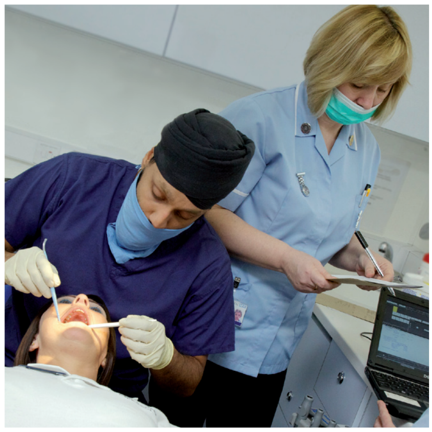
The Royal Wolverhampton Hospitals **NHS**

NHS Trust





Annual Accounts 2011/12

An NHS organisation that continually strives to improve patients' experiences and outcomes

Data entered below will be used throughout the workbook:

Entity name:	Royal Wolverhampton Hospitals Q34 RL4
This year	2011-12
Last year	2010-11
This year ended	31 March 2012
Last year ended	31 March 2011
This year commencing:	1 April 2011

Accounts 2011-12

The Trust is domiciled in the United Kingdom and the Trust is governed under the National Health Service Act 2006 in the form which the Secretary of State has, with the approval of the Treasury, directed.

The Trust's principal place of business is New Cross Hospital, Wednesdfield, Wolverhampton, West Midlands, WV10 0QP

CONTENTS

Foreword to the Accounts

Financial Review - year ended 31 March 2012

The Financial results achieved by the Trust are shown in the table below. In common with all NHS Trusts we are required to meet a number of financial targets set by the Department of Health. Our performance against these targets is set out in the table below:

Financial Target	Actual Performance	
	2011/12	**2010/11**
To break even on income and expenditure, taking one year with another	Surplus of £8.735m	Surplus of £8.364m
To achieve a capital cost absorption rate of between 3% and 4%	3.5%	3.5%
To operate within an External Financing Limit set by the Department of Health	Undershoot of £2.764m	Undershoot of £5.475m
To remain within a Capital Resource Limit set by the Department of Health	Under-spent by £0.383m	Under-spent by £0.141m
To pay 95% of non-NHS trade creditors within 30 days	91%	91%

K. Stringer

Kevin Stringer
Director of Finance
07 June 2012

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

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

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

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

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

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

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

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

Signed ate 07 June 2012

David Loughton CBE
Chief Executive

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

Signed	Signed
David Loughton CBE	Kevin Stringer
Chief Executive	Director of Finance
Date 07 June 2012	Date 07 June 2012

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

We have audited the financial statements of The Royal Wolverhampton Hospitals NHS Trust for the year ended 31 March 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England set out therein.

Respective responsibilities of directors and auditors

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

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

Scope of the audit of the financial statements

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

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, 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, of the state of the Trust's affairs as at 31 March 2012 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England.

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

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

Matters on which we are required to report by exception

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

- in our opinion, the Annual Governance Statement does not comply with the Department of Health's requirements set out in "Annual Governance Statements – Guidance", issued on 29 February 2012 or is misleading or inconsistent with information of which we are aware from our audit;
- we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998

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

Respective responsibilities of the Trust and auditors

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, The Royal Wolverhampton Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

The audit cannot be concluded and an audit certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission because we have not yet completed the work on the Trust's quality accounts mandated under the Code of Audit Practice. We are satisfied that this work does not have a material effect on the financial statements or on our use of resources conclusion.

M A Jones

Mark Jones, Engagement Lead

For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
Cornwall Court
Cornwall Street
Birmingham
B3 2DT

8 June 2012

Notes:

(a) The maintenance and integrity of The Royal Wolverhampton Hospitals 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 Hospitals NHS Trust

Organisation Code: RL4

Governance Statement 2011/12

1 Scope of responsibility

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

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

2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of The Royal Wolverhampton Hospitals NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Royal Wolverhampton Hospitals NHS Trust for the year ended 31 March 2012, 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-developed framework for governance to inform the Board of operational and strategic risks as well as to provide assurance on business performance and compliance. The framework sets in place under the Trust Board a high level committee and management structure for the delivery of assured governance through specialist committee and subgroup functions. A Board Assurance Committee is constituted to ensure the operation of effective risk management systems, processes and outcomes. The Board Assurance Committee is informed and assured through the working/reporting of sub-committees (Quality and Safety Committee and Compliance Committee) as well as specialist working groups defined in its terms of reference.

Trust Board

During 2011/12 the Trust Board met monthly (except in December and August), conducting most of its business in public and allowing time for the press, public and other observers to ask questions of the Directors at each meeting. A high attendance rate by Directors was recorded during the year. Each meeting considered reports on:

- Operational performance
- Quality and safety
- Patients' experiences
- Serious incidents and never events
- Finance
- Board Assurance Framework and Trust Risk Register
- Delivery of the capital programme
- Reports and minutes from the Board's standing committees.

Quarterly reports covered matters such as:

- Complaints,
- Emergency preparedness,
- Implementation of the integration plan post-Transforming Community Services,
- Delivery of the Annual Plan
- Development of the Trust's Estate.

The Board received occasional reports on a variety of matters, including: the Regional commissioning framework, impact of the night-time closure of the A and E Services at Mid Staffs NHS FT, Falls Prevention, Developing Best Practice Wards, Safeguarding Children and Adults, Mental Capacity Act training, nationwide industrial unrest, and tissue viability.

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

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

- Nutritional assessments.

The content of indicators is reviewed annually and approved by the Trust Board.

The Board is compliant with the main principles of the UK Corporate Governance Code insofar as they can be applied to an NHS Trust. The Board also recently underwent a self-assessment review against Monitor's Board Governance Assurance Framework, which confirmed compliance with their expectations.

The Board have undertaken significant development work; brought in an external organisation to develop and deliver improvement initiatives, and have initiated 360 degree feedback. They regularly have sessions following Board meetings, which include debriefing and appraising their effectiveness. The executive and non-executive Directors regularly attend sessions with the FT network, so as to compare performance of the Board against peers.

Audit Committee

During the year under review the Audit Committee met quarterly, and at each meeting considered progress updates on: Security management, Internal Audit, External Audit, the work of the Local Counter Fraud Specialist, tracking of the implementation of auditors' recommendations across the Trust. Any significant issues raised at the Board Assurance Committee are reported by the non-executive Director who sits on both Committees and this, coupled with an annual joint meeting, ensures a strong flow of information between the two Committees and avoids duplication of effort. The Committee also received and discussed occasional reports on, among other things: the Bribery Act, a report on pre-recruitment checks, the Annual Report and International Auditing Standard (ISA260) for the Trusts' Charitable Funds, Annual Accounts 2010/11, Treasury Management Policy, Private Patients and Overseas Visitors, the NHS Protect Quality Assurance Programme, and the 2010/11 Qualitative Assessment.

Directors' attendances were recorded as being almost 100% during the year. The Committee's terms of reference were reviewed and revised during the year.

As in previous years, this Committee held one joint meeting with the Board Assurance Committee.

Board Assurance Committee

During 2011/12 this Committee met every two months, and high non-Executive Directors' attendance rates were recorded throughout the year.

Matters considered by the Committee during the year included:

- Board Assurance Framework and Trust Risk Register
- Board Assurance Dashboard – Performance and Assurance report National Patient Safety Authority (NPSA)/National reporting and Learning System (NRLS) report
- Trends registry (a Trust-created registry of incident and complaint trends)
- Serious Untoward Incident (SUI) action tracking
- Policy management

- Care Quality Commission (CQC) Mental Health Regulated Activity
- CQC Compliance – Essential Standards of Quality and Safety (ESQS)
- National Health Service Litigation Authority (NHSLA) compliance
- Francis Report
- Subgroup / Committee reporting – Education and Training, Information Governance, Infection Prevention and Control, Health Records Committee, Compliance, Quality and Safety, Research and Development.

To improve the efficiency of risk management, from 2011/12 the Trust created three Sub-Committees (Quality and Safety Committee, Compliance Committee and Policy Committee) to manage the work portfolio for quality, safety, risk and compliance. The split of workload has greatly supported the analysis and management of information and reporting to inform the Board Assurance Committee (BAC) and management teams. A Chair's summary report is provided to BAC along with the minutes of QSC and Compliance Committee.

Quality and Safety Committee

This Committee met every month, and considered the following matters:

- Serious Untoward Incident report
- Safety alert compliance
- Quality and Safety report
- Trends report
- Complaints (Ombudsman)
- Quality and Risk Profile
- Application for new procedures/practices (various)
- Ad hoc reports relevant to quality and safety of care – including Palliative care strategy report, Dementia report, IT/e prescribing project update report, VIEWS (validation early warning score).
- Subgroup/Committee reporting – Mortality, Radiation Protection, Point of Care Testing, Human Resources, Estates and Facilities.

Compliance Committee

This Committee met bi-monthly and considered the following matters:

- CQC on-going compliance – Essential Standards of Quality and Safety
- CQC Inspection action plans (Dignity and Nutrition Inspection & responsive review)
- Airedale report
- Francis report
- External reviews and inspections

- Staff Experience Survey (annual)

- Patient Experience Survey (annual)

- National audit reports – including Parkinsons', Blood Transfusion Service, Neonatal audit, Sentinal audit, Laser Safety audit.

- National Confidentiality reports – includes Acute Kidney injury, National Confidential Enquiry into Patient Outcome and Death (NCEPOD) Surgical Services for Children.

- Subgroup/Committee reports – Safeguarding vulnerable adults, safeguarding children, Divisional Governance, Health and Safety Committee, Clinical audit Committee, Medicines Management, Information Governance, Patient and Public Involvement Committee, Resuscitation Committee, Hospital Transfusion Committee.

The Board also has standing Committees for:

- Infection Prevention and Control (meets monthly – chaired by the Chief Executive)

- Charitable Funds (meets quarterly – chaired by a non-executive Director)

4 Risk assessment

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

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

- Interrogating internal sources of risk intelligence and activity to inform local and Trust level risk registers and assurance frameworks eg incident, complaint, claim, audit, compliance etc.

- 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 QRP (quality and risk profile), internal audit reports, national audits and benchmarks.

- Integrating functions (strategic and operational) at all levels of the Trust to feed a risk register. Risk registers are managed at Department/Directorate, Divisional, Trust levels with a mandate for regular review.

- Using a standardised approach to risk reporting, grading and escalation. The Trust categorisation matrix supports a standard approach to risk tolerance.

- Systematic risk mitigation to determine acceptability of residual risks. Controls, positive and negative assurance and actions are identified for each risk.

- The development and implementation of a risk management and patient safety reporting policy (OP10) across the Trust.

- Risk Management training is delivered to all staff.

Risk registers are managed at the following levels:

- Divisional/Directorate – (operational risks that includes clinical, business/service, financial, reputational, patient/staff/stakeholders)
- Trust Risk Register – Any risks graded as red or high amber are escalated to the risk register for Director consideration. Divisions are instructed to escalate all red/high amber risks to the Trust Risk Register to inform Directors and the Board of operational risks which may be considered for the Board Assurance Framework.

Board Assurance Framework (BAF) – Contains all risks which impact on the Trust's strategic objectives.

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

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

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

During the year 2011/12, 22 new risks were identified and managed by the Trust, of which four were red, seventeen were amber, and one was green. Following mitigation these were downgraded to one red, fifteen amber, four yellow and two green. The red risk related to the lack of Local Security Management Service (LSMS) support, and the lack of senior fire safety adviser support, to the Community Services which had transferred to the Trust in April 2011 under Transforming Community Services. Mitigating actions included setting up a short term interim arrangement whereby the Primary Care Trust provided professional support, and allocating additional resources to the 2012/13 Security Budget to provide the required long term support.

Summary of serious untoward incidents involving personal data as reported to the Information Commissioner's office in 2011-12

Incident 1:

In June 2011 the Trust reported the loss of data belonging to 200 patients which included the names, dates of birth and schools attended of children who were due to have health check reviews performed by the School Nursing team. The parent of each child was written to and informed of the incident.

Immediate actions were taken with the local service as well as wider Trust action as a preventative measure. The service was instructed to urgently review its storage arrangements across all of its bases to ensure compliance with Trust Policy. All staff were reminded of their responsibilities around safe management of patient related information and the requirement to undertake Information Governance Training annually. The adoption of a clinical scheduling module in an existing system was explored by the service to remove the need for hard copy folders.

A Trust wide review was undertaken to scope records storage and security arrangements in each area, and gaps/improvement actions fed back to management for improvement. This *exercise will be subject to on-going monitoring and audit.*

Incident 2:

In March 2012 the Trust was informed by a healthcare contractor that they had inadvertently collected items of personal patient information along with items of product performance data they routinely downloaded from [e.g. 2 diagnostic scanners] they had provided to the Trust. The Trust was one of a number of NHS organisations where this process had inadvertently taken place and therefore the incident investigation and management was undertaken by the Department of Health (DoH).

The incident has been notified to the Information Commissioner's Office (ICO) and the joint view of the DoH and ICO is that the risk of harm to patients is negligible. The data is held in a complex format and is not readily accessible and the contractor has given assurance, independently verified, that the data remains secure, has not been subject to loss, hacking, misuse or theft and will be destroyed on the completion of the investigation. There were no further local actions to be taken by the Trust and the incident has been downgraded and closure requested.

There were particular instances within the **Information Governance Toolkit Assessment** where the attainment of Level 2 was at risk. They were in respect of

• **Information Governance mandatory training**: the requirements were to achieve a 95% compliance rate to annual Information Governance Training for Trust staff. To achieve this, an increase in training reminders to individual staff and managers was adopted in the period January – March 2012. All staff were encouraged to attend various modes of training, face to face session or e-learning packages based on approved Connecting for Health training materials. This was successful in increasing training compliance to 96% by the 23rd March 2012, and therefore achieving level 2 for the two requirements.

• **Protecting confidentiality through use of pseudonymisation and anonymisation techniques where appropriate**. A project was initiated in 2009 for pseudonymisation for the removal of personal identifiers from secondary use data. This year following Transforming Community Services (TCS) the project was rolled out to community provider services with the Community Information Department co-ordinating local roll out.

As at 31st March 2012 the Trust was able to evidence that pseudonymised data was in use for community secondary use data. The Trust has been working to integrate the reporting and management of information risks and incidents in line with the Trust's overall risk management process. Reporting of incidents is openly encouraged and awareness is raised on the types of data and security incidents via annual Information governance training for all staff.

During the year, the Internal Auditor identified control weaknesses in relation to Safeguarding Vulnerable Adults, Risk Management – Divisional and Directorate Processes, and CQC Compliance Monitoring Arrangements. Actions were taken to mitigate risks and to strengthen controls, and follow up reviews by our Internal Auditor confirmed that progress had been made in dealing with the control weaknesses identified.

5 The risk and control framework

The Board-approved Integrated Governance Strategy includes the following:

- The aims and objectives for risk management in the organisation, aligned to the Trust's vision.

- A description of the committee arrangements and relationships between various corporate committees.

- The Board Assurance Framework.

- The identification of the roles and responsibilities of all staff of the organisation with regard to risk management, including accountability and reporting structures.

- The promotion of risk management as an integral part of the philosophy, practices and business plans of the organisation;

- A description of the whole risk management process and a requirement for all risks to be recorded, when identified, in a risk register and prioritised using a standard scoring methodology.

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

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

During 2011/12 the Board Assurance Framework has been reviewed and amended at least quarterly by the Board Assurance Committee and monthly by Executive Directors and Trust Board, to ensure it remains aligned with the Trust's strategic objectives and the key risks to their achievement. Controls and management actions are in place for all risks identified and these are reviewed for effectiveness.

Eight high level risks were managed over the period, six of which were red and two amber. Of these, three risks have been downgraded with controls to amber, two downgraded to yellow, one to green, and two closed as at 31 March 2012.

Looking forward to 2012/13

The Trust has identified thirteen **high level risks for 2012/13** for which there are management actions and controls. Of these, five are rated amber, and seven are yellow and one is green.

The Trust will continue to maintain a comprehensive risk register, to hold details of risks at all levels throughout the organisation including residual risk and the impact of mitigating actions. Training will continue within Divisional Management Teams to ensure their identified risks map across to the Trust Risk Register and Assurance Framework and are reflected in their own Business Plans.

As Chief Executive, I attend the Local Authority Overview and Health Scrutiny Panel in Wolverhampton where the following range of topics have been discussed with elected members during 2011/12:-

- The Royal Wolverhampton Hospitals NHS Trust (RWHT) Quality Accounts 2010/11

- Specialist Vascular Surgery Services for Dudley, Walsall and Wolverhampton
- 21st Century Foot Health Services for Wolverhampton (Consultation Process)
- Achieving an increase in information for patients about the side effects of their drugs prior to discharge
- The process for booking appointments for "Choose and Book" patients
- Aftercare Discharge Audit (report produced by Wolverhampton LINk)
- Transforming Community Services
- Creating Best Practice Wards
- Quality accounts 2011/12
- The Royal Wolverhampton Hospitals NHS Trust (RWHT) Special Needs Primary Dental Care Services
- Improving Trauma Care Across the West Midlands

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

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

The Trust has achieved all its financial targets, achieving an end of year surplus of £8.5m, 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 annual budget by the Board
- Monthly reporting to the Board on key performance indicators covering finance, activity, governance, quality and performance.
- Regular reporting at Operational and Divisional meetings on financial performance.

Internal Audit has provided significant 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 2011/12 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 2010/11 has influenced the format and content of the Quality Account. The Trust's existing reporting structure has been the source for information, for example Datix for numbers and themes of complaints & 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 & Control (DIPC), and incident data by the Head of Governance.

A draft version of the Quality Account is approved by Directors before being circulated to the local authority's Overview & Scrutiny Committee and Wolverhampton LINk for comments. The Quality Account is approved by the Trust's external auditors before a final version is produced for publication. For the Year 2011/12, the Trust has produced a combined document incorporating the Annual Account, Annual Report and Quality Account.

8 Governance Statements

1. The Trust is fully compliant with the registration requirements of the Care Quality Commission.

2. As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

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

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 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 Board, as part of the process of seeking authorisation to become a foundation trust, has submitted to Monitor a Board Statement on Quality Governance, certifying the role of the Board in leading on quality, creating the culture of the organisation, and making a significant impact on the quality of services through changes which it initiated.

9 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 management letter and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Board, the Audit Committee, and the Board Assurance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

10 Conclusion

No significant internal control issues have been identified during 2011/12.

Accountable Officer : David Loughton, CBE

Organisation: The Royal Wolverhampton Hospitals NHS Trust

Signature

Date 07 June 2012

Statement of Comprehensive Income for year ended 31 March 2012

	NOTE	**2011-12 £000**	2010-11 £000 (restated)
Employee Benefits	9.1	**(229,571)**	(184,212)
Operating Expenses	7	**(126,488)**	(105,183)
Revenue from Patient Care Activities	4	**341,869**	279,144
Other Operating Revenue	5	**32,548**	26,696
Operating Surplus		**18,358**	16,445
Investment Revenue	11	**106**	67
Other Gains and (Losses)	12	**(37)**	4
Finance Costs	13	**(1,792)**	(928)
Surplus for the Financial Year		**16,635**	15,588
Public Dividend Capital Dividends Payable		**(7,900)**	(7,407)
Retained Surplus for the Year		**8,735**	8,181
Other Comprehensive Income			
Impairments and Reversals		**(362)**	(1,584)
Net gain on revaluation of property, plant and equipment		**2,435**	11,140
Total Comprehensive Income for the Year		**10,808**	17,737

2011-12 includes the impact of services transferring under Transfer of Community Services (TCS). Please refer to notes to the accounts 1.3 for details.

	2011-12 £000	2010-11 £000
Financial Performance for the Year		
Retained surplus for the year	**8,735**	8,364
IFRIC 12 adjustment	**(89)**	(719)
Impairments	**329**	319
Adjustments in respect of Donated Asset/ Government Grant Reserve Elimination	**322**	0
Adjusted Retained Surplus	**9,297**	7,964

As per the guidance, the prior period comparatives for the financial performance are taken from prior year accounts and not amended for any prior period restatements as the performance is judged in year and not restated.

The Trust has a statutory requirement to break even year on year. In determining the Trust's break even performance the Department of Health has determined that some items can be excluded from the calculation.

The Trust's Reported NHS financial performance position is derived from its retained surplus, but adjusted for the following:-

a) Impairments to Property, Plant and Equipment; An impairment charge is not considered part of the organisation's operating position.

b) The revenue cost of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10) - NHS Trusts' 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 PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as a technical adjustment. This additional cost is not considered part of the organisation's operating position.

c) The revenue costs of accounting for donated assets.

Details of the Trust's historic breakeven performance are shown in note 37

PDC Dividend: Balance Payable at 31 March 2012	**0**	**0**

Statement of Financial Position
as at 31 March 2012

	NOTE	**31 March 2012** £000	1 April 2011 (restated) £000	Merger adjustments £000	31 March 2011 (restated) £000	31 March 2010 (restated) £000
Non-current assets:						
Property, Plant and Equipment	14	**251,189**	243,900	720	243,180	224,620
Intangible Assets	15	**746**	779	0	779	889
Trade and Other Receivables	21.1	**1,916**	556	0	556	882
Non-current Assets Held for Sale	23	**800**	800	0	800	800
Total Non-current Assets		**254,651**	246,035	720	245,315	227,191
Current Assets:						
Inventories	20	**5,703**	5,064	320	4,744	4,576
Trade and Other Receivables	21.1	**18,778**	16,427	898	15,529	12,548
Cash and Cash Equivalents	22	**15,658**	11,788	2	11,786	9,583
Total Current Assets		**40,139**	33,279	1,220	32,059	26,707
Total Assets		**294,790**	279,314	1,940	277,374	253,898
Current Liabilities						
Trade and Other Payables	24	**(34,015)**	(31,238)	(1,303)	(29,935)	(24,348)
Provisions	29	**(3,193)**	(1,726)	0	(1,726)	(1,544)
Borrowings	25	**(1,844)**	(2,076)	0	(2,076)	(2,095)
Total Current Liabilities		**(39,052)**	(35,040)	(1,303)	(33,737)	(27,987)
Non-current Assets Plus/Less Net Current Assets/Liabilities		**255,738**	244,274	637	243,637	225,911
Non-current Liabilities						
Provisions	29	(457)	(497)	0	(497)	(558)
Borrowings	25	(8,085)	(7,389)	0	(7,389)	(7,339)
Total Non-current Liabilities		**(8,542)**	(7,886)	0	(7,886)	(7,897)
Total Assets Employed:		**247,196**	236,388	637	235,751	218,014
Financed By:						
Taxpayers' Equity						
Public Dividend Capital		170,082	170,082	0	170,082	170,082
Retained Earnings		7,815	(2,831)	637	(3,468)	(9,442)
Revaluation Reserve		69,109	68,947	0	68,947	57,184
Other Reserves		190	190	0	190	190
Total Taxpayers' Equity:		**247,196**	236,388	637	235,751	218,014

The notes on pages 20 to 54 form part of this account.

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

Chief Executive: David Loughton Date: 08 June 2012

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2012

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000	£000	£000	£000	£000
Balance at 1 April 2011	170,082	(3,468)	68,947	190	**235,751**
Adjustments for Transforming Community Services transactions	0	637	0	0	**637**
Restated Balance at 1 April 2011	170,082	(2,831)	68,947	190	**236,388**
Changes in Taxpayers' Equity for 2011-12					
Retained surplus for the year	0	8,735	0	0	**8,735**
Net gain on revaluation of property, plant, equipment	0	0	2,435	0	**2,435**
Impairments and Reversals	0	0	(362)	0	**(362)**
Transfers between reserves	0	1,911	(1,911)	0	**0**
Net recognised revenue for the year	0	10,646	162	0	**10,808**
Balance at 31 March 2012	**170,082**	**7,815**	**69,109**	**190**	**247,196**
Changes in Taxpayers' Equity for 2010-11					
Balance at 1 April 2010	170,082	(9,442)	57,184	190	218,014
Retained surplus for the year	0	8,181	0	0	8,181
Net gain on revaluation of property, plant, equipment	0	0	11,140	0	11,140
Impairments and reversals	0	0	(1,584)	0	(1,584)
Transfers between reserves	0	(2,207)	2,207	0	0
Net recognised revenue for the year	0	5,974	11,763	0	17,737
Balance at 31 March 2011	170,082	(3,468)	68,947	190	235,751

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

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

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

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

The balances at 1 April 2010 have been restated to reflect the removal of the Donated Asset Reserve and Government Grant Reserve. The effect of this is:

	Public Dividend Capital	Retained earnings	Revaluation reserve	Donated Asset reserve	Other reserves	Total reserves
	£000	£000	£000	£000	£000	£000
Balance At 31 March 2010 as 2010/ 11 accounts	170,082	(11,456)	57,184	2,014	190	**218,014**
Adjustment for removal of Donated Asset Reserve	0	2,014	0	(2,014)	0	**0**
Restated Balance at 1 April 2010	**170,082**	**(9,442)**	**57,184**	**0**	**190**	**218,014**

Statement Of Cash Flows

For the year ended 31 March 2012

	NOTE	**2011-12 £000**	2010-11 £000
Cash Flows from Operating Activities			
Operating Surplus		**18,358**	16,445
Depreciation and Amortisation	14 & 15	**14,419**	12,831
Impairments and Reversals	14	**329**	319
Other Gains / (Losses) on foreign exchange		**0**	0
Donated Assets received credited to revenue but non-cash		**0**	0
Government Granted Assets received credited to revenue but non-cash		**0**	0
Interest Paid		**(1,786)**	(911)
Dividend paid	SOCI	**(7,900)**	(7,407)
Release of PFI/deferred credit		**1,310**	0
Increase in Inventories	20	**(639)**	(168)
Increase in Trade and Other Receivables		**(3,711)**	(2,655)
Increase in Trade and Other Payables		**2,712**	5,211
Provisions Utilised	29	**(656)**	(367)
Increase in Provisions		**2,068**	471
Net Cash Inflow from Operating Activities		**24,504**	23,769
Cash flows from investing activities			
Interest Received	11	**106**	67
Payments for Property, Plant and Equipment		**(19,253)**	(19,570)
Payments for Intangible Assets	15	**(66)**	(120)
Proceeds of disposal of assets held for sale (PPE)		**8**	4
Net Cash Outflow from investing Activities		**(19,205)**	(19,619)
Net Cash inflow before financing		**5,299**	4,150
Cash flows from financing activities			
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		**(1,503)**	(1,947)
Capital grants and other capital receipts		**74**	0
Net Cash outflow from financing activities		**(1,429)**	(1,947)
Net increase in cash and cash equivalents		**3,870**	2,203
Cash and Cash Equivalents at Beginning of the Period		**11,786**	9,583
Opening balance adjustment - TCS transactions		**2**	
Restated Cash and Cash Equivalents at Beginning of the Period		**11,788**	9,583
Cash and Cash Equivalents at year end	22	**15,658**	11,786

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2011-12 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts. Accounting policies have been applied consistently with the exception of any changes in accounting policies as noted below.

1.1 Accounting convention

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

1.2 Acquisitions and Discontinued Operations

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

1.3 Transforming Community Services (TCS) transactions

Under the TCS initiative, Community and Dental services historically provided by Wolverhampton City PCT have transferred to this NHS Trust. Such transfers are machinery of government changes and are therefore accounted for by the use of merger accounting. DH has directed, and this has been approved by HM Treasury, that for TCS transactions only, the prior period accounts should not be restated. Therefore, the transaction has been included in the Trust's accounts from 1 April 2011.

The Trusts opening balances were adjusted to recognise the transfer of services on 1 April 2011, these adjustments are shown in the Statement of Financial Position in the column headed "Merger Adjustments".

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

1.4.1 Critical Judgements in Applying Accounting Policies

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

- Leases

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

1.4.2 Key Sources of Estimation Uncertainty

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

- Useful economic lives of assets

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

- Provisions

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

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

1.5 Revenue

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

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

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

1.6 Employee Benefits

Short-term Employee Benefits

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

Retirement Benefit Costs

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

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

1.7 Other Expenses

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

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

1.8 Property, Plant and Equipment

Recognition

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

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value. Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:
- Land and non-specialised buildings – market value for existing use:
- Specialised buildings – depreciated replacement cost.

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

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

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

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

Subsequent Expenditure

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

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

1.9 Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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.

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

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

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

Useful economic life in years for depreciation/amortisation are as follows:
Buildings (excluding Dwellings) between 3 and 60 years.
Dwellings between 9 and 38 years.
Plant and machinery between 5 and 15 years.
Transport equipment between 5 and 7 years.
Information Technology between 4 and 5 years.
Furniture and fittings between 7 and 10 years.
Intangible Assets between 4 and 5 years.

1.11 Donated Assets

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

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

1.12 Government Grants

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

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

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

1.13 Non-current Assets Held for Sale

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

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

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

1.14 Leases

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

The Trust as Lessee

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

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

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

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

The Trust as Lessor

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

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

1.15 Private Finance Initiative (PFI) Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Assets Contributed by the Trust to the Operator

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

1.16 Inventories

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

1.17 Cash and Cash Equivalents

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

1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms(2.2% for 2010-11 accounts), except for early retirement provisions and injury benefit provisions which use the HM Treasury's pension discount rate of 2.8% in real terms (2.9% for 2010-11 accounts).

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

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

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

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

1.19 Clinical Negligence Costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 29. These are included in the NHSLA accounts and are not accounted for in individual NHS bodies accounts.

1.20 Non-Clinical Risk Pooling

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

1.21 Contingencies

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

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

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

1.22 Financial Assets

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

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

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

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

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

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

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 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 Third Party Assets

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

1.26 Public Dividend Capital (PDC) and PDC Dividend

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

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

1.27 Losses and Special Payments

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

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

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

1.28 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

For 2010-11 and 2011-12 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the Corporate Trustee.

1.29 Research and Development

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

1.30 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 2011-12. The application of Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of Financial Statements (Other Comprehensive Income) – this standard is applicable for periods beginning on or after 1 July 2012, the standard has not yet been EU endorsed
IAS 12 Income Taxes (amendment) – this standard is applicable for periods beginning on or after 1 January 2012, the standard has not yet been EU endorsed
IAS 19 Post-employment Benefits (pensions) – this standard is applicable for periods beginning on or after 1 January 2013, the standard has not yet been EU endorsed
IAS 27 Separate Financial Statements – this standard is applicable for periods beginning on or after 1 January 2013, the standard has not yet been EU endorsed
IAS 28 Investments in Associates and Joint Ventures – this standard is applicable for periods beginning on or after 1 January 2013, the standard has not yet been EU endorsed.
IAS 32 Financial Instruments: Presentation on Offsetting Financial Assets and Liabilities – this standard is applicable for periods beginning on or after 1 January 2014
IFRS 1 – 'First time adoption' on Hyperinflation and Fixed Dates – this standard is applicable for periods beginning on or after 1 July 2011 but has not yet been endorsed by the EU
IFRS 9 Financial Instruments - this standard is applicable for periods beginning on or after 1 January 2013 but has not yet been endorsed by the EU
IFRS 10 Consolidated Financial Statements – this standard is applicable for periods beginning on or after 1 January 2013, the standard has not yet been endorsed
IFRS 11 Joint Arrangements – this standard is applicable for periods beginning on or after 1 January 2013, the standard has not yet been endorsed
IFRS 12 Disclosure of Interests in Other Entities – this standard is applicable for periods beginning on or after 1 January 2013, the standard has not yet been endorsed
IFRS 13 Fair Value Measurement – this standard is applicable for periods beginning on or after 1 January 2013, the standard has not yet been endorsed
IPSAS 32 Service Concession Arrangements –this standard is applicable for periods beginning on or after 1 January 2014 but as it is not an IFRS standard it will have to be endorsed by HM Treasury as part of the HMT FReM before it is endorsed.

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

There are no operating segments within the Trust.

3. Income Generation Activities
The Trust undertakes income generation activities with an aim of achieving profit, which is then used in in patient care. The Trust is required to give details of any schemes where the cost of the scheme exceeded £1.0 million. The Trust has no schemes that meet this requirement. The details below are of the aggregate of the Trusts income generation.

Summary Table - aggregate of all schemes	**2011-12**	2010-11
	£000	£000
Income	**1,579**	1,546
Full cost	**(976)**	(1,018)
Surplus	**603**	528

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 activities.

4. Revenue from Patient Care Activities	**2011-12**	2010-11
	£000	£000
Primary Care Trusts - tariff	**191,964**	189,886
Primary Care Trusts - non-tariff	**139,935**	80,717
Primary Care Trusts - market forces factor	**6,548**	5,773
Foundation Trusts	**20**	0
Department of Health	**0**	8
NHS other	**443**	564
Non-NHS:		
Private patients	**1,078**	727
Overseas patients (non-reciprocal)	**39**	27
Injury costs recovery	**1,339**	1,349
Other	**503**	93
	341,869	279,144

The significant movement in Primary Care Trust - non tariff revenue is due to the take on of Community Services through TCS. The value of the Community Services revenue is £53.1 million in 2011-12.

5. Other Operating Revenue	**2011-12**	2010-11
	£000	£000
Education, training and research	**16,772**	14,648
Receipt of donations for capital acquisitions	**74**	229
Non-patient care services to other bodies	**9,579**	8,469
Income generation	**2,248**	2,102
Rental revenue from operating leases	**168**	117
Other revenue	**3,707**	1,131
	32,548	26,696
Total operating revenue	**374,417**	305,840

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

7. Operating Expenses (excluding employee benefits)	**2011-12**	2010-11
	£000	£000
Services from other NHS Trusts	**122**	138
Services from PCTs	**92**	903
Services from other NHS bodies	**115**	133
Services from Foundation Trusts	**667**	516
Purchase of healthcare from non NHS bodies	**1,970**	2,058
Trust chair and non executive directors	**77**	75
Supplies and services - clinical	**63,718**	57,058
Supplies and services - general	**8,097**	6,303
Consultancy services	**3,370**	1,499
Establishment	**3,922**	2,699
Transport	**2,065**	1,704
Premises	**16,259**	10,147
Impairments and reversals of receivables	**127**	273
Depreciation	**14,122**	12,596
Amortisation	**297**	235
Impairments and reversals of property, plant and equipment	**329**	319
Audit fees	**180**	170
Other auditor's remuneration	**0**	12
Clinical negligence	**5,496**	3,535
Research and development	**993**	688
Education and training	**1,137**	918
Other	**3,333**	3,204
	126,488	105,183
Employee benefits		
Employee benefits excluding Board members	**228,733**	183,342
Executive Board Members	**838**	870
Total employee benefits	**229,571**	184,212
Total operating expenses	**356,059**	289,395

The 2011 - 12 figures include the operating expenses associated with the provision of community services transferred to the Trust from Wolverhampton City PCT (WCPCT) as part of the TCS process. The services transferred had a contract value of £53.1 million in 2011-12. These services were accounted for in the WCPCT accounts in 2010-11 and therefore are not included in the 2010-11 figures above (see notes to the accounts 1.3). In 2010-11 the Trust purchased services from the PCT which following the transfer it provides internally.

8 Operating Leases

Included in this note is the arrangement for the lease of buildings from the PCT associated with the transfer of community services from the PCT to the Trust as part of the TCS process. This arrangement is described in the Memorandum of Occupation included in the Business Transfer Agreement between the Trust and the PCT. The value of this arrangement is £4.3 million per annum. There are no other individually significant operating leases included in the figures below.

8.1 Trust as Lessee

			2011-12	
	Buildings	**Other**	**Total**	2010-11
	£000	**£000**	**£000**	£000
Payments recognised as an expense				
Minimum lease payments			**4,733**	127
Contingent rents			**0**	0
Sub-lease payments			**0**	0
Total			**4,733**	127
Payable:				
No later than one year	**4,276**	**433**	**4,709**	406
Between one and five years	**0**	**1,224**	**1,224**	1,441
After five years	**0**	**0**	**0**	0
Total	**4,276**	**1,657**	**5,933**	1,847

8.2 Trust as Lessor

	2011-12	2010-11
	£000	£000
Recognised as income		
Rents	**168**	117
Contingent rents	**0**	0
Total	**168**	117
Receivable:		
No later than one year	**217**	97
Between one and five years	**785**	224
After five years	**853**	27
Total	**1,855**	348

9 Employee Benefits and Staff Numbers

9.1 Employee Benefits

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

	Total £000	Permanently employed £000	Other £000
Net expenditure - 2010-11			
Salaries and wages	**155,792**	146,843	8,949
Social security costs	**11,572**	11,229	343
Employer contributions to NHS Pensions scheme	**17,298**	16,785	513
Termination benefits	**114**	114	0
Total employee benefits	**184,776**	**174,971**	**9,805**
Employee costs capitalised	564		
Net Employee Benefits excluding capitalised costs	**184,212**		

The staff costs have increased significantly due to the transfer of 1,200 staff as part of the TCS process - see note 1.3.

9.2 Staff Numbers

	2011-12 Total Number	2011-12 Permanently employed Number	2011-12 Other Number	2010-11 Total Number
Average staff numbers				
Medical and dental	**636**	599	37	592
Administration and estates	**1,309**	1,285	24	969
Healthcare assistants and other support staff	**1,111**	1,048	63	874
Nursing, midwifery and health visiting staff	**1,886**	1,833	53	1,463
Scientific, therapeutic and technical staff	**873**	866	7	634
Total	**5,815**	5,631	184	4,532
Of the above - staff engaged on capital projects	10	10	0	10

The staff numbers have increased significantly due to the transfer of 1,200 staff as part of the TCS process - see note 1.3.

9.3 Exit Packages Agreed in 2011-12

Exit package cost band (including any special payment element)	**2011-12** Number of other departures agreed	**2011-12** Total number of exit packages by cost band	2010-11 Number of other departures agreed	2010-11 Total number of exit packages by cost band
	Number	**Number**	Number	Number
Less than £10,000	**0**	**0**	0	0
£10,001 - £25,000	**1**	**1**	0	0
£25,001 - £50,000	**0**	**0**	2	2
£50,001 - £100,000	**0**	**0**	1	1
£100,001 - £150,000	**0**	**0**	0	0
£150,001 - £200,000	**0**	**0**	0	0
>£200,000	**0**	**0**	0	0
Total number of exit packages by type (total cost)	**1**	**1**	3	3
Total resource cost (£000s)	**24**	**24**	143	143

This note provides an analysis of Exit Packages agreed during the year. Redundancy and other departure costs have been paid in accordance with the individuals contracted arrangements. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

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

9.4 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) 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 formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012 is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 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.

c) Scheme provisions

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

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

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

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

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

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

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

10 Better Payment Practice Code

10.1 Measure of Compliance

	2011-12 Number	2011-12 £000	2010-11 Number	2010-11 £000
Non-NHS Payables				
Total Non-NHS trade invoices paid in the year	**64,722**	**87,505**	62,333	86,135
Total Non-NHS trade invoices paid within target	**57,607**	**79,737**	55,669	78,295
Percentage of NHS trade invoices paid within target	**89.01%**	**91.12%**	89.31%	90.90%
NHS Payables				
Total NHS trade invoices paid in the year	**2,328**	**24,125**	2,161	18,278
Total NHS trade invoices paid within target	**2,157**	**23,830**	1,897	17,898
Percentage of NHS trade invoices paid within target	**92.65%**	**98.78%**	87.78%	97.92%

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

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

	2011-12 £000	2010-11 £000
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0

11 Investment Revenue

	2011-12 £000	2010-11 £000
Interest Revenue: Bank Interest	**106**	67

12 Other Gains and Losses

	2011-12 £000	2010-11 £000
Gain/(loss) on disposal of property, plant and equipment	**(37)**	4

13 Finance Costs

	2011-12 £000	2010-11 £000
Interest		
Interest on obligations under finance leases	**0**	97
Provisions - unwinding of discount	**15**	17
Interest on obligations under PFI contracts:		
- main finance cost	**1,777**	814
- contingent finance cost	**0**	0
Total interest expense	**1,792**	928
Other finance costs	**0**	0
Total	**1,792**	928

14 Property, Plant and Equipment

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:									
At 31 March 2011	13,002	202,929	1,974	8,735	62,238	897	11,329	5,288	**306,392**
Merger adjustments	0	0	0	0	720	0	0	0	**720**
At 1 April 2011 restated	13,002	202,929	1,974	8,735	62,958	897	11,329	5,288	**307,112**
Additions - purchased	0	1,931	0	11,773	4,207	108	1,748	69	**19,836**
Additions - donated	0	0	0	0	74	0	0	0	**74**
Reclassifications	0	4,303	0	(6,452)	1,145	0	143	663	**(198)**
Disposals other than for sale	0	0	0	0	(6,116)	(332)	(303)	(84)	**(6,835)**
Upward revaluation/positive indexation	0	2,702	36	0	0	0	0	0	**2,738**
Impairments/negative indexation	0	(362)	0	0	0	0	0	0	**(362)**
At 31 March 2012	**13,002**	**211,503**	**2,010**	**14,056**	**62,268**	**673**	**12,917**	**5,936**	**322,365**
Accumulated Depreciation									
At 31 March 2011	0	7,302	124	0	42,481	652	8,632	4,021	**63,212**
Merger adjustments	0	0	0	0	0	0	0	0	**0**
At 1 April 2011 restated	0	7,302	124	0	42,481	652	8,632	4,021	**63,212**
Disposals other than for sale	0	0	0	0	(6,071)	(332)	(303)	(84)	**(6,790)**
Upward revaluation/positive indexation	0	291	12	0	0	0	0	0	**303**
Impairments	0	329	0	0	0	0	0	0	**329**
Charged During the Year	0	7,229	83	0	5,519	81	895	315	**14,122**
At 31 March 2012	**0**	**15,151**	**219**	**0**	**41,929**	**401**	**9,224**	**4,252**	**71,176**
Net book value at 31 March 2012	**13,002**	**196,352**	**1,791**	**14,056**	**20,339**	**272**	**3,693**	**1,684**	**251,189**
Purchased	13,002	195,222	1,791	14,056	19,909	272	3,689	1,667	**249,608**
Donated	0	1,130	0	0	430	0	4	17	**1,581**
Total at 31 March 2012	**13,002**	**196,352**	**1,791**	**14,056**	**20,339**	**272**	**3,693**	**1,684**	**251,189**
Asset financing:									
Owned	13,002	187,987	1,791	14,056	15,669	272	3,693	1,684	**238,154**
Held on finance lease	0	0	0	0	166	0	0	0	**166**
On-SOFP PFI contracts	0	8,365	0	0	4,504	0	0	0	**12,869**
Total	**13,002**	**196,352**	**1,791**	**14,056**	**20,339**	**272**	**3,693**	**1,684**	**251,189**

Revaluation Reserve Balance for Property, Plant and Equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Assets Held For Sale	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
At 31 March 2011	4,595	61,492	1,047	346	5	193	53	1,216	**68,947**
Prior period adjustments	0	0	0	0	0	0	0	0	**0**
Merger adjustments	0	0	0	0	0	0	0	0	**0**
At 1 April 2011 restated	4,595	61,492	1,047	346	5	193	53	1,216	**68,947**
Movements (specify)	0	138	24	0	0	0	0	0	**162**
At 31 March 2012	4,595	61,630	1,071	346	5	193	53	1,216	**69,109**

14 Property, Plant and Equipment

2010-11	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:									
At 1 April 2010	13,002	175,847	1,824	10,857	56,216	840	10,450	5,275	**274,311**
Additions - purchased	0	(58)	0	14,797	6,236	57	880	13	**21,925**
Reclassifications	0	16,792	0	(16,919)	127	0	(1)	0	**(1)**
Disposals other than by sale	0	0	0	0	(341)	0	0	0	**(341)**
Revaluation and indexation gains	0	11,932	150	0	0	0	0	0	**12,082**
Impairments	0	(1,584)	0	0	0	0	0	0	**(1,584)**
At 31 March 2011	**13,002**	**202,929**	**1,974**	**8,735**	**62,238**	**897**	**11,329**	**5,288**	**306,392**
Accumulated Depreciation									
At 1 April 2010	0	0	0	0	37,550	599	7,766	3,776	**49,691**
Reclassifications	0	0	0	0	0	0	5	0	**5**
Disposals other than for sale	0	0	0	0	(341)	0	0	0	**(341)**
Upward revaluation/positive indexation	0	896	46	0	0	0	0	0	**942**
Impairments	0	319	0	0	0	0	0	0	**319**
Charged during the year	0	6,087	78	0	5,272	53	861	245	**12,596**
At 31 March 2011	**0**	**7,302**	**124**	**0**	**42,481**	**652**	**8,632**	**4,021**	**63,212**
Net book value at 31 March 2011	**13,002**	**195,627**	**1,850**	**8,735**	**19,757**	**245**	**2,697**	**1,267**	**243,180**
Purchased	13,002	194,472	1,850	8,735	19,047	245	2,692	1,248	**241,291**
Donated	0	1,155	0	0	710	0	5	19	**1,889**
Total at 31 March 2011	**13,002**	**195,627**	**1,850**	**8,735**	**19,757**	**245**	**2,697**	**1,267**	**243,180**
Asset financing:									
Owned	13,002	187,114	1,850	8,735	14,674	245	2,697	1,267	**229,584**
Held on finance lease	0	0	0	0	335	0	0	0	**335**
On-SOFP PFI contracts	0	8,513	0	0	4,748	0	0	0	**13,261**
	13,002	**195,627**	**1,850**	**8,735**	**19,757**	**245**	**2,697**	**1,267**	**243,180**

Revaluation Reserve Balance for Property, Plant and Equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Assets Held For Sale	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
At 1 April 2010 restated	4,595	49,833	943	346	5	193	53	1,216	**57,184**
Movements	0	11,658	105	0	0	0	0	0	**11,763**
At 31 March 2011	**4,595**	**61,491**	**1,048**	**346**	**5**	**193**	**53**	**1,216**	**68,947**

14 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 2012.

The value of the Trust's land and buildings have been assessed by an independent professional valuer as at 31 March 2012 to give an overall valuation which has then been subject to indexation using indices provided by the professional valuer. New additions and refurbishments completed in year were valued by the same independent valuer on a modern equivalent asset basis. The valuation was incorporated into the figures shown above.

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

15 Intangible Assets

2011-12	Total £000
Cost or valuation:	
At 1 April 2011	**1,551**
Additions - purchased	**66**
Reclassifications	**198**
At 31 March 2012	**1,815**
Accumulated Amortisation	
At 31 March 2011	**772**
Prior period adjustments	**0**
Merger adjustments	**0**
At 1 April 2010	**772**
Charged during the year	**297**
At 31 March 2012	**1,069**
Net Book Value at 31 March 2012	**746**
Net book value at 31 March 2012 comprises:	
Purchased	**742**
Donated	**4**
Total at 31 March 2012	**746**

2010-11	Total £000
Cost	
At 1 April 2010	1,431
Additions - purchased	120
At 31 March 2011	1,551
Accumulated Amortisation	
At 1 April 2010	542
Reclassifications	(5)
Charged during the year	235
At 31 March 2011	772
Net book value at 31 March 2011	779
Net book value at 31 March 2011 comprises:	
Purchased	773
Donated	6
Total at 31 March 2011	779

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 2011-12

	2011-12 Total £000	2010-11 Total £000
Property, Plant and Equipment Impairments and Reversals taken to SoCI		
Loss or damage resulting from normal operations	**0**	0
Over-specification of assets	**0**	0
Abandonment of assets in the course of construction	**0**	0
Total charged to Departmental Expenditure Limit	**0**	0
Unforeseen obsolescence	**0**	0
Loss as a result of catastrophe	**0**	0
Other	**0**	0
Changes in market price	**329**	319
Total charged to Annually Managed Expenditure	**329**	319
Property, Plant and Equipment Impairments and Reversals charged to the revaluation reserve		
Other	**334**	1,584
Changes in market price	**28**	0
Total Impairments for Property, Plant and Equipment charged to reserves	**362**	1,584
Total Impairments of Property, Plant and Equipment	**691**	1,903
Total impairments charged to Revaluation Reserve	**362**	1584
Total Impairments charged to Statement of Comprehensive Income - DEL	**0**	0
Total Impairments charged to Statement of Comprehensive Income - AME	**329**	319
Overall totall Impairments	**691**	1,903
Of which:		
Impairment on revaluation to "modern equivalent asset" basis	**691**	1,903

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

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

17 Investment Property

The Trust has no investment property.

18 Commitments

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

	31 March 2012	31 March 2011
	£000	£000
Total Property, plant and equipment	**10,910**	1,409

19 Intra-Government and Other Balances

	Current receivables £000	**Non-current receivables £000**	**Current payables £000**	**Non-current payables £000**
Balances with other Central Government Bodies	13,705	0	5,724	0
Balances with Local Authorities	254	0	206	0
Balances with NHS Trusts and Foundation Trusts	821	0	358	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	3,998	1,916	27,727	0
At 31 March 2012	**18,778**	**1,916**	**34,015**	**0**
Prior period:				
Balances with other Central Government Bodies	12,971	0	9,004	0
Balances with Local Authorities	5	0	5	0
Balances with NHS Trusts and Foundation Trusts	625	0	814	0
Balances with Public Corporations and Trading Funds	0	0	32	0
Balances with bodies external to government	1,928	556	20,080	0
At 31 March 2011	**15,529**	**556**	**29,935**	**0**

20 Inventories

	Drugs £000	Consumables £000	Energy £000	Other £000	Total £000
Balance at 1 April 2011	1,621	2,917	103	103	**4,744**
Merger adjustment	0	320	0	0	**320**
Restated at 1 April 2011	1,621	3,237	103	103	**5,064**
Additions	25,981	4,801	59	0	**30,841**
Inventories recognised as an expense in the period	(26,011)	(4,185)	0	(6)	**(30,202)**
Balance at 31 March 2012	1,591	3,853	162	97	**5,703**

21.1 Trade and Other Receivables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
NHS receivables - revenue	**14,036**	12,216	**0**	0
NHS prepayments and accrued income	**0**	2	**0**	0
Non-NHS receivables - revenue	**1,584**	693	**0**	0
Non-NHS prepayments and accrued income	**1,479**	952	**0**	0
Provision for the impairment of receivables	**(394)**	(287)	**(585)**	(583)
VAT	**490**	560	**0**	0
Current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**1,310**	0
Other receivables	**1,583**	1,393	**1,191**	1,139
Total	**18,778**	15,529	**1,916**	556
Total current and non current	**20,694**	16,085		
Included in NHS receivables are prepaid pension contributions:	**0**	0		

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

21.2 Receivables Past Their Due Date But Not Impaired

	31 March 2012 £000	31 March 2011 £000
By up to three months	**876**	250
By three to six months	**8**	23
By more than six months	**0**	0
Total	**884**	273

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

21.3 Provision for Impairment of Receivables

	2011-12 £000	2010-11 £000
Balance at 1 April	**(870)**	(701)
Adjustments	**0**	0
Restated balance at 1 April	**(870)**	(701)
Amount written off during the year	**18**	104
Amount recovered during the year	**0**	0
Increase in receivables impaired	**(127)**	(273)
Transfer to NHS Foundation Trust	**0**	0
Balance at 31 March	**(979)**	(870)

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 £(1.0m) balance includes a provision of £(0.7m) for Injury Cost Recovery (ICR) (31 March 2011 £(0.7m)). ICRs are not included in Note 21.2 as the Trust can not be certain as to when these will be settled.

22 Cash and Cash Equivalents

	31 March 2012 £000	31 March 2011 £000
Balance at 1 April	**11,786**	9,583
Merger adjustments	**2**	0
Restated at 1 April	**11,788**	9,583
Net change in year	**3,870**	2,203
Balance at 31 March	**15,658**	11,786
Made up of		
Cash with Government Banking Service	**15,587**	11,647
Commercial banks	**61**	130
Cash in hand	**10**	9
Cash and cash equivalents as in Statement of Financial Position	**15,658**	11,786
Cash and cash equivalents as in Statement of Cash Flows	**15,658**	11,786
Patients' money held by the Trust, not included above	**124**	133

23 Non-current Assets Held for Sale

	Total
	£000
Balance at 1 April 2011	**800**
Merger adjustments	**0**
Restated at 1 April 2011	**800**
Balance at 31 March 2012	**800**
Liabilities associated with assets held for sale at 31 March 2012	**0**
Balance at 1 April 2010	800
Balance at 31 March 2011	800
Liabilities associated with assets held for sale at 31 March 2011	**0**

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

The Compton Road site has been valued on the open market by a professional chartered surveyor for £0.8m, and it is anticipated that disposal will be completed by the end of 2012.

24 Trade and Other Payables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
NHS payables - revenue	**3,262**	3,652	**0**	0
NHS accruals and deferred income	**21**	3,992	**0**	0
Non-NHS payables - revenue	**6,447**	5,728	**0**	0
Non-NHS payables - capital	**3,644**	3,575	**0**	0
Non-NHS accruals and deferred income	**17,791**	7,426	**0**	0
Social security costs	**0**	1,772	**0**	0
VAT	**11**	81	**0**	0
Tax	**0**	1,369	**0**	0
Other	**2,839**	2,340	0	0
Total	**34,015**	**29,935**	**0**	0
Total payables (current and non-current)	**34,015**	**29,935**		
Included above:				
outstanding pension contributions at the year end	**2,749**	**2,185**		

25 Borrowings

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
PFI liabilities	**1,728**	1,948	**8,035**	7,182
Finance lease liabilities	**116**	128	**50**	207
Total	**1,844**	2,076	**8,085**	7,389
Total other liabilities (current and non-current)	**9,929**	9,465		

26 Deferred Income

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Opening balance at 01/04/11	**3,916**	1,813	**0**	0
Deferred income addition	**290**	3,486	**0**	0
Transfer of deferred income	**(1,543)**	(1,383)	**0**	0
Current deferred Income at 31 March 2012	**2,663**	3,916	**0**	0
Total other liabilities (current and non-current)	**2,663**	3,916	**0**	**0**

27 Finance Lease Obligations as Lessee

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum lease	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
Within one year	**116**	128	**116**	128
Between one and five years	**50**	207	**50**	207
Present value of minimum lease payments	**166**	335	**166**	335

28 Finance Lease Receivables and Lessor

There are no finance lease receivables at 31 March 2012 (31 March 2011 £Nil).

29 Provisions

		Comprising:	
	Total	**Legal Claims**	**Other**
	£000	**£000**	**£000**
Balance at "01/04/11"	**2,223**	925	1,298
Prior period adjustment	**0**	0	0
Merger adjustments	**0**	0	0
Restated balance 01/04/11	**2,223**	925	1,298
Arising during the year	**2,273**	505	1,768
Utilised during the year	**(656)**	(394)	(262)
Reversed unused	**(205)**	(142)	(63)
Unwinding of discount	**15**	15	0
Change in discount rate	**0**	0	0
Transfers to NHS Foundation Trusts *(for Trusts becoming FTs only)*	**0**	0	0
Balance as at "31/03/12"	**3,650**	**909**	**2,741**
Expected Timing of Cash Flows:			
No Later than One Year	**3,193**	**452**	**2,741**
Later than One Year and not later than Five Years	**109**	**109**	**0**
Later than Five Years	**348**	**348**	**0**

Amount Included in the provisions of the NHS Litigation Authority in respect of Clinical Negligence Liabilities:	
As at "31/03/12"	**43,771**
As at "31/03/11"	**37,056**

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 and a provision for the possible return of money received by the Trust for Referral To Treatment and Reablement. There is reasonable certainty that all claims will be settled within the 12 months to 31 March 2012.

30 Contingencies

	31 March 2012	31 March 2011
	£000	£000
Contingent liabilities		
Equal Pay	**0**	0
Other	**(172)**	(216)
Amounts recoverable against contingent liabilities	**0**	0
Net value of contingent liabilities	**(172)**	(216)

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

Contingent Assets

Contingent assets	**700**	700
Net value of contingent assets	**528**	484

and Customs under s.121 of the Finance Act 2008. The outcome and timing of these claims is uncertain at 31 March 2012.

31 Private Finance Initiative Contracts.

	2011-12 £000	2010-11 £000
Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI		
Service element of on SOFP PFI charged to operating expenses in year	**1,877**	1,732
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No later than one year	**1,910**	1,877
Later than one year,no later than five years	**7,736**	7,522
Later than five years	**29,166**	30,319
Total	**38,812**	39,718

Imputed "finance lease" obligations for on SOFP PFI contracts due

	2011-12 £000	2010-11 £000
No later than one year	**1,728**	1,947
Later than one year,no later than five years	**5,174**	4,889
Later than five years	**6,462**	6,298
Subtotal	**13,364**	13,134
Less: Interest Element	**(3,601)**	(4,004)
Total	**9,763**	9,130

32 Impact of IFRS Treatment - Current Year

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

	Total £000
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)	
Depreciation charges	1,162
Interest expense	1,777
Other expenditure	1,877
Impact on PDC dividend payable	84
Total IFRS expenditure (IFRIC12)	**4,900**
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease income)	(4,989)
Net IFRS change (IFRIC12)	**(89)**
Capital Consequences of IFRS : PFI and other items under IFRIC12	
Capital expenditure 2011-12	657
Average net assets relating to IFRIC12 schemes - IFRS	(657)
Revenue costs of IFRS: all other expenditure associated with IFRS (e.g. finance leases)	
Depreciation charge	169
Interest expense	9
Impact on PDC dividend payable	9
Total IFRS expenditure (non IFRIC12)	**187**
Revenue consequences under UK GAAP	(178)
Net IFRS change (non IFRIC12)	**9**

33 Financial Instruments

33.1 Financial Risk Management

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

The Trust's Treasury Management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's Internal Auditors.

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

Interest rate risk

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

Credit risk
Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2012 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

33.2 Financial Assets	**Loans and receivables £000**	**Total £000**
Receivables - NHS	14,036	**14,036**
Receivables - non-NHS	3,385	**3,385**
Cash and cash equivalents	15,658	**15,658**
Total at 31 March 2012	33,079	**33,079**
Receivables - NHS	12,216	12,216
Receivables - non-NHS	2,359	2,359
Cash and cash equivalents	11,786	11,786
Total at 31 March 2011	26,361	26,361

33.3 Financial Liabilities	**Other £000**	**Total £000**
NHS payables	3,283	**3,283**
Non-NHS payables	30,996	**30,996**
PFI and finance lease obligations	9,929	**9,929**
Total at 31 March 2012	44,208	**44,208**
NHS payables	7,574	7,574
Non-NHS payables	19,139	19,139
PFI and finance lease obligations	9,465	9,465
Total at 31 March 2011	36,178	36,178

34 Events After the End of the Reporting Period
None.

35 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 Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year the Royal Wolverhampton Hospitals 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.

Name	Expenditure (net of recharges) to Related Party £000	Income (net of recharges) from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
Department of Health	1,027	865	176	0
West Midlands Strategic Health Authority	10	12,285	6	40
Birmingham Community Healthcare NHS Trust	0	524	3	14
Birmingham East And North PCT	0	57,552	1,501	0
Black Country Partnership NHS Foundation Trust	162	794	88	269
Care Quality Commission	100	0	0	0
Dudley PCT	4	9,236	4	261
Health Protection Agency	152	12	0	11
Heart of Birmingham Teaching PCT	0	174	57	0
Herefordshire PCT	0	105	0	37
Mid Staffordshire NHS Foundation Trust	447	813	11	144
NHS Blood and Transplant	2,877	71	109	0
NHS Business Services Authority	8,281	0	1,043	0
NHS Litigation Authority	5,727	0	12	0
North Staffordshire PCT	43	109	36	0
Oxford Health NHS Foundation Trust	220	0	24	0
Plasma Resources UK	481	0	0	39
Sandwell and West Birmingham Hospitals NHS Trust	161	17	30	0
Sandwell PCT	0	2,085	1	291
Shrewsbury and Telford Hospitals NHS Trust	188	294	1	14
Shropshire Community Health NHS Trust	0	114	0	2
Shropshire County PCT	0	4,268	0	47
South Birmingham PCT	100	131	0	2
South Staffordshire PCT	0	38,116	0	2,094
Telford and Wrekin PCT	0	1,556	0	255
The Dudley Group of Hospitals NHS Foundation Trust	339	898	37	12
University Hospital Birmingham NHS Foundation Trust	109	65	49	49
University Hospital of North Staffordshire NHS Trust	184	5	48	0
Walsall Healthcare NHS Trust	0	1,098	8	133
Walsall Teaching PCT	0	23,097	0	2,470
Warwickshire PCT	22	135	22	3
West Midlands Ambulance Service NHS Trust	0	337	0	60
Wolverhampton City PCT	4,518	204,708	654	7,500
Worcestershire PCT	0	1,366	411	0
Yorkshire and Humber Strategic Health Authority	0	415	0	0

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

36 Losses and Special Payments

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

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

The total number of losses cases in 2010-11 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	161,379	191
Special payments	439,298	192
Total losses and special payments	600,677	383

Details of cases individually over £250,000

There were no cases over £250,000 (31 March 2010 no cases).

37. 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.

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

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

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	**2011-12 %**
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**
Break-even cumulative position as a percentage of turnover	-11.97	-11.33	-7.23	-2.79	0.21	2.80	**4.77**

37.2 Capital Cost Absorption Rate

Until 2008-09 the Trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

From 2009-10 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%.

37.3 External Financing

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

	£000	**2011-12 £000**	2010-11 £000
External financing limit		**(2,609)**	1,325
Cash flow financing	**(5,299)**		(3,921)
Finance leases taken out in the year	**0**		0
Other capital receipts	**(74)**		(229)
External financing requirement		**(5,373)**	(4,150)
Undershoot		**2,764**	5,475

37.4 Capital Resource Limit

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

	2011-12 £000	2010-11 £000
Gross capital expenditure	**19,976**	22,045
Less: book value of assets disposed of	**(45)**	0
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(74)**	(229)
Charge against the capital resource limit	**19,857**	21,816
Capital resource limit	**20,240**	21,957
Underspend against the capital resource limit	**383**	141

38 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 2012 £000s	31 March 2011 £000s
Third party assets held by the Trust	**124**	133