	0	0	0	0	0	0	**(9)**
Charged During the Year	0	9,561	94	0	5,449	75	1,495	349	**17,023**
Transfers from Other Public Sector Bodies under Absorption Accounting	0	623	0	**0**	4,374	3	201	0	**5,201**
At 31 March 2015	**0**	**(165)**	**0**	**0**	**48,167**	**523**	**10,016**	**4,587**	**63,128**
Net Book Value at 31 March 2015	**21,968**	**300,251**	**2,008**	**27,277**	**26,312**	**120**	**3,834**	**1,201**	**382,971**
Asset financing:									
Owned - Purchased	21,968	290,096	2,008	27,277	21,074	120	3,832	1,193	**367,568**
Owned - Donated	0	1,150	0	0	710	0	2	8	**1,870**
Owned - Government Granted	0	0	0	0	48	0	0	0	**48**
Held on finance lease	0	0	0	0	54	0	0	0	**54**
On-SOFP PFI contracts	0	9,005	0	0	4,426	0	0	0	**13,431**
Total at 31 March 2015	**21,968**	**300,251**	**2,008**	**27,277**	**26,312**	**120**	**3,834**	**1,201**	**382,971**

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
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 April 2014	6,814	79,170	1,371	0	279	5	3	21	**87,663**
Transfers in respect of absorption accounting	432	13,727	0	0	143	0	0	0	**14,302**
Revaluation	(142)	29,857	146	0	0	0	0	0	**29,861**
At 31 March 2015	**7,104**	**122,754**	**1,517**	**0**	**422**	**5**	**3**	**21**	**131,826**

Additions to Assets Under Construction in 2014-15

	£000s
Buildings excl Dwellings	28,509
Plant & Machinery	5,908
Balance as at YTD	**34,417**

The additions shown above are significantly higher than 2013/ 14. This is due to the spend on the new Emergency Centre of £12.8m and spend associated with the transfer of Mid Staffs Services of £12.3m

14.2 Property, plant and equipment prior-year

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	230,280	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 - Purchases from Cash Donations & Government Grants	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)**
Revaluation	1,735	(2,730)	1	0	0	0	0	0	**(994)**
Impairments/negative indexation charged to reserves	0	(2,876)	0	0	0	0	0	0	**(2,876)**
At 31 March 2014	**18,122**	**245,633**	**2,644**	**7,580**	**62,717**	**577**	**12,611**	**5,614**	**355,498**
Depreciation									
At 1 April 2013	0	27,262	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)**
Revaluation	0	(30,489)	(330)	0	0	0	0	0	**(30,819)**
Impairments/negative indexation charged to operating expenses	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**	**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:									
Owned - Purchased	18,122	231,393	1,926	7,580	16,803	132	4,288	1,292	**281,536**
Owned - 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
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 April 2013	4,595	53,055	1,040	0	282	5	3	21	**59,001**
TFR for PCT Assets (Modified Absorption Accounting)	484	1,346	0	0	0	0	0	0	**1,830**
Movement to I&E Reserve for impairments and balance on reserve for assets disposed of.		(2,990)	0	0	(3)				**(2,993)**
Revaluation	1,735	27,759	331	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

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

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 2015.

On 1 April 2014 the Trust received Land, Buildings and Vehicles transferred from NHSPS in respect of Pendeford Health Centre, with £1.2million PPE, where the Trust now occupies over 50% of the building. The property was transferred using absorption accounting with the transfer being charged to Retained Earnings, £1.2m..

On 1 November 2014 the Trust received land buildings and other assets and liabilities in respect of the transfer of Cannock Chase Hospital and other services from MSFT. The transfer of assets and liabilities, providing £29.3million net assets, details at page 20, took place using modified absorption accounting. The transfer was actionned with a transfer of £29.3million Public Dividend Capital (PDC).

The value of the Trust's land and buildings have been assessed by DTZ, an independent professional valuer as at 31 March 2015 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 2015 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
2014-15		
	£000s	**£000s**
At 31 March 2014	**2,240**	**2,240**
Opening Balance Adjustment/ Reclassification	**1**	**1**
At 1 April 2014	**2,241**	**2,241**
Additions Purchased	249	**249**
Reclassifications	103	**103**
At 31 March 2015	**2,593**	**2,593**
Amortisation		
At 31 March 2014	**1,674**	**1,674**
Opening Balance Adjustment/ Reclassification	**1**	**1**
At 1 April 2014	**1,675**	**1,675**
Charged during the year	**242**	**242**
At 31 March 2015	**1,917**	**1,917**
Net Book Value at 31 March 2015	**676**	**676**
Asset Financing: Net book value at 31 March 2015 comprises:		
Purchased	676	**676**
Total at 31 March 2015	**676**	**676**

15.2 Intangible non-current assets prior year

	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
Net book value at 31 March 2014 comprises:		
Purchased	566	566
Total at 31 March 2014	566	566

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 2014-15

	2014-15 Total £000s	2013-14 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI		
Loss or damage resulting from normal operations	0	10
Total charged to Departmental Expenditure Limit	**0**	10
Unforeseen obsolescence	13	0
Other	296	0
Changes in market price	341	145
Total charged to Annually Managed Expenditure	**650**	145
Total Impairments of Property, Plant and Equipment changed to SoCI	**650**	155
Total Impairments charged to SoCI - DEL	**0**	10
Total Impairments charged to SoCI - AME	**650**	145
Overall Total Impairments	**650**	155
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 2014-15 (continued)

	Total £000s	**Property Plant and Equipment £000s**
Impairments and reversals taken to SoCI		
Total charged to Departmental Expenditure Limit	**0**	**0**
Unforeseen obsolescence	**13**	13
Other	**296**	296
Changes in market price	**341**	341
Total charged to Annually Managed Expenditure	**650**	**650**
Total Impairments of Property, Plant and Equipment changed to SoCI	**650**	**650**

Donated and Gov Granted Assets, included above	**£000s**	£000s
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

17 Commitments

17.1 Capital commitments

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

	31 March 2015 £000s	31 March 2014 £000s
Property, plant and equipment	**18,642**	3,131
Total	**18,642**	3,131

18 Intra-Government and other balances

	Current receivables £000s	**Non-current receivables £000s**	**Current payables £000s**	**Non-current payables £000s**
Balances with Other Central Government Bodies	0	0	9,391	0
Balances with Local Authorities	902	0	832	0
Balances with NHS bodies outside the Departmental Group	0	0	94	0
Balances with NHS bodies inside the Departmental Group	13,985	0	5,878	0
Balances with Bodies External to Government	4,896	1,710	38,188	5,943
At 31 March 2015	**19,783**	**1,710**	**54,383**	**5,943**
prior year:				
Balances with Other Central Government Bodies	10,186	0	11,943	0
Balances with Local Authorities	968	0	19	0
Balances with NHS bodies outside the Departmental Group	0	0	33	0
Balances with NHS Trusts and FTs	1,685	0	618	0
Balances with Bodies External to Government	2,639	1,311	20,986	0
At 31 March 2014	**15,478**	**1,311**	**33,599**	**0**

19 Inventories

	Drugs £000s	**Consumables £000s**	**Energy £000s**	**Other £000s**	**Total £000s**	**Of which held at NRV £000s**
Balance at 1 April 2014	**1,678**	**3,916**	**130**	**85**	**5,809**	5,809
Additions	34,457	18,240	59	495	**53,251**	53,251
Inventories recognised as an expense in the year	(34,321)	(18,249)	(74)	(491)	**(53,135)**	(53,135)
Transfers from Other Public Sector Bodies under Absorption Accounting	205	153	8	0	**366**	366
Balance at 31 March 2015	**2,019**	**4,060**	**123**	**89**	**6,291**	**6,291**

20.1 Trade and other receivables

	Current		**Non-current**	
	31 March 2015 £000s	31 March 2014 £000s	**31 March 2015 £000s**	31 March 2014 £000s
NHS receivables - revenue	**13,983**	11,039	**0**	0
Non-NHS receivables - revenue	**2,042**	1,841	**0**	0
Non-NHS prepayments and accrued income	**1,592**	1,447	**0**	0
Provision for the impairment of receivables	**(754)**	(829)	**(298)**	(275)
VAT	**1,116**	695	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**1,014**	593
Other receivables	**1,804**	1,285	**994**	993
Total	**19,783**	15,478	**1,710**	1,311
Total current and non-current	**21,493**	16,789		
Included in NHS receivables are prepaid pension contributions:	**0**	0		

The great majority of trade is with Clinical Commissioning Groups (CCGs) 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 2015 £000s	31 March 2014 £000s
By up to three months	**773**	352
By three to six months	**56**	0
Total	**829**	352

20.3 Provision for impairment of receivables

	2014-15 £000s	2013-14 £000s
Balance at 1 April 2014	**(1,104)**	(1,059)
Amount written off during the year	**71**	583
Increase in receivables impaired	**(19)**	(628)
Balance at 31 March 2015	**(1,052)**	(1,104)

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 £(0.5m) for Injury Cost Recovery (ICR) (31 March 2014 £(0.4m)). ICRs are not included in Note 20.2 as the Trust cannot be certain as to when these will be settled.

21 Cash and Cash Equivalents

	31 March 2015 £000s	31 March 2014 £000s
Opening balance	**27,087**	22,566
Net change in year	**14,511**	4,521
Closing balance	**41,598**	27,087
Made up of		
Cash with Government Banking Service	**41,578**	27,053
Commercial banks	**12**	26
Cash in hand	**8**	8
Cash and cash equivalents as in statement of financial position	**41,598**	27,087
Cash and cash equivalents as in statement of cash flows	**41,598**	27,087
Patients' money held by the Trust, not included above	**74**	72

22 Non-current assets held for sale

	Land £000s	Total £000s
Balance at 1 April 2014	800	**800**
Balance at 31 March 2015	**800**	**800**
Liabilities associated with assets held for sale at 31 March 2015	**0**	**0**
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
Revaluation Reserve Associated with Assets held for sale 31 March 2015	**1,216**	**1,216**
Revaluation Reserve Associated with Assets held for sale 31 March 2014	1,216	1,216

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 2015.

23 Trade and other payables

	Current	
	31 March 2015 £000s	31 March 2014 £000s
NHS payables - revenue	**5,614**	4,364
Non-NHS payables - revenue	**10,530**	5,377
Non-NHS payables - capital	**9,429**	4,012
Non-NHS accruals and deferred income	**16,720**	11,217
Social security costs	**2,670**	2,330
PDC Dividend payable to DH	**306**	0
VAT	**103**	29
Tax	**2,820**	2,533
Other	**4,306**	3,737
Total	**52,498**	33,599
Total payables (current and non-current)	**52,498**	**33,599**
Included above:		
outstanding Pension Contributions at the year end	**3,798**	3,337

24 Borrowings

	Current		Non-current	
	31 March 2015 £000s	31 March 2014 £000s	**31 March 2015 £000s**	31 March 2014 £000s
PFI liabilities:				
Main liability	**1,871**	1,774	**5,913**	6,440
Finance lease liabilities	**14**	0	**30**	0
Total	**1,885**	**1,774**	**5,943**	**6,440**
Total other liabilities (current and non-current)	**7,828**	**8,214**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2015		31 March 2014	
	Other £000s	**Total £000s**	Other £000s	Total £000s
0-1 Years	1,885	**1,885**	1,774	1,774
1 - 2 Years	1,901	**1,901**	965	965
2 - 5 Years	1,926	**1,926**	2,117	2,117
Over 5 Years	2,116	**2,116**	3,358	3,358
TOTAL	**7,828**	**7,828**	8,214	8,214

25 Deferred revenue

	Current	
	31 March 2015 £000s	31 March 2014 £000s
Opening balance at 1 April 2014	**1,414**	2,656
Deferred revenue addition	**172**	188
Transfer of Deferred Income through absorption accounting	**71**	0
Transfer of deferred revenue	**(617)**	(1,430)
Current deferred Income at 31 March 2015	**1,040**	1,414
Total deferred income (current and non-current)	**1,040**	1,414

26 Finance lease obligations as lessee

Amounts payable under finance leases (Other)	**Minimum lease payments**		**Present value of minimum**	
	31 March 2015 £000s	31 March 2014 £000s	**31 March 2015 £000s**	31 March 2014 £000s
Within one year	**14**	0	**14**	0
Between one and five years	**30**	0	**30**	0
Minimum Lease Payments / Present value of minimum lease payments	**44**	0	**44**	0
Included in:				
Current borrowings			**14**	0
Non-current borrowings			**30**	0
			44	0

27 Provisions

	Total	Comprising: Legal Claims	Other
	£000s	**£000s**	**£000s**
Balance at 1 April 2014	**5,144**	974	4,170
Arising during the year	**4,043**	394	3,649
Utilised during the year	**(1,052)**	(241)	(811)
Reversed unused	**(2,032)**	(119)	(1,913)
Unwinding of discount	**9**	9	0
Transfers from other public sector bodies under absorption accounting	**357**	15	342
Balance at 31 March 2015	**6,469**	**1,032**	**5,437**
Expected Timing of Cash Flows:			
No Later than One Year	**5,821**	384	5,437
Later than One Year and not later than Five Years	**165**	165	0
Later than Five Years	**483**	483	0

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

As at 31 March 2015	48,552
As at 31 March 2014	49,998

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 2015	31 March 2014
	£000s	£000s
Contingent liabilities		
Other	**(1,393)**	(179)
Net value of contingent liabilities	**(1,393)**	(179)

The contingent liabilities relate to:- personal injury claims, (£0.3m) and a possible MSFT transaction issue, (£1.1m). The personal injury claims liability relates to where the Trust may be responsible for further payments, in addition to those already provided for. This is dependent on the outcome of the claims as administered through the National Health Service Litigation Authority, (NHSLA). The timing of such payments is uncertain.

Contingent assets		
Contingent assets	**700**	700
Net value of contingent assets	**700**	700

The Trust has submitted Fleming VAT reclaims totalling approximately £0.7m (2013-14 £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 2015.

29 PFI - additional information

The information below is required by the Department of Heath for inclusion in national statutory accounts

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI	**2014-15 £000s**	2013-14 £000s
Service element of on SOFP PFI charged to operating expenses in year	**2,053**	2,046
Total	**2,053**	2,046
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**2,005**	2,053
Later than One Year, No Later than Five Years	**8,750**	8,519
Later than Five Years	**33,149**	35,387
Total	**43,904**	45,959

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2014-15 £000s**	2013-14 £000s
No Later than One Year	**1,871**	1,774
Later than One Year, No Later than Five Years	**3,925**	4,159
Later than Five Years	**4,645**	5,215
Subtotal	**10,441**	11,148
Less: Interest Element	**(2,657)**	(2,934)
Total	**7,784**	8,214

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due	**2014-15 £000s**	2013-14 £000s
No Later than One Year	**1,550**	1,043
Later than One Year, No Later than Five Years	**2,900**	3,082
Later than Five Years	**3,334**	2,924
Total	**7,784**	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:	**2014-15 £000s**	2013-14 £000s
Radiology PFI Building	**9,006**	8,564
Radiology PFI Equipment	**4,426**	4,801
PFI Deferred Asset	**1,014**	593

30 Impact of IFRS treatment - current year

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

	2014-15 £000s	2013-14 £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g. PFI)		
Depreciation charges	**1,280**	1,198
Interest Expense	**1,649**	1,572
Impairment charge - AME	**296**	0
Other Expenditure	**2,053**	2,046
Impact on PDC dividend payable	**165**	126
Total IFRS Expenditure (IFRIC12)	**5,443**	**4,942**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)	**(5,476)**	(5,341)
Net IFRS change (IFRIC12)	**(33)**	**(399)**
Capital Consequences of IFRS : PFI and other items under IFRIC12		
Capital expenditure 2014-15	**922**	1,885
UK GAAP capital expenditure 2014-15 (Reversionary Interest)	**1,280**	1,198

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 year in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with commissioners and the way those commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The 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 Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. The Trust 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 2015 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 commissioners, 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	13,983	**13,983**
Receivables - non-NHS	3,788	**3,788**
Cash at bank and in hand	41,598	**41,598**
Total at 31 March 2015	**59,369**	**59,369**
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

31.3 Financial Liabilities

	Other £000s	Total £000s
NHS payables	5,614	**5,614**
Non-NHS payables	40,975	**40,975**
PFI & finance lease obligations	7,828	**7,828**
Total at 31 March 2015	**54,417**	**54,417**
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

32 Events after the end of the reporting year

None

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.

	Expenditure to Related Party	Income from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000s	£000s	£000s	£000s
Department of Health	13	37,323	0	152
NHS England including Regional Offices	360	92,413	255	1,504
Birmingham And Solihull Mental Health NHS Foundation Trust	475	1	46	5
Birmingham Children's Hospital NHS Foundation Trust	909	495	45	76
Birmingham Community Healthcare NHS Trust	190	544	8	32
Birmingham Cross City CCG	0	676	53	0
Birmingham Women's NHS Foundation Trust	787	5	60	1
Black Country Partnership NHS Foundation Trust	473	1,137	181	108
Burton Hospitals NHS Foundation Trust	704	34	8	33
Cannock Chase CCG	0	20,520	0	3,354
Community Health Partnerships	2,088	0	665	0
Coventry and Warwickshire Partnership NHS Trust	343	17	0	0
Derby Hospitals NHS Foundation Trust	123	0	78	0
Dudley CCG	0	7,433	0	566
East Staffordshire CCG	0	214	0	0
George Eliot Hospital NHS Trust	139	85	0	33
Health Education England	5	13,685	0	494
Heart of England NHS Foundation Trust	1,717	261	55	44
Mid Staffordshire NHS Foundation Trust	975	3,959	0	0
NHS Blood and Transplant	2,521	74	91	0
NHS Litigation Authority	5,727	0	2	0
NHS Property Services	510	104	552	312
NHS Trust Development Authority	0	600	0	0
North Staffordshire CCG	0	144	0	16
North Staffordshire Combined Healthcare NHS Trust	181	0	0	0
Oxford Health NHS Foundation Trust	160	0	29	0
Public Health England	119	1,487	76	410
Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust	334	51	4	0
Royal Orthopaedic Hospital NHS Foundation Trust	415	0	1	0
Sandwell and West Birmingham CCG	0	1,958	111	26
Sandwell and West Birmingham Hospitals NHS Trust	980	324	33	165
Shrewsbury and Telford Hospitals NHS Trust	878	539	16	141
Shropshire CCG	0	4,271	13	301
Shropshire Community Health NHS Trust	0	229	0	15
South East Staffs and Seisdon Peninsular CCG	0	22,066	91	0
Stafford and Surrounds CCG	0	11,834	0	152
Staffordshire and Stoke on Trent Partnership NHS Trust	537	363	0	272
Staffordshire County Council	0	791	0	377
Stoke on Trent CCG	0	181	0	3
Telford and Wrekin CCG	0	2,386	0	41
The Dudley Group of Hospitals NHS Foundation Trust	1,502	1,519	250	858
University Hospital Birmingham NHS Foundation Trust	3,211	55	97	4
University Hospital of North Midlands NHS Trust	4,299	1,750	2,120	1,090
Walsall CCG	0	24,378	0	1,240
Walsall Healthcare NHS Trust	436	1,959	182	435
Walsall Metropolitan Borough Council	0	145	0	78
West Midlands Ambulance Service NHS Foundation Trust	155	268	0	62
Wolverhampton CCG	1,377	188,879	70	1,877
Wolverhampton City Council	2,456	6,986	832	362
Worcester Acute Hospitals NHS Trust	653	186	15	16
Wyre Forest CCG	0	322	22	0

In respect of the above, the Trust has provided for £146,496 for bad debts

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 2014-15 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	202,455	117
Special payments	260,224	142
Total losses and special payments	462,679	259

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

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	2014-15 £000s
Turnover	222,570	234,507	251,969	266,687	289,830	306,023	374,417	384,917	394,045	**461,810**
Retained surplus/(deficit) for the year	(9,423)	82	8,335	6,913	880	8,364	8,735	7,023	8,466	**33,582**
Adjustment for:										
Timing/non-cash impacting distortions:										
Adjustments for impairments	0	0	0	3,872	7,487	319	329	1,604	155	**650**
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	322	61	(730)	**(107)**
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*	0	0	0	0	(332)	(719)	(89)	0	0	**0**
Absorption accounting adjustment **	0	0	0	0	0	0	0	0	0	**(30,462)**
Break-even in-year position	**(9,423)**	**82**	**8,335**	**10,785**	**8,035**	**7,964**	**9,297**	**8,688**	**7,891**	**3,663**
Break-even cumulative position	**(26,640)**	**(26,558)**	**(18,223)**	**(7,438)**	**597**	**8,561**	**17,858**	**26,546**	**34,437**	**38,100**

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

** By taking on the net assets from NHSPS of £1,181k and from MSFT of £29,281k, the Trust is seen to have made a net asset gain of £30,462k, details at page 16.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %
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	**0.79**
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	**8.25**

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.

On 1 April 2014 the Trust received Land, Buildings and Vehicles transferred from NHS Property Services (NHSPS) in respect of Pendeford Health Centre where the Trust now occupies over 50% of the building.

On 1 November 2014 the Trust received land buildings and other assets and liabilities in respect of the transfer of Cannock Chase Hospital from Mid Staffordshire Foundation Trust (MSFT) following the dissolution of this Trust.

Transfers are part of reorganisation fall to be accounted by use of absorption accounting. Please refer to note 1.2 for detail.

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.

	2014-15 £000s	2013-14 £000s
External financing limit (EFL)	**7,000**	(3,697)
Cash flow financing	**6,392**	(6,039)
Unwinding of Discount Adjustment	**0**	10
External financing requirement	**6,392**	(6,029)
Under spend against EFL	**608**	2,332

35.4 Capital resource limit

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

	2014-15 £000s	2013-14 £000s
Gross capital expenditure	**43,796**	20,921
Less: capital grants	**(48)**	0
Less: donations towards the acquisition of non-current assets	**(257)**	(899)
Charge against the capital resource limit	**43,491**	20,022
Capital resource limit	**43,589**	20,573
Underspend against the capital resource limit	**98**	551

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 £000s	31 March £000s
Third party assets held by the Trust	**74**	72

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