NHS
The Royal Wolverhampton
NHS Trust

Annual Accounts 2016-17

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RL4 The Royal Wolverhampton NHS Trust

Annual Accounts for the period

1 April 2016 to 31 March 2017

CONTENTS

Foreword to the Accounts

Financial Review - year ended 31 March 2017

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	
	2016/17	2015/16
To break even on income and expenditure, taking one year with another	Deficit of £13.222m	Deficit of £2.814m
To achieve a capital cost absorption rate of between 3% and 4%	3.5%	3.5%
To operate within an External Financing Limit set by the Department of Health	Undershoot of £0.012m	Undershoot of £0.606m
To remain within a Capital Resource Limit set by the Department of Health	Under-spent by £0.446m	Under-spent by £0.233m
To pay 95% of non-NHS trade creditors within 30 days	88%	87%

Kevin Stringer
Director of Finance
26 May 2017

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

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

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

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

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

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

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

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

I confirm that, as far as I am aware, there is no relevant audit information of which the trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the trust's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Signed.....Chief Executive

Date...26 May 2017.....

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

.....26 May 2017.....Date.....  .....Chief Executive

.....26 May 2017.....Date.....  .....Finance Director

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

We have audited the financial statements of The Royal Wolverhampton NHS Trust for the year ended 31 March 2017 on pages 26 to 62 under the Local Audit and Accountability Act 2014. These financial statements have been prepared under applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England. We have also audited the information in the Remuneration and Staff Report that is subject to audit.

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

Respective responsibilities of Directors, the Accountable Officer and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

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 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 Directors; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for

taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2017.

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2017 and of the Trust's expenditure and income 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 relevant to NHS Trusts in England.

Opinion on other matters

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to NHS Trusts in England; and
- the other information published together with the audited financial statements in the Annual Report and Accounts is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the governance statement does not comply with the Department of Health Group Accounting Manual 2016/17; or
- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We have nothing to report in respect of the above responsibilities.

Certificate

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

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

31 May 2017

GOVERNANCE STATEMENT 2016-2017

Organisational Code: RL4

1. Scope of Responsibility

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

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

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

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

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

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

I meet periodically with the local Members of Parliament.

Whilst the detailed provisions of the UK Corporate Governance Code are not mandatory for public sector bodies, compliance with relevant principles of the Code is considered to be good practice. This Governance Statement is intended to demonstrate how the Trust had regard to the principles set out in the Code considered appropriate for the Trust for the financial year ended 31 March 2017.

2. The Purpose of the Systems of Internal Control

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

3. The Governance Framework of the Organisation

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

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

An Internal Audit report on Divisional Governance concluded that the governance arrangements from Directorate to Trust Board level have been well designed and, from the evidence gathered, are working in an effective manner and assurances are received through the whole structure. The evidence indicated that the Divisions are holding the Directorates to account appropriately. Six medium and two low level management actions were identified during the audit, and these have been or in the process of implemented.

Also during 2016-2017 the Trust underwent an independent review of governance by Deloitte. As part of the review the Trust Board and its Committees were observed, and Directors and senior staff were interviewed. The report was largely positive, but a number of recommendations were highlighted and these have now been included in an action plan which is being implemented.

3.1. Trust Board

The Trust Board has met monthly (except in August and December). Other than for matters requiring commercial confidence or having sensitive human resources implications, it has conducted its business in public and allowed time for the press, public and other observers to ask questions of the Directors at each meeting. A high attendance rate by Directors was recorded during the year.

The Chairman's term of office was extended by another two years from March 2017. A new Associate Non-executive Director took up position in March 2017, replacing Dr Parkes who resigned in May 2016 when his GP practice became vertically integrated with the Trust. The Interim Director of Human Resources was appointed to the substantive position in July, but left the Trust on 31 March 2017, with an incoming Director of Workforce replacing her on 5 April 2017. The process to recruit another Non-executive Director with clinical experience was still on-going at the end of the year. At 31 March 2017 the Board comprised 7 female and 10 male directors; two from a minority ethnic background.

At each meeting the Trust Board considered reports on:

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

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

ratings awarded following their inspection carried out in June 2015. The review recommended that in a number of areas, the original score should be increased. This can be summarised as follows:

New Cross Hospital children and young people services – the well-led and safe scores were increased to good and the service as a whole was lifted from requires improvement to good. For the Cannock Chase Hospital urgent and emergency care service the well-led and safe scores were increased to good and the service across both the New Cross Hospital and Cannock Chase Hospitals improved to good. The community children and young people service the ratings for caring and well-led were increased to outstanding. These changes resulted in the overall score for the service being increased to outstanding.

Whilst the Trust rating was not affected by the review, the Trust Board accepted the revised conclusion of the CQC following the lengthy review of our appeal.

The Trust Board strives to maintain an appropriate balance between strategic matters and supervising the management of the Trust. Among the former in 2016-2017 were: the recruitment of key staff particularly doctors and nurses, the 5-year capital programme, the continued development of the University of Wolverhampton Postgraduate Academic Institute of Medicine and the Trust's own clinical fellowship programme, vertical integration with GP practices, accountable care organisations, the development of the sustainability and transformation plans, and the financial challenges within the NHS.

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

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

Table 1 summarises the Trust Boards achievements in ensuring good and effective governance arrangements in managing the Trust Board over the year.

Table 1 – Board Composition and Commitment / Experience

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

In addition to the Committees listed, Non-Executive Directors are also involved in sub Trust Board level groups. This enables them to gather information, question and when appropriate offer challenge and / or assurance at different levels within the organisation. They have individually taken part in the new format safety walkabouts, the Royal Awards, and chairing consultant interview panels.

As well as meeting formally, the whole Trust Board meets every month for a development session, this programme has covered a mixture of informal presentations around strategic and operational matters, as well as informal briefings and discussions, such as on financial pressures and service development opportunities in the Black Country. The Trust Board has also held two away days during the year.

3.2. Audit Committee

Members: R Dunshea, J Anderson, M Martin, and R Edwards

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

During 2016-2017 the Audit Committee met quarterly, and at each meeting considered progress updates on: risk management and assurance, internal audit, external audit, fraud prevention, security management and tracking of the implementation of auditors' recommendations across the Trust. Each meeting received an update on any new risks or assurance concerns from the chairs of the Quality Governance Assurance Committee (QGAC), the Finance and Performance Committee (F&PC) and the Trust Management Committee (TMC).

One joint meeting was held with QGAC.

The Committee received and discussed reports on the:

- Annual Report for Trust Charitable Funds 2015-16
- Trust Annual Report 2015-16
- Quality Account and Annual Accounts 2015-16
- Cyber security internal audit report
- Proposed changes to the Modern Equivalent Asset (MEA) alternative site valuation of Trust land and property
- Recruitment processes audit

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

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

The Chair of the QGAC is a member of the Audit Committee, which helps to maintain the flow of information between the two committees, particularly on clinical audit matters. Two of the three Committee members have recent and relevant financial experience.

The Committee oversaw the process to appoint the Trust's internal and external auditors, and local counter fraud specialist, during the year.

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

3.3. Quality Governance Assurance Committee (QGAC)

Members: J. Anderson, R. Edwards, M. Martin

The QGAC provides assurance to the Trust Board that patient care is of the highest achievable standard and in accordance with all statutory and regulatory requirements. It also provides assurance of proactive management and early detection of risks across the Trust. High Non-Executive Directors' attendance rates at the monthly meetings of this Committee were recorded throughout the year.

The Committee receives reports and minutes from four sub groups (listed below):

- Patient Safety Improvement Group (PSIG)
- Quality Standards Action Group (QSAG)
- Academy Steering Group (ASG)
- Complaints, Litigation, Incidents and PALs group (CLIP) - the committee received the quarterly reports on themes and trends of incidents, complaints and claims.

The Committee considered various matters during the year. The Board Assurance Framework (BAF) and Trust Risk Register (TRR) and the IQPR were reviewed in detail at each meeting.

Other topics reported during the year included:

- Health and Safety assurance
- External review registry
- Safeguarding assurance
- CQC regulatory compliance assurance
- Claims and litigation
- Annual audit plan
- Mortality performance
- Themes and trends of incidents, complaints and claims

The Committee also reviewed the annual Governance Statement for review and challenge (alongside the opinion of the Head of Internal Audit). The Committee recognised progress made with the completion of the BAF and asked for continued development of the BAF format and arrangements to sustain progress. As well as routine reporting the QGAC have reviewed its schedule of themed reviews (deep dive reports) to cover priority areas for assurance.

The following items were escalated / notified to the Audit Committee in the period:

- Rate of falls and the work of the falls collaborative
- Compliant performance and breaches
- Pressure injuries performance and joint work with Clinical Commissioning Group
- Performance target – Referral to Treatment (RTT)
- Emergency Department performance – admissions, waiting times etc
- Compliance with Surgical Safety Checklist
- Safeguarding compliance and risk
- Venous thromboembolism (VTE) work development
- Quality review visit (QRV) outcomes
- Infection prevention performance – C.difficile and MRSA

During the year, QGAC, through its reporting subgroups and its own scheduled agenda, has been able to provide assurance to the Board on, for example, the outcome and actions following inspections and visits by external agencies, the progress of the Trust clinical audit plan, service compliance with national reports and audit benchmarks including the follow up of actions and risks identified from this analysis. It received reports of individual internal QRV and agreed a programme and process for re-visits to commence 2017-2018.

3.4. Patient Safety Improvement Group

Non-Executive Director Observer: J Anderson

This Group met monthly and reports discussed monthly included serious untoward incidents, the use of safer surgery checklists, ward performance monitoring reports, various applications for new procedures and techniques and quality impact assessments for Cost Improvement Programme (CIP) schemes in 2016-2017. At scheduled times during the year the Group received reports on complaints performance, audits for `being open', discharge, transfer, risk management processes, specialist subgroup reports (including mortality, medicines management, organ donation and sign up to safety) and ad hoc reports relevant to quality and safety of care (for example NPSA alert for naso-gastric tube management).

3.5. Quality Standards Action Group

Non-Executive Director Observer: R Edwards

This Group met monthly. Reports included CQC on-going compliance monitoring, nurse accreditation report, safeguarding, external reviews and inspections, clinical audit report (progress and annual),

National Audit Reports, (for example, Pathology National External Quality Assessment Scheme (EQA) reports & cervical screening outcome data), National Confidentiality Reports, (for example Just Say Sepsis), miscellaneous national reports, such as National Confidential Inquiry into Suicide and Homicide (NCISH), Better Births and Confidentiality Inquiry into the Premature Deaths of People with Learning Disabilities), and subgroup reports, for example, SWAN (palliative care programme), Equality and Diversity Steering group, Trauma Governance Group, Information Governance, NICE.

3.6. Finance and Performance Committee

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

The F&PC provides assurance to the Trust Board on the effective financial and external performance targets of the organisation. It also supports the development, implementation and delivery of the medium term financial plan, and the efficient use of financial resources. The Committee meets monthly and considers in detail, among other things, the Trust's financial position, budget training report, the progress of the capital programme, and performance aspects of the Trust Board's quality and performance report. It also considers the work of the Financial Recovery Board and Cost Improvement Programme Group, service line reporting, Sustainability and Transformation Programme (STP), contractual performance against contractual standards, Commissioning for Quality and Innovation (CQUIN), Local Clinical Research Network (LCRN) finance report, the procurement strategy and other matters associated with operational finance and budgeting. As the Committee with oversight of the majority of risks highlighted on the BAF, it has spent a considerable amount of time reviewing progress with the mitigations against each of the risks assigned.

The Committee meetings have always been quorate and well attended. As with the other Committees, the Chair submits a report on each meeting to the next available Board and highlights pertinent issues. This is done in a timely fashion as the Committee meets the week before the Board. In addition, the minutes are submitted to the Board for information. The Committee ended the year by agreeing objectives for 2017-2018.

3.7. Remuneration Committee

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

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

3.8. Charitable Funds Committee

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

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

During another busy year, the Committee has enjoyed the continued dedicated support of an in-house fundraising coordinator, and the support of an Interim Head of Communications, as well as the on-going help of the finance team and external investment adviser. It has reviewed its investment policy and reserve policy, reviewed its terms of reference, as well as receiving quarterly reports from the Fund Managers on investment movements. The official re-launch of the charity's strategy took place in 2016. Projects supported this year have included funding a scanner for the Deansley Centre, free public Wi-Fi, refurbishment of audio visual facilities in the WMI, and equipment in Neonates, Ophthalmology, and Cardiology.

3.9. Trust Management Committee

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

The Committee, chaired by the Chief Executive, receives monthly reports from the Divisions on governance, nursing and quality issues, as well as business cases above a certain value. The Committee also receives monthly updates on finance, human resources, the capital programme, vertical integration, nursing and midwifery professional issues, policies, the IQPR, and the Trust efficiency programme. Quarterly updates are presented on cancer services, infection prevention, research and development, and the integrated electronic patient record project. Reports on other matters, such as education and training, are also submitted periodically. During the year, the Committee started to include on its agendas a strategic matter for discussion, in order to engage the members in considering and debating together some of the bigger issues facing the organisation going forward.

4. Risk Assessment

The Trust Board has approved a Risk Management Assurance Strategy, which identifies that the Chief Executive has overall responsibility for risk management within the Trust. Within the strategy (and supporting policies) all managers and staff have delegated responsibility identified for the management of risk as part of their core duties. Training is provided to equip staff with appropriate knowledge and skills via a combination of e-training packages and handbook resources. The risk management training was reviewed, taking account of current risk priorities and performance, and an application to reinstate its status as mandatory for all staff is to be made.

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

In practice this means:

- Interrogating internal sources of risk intelligence and activity to inform local and Trust level risk registers and assurance frameworks (e.g. incident, complaint, claim, audit, and compliance)
- Using committee / subgroup reporting to inform the risk registers
- Reviewing external / independent accounts of Trust performance to inform risk status (e.g. CQC standards, national benchmarks, external reviews and internal audit reports)
- Integrating functions (strategic and operational) at all levels of the Trust to feed a risk register and escalation process
- Using a standardised approach to risk reporting, grading and escalation. The Trust categorisation matrix supports a standard approach to risk tolerance
- Monitoring controls through positive and negative assurance and treatment actions for each risk, to mitigate and manage residual risks
- Developing and implementing a risk management and patient safety reporting policy (OP10) across the Trust
- Refinement of risk management training made available to all staff (including senior managers)

4.1. Management of the Risk Register within the Trust:

Risk registers are managed at the following levels:

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

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

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

- QGAC – Monthly
- Trust Board – Bi Monthly
- Finance & Performance Committee - Monthly
- Delegated Committees - Monthly

During the year the Trust has maintained focus on the quality of controls assigned to risks at all levels and the principles of measurable controls are applied.

A total of 57 risks on the BAF and TRR were managed during the year 2016-2017, of these 26 were new risks identified in year. The 57 risks comprised of the following categories, 14 were red (red being the highest risk rating), 38 were amber, 4 were yellow, and 1 green.

There were 22 risks closed as at 31 March 2017, the remaining 35 to be carried forward to 2017-2018 are:

9 risks are RAG rated within the red category, these are as follows:

- Workforce - Recruitment and retention of staff across the Trust and in particular the future pipeline of nursing and medical staff
- Risk of adverse impact on the Trust following service transfer from Mid Staffordshire FT in November 2014 due to underlying financial gap of £6million
- That there is a failure to deliver recurrent CIP's
- That the deficit plan (before Sustainability and Transformation Funds) for 2016-2017 is not achieved and the medium term financial plan fails to bring the Trust back to surplus
- That the Trust fails to generate sufficient cash to pay for its commitments
- Shortage of qualified nurses across the Division
- Risk to quality of patient care: reduced manpower
- Lack of robust system for review and communication of test results
- Delays in ED Cubicle Assessment and Triage

24 risks are RAG rated amber, 1 risk RAG rated yellow and 1 risk RAG rated green. All remaining risks will be managed and regularly reviewed on the Trust risk register and BAF.

5. The Risk and Control Framework

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

- The aims and objectives for risk management in the organisation, aligned to the Trust vision
- A description of the committee arrangements and relationships between various corporate committees and subgroups
- The BAF and process for management of risk registers
- The identification of the roles and responsibilities of all staff with regard to risk management, including accountability and reporting structures.
- The promotion of standard risk management systems as an integral part of assurance provision
- A description of the risk management process and a requirement for all risks to be recorded in a risk register prioritised (i.e. graded) and escalated using a standard scoring methodology

The Trust seeks to identify risks through all available intelligence sources including independent / external review / assessment. The risk management process is supported by a number of policies which direct risk assessment, incident reporting and investigation, mandatory training, health and safety, conflict resolution, violence and aggression, complaints, infection prevention, fire safety, human resources management, consent, manual handling and security. All policies have identified audit / monitoring and training arrangements.

The BAF identifies the risks to the Trust strategic objectives, the key controls in place to manage these risks and the effectiveness of the controls shown in positive and negative assurance. The Internal Audit advisory work supporting the development of the Board Assurance Framework during 2016-2017 provided advice on further developments to the BAF.

In addition, during 2016-2017 the local audit of the Risk Management Reporting Policy (OP10) showed good compliance with risk register review by directorates, and sustained improvement with risk escalation once identified.

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

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

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

During 2016 the Trust conducted 12 QRVs identifying areas of good and excellent practice to be shared, as well as areas for improvement for local follow up. The QRVs are well embedded within the Trust with positive feedback and quality benefits being reported by both the clinical areas visited and those conducting the inspections.

The Trust has developed a follow-up visit process which is to be rolled out in 2017-2018.

The Trust has a robust process in place to ensure the quality and accuracy of the elective waiting time data. Over the past two years the Trust has taken part in two nationally coordinated pieces of work to validate the waiting lists. Both have highlighted the strong processes and robust data reporting. The December 2015 report stated "The Trust can be assured that the current patient tracking list is of sound quality and there have been no concerns highlighted requiring the programme to escalate these internally or externally". The Trust continues to invest in data quality and has externally commissioned waiting list training for over 80 people during the year.

To supplement this, a comprehensive and robust performance management process exists across the Trust to monitor waiting list data. This involves weekly review at the Chief Operating Officer's performance meeting and through subsequent meetings across the Divisions. A detailed integrated quality and performance report is produced monthly; performance is discussed in-depth at the monthly Finance and Performance Committee and quality at the Quality Governance and Assurance Committee which are chaired by Non-Executive Directors, with further scrutiny taking place at the full Trust Board.

Whilst strong processes are in place, the inevitable risk remains with any human error. These are usually identified and resolved with the monthly validation checks that are in place. Whilst this system is robust, human error remains as the single biggest risk. A specific reporting issue was identified during 2016-2017 and the Trust undertook an investigation and requested an immediate audit report of the issues. Details of the concerns and actions have been shared with all relevant commissioners and a revised standard operating procedure has been produced as a result of the incident.

5.1 The Risk and Control Framework - Looking Forward to 2017-2018

Over the coming year the Trust will continue to progress enhancements to its internal assurance including a focus on strengthening local ownership and accountability, monitor compliance with CQC standards

through the QRV revisit programme and develop a framework to build capacity for learning and improvement.

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

- Workforce – Recruitment and retention of staff across the Trust
- Risk of adverse impact on the Trust following service transfer from Mid Staffordshire FT in November 2014 due to underlying financial gap of £6million
- Black Country or Staffordshire STP has an adverse impact on RWT income and services
- Failure to deliver recurrent CIPs
- That the Trust fails to generate sufficient cash to pay for its commitments
- Condition of the existing estate – quality and flexibility
- That the underlying deficit for the Trust of c£30million is not addressed by the medium term financial plan and fails to bring the Trust back to surplus

6. Information Governance

The table below details the level 2 or above incidents reported on the NHS Digital incident reporting tool and to the Information Commissioners Office (ICO), within the financial year 2016-2017. Any incidents that are still being investigated for the period 2016-2017 are not included. The incidents listed below are for The Royal Wolverhampton NHS Trust. For the Vertical Integration GP partnerships that have joined the Trust, there have been no reportable incidents.

Table 2 – Information Governance Incidents Reported to the ICO

Date incident occurred (Month)	Nature of incident	Number of data subjects potentially affected	Description/ Nature of data involved	Further action on information risk
Nov-16	Disclosed in error.	2 patients	Two patients with similar names were discharged home from the Ward by the same midwife on the same day.	Both patients had the similar names were discharged on same day by same staff member. A thorough review of process was carried out and a detailed procedure has now been implemented to prevent re occurrence. No harm caused to either patient.
Oct-16	Cyber incident – Hacking	500 + staff	Third party providers of services to the Trust were subject to a malware attack in October 2016, in which the Trust's data was compromised.	Full forensic investigation commissioned by the provider. Trust conducing independent RCA
Sep-16	Unauthorised Access/Disclosure	1 patient	A staff member accessed another staff member's health medical record for non-clinical reasons	Breach of Trust policy / procedures / NMC professional standards in accessing and changing personal records outside of professional remit / duties by member of staff. An appropriate and proportionate sanction was given following an HR process.

Aug-16	Disclosed in Error.	1250 patients	Spread sheet containing patient demographics emailed to correct recipient but via non secure means, and in wrong format.	Member of staff was new to the Trust and did not have practical experience of the process and so did not identify the consequence of sending this level of information to the Provider in this format, or via this method. Patient identifiable information was not required to be included in the emails sent. The email containing the information was deleted and re-sent in correct format. Documented process in place to prevent reoccurrence.
Jun-16	Unauthorised Access/Disclosure	1 patient	Record printed off clinical systems found in staff changing room.	Member of staff failed to log off clinical session and another member of staff accessed a relatives record and printed it off. The staff member was the patient next of kin but access was inappropriate. An appropriate and proportionate sanction was given following an HR process.
Jun-16	Unauthorised Access/Disclosure	2 patients	A member of staff raised concern that a colleague had accessed her own health records and those of her partner on clinical systems.	Discussed at Local Team Meetings with all department staff. Patient confidentiality reminder to be included as regular agenda item. An appropriate and proportionate sanction was given following an HR process.
May-16	Unauthorised Access/Disclosure	1 patient	Member of staff accessed and then discussed patient information that was not in connection with the job role or in accordance with Trust Policy which constitutes a breach of confidentiality.	The Trust carried out a thorough investigation and a HR disciplinary was carried out. An appropriate and proportionate sanction was given following an HR process.

Incidents classified at lower severity level

Incidents classified at severity level 1 in line with NHS digital criteria are aggregated and provided in table below for The Trust. Vertical Integration practices recoded no level IG incidents for the period of 2016-2017.

Table 3 – Lower Level Incidents

	SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS		
Ca	**Breach Type**	**Total 2015/16**	**Total 2016/17**
A	Corruption or inability to recover electronic data	0	2
B	Disclosed in Error	44	60
C	Lost in Transit	4	6
D	Lost or stolen hardware	4	2
E	Lost or stolen paperwork	15	7
F	Non-secure Disposal – hardware	0	0
G	Non-secure Disposal – paperwork	1	1
H	Uploaded to website in error	0	0
I	Technical security failing (including hacking)	11	11
J	Unauthorised access / disclosure	3	4
Total		**82**	**93**

6.1 Information Governance Toolkit Return 2016-2017

The Trust completed the annual self-assessment submission (V14) on the Information Governance Toolkit to the Department of Health for 2016-2017 by 31 March 2017.

The overall scores are as follows:

- RL4 - The Royal Wolverhampton NHS Trust - 79% Satisfactory (45 requirements)
- M92654 - MGS Medical Practice - 100% Satisfactory (13 requirements)
- M92007 - Lea Road Practice -100% Satisfactory (13 requirements)
- M92002 - Alfred Squire Practice - 91% Satisfactory (13 requirements)
- M92042- Tettenhall Road Practice – 94% Satisfactory (13 requirements)

6.2 Information Governance - Looking Forward to 2017-2018

The Trust is continuing to monitor patterns and trends of information governance incidents and implementing measures to reduce these to the lowest level practicable, in line with the Trust's Information Governance Strategy 2016-2018. An IG risk profile is also being developed in order for the Trust to identify and manage IG risk.

The Trust have started a programme of work to ensure compliance with the new General Data Protection Regulation 2016 (GDPR), in readiness for May 2018 when the regulation comes into force. The Trust is also working closely with GP Partnerships that have joined the organisation to align practices and share good practice.

7. Review of Economy, Efficiency & Effectiveness of the Use of Resources

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

The Trust has achieved all of its statutory 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 the annual budget by the Trust Board
- Monthly reporting to the Trust Board on key performance indicators covering finance, activity, governance, quality and performance
- Monthly reporting to the F&PC
- Regular reporting at Operational and Divisional meetings on financial performance
- Finance Recovery Board meetings to oversee the Lord Carter economies work streams, and the Cost Improvement Programme

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

8. 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, content and reporting arrangements of annual quality reports.

Our priorities for 2016-2017 were chosen after consulting both our staff and clinical teams who work in the Trust, looking at what patients and members of the public say about us and our services in national and local surveys and in patient feedback received through complaints, compliments and the Friends and Family Test. We have also taken account of our CQC feedback and of what people say nationally about health services and where services need to improve.

The Department of Health Quality Accounts Toolkit 2015/16 influenced the format and content of the Quality Account. The existing reporting structure has been the source for information, for example Datix for numbers and themes of complaints and incidents. Specific information has been validated by the key leaders in the Trust, for example Infection Prevention data provided by the Director of Infection Prevention and Control (DIPC), and incident data by the Head of Governance and Legal Services.

A draft version of the Quality Account is approved by Directors before being circulated to the local authority's Overview and Scrutiny Committee, and Wolverhampton Healthwatch. The Quality Account is subject to a limited assurance review by the Trust External Auditors before a final version is produced for publication.

9. Operational Performance

The year, 2016-2017 saw a continued increase in operational pressures nationally and this gave rise to increased demand across all key services. In April 2016, Vocare (West Midlands Doctors) commenced their urgent care service in the Urgent Emergency Care Centre. As a result of this some patients are triaged to them from the Emergency Department. The Trust maintains a focus on delivering the national priorities identified within the Operating Framework, alongside the local priorities defined by the commissioner.

A comprehensive and robust performance management process exists across the Trust to monitor delivery against operational standards. This involves weekly review at the Chief Operating Officer's performance meeting and through subsequent meetings across the Divisions. A detailed integrated IQPR

is produced monthly; performance is discussed in-depth at the monthly F&PC, which is chaired by a Non-executive Director, with further scrutiny taking place at the full Trust Board, Examples of the Operating Framework targets can be evidenced below:

- The Trust failed to maintain compliance with the headline position for RTT measures at Trust level for incomplete pathways. This is partly due to the industrial action that took place early in the year resulting in the cancellation of many outpatient and inpatient procedures. The effect of this impacted on the preceding months, this has also been exacerbated by an increase in referrals.

- The Emergency Department saw similar numbers of attendances as the previous year; however, the Trust did see a rise in ambulance conveyances along with batching of ambulances (significant numbers arriving over a short period of time) during the year. This has had the inevitable detrimental impact on performance. Overall the Trust saw an increase of 3.6% in ambulances which meant 1,633 additional conveyances received during the year. Whilst the Trust did not achieve the A&E standard, we benchmark favourably when compared to the regional and national position. Importantly, there were zero 12hour trolley waits all year.

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

9.1 Emergency Planning / Resilience

Under the Civil Contingencies Act 2004, (CCA) every NHS Organisation has to have Emergency Preparedness, Response and Resilience (EPRR) arrangements in place. The Royal Wolverhampton NHS Trust is classified as a Category 1 responder. As a category 1 responder, the Trust is required to fulfil the relevant legal and contractual EPRR requirements, and ensure a robust and sustainable 24/7 response to emergencies and disruptions.

The Trust is further required to meet the core standards set out by NHS England under the EPRR arrangements 2015 and alignment to the Business Continuity Standard ISO 22301. The core standards cover a range of areas concerned with major incident response and ensuring business continuity plans and emergency preparedness is embedded within the Trust. Locally, the Trust links in with NHS England West Midlands. The Trust was assessed as 'fully compliant' in 2016.

The Trust has reviewed the process of business continuity management, and now has in place a Trust Policy for staff to adhere to, along with a business continuity review process to ensure maintenance of and up-to-date local plans in the event of a business continuity disruption. Staff training on this is further supported by an e-learning package, which is linked to the Trust's training database.

The Trust has undertaken its yearly Chemical, Biological, Radiological and Nuclear (CBRN) audit, undertaken by the West Midlands Ambulance Service to ensure its resilience in the event of CBRN incident occurring.

The Trust has undertaken its 3 yearly live exercise – 'Exercise Endurance'' in line with the statutory requirements of the CCA 2004, and yearly table top and 6 monthly communication tests.

An Emergency Preparedness Annual Report and plan is produced, identifying the status of the Trust's resilience over the last 12 months and identifying objectives for the year. In addition, the Trust has key requirements to meet against CQC as well as meeting the guidance set out in the NHS Operating Framework.

The Trust has an Accountable Emergency Officer (AEO) who takes executive responsibility and leadership at service level, supported by the Head of Emergency Planning & Business Continuity, who works to provide resilience to manage emergencies and incidents that affect the Trust, with escalation where necessary. The organisation works collaboratively with local multi-agency partners to facilitate inclusive planning and response and ensures preparedness to maintain critical services in periods of disruption, along with facilitating NHS EPRR assurance including business continuity.

The Trust is an active member and participates in the following health and multi-agency groups to ensure a proactive and co-ordinated approach to warning and informing and sharing best practice, encouraging a joint approach to emergency preparedness in terms of planning, responding and recovery.

- Local Health Resilience Partnership – Executive Group (LHRP) – bi monthly
- Local Health Resilience Forum for Emergency Planning Officers - monthly
- Wolverhampton Resilience Group (WRG) – quarterly
- Safety Advisory Group (SAG) Wolverhampton Council – as and when required
- Health Protection Forum for Public Health Response – quarterly

9.2 Health and Safety at Work

Since the introduction of the new Health and Safety Strategy in June 2015 a Trust health and safety risk profile has been maintained showing compliance with HSE legislation relevant to the Trust. Work continues to identify gaps and provide action plans to fill these gaps giving the Trust an improved assurance around compliance with HSE Regulations. Estates Facilities are working towards compliance with the Premises Assurance Model (PAM) accreditation system, this is adding to the robustness of assurance around the estates risk profile. Estates Facilities have also successfully achieved accreditation for CHAS (Contractors Health & Safety Assessment Scheme) allowing them to use the logo on their letterheads as approved contractors.

Cannock Chase Hospital became fully aligned to Trust Health and Safety processes and compliance with Trust policy is continually improving. This year has seen the integration of several GP practices across Wolverhampton into the Trust, the challenge now is to ensure these areas also meet policy compliance; this work is underway, with the practices now a part of our annual audit programme.

There has been a 3.4% increase in the number of health and safety incidents when comparing 2016-2017 to 2015-2016. Focus during the year remained on high incident reporting areas; ensuring investigations are undertaken where needed. Emphasis has been placed on sharing lessons identified across the Trust, using various forums to do this including the Safety Representative Forum, the Health and Safety newsletter 'SPOT' and Trust Risk Newsletter 'Risky Business'.

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

- Slips, trips & falls (18% decrease)
- Personal Contact Injury (5% decrease)
- Sharps incidents (7.5% increase)
- Manual Handling (14% increase)
- Violence and Aggression (14% increase)

Work continues to be focused on high reporting areas / themes to improve control measures and implement corrective actions.

9.3 Social Economic Responsibilities: Modern Slavery and Forced Labour

The Trust is committed to its Social Economic Responsibilities and ensuring that it is a Good Corporate Citizen (GCC). In its procurement practices the Trust stipulate that: the successful contractor will ensure that its supply chain is monitored and that there is zero tolerance of modern slavery within their supply chain; the successful contractor must ensure that at no point, throughout the delivery of their contractual agreement with the Trust, will any materials used to deliver the agreement be created through the use of bonded labour or infringement of human rights; and that where any such issues arise within the extended supply chain, the successful contractor will act to remove these items from entering the Trust's extended supply chain and implement ethical sourcing programs and supply chain audits to prevent any repetition.

In addition, sourcing staff within the Procurement team access external e-learning which covers Ethical & Sustainable Procurement."

10. Annual Declarations

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

The CQC has not taken enforcement action against The Royal Wolverhampton NHS Trust during 2016-2017.

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

3. Control measures are in place aiming to ensure that the Trust's obligations under equality, diversity, inclusion, human rights and employment legislation are complied with. The Trust strives to deliver safe, accessible and fair services to the diverse population that we serve. We value our greatest asset, our diverse workforce, and strive to create working environments in which everyone is able to reach their full potential and flourish, this in turn will help us deliver truly inclusive services that treat people with respect, care, dignity and compassion and improve the overall patient experience.

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

5. The Trust made its annual self-assessment submission to the Department of Health by the 31st March 2017 on the Information Governance Toolkit. The overall score was 79% and the Trust was graded satisfactory all 45 requirements.

10.1 Head of Internal Audit Opinion

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Trusts risk management, control and governance processes. For the 12 months ending 31 March 2017, the Head of Internal Audit opinion is as follows:

The organisation has an adequate and effective framework for risk management, governance and internal control.

Whilst not significant issues in themselves a small number of specific internal control compliances weaknesses were identified by the Internal Auditor, specifically related to a) recruitment processes, b) E-rostering, c) Emergency department activity information and recording, d) data quality – patient harm free care.

The Audit Committee has sought and gained assurance that management actions to address these weakness has been delivered through the embedded action tracking process within the Trust.

11. 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 informed by reports from external inspecting bodies including external audit and the Patient-Led Assessments of the Care Environment (PLACE) inspections (the system for assessing the quality of the patient environment). It is also informed by comments made by the External Auditors in their report to those charged with governance (ISA 260) and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Trust Board, the Audit Committee, and the QGAC and a plan to address weaknesses and ensure continuous improvement of the system is in place.

12. Conclusion

No significant internal control issues have been identified during 2016-2017.

Accountable Officer: David Loughton CBE

Organisation: The Royal Wolverhampton NHS Trust

Signature: 

Date: 1 June 2017

Statement of Comprehensive Income for year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	9.1	**(317,441)**	(301,356)
Other operating costs	7	**(220,810)**	(197,038)
Revenue from patient care activities	4	**442,957**	428,983
Other operating revenue	5	**93,071**	80,422
Operating surplus/(deficit)		**(2,223)**	11,011
Investment revenue	11	**39**	99
Other gains and (losses)	12	**44**	41
Finance costs	13	**(1,615)**	(1,667)
Surplus/(deficit) for the financial year		**(3,755)**	9,484
Public dividend capital dividends payable		**(9,467)**	(12,298)
Net Gain/(loss) on transfers by absorption		**0**	0
Retained surplus/(deficit) for the year		**(13,222)**	(2,814)

Other Comprehensive Income

	2016-17 £000s	2015-16 £000s
Net gain/(loss) on revaluation of property, plant & equipment	**(74,234)** *	(6,556)
Total comprehensive income for the year	**(87,456)**	(9,370)

Financial performance for the year

Retained surplus/(deficit) for the year	**(13,222)**	(2,814)
Impairments (excluding IFRIC 12 impairments)	**22,547**	3,101
Adjustments in respect of donated gov't grant asset reserve elimination	**(783)**	(134)
Adjusted retained surplus/(deficit)	**8,542**	153

* The net loss shown in Other Comprehensive Income represents a change in the value of Property Plant and Equipment (PPE) following revaluation by a professional valuer (see note 15.3)

The notes on pages 31 to 62 form part of this account.

Statement of Financial Position as at 31 March 2017

	NOTE	31 March 2017 £000s	31 March 2016 £000s
Non-current assets:			
Property, plant and equipment	15	**306,710**	395,710
Intangible assets	16	**979**	813
Trade and other receivables	20.1	**624**	826
Total non-current assets		**308,313**	397,349
Current assets:			
Inventories	19	**6,337**	6,981
Trade and other receivables	20.1	**33,157**	22,524
Cash and cash equivalents	21	**14,180**	16,927
Sub-total current assets		**53,674**	46,432
Non-current assets held for sale	22	**800**	800
Total current assets		**54,474**	47,232
Total assets		**362,787**	444,581
Current liabilities			
Trade and other payables	23	**(52,211)**	(51,457)
Provisions	27	**(5,463)**	(3,254)
Borrowings	24	**(2,123)**	(1,912)
Total current liabilities		**(59,797)**	(56,623)
Net current assets/(liabilities)		**(5,323)**	(9,391)
Total assets less current liablilities		**302,990**	387,958
Non-current liabilities			
Trade and other payables	23	**0**	0
Other liabilities		**0**	0
Provisions	27	**(594)**	(631)
Borrowings	24	**(6,037)**	(5,343)
Total non-current liabilities		**(6,631)**	(5,974)
Total assets employed:		**296,359**	381,984
FINANCED BY:			
Public Dividend Capital		**231,398**	229,568
Retained earnings		**14,314**	26,906
Revaluation reserve		**50,457**	125,320
Other reserves		**190**	190
Total Taxpayers' Equity:		**296,359**	381,984

The notes on pages 31 to 62 form part of this account.

The financial statements on pages 26 to 30 were approved by the Board on 26 May 2017 and signed on its behalf by

Chief Executive:  Date: 26 May 2017

Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2017

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**229,568**	**26,906**	**125,320**	**190**	**381,984**
Changes in taxpayers' equity for 2016-17					
Retained surplus/(deficit) for the year		(13,222)			**(13,222)**
Net gain / (loss) on revaluation of property, plant, equipment			(74,234)		**(74,234)**
Transfers between reserves		629	(629)	0	**0**
Reclassification Adjustments					
Temporary and permanent PDC received - cash	1,830				**1,830**
Other movements	0	1	0	0	**1**
Net recognised revenue/(expense) for the year	**1,830**	**(12,592)**	**(74,863)**	**0**	**(85,625)**
Balance at 31 March 2017	**231,398**	**14,314**	**50,457**	**190**	**296,359**
Balance at 1 April 2015	**225,252**	**28,550**	**133,042**	**190**	**387,034**
Changes in taxpayers' equity for the year ended 31 March 2016					
Retained surplus/(deficit) for the year		(2,814)			(2,814)
Net gain / (loss) on revaluation of property, plant, equipment			(6,556)		(6,556)
Transfers between reserves		1,160	(1,160)	0	0
Reclassification Adjustments					
New PDC received - cash	6,816				6,816
PDC repaid in year	(2,500)				(2,500)
Other movements	0	10	(6)	0	4
Net recognised revenue/(expense) for the year	**4,316**	**(1,644)**	**(7,722)**	**0**	**(5,050)**
Balance at 31 March 2016	**229,568**	**26,906**	**125,320**	**190**	**381,984**
Net actuarial gain/(loss) on pension					0

Information on reserves

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

2 **Retained Earnings**
The balance of this reserve is the accumulated surpluses and deficits of the NHS trust.

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

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

Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		**(2,223)**	11,011
Depreciation and amortisation	7	**14,855**	15,913
Impairments and reversals	17	**22,547**	3,101
Release of PFI/deferred credit		**(124)**	(785)
(Increase)/Decrease in Inventories		**644**	(690)
(Increase)/Decrease in Trade and Other Receivables		**(7,085)**	(442)
(Increase)/Decrease in Other Current Assets		**0**	0
Increase/(Decrease) in Trade and Other Payables		**(1,972)**	2,851
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions utilised		**(2,123)**	(2,227)
Increase/(Decrease) in movement in non cash provisions		**4,293**	(366)
Net Cash Inflow/(Outflow) from Operating Activities		**28,812**	28,366
Cash Flows from Investing Activities			
Interest Received		**39**	99
(Payments) for Property, Plant and Equipment		**(17,167)**	(41,049)
(Payments) for Intangible Assets		**(1)**	0
Proceeds of disposal of assets held for sale (PPE)		**52**	67
Net Cash Inflow/(Outflow) from Investing Activities		**(17,077)**	(40,883)
Net Cash Inform / (outflow) before Financing		**11,735**	(12,517)
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received		**1,830**	6,816
Gross Temporary and Permanent PDC Repaid		**0**	(2,500)
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		**(1,887)**	(1,887)
Interest paid		**(1,613)**	(1,657)
PDC Dividend (paid)/refunded		**(12,812)**	(12,926)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		**0**	0
Net Cash Inflow/(Outflow) from Financing Activities		**(14,482)**	(12,154)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,747)**	(24,671)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**16,927**	41,598
Effect of exchange rate changes in the balance of cash held in foreign currencies		**0**	0
Cash and Cash Equivalents (and Bank Overdraft) at year end	**21**	**14,180**	16,927

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 Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2016-17 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

Going Concern

These accounts have been prepared on a going concern basis.

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 Movement of assets within the DH Group

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

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries."

1.4 Charitable Funds

Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 Presentation of Financial Statements, restated prior period accounts are presented where the adoption of the new policy has a material impact.

1.5 Critical accounting judgements and key sources of estimation uncertainty

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

1.5.1 Critical judgements in applying accounting policies

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

NOTES TO THE ACCOUNTS

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

- 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.

1.5.2 Key sources of estimation uncertainty

- Useful economic lives of assets
The Trust estimates the useful economic lives of its non-current assets. Every care is taken to ensure that estimates are robust however factors such as unforeseen obsolescence or breakdown may impact on the actual life of the asset held.
- Provisions
When considering provisions for events such as pension payments, NHSLA claims and other legal cases the Trust uses estimates based on expert advice from agencies such as the NHS Litigation Authority, legal advice from Trust advisors and the experience of its managers.

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

1.7 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, except for bonuses earned but not yet taken and leave earned but not yet taken. Neither are accrued for at the year end on the grounds of immateriality.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pension Schemes. These schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The schemes are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they were defined contribution schemes: the cost to the NHS body of participating in a 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 NHS trust commits itself to the retirement, regardless of the method of payment.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

NOTES TO THE ACCOUNTS

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

1.8 Other expenses

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

1.9 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 NHS trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- Collectively, a number of items have a total 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.

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. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

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

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

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. The Alternative Site method has been adopted by the Trust in 2016/17.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

NOTES TO THE ACCOUNTS

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

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

1.10 Intangible assets

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

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation 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; and
- 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 current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.11 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, and assets held for sale are not depreciated/amortised.

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

Useful economic life in years for depreciation/amortisation are as follows:
Buildings (excluding Dwellings) between 1 and 90 years.
Dwellings between 5 and 60 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.

NOTES TO THE ACCOUNTS

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

At each financial year-end, the NHS trust checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, 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 at the financial year end.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit 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.

1.12 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at 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 treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.13 Government grants

Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.14 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

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

1.15 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 of 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.

NOTES TO THE ACCOUNTS

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

The NHS trust as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS 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.

1.16 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 NHS 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.

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 or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

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 initial 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.

NOTES TO THE ACCOUNTS

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

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the NHS 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 accrual or prepayment is recognised respectively.

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

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

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

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

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the NHS trust's cash management.

1.19 Provisions
Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:
- A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
- A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
- A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are in real terms.

NOTES TO THE ACCOUNTS

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

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

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

1.20 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA, which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at Note 27.

1.21 Non-clinical risk pooling

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

1.22 Carbon Reduction Commitment Scheme (CRC)

CRC and similar allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS trust makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

1.23 Contingencies

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

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

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

1.24 Financial assets

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

Financial assets are classified into the following categories: 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.

NOTES TO THE ACCOUNTS

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

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the NHS trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and where there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

Loans and receivables

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

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

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

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

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

1.25 Financial liabilities

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

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

Other financial liabilities

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

NOTES TO THE ACCOUNTS

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

1.26 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.

1.27 Foreign currencies

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

1.28 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 37 to the accounts.

1.29 Public Dividend Capital (PDC) and PDC dividend

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

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

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

1.30 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the NHS trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

NOTES TO THE ACCOUNTS

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

1.31 Subsidiaries

Material entities over which the NHS trust has the power to exercise control are classified as subsidiaries and are consolidated. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the NHS trust or where the subsidiary's accounting date is not co-terminus.

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

From 2013-14, the NHS trust has consolidated the results of Royal Wolverhampton Charitable Funds over which it considers it has the power to exercise control in accordance with IFRS10 requirements. However, as this is not considered material the Charitable Funds have not been consolidated.

1.32 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 SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

● IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
● IFRS 15 Revenue from Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
● IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

1.34 Gifts

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

2. Operating segments

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

The Trust has identified two operating segments:-

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

Clinical Research Network
The Trust hosts the Greater Midlands Clinical Research Network. It receives funds from the National Institute for Health Research and pays for research provided by 29 NHS Trusts (including this Trust) plus 3 Universities. The total turnover for the Network is approximately £30m. The Network operates on a break even basis.

	Healthcare Services		Clinical Research Network: West Midlands		Total	
	2016-17 £000s	2015-16 £000s	**2016-17 £000s**	2015-16 £000s	**2016-17 £000s**	2015-16 £000s
Income	**506,913**	478,736	**29,115**	30,669	**536,028**	509,405
Surplus/(Deficit)						
Segment surplus/(deficit)	**(1,576)**	(1,568)	**0**	0	**(1,576)**	(1,568)
Common costs	**(518,559)**	(479,982)	**(29,115)**	(30,669)	**(547,674)**	(510,651)
Surplus/(deficit)	**(13,222)**	(2,814)	**0**	**0**	**(13,222)**	(2,814)
Net Assets:						
Segment net assets	**296,359**	381,984	**0**	0	**296,359**	381,984

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

3. Income generation activities

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

Summary Table - aggregate of all schemes	**2016-17 £000s**	2015-16 £000s
Income	**2,784**	2,830
Full cost	**1,250**	1,265
Surplus/(deficit)	**1,534**	1,565

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

4. Revenue from patient care activities

	2016-17 £000s		2015-16 £000s
NHS Trusts	**2,313**		3,689
NHS England	**99,864**		91,620
Clinical Commissioning Groups	**325,300**		316,256
Foundation Trusts	**567**		912
Department of Health	**0**		0
NHS Other (including Public Health England and Prop Co)	**12**		2,117
Additional income for delivery of healthcare services	**0**		2,500 *
Non-NHS:			
Local Authorities	**9,970**		9,435
Private patients	**1,123**		768
Overseas patients (non-reciprocal)	**90**		70
Injury costs recovery	**1,254**		1,010
Other Non-NHS patient care income	**2,464**	**	606
Total Revenue from patient care activities	**442,957**		428,983

* The additional income for delivery of healthcare services shown in 2015-16 relates to the capital to revenue transfer action by the NHS TDA
**The additional income shown in 2016-17 for Other Non-NHS patient care income relates to GP Vertical Integration

5. Other operating revenue

	2016-17 £000s	2015-16 £000s
Education, training and research	**47,444**	47,403
Receipt of charitable donations for capital acquisitions	**984**	336
Support from DH for mergers	**7,000**	11,000
Non-patient care services to other bodies	**10,528**	10,546
Sustainability & Transformation Fund Income	**11,628**	0
Income generation (Other fees and charges)	**4,974**	4,314
Rental revenue from operating leases	**379**	383
Other revenue	**10,134**	6,440
Total Other Operating Revenue	**93,071**	80,422
Total operating revenue	**536,028**	509,405

6. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	**90**	70
Cash payments received in-year (re receivables at 31 March 2016)	**50**	51
Cash payments received in-year (iro invoices issued 2016-17)	**30**	40
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	**804**	364
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	**191**	211
Amounts written off in-year (irrespective of year of recognition)	**121**	14

7. Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	**1,141**	1,184
Services from CCGs/NHS England	**13**	0
Services from other NHS bodies	**154**	139
Services from NHS Foundation Trusts	**2,527**	2,491
Total Services from NHS bodies*	**3,835**	3,814
Purchase of healthcare from non-NHS bodies	**1,227**	1,623
Trust Chair and Non-executive Directors	**92**	95
Supplies and services - clinical	**105,082**	101,052
Supplies and services - general	**10,170**	9,725
Consultancy services	**1,254**	424
Establishment	**7,228**	6,336
Transport	**403**	632
Service charges - ON-SOFP PFIs and other service concession arrangements	**2,136**	2,008
Business rates paid to local authorities	**2,479**	2,246
Premises	**15,425**	15,872
Impairments and Reversals of Receivables	**402**	343
Inventories write down	**10**	0
Depreciation	**14,536**	15,690
Amortisation	**319**	223
Impairments and reversals of property, plant and equipment	**22,547**	3,101
Internal Audit Fees	**98**	92
Audit fees**	**62**	67
Other auditor's remuneration [detail]	**11**	12
Clinical negligence	**7,292**	6,290
Research and development (excluding staff costs)	**22,577**	23,799
Education and Training	**1,487**	1,461
Other	**2,138**	2,133
Total Operating expenses (excluding employee benefits)	**220,810**	197,038
Employee Benefits		
Employee benefits excluding Board members	**316,090**	300,143
Board members	**1,351**	1,213
Total Employee Benefits	**317,441**	301,356
Total Operating Expenses	**538,251**	498,394

*Services from NHS bodies does not include expenditure which falls into a category below
** Audit fees exclude VAT as per the Group Accounting Manual. 2015/16 has been amended to reflect this guidance. The element of VAT is now shown within Other.

8. Operating Leases

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

8.1. RL4 The Royal Wolverhampton NHS Trust as lessee

	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense		
Minimum lease payments	**2,346**	2,576
Total	**2,346**	2,576
Payable:		
No later than one year	**601**	232
Between one and five years	**1,330**	123
After five years	**1,063**	0
Total	**2,994**	355
Total future sublease payments expected to be received:	0	0

8.2. RL4 The Royal Wolverhampton NHS Trust as lessor

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	**379**	383
Total	**379**	383
Receivable:		
No later than one year	**331**	183
Between one and five years	**1,205**	699
After five years	**250**	568
Total	**1,786**	1,450

9. Employee benefits

9.1. Employee benefits

	2016-17 Total £000s	**2015-16 Total £000s**
Employee Benefits - Gross Expenditure		
Salaries and wages	**264,879**	255,327
Social security costs	**23,158**	17,742
Employer Contributions to NHS BSA - Pensions Division	**29,835**	28,756
Termination benefits	**76**	34
Total employee benefits	**317,948**	301,859
Employee costs capitalised	**507**	503
Gross Employee Benefits excluding capitalised costs	**317,441**	301,356

9.2. Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	**7**	8
	£000s	£000s
Total additional pensions liabilities accrued in the year	**295**	215

9.3. Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 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. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

10. Better Payment Practice Code

10.1. Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**116,956**	**259,153**	109,624	215,480
Total Non-NHS Trade Invoices Paid Within Target	**95,462**	**227,031**	94,954	185,915
Percentage of NHS Trade Invoices Paid Within Target	**81.62%**	**87.61%**	86.62%	86.28%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,560**	**56,032**	3,293	52,780
Total NHS Trade Invoices Paid Within Target	**2,801**	**48,509**	2,622	48,855
Percentage of NHS Trade Invoices Paid Within Target	**78.68%**	**86.57%**	79.62%	92.56%

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

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

	2016-17 £000s	2015-16 £000s
Amounts included in finance costs from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	0

11. Investment Revenue

	2016-17 £000s	2015-16 £000s
Interest revenue		
Bank interest	**39**	99
Subtotal	**39**	99
Total investment revenue	**39**	99

12. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**44**	41
Total	**44**	41

13. Finance Costs

	2016-17 £000s	2015-16 £000s
Interest		
Interest on loans and overdrafts	**0**	**0**
Interest on obligations under finance leases	**0**	**1**
Interest on obligations under PFI contracts:		
- main finance cost	**452**	509
- contingent finance cost	**1,161**	1,148
Total interest expense	**1,613**	1,658
Other finance costs	**0**	**0**
Provisions - unwinding of discount	**2**	**9**
Total	**1,615**	1,667

14. Auditor Disclosures

14.1. Other auditor remuneration

	2016-17 £000s	2015-16 £000s
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	**0**	0
2. Audit-related assurance services	**11**	12
3. Taxation compliance services	**0**	0
4. All taxation advisory services not falling within item 3 above	**0**	0
5. Internal audit services	**0**	0
6. All assurance services not falling within items 1 to 5	**0**	0
7. Corporate finance transaction services not falling within items 1 to 6 above	**0**	0
8. Other non-audit services not falling within items 2 to 7 above	**0**	0
Total	**11**	**12**

14.2. Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2016/17 or 2015/16.

15.1. Property, plant and equipment

2016-17	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2016	**21,968**	**327,502**	**1,920**	**10,195**	**75,544**	**671**	**17,479**	**6,214**	**461,493**
Additions of Assets Under Construction				17,000					**17,000**
Additions Purchased	0	280	0		1,126	74	427	3	**1,910**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	984	0	0	0	**984**
Additions Leased (including PFI/LIFT)	0	634	0		2,281	0	0	0	**2,915**
Reclassifications	(80)	10,363	30	(16,772)	3,892	4	2,023	56	**(484)**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(2,203)	0	0	(100)	**(2,303)**
Revaluation	(6,796)	(72,665)	(461)	0	0	0	0	0	**(79,922)**
Impairments/reversals charged to operating expenses	(6,081)	(16,463)	0	0	0	0	0	0	**(22,544)**
Impairments/reversals charged to reserves	0	0	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	**0**
At 31 March 2017	**9,011**	**249,651**	**1,489**	**10,423**	**81,624**	**749**	**19,929**	**6,173**	**379,049**
Depreciation									
At 1 April 2016	**0**	**0**	**0**		**48,535**	**572**	**11,790**	**4,886**	**65,783**
Reclassifications	0	0	0		0	3	(2)	(1)	**0**
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	**0**
Disposals other than for sale	0	0	0		(2,195)	0	0	(100)	**(2,295)**
Revaluation	0	(5,643)	(45)		0	0	0	0	**(5,688)**
Impairment/reversals charged to reserves	0	0	0		0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0		3	0	0	0	**3**
Charged During the Year	0	5,643	45		6,370	24	2,144	310	**14,536**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0		0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	**0**
At 31 March 2017	**0**	**0**	**0**	**0**	**52,713**	**599**	**13,932**	**5,095**	**72,339**
Net Book Value at 31 March 2017	**9,011**	**249,651**	**1,489**	**10,423**	**28,911**	**150**	**5,997**	**1,078**	**306,710**
Asset financing:									
Owned - Purchased	9,011	241,303	1,489	10,423	22,007	150	5,997	1,075	**291,455**
Owned - Donated	0	799	0	0	772	0	0	3	**1,574**
Owned - Government Granted	0	0	0	0	0	0	0	0	**0**
Held on finance lease	0	0	0	0	1,966	0	0	0	**1,966**
On-SOFP PFI contracts	0	7,549	0	0	4,166	0	0	0	**11,715**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2017	**9,011**	**249,651**	**1,489**	**10,423**	**28,911**	**150**	**5,997**	**1,078**	**306,710**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	8,297	115,019	1,503	0	416	5	3	21	**125,264**
Revaluation	(6,796)	(67,583)	(418)	0	(10)	0	0	0	**(74,807)**
At 31 March 2017	**1,501**	**47,436**	**1,085**	**0**	**406**	**5**	**3**	**21**	**50,457**

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	11,059
Dwellings	0
Plant & Machinery	5,941
Balance as at YTD	**17,000**

15.2. Property, plant and equipment prior-year

2015-16	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2015	**21,968**	**300,251**	**2,008**	**27,277**	**74,479**	**643**	**13,850**	**5,788**	**446,264**
Additions of Assets Under Construction				34,654					**34,654**
Additions Purchased	0	0	3		1,094	28	245	10	**1,380**
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	97	239	0	0	0	**336**
Additions Leased (including PFI/LIFT)	0	619	0		1,483	0	0	0	**2,102**
Reclassifications	0	43,926	11	(51,833)	3,736	0	3,384	416	**(360)**
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(5,487)	0	0	0	**(5,487)**
Revaluation	0	(14,193)	(102)	0	0	0	0	0	**(14,295)**
Impairment/reversals charged to reserves	0	(3,101)	0	0	0	0	0	0	**(3,101)**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**21,968**	**327,502**	**1,920**	**10,195**	**75,544**	**671**	**17,479**	**6,214**	**461,493**
Depreciation									
At 1 April 2015	**0**	**0**	**0**		**48,167**	**523**	**10,016**	**4,587**	**63,293**
Reclassifications	0	0	0		0	0	0	0	**0**
Reclassifications as Held for Sale and Reversals	0	0	0		0	0	0	0	**0**
Disposals other than for sale	0	0	0		(5,461)	0	0	0	**(5,461)**
Revaluation	0	(7,681)	(58)		0	0	0	0	**(7,739)**
Impairment/reversals charged to reserves	0	0	0		0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0		0	0	0	0	**0**
Charged During the Year	0	7,681	58		5,829	49	1,774	299	**15,690**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0		0	0	0	0	**0**
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	**0**
At 31 March 2016	**0**	**0**	**0**	**0**	**48,535**	**572**	**11,790**	**4,886**	**65,783**
Net Book Value at 31 March 2016	**21,968**	**327,502**	**1,920**	**10,195**	**27,009**	**99**	**5,689**	**1,328**	**395,710**
Asset financing:									
Owned - Purchased	21,968	316,953	1,920	10,098	21,327	99	5,688	1,323	**379,376**
Owned - Donated	0	1,109	0	97	779	0	1	5	**1,991**
Owned - Government Granted	0	0	0	0	0	0	0	0	**0**
Held on finance lease	0	0	0	0	42	0	0	0	**42**
On-SOFP PFI contracts	0	9,440	0	0	4,861	0	0	0	**14,301**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2016	**21,968**	**327,502**	**1,920**	**10,195**	**27,009**	**99**	**5,689**	**1,328**	**395,710**

15.3. (cont). Property, plant and equipment

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 re-valued 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 (dwellings) – market value for existing use; or
- Specialised buildings – depreciated replacement cost.

A standard approach to depreciated replacement cost valuations has been adopted based on HM Treasury guidance and the concept of Modern Equivalent Asset (MEA) Valuations. The valuation included in the Statement of Financial Position at 31 March 2017 is based on an alternative site MEA valuation, undertaken specifically in accordance with the HM Treasury guidance which states that such valuations are an option if the Trust's service requirements can be met from the alternative site. The valuation has been adjusted at 1 April 2016 to alternative site MEA valuation and to exclude VAT from the Radiology PFI Building in line with existing VAT regulations on recovery from the cost of construction (in line with the existing PFI arrangement).

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 re-valued and depreciation commences when they are brought into use.

Professional valuations are carried out by GVA. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. Asset lives have been reviewed by the GVA as at 31 March 2017.

Donated Assets

The Royal Wolverhampton Hospitals NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2016.

16. Intangible non-current assets

16.1. Intangible non-current assets

2016-17	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Intangible Assets Under Construction	Total
Cost or valuation:	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
At 1 April 2016	**0**	**2,971**	**0**	**0**	**0**	**0**	**2,971**
Additions of Assets Under Construction						0	**0**
Additions Purchased	0	1	0	0	0	0	**1**
Additions Internally Generated	0	0	0	0	0	0	**0**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	0	**0**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	**0**
Reclassifications	0	484	0	0	0	0	**484**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	**0**
At 31 March 2017	**0**	**3,456**	**0**	**0**	**0**	**0**	**3,456**
Amortisation							
At 1 April 2016	0	2,158	0	0	0		**2,158**
Reclassifications	0	0	0	0	0		**0**
Reclassified as Held for Sale and Reversals	0	0	0	0	0		**0**
Disposals other than by sale	0	0	0	0	0		**0**
Upward revaluation/positive indexation	0	0	0	0	0		**0**
Impairment/reversals charged to reserves	0	0	0	0	0		**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0		**0**
Charged During the Year	0	319	0	0	0		**319**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0		**0**
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0		**0**
At 31 March 2017	**0**	**2,477**	**0**	**0**	**0**	**0**	**2,477**
Net Book Value at 31 March 2017	**0**	**979**	**0**	**0**	**0**	**0**	**979**
Asset Financing: Net book value at 31 March 2017 comprises:							
Purchased	0	979	0	0	0	0	**979**
Donated	0	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	0	**0**
Finance Leased	0	0	0	0	0	0	**0**
On-balance Sheet PFIs	0	0	0	0	0	0	**0**
Total at 31 March 2017	**0**	**979**	**0**	**0**	**0**	**0**	**979**

Revaluation reserve balance for intangible non-current assets							
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
At 1 April 2016	0	0	0	0	0	0	**0**
Movements	0	0	0	0	0	0	**0**
At 31 March 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**

16.2. Intangible non-current assets prior year

2015-16	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Licenses and Trademarks £000's	Patents £000's	Development Expenditure - Internally Generated £000's	Intangible Assets Under Construction £000's	Total £000's
Cost or valuation:							
At 1 April 2015	**0**	**2,611**	**0**	**0**	**0**	**0**	**2,611**
Additions - purchased	0	0	0	0	0	0	**0**
Additions - internally generated	0	0	0	0	0	0	**0**
Additions - donated	0	0	0	0	0	0	**0**
Additions - government granted	0	0	0	0	0	0	**0**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	**0**
Reclassifications	0	360	0	0	0	0	**360**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	**0**
At 31 March 2016	**0**	**2,971**	**0**	**0**	**0**	**0**	**2,971**
Amortisation							
At 1 April 2015	**0**	**1,935**	**0**	**0**	**0**	**0**	**1,935**
Reclassifications	0	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	0	**0**
Charged during the year	0	223	0	0	0	0	**223**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	**0**
At 31 March 2016	**0**	**2,158**	**0**	**0**	**0**	**0**	**2,158**
Net book value at 31 March 2016	**0**	**813**	**0**	**0**	**0**	**0**	**813**
Net book value at 31 March 2016 comprises:							
Purchased	0	813	0	0	0	0	**813**
Donated	0	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	0	**0**
Finance Leased	0	0	0	0	0	0	**0**
On-balance Sheet PFIs	0	0	0	0	0	0	**0**
Total at 31 March 2016	**0**	**813**	**0**	**0**	**0**	**0**	**813**

16.3. Intangible non-current assets

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

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

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

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence

17. Analysis of impairments and reversals recognised in 2016-17

	2016-17 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	22,547
Total charged to Annually Managed Expenditure	**22,547**
Total Impairments of Property, Plant and Equipment changed to SoCI	**22,547**
Total Impairments charged to SoCI - DEL	**0**
Total Impairments charged to SoCI - AME	**22,547**
Overall Total Impairments	**22,547**

Donated and Gov Granted Assets, included above	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

	Property Plant and Equipment £000s	Intangible Assets £000s	Financial Assets £000s	Non-Current Assets Held for Sale £000s	Total £000s
Impairments and reversals taken to SoCI					
Loss or damage resulting from normal operations	0	0	0	0	**0**
Over-specification of assets	0	0	0	0	**0**
Abandonment of assets in the course of construction	0	0	0	0	**0**
Total charged to Departmental Expenditure Limit	**0**	**0**	**0**	**0**	**0**
Unforeseen obsolescence	0	0	0	0	**0**
Loss as a result of catastrophe	0	0	0	0	**0**
Other	0	0	0	0	**0**
Changes in market price	22,547	0	0	0	**22,547**
Total charged to Annually Managed Expenditure	**22,547**	**0**	**0**	**0**	**22,547**
Total Impairments of Property, Plant and Equipment changed	**22,547**	**0**	**0**	**0**	**22,547**

Donated and Gov Granted Assets, included above	**£000s**
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

18. Commitments

18.1. Capital commitments

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

	31 March 2017 £000s	31 March 2016 £000s
Property, plant and equipment	**3,947**	3,023
Intangible assets	**0**	0
Total	**3,947**	3,023

19. Inventories

	Drugs	Consumables	Energy	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	**2,358**	**4,416**	**99**	**108**	**6,981**	6,981
Additions	53,898	31,975	108	680	**86,661**	86,661
Inventories recognised as an expense in the period	(54,205)	(32,347)	(78)	(665)	**(87,295)**	(87,295)
Write-down of inventories (including losses)	0	(10)	0	0	**(10)**	(10)
Balance at 31 March 2017	**2,051**	**4,034**	**129**	**123**	**6,337**	**6,337**

20.1. Trade and other receivables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
NHS receivables - revenue	**20,830**	13,633	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**1,274**	1,600	**0**	0
Non-NHS receivables - revenue	**3,449**	3,409	**1,307**	1,388
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**2,819**	2,215	**105**	0
PDC Dividend prepaid to DH	**3,667**	322	**0**	0
Provision for the impairment of receivables	**(836)**	(776)	**(788)**	(562)
VAT	**1,240**	1,541	**0**	0
Other receivables	**714**	580	**0**	0
Total	**33,157**	22,524	**624**	826
Total current and non current	**33,781**	23,350		
Included in NHS receivables are prepaid pension contributions:	**0**			

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

20.2. Receivables past their due date but not impaired

	31 March 2017 £000s	31 March 2016 £000s
By up to three months	**444**	1,705
By three to six months	**245**	190
By more than six months	**76**	0
Total	**765**	1,895

20.3. Provision for impairment of receivables

	2016-17 £000s	2015-16 £000s
Balance at 1 April 2016	**(1,338)**	(1,052)
Amount written off during the year	**116**	57
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(402)**	(343)
Balance at 31 March 2017	**(1,624)**	(1,338)

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.

21. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	**16,927**	41,598
Net change in year	**(2,747)**	(24,671)
Closing balance	**14,180**	16,927
Made up of		
Cash with Government Banking Service	**14,164**	16,886
Commercial banks	**1**	31
Cash in hand	**15**	10
Liquid deposits with NLF	**0**	0
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**14,180**	16,927
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**14,180**	16,927
Third Party Assets - Bank balance (not included above)	**0**	0
Third Party Assets - Monies on deposit	**58**	74

22. Non-current assets held for sale

	Land £000s	**Total £000s**
Balance at 1 April 2016	800	**800**
Balance at 31 March 2017	**800**	**800**
Liabilities associated with assets held for sale at 31 March 2017	**0**	**0**
Balance at 1 April 2015	800	**800**
Balance at 31 March 2016	**800**	**800**
Liabilities associated with assets held	0	0

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

The Compton Road site has been valued on the open market by a professional chartered surveyor for £0.8m, and it is anticipated that disposal will be completed by the end of 2017.

23. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
NHS payables - revenue	**7,802**	9,477	**0**	0
NHS accruals and deferred income	**1,440**	0	**0**	0
Non-NHS payables - revenue	**9,990**	11,739	**0**	0
Non-NHS payables - capital	**7,476**	4,750	**0**	0
Non-NHS accruals and deferred income	**20,934**	20,960	**0**	0
Social security costs	**3**	25		
VAT	**32**	151	**0**	0
Tax	**0**	21		
Other	**4,534**	4,334	**0**	0
Total	**52,211**	51,457	**0**	0
Total payables (current and non-current)	**52,211**	51,457		
Included above:				
outstanding Pension Contributions at the year end	**4,065**	4,013		

24. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
PFI liabilities - main liability	**1,920**	1,897	**4,289**	5,328
Finance lease liabilities	**203**	15	**1,748**	15
Total	**2,123**	1,912	**6,037**	5,343
Total other liabilities (current and non-current)	**8,160**	7,255		

Borrowings / Loans - repayment of principal falling due in:

	Other £000s	**Total £000s**
0-1 Years	2,123	**2,123**
1 - 2 Years	1,424	**1,424**
2 - 5 Years	2,297	**2,297**
Over 5 Years	2,316	**2,316**
TOTAL	**8,160**	**8,160**

25. Deferred income

	Current	
	31 March 2017 £000s	31 March 2016 £000s
Opening balance at 1 April 2016	**4,413**	1,040
Deferred revenue addition	**154**	3,460
Transfer of deferred revenue	**(878)**	(87)
Current deferred Income at 31 March 2017	**3,689**	4,413
Total deferred income (current and non-current)	**3,689**	4,413

26. Finance lease obligations as lessee

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum	
	31 March 2017 £000s	31 March 2016 £000s	**31 March 2017 £000s**	31 March 2016 £000s
Within one year	**215**	15	**203**	15
Between one and five years	**962**	15	**874**	15
After five years	**974**	0	**874**	0
Less future finance charges	**(200)**	0		
Minimum Lease Payments / Present value of minimum lease payments	**1,951**	30	**1,951**	30
Included in:				
Current borrowings			**203**	15
Non-current borrowings			**1,748**	15
			1,951	30

	31 March 2017 £000s	31 March 2016 £000s
Finance leases as lessee		
Future Sublease Payments Expected to be received	**0**	0
Contingent Rents Recognised as an Expense	**0**	0

27. Provisions

	Total	Comprising: Legal Claims	Other
	£000s	**£000s**	**£000s**
Balance at 1 April 2016	**3,885**	965	2,920
Arising during the year	**4,744**	285	4,459
Utilised during the year	**(2,123)**	(261)	(1,862)
Reversed unused	**(451)**	(135)	(316)
Unwinding of discount	**2**	2	0
Change in discount rate	**0**	0	0
Transfers to NHS Foundation Trusts on being authorised as FT	**0**	0	0
Transfers (to)/from other public sector bodies under absorption accounting	**0**	0	0
Balance at 31 March 2017	**6,057**	**856**	**5,201**
Expected Timing of Cash Flows:			
No Later than One Year	**5,463**	262	5,201
Later than One Year and not later than Five Years	**158**	158	0
Later than Five Years	**436**	436	0

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

As at 31 March 2017	**135,838**
As at 31 March 2016	121,696

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 the possible return of money received by the Trust for contractual income and provisions for payments to be made regarding HR issues. There is reasonable certainty that all claims will be settled within the 12 months to 31 March 2018.

28. Contingencies

	31 March 2017	31 March 2016
	£000s	£000s
Contingent assets		
Contingent assets	**700**	700
Net value of contingent assets	**700**	700

The Trust has submitted Fleming VAT reclaims totalling approximately £0.7m (2013-14 £0.7m) to H.M. Revenue and Customs under s.121 of the Finance Act 2008. The outcome and timing of these claims is uncertain at 31 March 2017.

29. Analysis of charitable fund reserves

	31 March 2017	31 March 2016
	£000s	£000s
Restricted / Endowment Funds	**720**	451
Non-Restricted Funds	**1,743**	2,775
	2,463	3,226

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds may be accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity. They may also be capital funds (e.g. endowments) where the assets are required to be invested, or retained for use rather than expended.

The Charitable funds above have not been consolidated into the Trust's accounts

30. PFI - additional information

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

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI

	2016-17 £000s	2015-16 £000s
Total charge to operating expenses in year - Off SoFP PFI	**0**	0
Service element of on SOFP PFI charged to operating expenses in year	**2,136**	2,008
Total	**2,136**	2,008

Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI

No Later than One Year	**2,188**	2,136
Later than One Year, No Later than Five Years	**9,285**	9,005
Later than Five Years	**28,291**	30,759
Total	**39,764**	41,900

The estimated annual payments in future years are expected to be materially different from those which the [organisation] is committed to make during the next year. The likely financial effect of this is:

Estimated Capital Value of Project - off SOFP PFI	**0**	0
Value of Deferred Assets - off SOFP PFI	**0**	0
Value of Reversionary Interest - off SOFP PFI	**0**	0

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

	2016-17 £000s	2015-16 £000s
No Later than One Year	**1,920**	1,872
Later than One Year, No Later than Five Years	**4,023**	3,904
Later than Five Years	**2,278**	4,310
Subtotal	**8,221**	10,086
Less: Interest Element	**(2,012)**	(2,861)
Total	**6,209**	7,225

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due	**2016-17 £000s**	2015-16 £000s
No Later than One Year	**1,920**	1,897
Later than One Year, No Later than Five Years	**2,847**	2,859
Later than Five Years	**1,442**	2,469
Total	**6,209**	7,225

Number of on SOFP PFI Contracts

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

Number of off SOFP PFI Contracts

Total Number of off PFI contracts	**0**
Number of off PFI contracts which individually have a total commitments value in excess of £500m	**0**

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

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

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

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

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

Radiology staff remain employees of the Trust.

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

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

31. Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliation purposes	**2016-17 Income £000s**	**2016-17 Expenditure £000s**	2015-16 Income £000s	2015-16 Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)				
Depreciation charges		**1,183**		1,231
Interest Expense		**452**		509
Impairment charge - AME		**0**		0
Impairment charge - DEL		**0**		0
Other Expenditure		**3,297**		3,153
Revenue Receivable from subleasing	**0**		0	
Impact on PDC dividend payable		**159**		179
Total IFRS Expenditure (IFRIC12)	**0**	**5,091**	**0**	**5,072**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)		**5,621**		5,532
Net IFRS change (IFRIC12)		**(530)**		**(460)**
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12				
Capital expenditure 2015-16		979		2,100
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		1,183		1,231

	2016-17 Income/ Expenditure IFRIC 12 YTD £000s	**2016-17 Income/ Expenditure ESA 10 YTD £000s**	2015-16 Income/ Expenditure IFRIC 12 YTD **£000s**	2015-16 Income/ Expenditure ESA 10 YTD **£000s**
Revenue costs of IFRS12 compared with ESA10				
Depreciation charges	**1,183**		1,231	
Interest Expense	**452**		509	
Impairment charge - AME	**0**		0	
Impairment charge - DEL	**0**		0	
Other Expenditure				
Service Charge	**2,136**	**5,621**	2,005	5,532
Contingent Rent	**1,161**		1,148	
Lifecycle	**0**		0	
Impact on PDC Dividend Payable	**159**		179	
Total Revenue Cost under IFRIC12 vs ESA10	**5,091**	**5,621**	**5,072**	**5,532**
Revenue Receivable from subleasing	**0**	**0**	**0**	**0**
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**5,091**	**5,621**	**5,072**	**5,532**

32. Financial Instruments

32.1. 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 [organisation] has with [commissioners] and the way those [commissioners] are financed, the NHS [organisation] 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 [organisation] 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 [organisation] in undertaking its activities.

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 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.

32.2. Financial Assets

	Loans and receivables	Total
	£000s	£000s
Receivables - NHS	**20,817**	**20,817**
Receivables - non-NHS	**3,327**	**3,327**
Cash at bank and in hand	**14,180**	**14,180**
Other financial assets	**0**	**0**
Total at 31 March 2017	**38,324**	**38,324**
Receivables - NHS	13,338	13,338
Receivables - non-NHS	3,213	3,213
Cash at bank and in hand	16,927	16,927
Other financial assets	0	0
Total at 31 March 2016	33,478	33,478

32.3. Financial Liabilities

	Other	Total
	£000s	£000s
NHS payables	**9,388**	**9,388**
Non-NHS payables	**42,893**	**42,893**
Other borrowings	**0**	**0**
PFI & finance lease obligations	**8,160**	**8,160**
Other financial liabilities	**0**	**0**
Total at 31 March 2017	**60,441**	**60,441**
NHS payables	9,630	9,630
Non-NHS payables	41,335	41,335
Other borrowings	0	0
PFI & finance lease obligations	7,255	7,255
Other financial liabilities	0	0
Total at 31 March 2016	58,220	58,220

33. Events after the end of the reporting period

None

34. Related party transactions

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

The Department of Health is regarded as a related party. During the year 2016/17 the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below where income and/or expenditure has been in excess of £500,000.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Birmingham Crosscity CCG	0	1,239	0	16
Cannock Chase CCG	0	44,636	308	538
Dudley CCG	40	7,800	40	341
Sandwell And West Birmingham CCG	0	2,247	2	9
Shropshire CCG	0	4,154	0	13
South East Staffs And Seisdon Peninsular CCG	11	24,637	2,222	0
Stafford And Surrounds CCG	0	18,071	57	155
Telford And Wrekin CCG	0	2,104	38	0
Walsall CCG	0	29,757	2	1,027
Wolverhampton CCG	18	196,117	1,085	6,782
NHS England Core	0	11,628	0	4,605
North Midlands Local Office	0	1,223	0	60
West Midlands Local Office	0	10,580	0	619
East Midlands Specialised Commissioning Hub	0	2,817	0	417
West Midlands Specialised Commissioning Hub	0	87,093	0	2,528
Shrewsbury and Telford Hospital NHS Trust	888	595	34	103
University Hospitals of North Midlands NHS Trust	2,252	1,817	186	71
Walsall Healthcare NHS Trust	645	2,330	953	2,066
Sandwell and West Birmingham Hospitals NHS Trust	1,075	442	30	188
University Hospitals Coventry and Warwickshire NHS Trust	2,020	35	5	0
Worcestershire Acute Hospitals NHS Trust	535	86	47	19
Birmingham Womens and Childrens NHS Foundation Trust (WEF 01/02/17 aquires RLU FT)	918	579	455	210
Birmingham Community Healthcare NHS Foundation Trust	202	727	16	257
Black Country Partnership NHS Foundation Trust	421	550	94	97
The Dudley Group NHS Foundation Trust	2,069	1,782	468	426
Birmingham Womens NHS Foundation Trust (WEF 01/02/17 acquired by RQ3 FT)	900	0	0	0
Burton Hospitals NHS Foundation Trust	1,020	134	718	44
Heart of England NHS Foundation Trust	2,289	153	77	0
University Hospitals Birmingham NHS Foundation Trust	2,755	200	1,151	58
Department of Health	0	36,052	0	300
NHS Improvement (Trust Development Authority)	0	1,067	0	0
Health Education England	7	14,942	86	0
NHS Litigation Authority	7,292	0	8	0
Community Health Partnerships	1,751	2	147	2
NHS Blood and Transplant	2,332	66	17	0
HM Revenue and Customs Trust	23,158	0	35	0
National Health Service Pension Scheme	29,835	0	4,065	0
Wolverhampton City Council	647	9,638	0	357

The Trust has also received revenue and capital payments from a number of charitable funds for which the Trust acts as the Corporate Trustee, under the umbrella of Royal Wolverhampton NHS Trust Charitable Funds. Charitable funds held by the Trust are a related party as the Trust is Corporate Trustee for the funds. For 2016/17 the Trust recieved £693k contribution to the Trust capital programme and £312k to cover overhead costs incurred for charitable funds activity.

35. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	**155,617**	**25**
Special payments	**170,123**	**47**
Gifts	**0**	**0**
Total losses and special payments and gifts	**325,740**	**72**

The total number of losses cases in 2015-16 and their total value was as follows:

	Total Value of Cases £s	**Total Number of Cases**
Losses	110,344	78
Special payments	166,861	76
Total losses and special payments	277,205	154

36. 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.

36.1. Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	234,507	251,969	266,687	289,830	306,023	374,417	384,917	394,045	461,810	509,405	536,028
Retained surplus/(deficit) for the year	82	8,335	6,913	880	8,364	8,735	7,023	8,466	33,582	(2,814)	(13,222)
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	3,872	7,487	319	329	1,604	155	650	3,101	22,547
Adjustments for impact of policy change re donated/government grants assets						322	61	(730)	(107)	(134)	(783)
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				(332)	(719)	(89)	0	0	0	0	0
Absorption accounting adjustment							0	0	(30,462)	0	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	**82**	**8,335**	**10,785**	**8,035**	**7,964**	**9,297**	**8,688**	**7,891**	**3,663**	**153**	**8,542**
Break-even cumulative position	**(26,558)**	**(18,223)**	**(7,438)**	**597**	**8,561**	**17,858**	**26,546**	**34,437**	**38,100**	**38,253**	**46,795**

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS [organisation]'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.

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Materiality test (I.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	0.03	3.31	4.04	2.77	2.60	2.48	2.26	2.00	0.79	0.03	1.59
Break-even cumulative position as a percentage of turnover	-11.33	-7.23	-2.79	0.21	2.80	4.77	6.90	8.74	8.25	7.51	8.73

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

36.2. Capital cost absorption rate

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

36.3. External financing

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

	2016-17 £000s	2015-16 £000s
External financing limit (EFL)	**4,638**	27,706
Cash flow financing	**2,690**	27,100
Finance leases taken out in the year	**1,936**	0
Other capital receipts	**0**	0
External financing requirement	**4,626**	27,100
Under/(over) spend against EFL	**12**	606

36.4. Capital resource limit

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

	2016-17 £000s	2015-16 £000s
Gross capital expenditure	**22,809**	38,452
Less: book value of assets disposed of	**(8)**	0
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(984)**	(336)
Charge against the capital resource limit	**21,817**	38,116
Capital resource limit	**22,263**	38,349
(Over)/underspend against the capital resource limit	**446**	233

37. 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 2017 £000s	31 March 2016 £000s
Third party assets held by the Trust	**58**	74

English

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Punjabi

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Romanian

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Traditional Chinese

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