

Walsall Healthcare



NHS Trust



Annual Accounts 2015/16

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF WALSALL HEALTHCARE NHS TRUST

We have audited the financial statements of Walsall Healthcare NHS Trust for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Trust's Statement of Comprehensive Income, the Trust Statement of Financial Position, the Trust Statement of Changes in Taxpayers' Equity, the Trust Statement of Cash Flows and the related notes 1 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015-16 Government Financial Reporting Manual (the 2015-16 FReM) as contained in the Department of Health Group Manual for Accounts 2015-16 and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to the National Health Service in England (the Accounts Direction).

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

- the table of salaries and allowances of senior managers on page 86 of the Annual Report;
- the table of pension benefits of senior managers on page 87 of the Annual Report;
- the table of exit packages on page 88 of the Annual Report;
- the analysis of staff numbers on page 90 and 91 of the Annual Report; and
- pay multiples narrative on page 83 of the Annual Report.

This report is made solely to the Board of Directors of Walsall Healthcare NHS Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Directors of the Trust 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 Directors, 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 in respect of the Accounts, set out on page 1 of the Annual Accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they 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 also 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 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 2015, 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 2016.

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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Walsall Healthcare NHS Trust as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the National Health Service Act 2006 and the Accounts Directions issued thereunder.

Opinion on other matters

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; 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 have nothing to report in respect of the following matters:

- in our opinion the governance statement does not comply with the NHS Trust Development Authority's guidance; 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.

In respect of the following we have matters to report by exception:

- Referral to the Secretary of State

On 21 March 2016 we referred a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 in relation to the Trust's continued deficit position.

- Proper arrangements to secure economy, efficiency and effectiveness

We report to you if we are not satisfied that the Trust has put in place proper arrangements to secure economy efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

The Trust has been given an overall 'inadequate' rating by the Care Quality Commission. The Care Quality Commission rates the Effectiveness and Safety of services as inadequate and that Caring and Responsiveness at the Trust requires improvement. The Care Quality Commission has rated the Trust as inadequate in the 'Well Led' domain.

The Trust planned a deficit of £17.7 million for the year ended 31 March 2016 but reported a deficit of £10.7 million in its financial statements for the year then ended.

The Trust has not yet succeeded in addressing the underlying deficit in its budget and is forecasting a further deficit of £14.6 million for 2016/17 which is dependent upon achieving a £10.5 million cost improvement plan.

These issues are evidence of weaknesses in proper arrangements for informed decision making and planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the Controller and Auditor General in November 2015, we are not satisfied that, in all significant respects, Walsall Healthcare NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

A handwritten signature in black ink that reads "S R Clark". The letters are written in a cursive, slightly slanted style.

Stephen Clark
for and on behalf of Ernst & Young LLP
Birmingham
2 June 2016

2015-16 Annual Accounts of Walsall Healthcare NHS Trust

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

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

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

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..........

2015-16 Annual Accounts of Walsall Healthcare NHS Trust

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

1/6/16.....Date..........Chief Executive

1.6.2016.....Date..........Finance Director

2015-16 Annual Accounts of Walsall Healthcare NHS Trust

Year ended 31 March 2016

**SUMMARISATION SCHEDULES (TRUs) FOR THE
WALSALL HEALTHCARE NHS TRUST**

Summarisation schedules numbered TRU01 to TRU98H plus Freetext are attached.

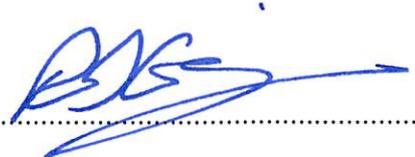
Director of Finance Certificate

I certify that the attached summarisation schedules have been compiled from and are in accordance with the financial records maintained by the trust and with the accounting standards and policies for the NHS approved by the Secretary of State.

1.6.2016 Date  Director of Finance

Chief Executive Certificate

I acknowledge the attached summarisation schedules, which have been prepared and certified by the Director of Finance, as the summarisation schedules which the trust is required to submit to the Secretary of State

1/6/16 Date  Chief Executive

**Statement of Comprehensive Income for year ended
31 March 2016**

	NOTE	2015-16 £000s	2014-15 £000s
Gross employee benefits	7.1	(164,962)	(163,031)
Other operating costs	5	(84,107)	(83,533)
Revenue from patient care activities	2	224,590	220,293
Other operating revenue	3	18,935	19,198
Operating surplus/(deficit)		(5,544)	(7,073)
Investment revenue	9	28	30
Other gains and (losses)	10	0	0
Finance costs	11	(5,186)	(8,391)
Surplus/(deficit) for the financial year		(10,702)	(15,434)
Public dividend capital dividends payable		0	0
Transfers by absorption - gains		0	0
Transfers by absorption - (losses)		0	0
Net Gain/(loss) on transfers by absorption		0	0
Retained surplus/(deficit) for the year		(10,702)	(15,434)
Other Comprehensive Income		2015-16 £000s	2014-15 £000s
Impairments and reversals taken to the revaluation reserve		0	0
Net gain/(loss) on revaluation of property, plant & equipment		(412)	(857)
Net gain/(loss) on revaluation of intangibles		0	0
Net gain/(loss) on revaluation of financial assets		0	0
Other gain/(loss) (explain in footnote below)		0	0
Net gain/(loss) on revaluation of available for sale financial assets		0	0
Net actuarial gain/(loss) on pension schemes		0	0
Other pension remeasurements		0	0
Reclassification adjustments			
On disposal of available for sale financial assets		0	0
Total Other Comprehensive Income		(412)	(857)
Total comprehensive income for the year*		(11,114)	(16,291)
Financial performance for the year			
Retained surplus/(deficit) for the year		(10,702)	(15,434)
Prior period adjustment to correct errors and other performance adjustments		0	0
IFRIC 12 adjustment (including IFRIC 12 impairments)		(228)	0
Impairments (excluding IFRIC 12 impairments)		1,140	2,517
Adjustments in respect of donated gov't grant asset reserve elimination		0	56
Adjustment re absorption accounting		0	0
Adjusted retained surplus/(deficit)		(9,790)	(12,861)

The Trust has undertaken a full revaluation of its estate during the year to the 31st March 2016 which has resulted in an impairment that has been reflected within the above adjustments to the reported financial

The notes contained within the Accounts form part of this account.

**Statement of Financial Position as at
31 March 2016**

		31 March 2016	31 March 2015
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	12	147,852	153,522
Intangible assets	13	1,049	1,394
Other Investments - Charitable			
Investment property	15	0	0
Other financial assets		0	0
Trade and other receivables	19.1	571	774
Total non-current assets		<u>149,472</u>	<u>155,690</u>
Current assets:			
Inventories	18	2,357	2,309
Trade and other receivables	19.1	12,636	11,042
Other financial assets	21	0	0
Other current assets	22	0	0
Cash and cash equivalents	23	3,365	701
Sub-total current assets		<u>18,358</u>	<u>14,052</u>
Non-current assets held for sale	24	0	0
Total current assets		<u>18,358</u>	<u>14,052</u>
Total assets		<u>167,830</u>	<u>169,742</u>
Current liabilities			
Trade and other payables	25	(30,438)	(19,441)
Other liabilities	26	0	0
Provisions	32	(423)	(659)
Borrowings	27	(3,304)	(3,317)
Other financial liabilities	28	0	0
DH revenue support loan	27	0	0
DH capital loan	27	0	0
Total current liabilities		<u>(34,165)</u>	<u>(23,417)</u>
Net current assets/(liabilities)		<u>(15,807)</u>	<u>(9,365)</u>
Total assets less current liabilities		<u>133,665</u>	<u>146,325</u>
Non-current liabilities			
Trade and other payables	25	0	0
Other liabilities	26	0	0
Provisions	32	0	0
Borrowings	27	(131,347)	(137,410)
Other financial liabilities	28	0	0
DH revenue support loan	27	(6,883)	0
DH capital loan	27	0	0
Total non-current liabilities		<u>(138,230)</u>	<u>(137,410)</u>
Total assets employed:		<u>(4,565)</u>	<u>8,915</u>
FINANCED BY:			
Public Dividend Capital		56,318	58,684
Retained earnings		(73,742)	(63,153)
Revaluation reserve		12,859	13,384
Other reserves		0	0
Total Taxpayers' Equity:		<u>(4,565)</u>	<u>8,915</u>

The following notes form part of this account.

The financial statements were approved by the Board on [date] and signed on its behalf by

Chief Executive:

 Date: 4/8/16

**Statement of Changes in Taxpayers' Equity
For the year ending 31 March 2016**

	Public Dividend capital £000s	Retained earnings £000s	Revaluatio n reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2015	58,684	(63,153)	13,384	0	8,915
Changes in taxpayers' equity for 2015-16					
Retained surplus/(deficit) for the year		(10,702)			(10,702)
Net gain / (loss) on revaluation of property, plant, equipment			(412)		(412)
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of available for sale financial			0		0
Impairments and reversals			0		0
Other gains/(loss) (provide details below)				0	0
Transfers between reserves		113	(113)	0	0
Reclassification Adjustments					
Transfers between Reserves in respect of assets transferred under absorption	0	0	0	0	0
On disposal of available for sale financial assets			0		0
Reserves eliminated on dissolution		0	0	0	0
Originating capital for Trust established in year	0				0
Permanent PDC received - cash	34				34
Permanent PDC repaid in year	(2,400)				(2,400)
PDC written off	0	0			0
Transfer due to change of status from Trust to Foundation Trust	0	0	0	0	0
Other movements	0	0	0	0	0
Net actuarial gain/(loss) on pension				0	0
Other pensions remeasurement				0	0
Net recognised revenue/(expense) for the year	(2,366)	(10,589)	(525)	0	(13,480)
Balance at 31 March 2016	56,318	(73,742)	12,859	0	(4,565)
Balance at 1 April 2014	49,462	(47,091)	14,386	0	16,757
Changes in taxpayers' equity for the year ended 31 March 2015					
Retained surplus/(deficit) for the year		(15,434)			(15,434)
Net gain / (loss) on revaluation of property, plant, equipment			(857)		(857)
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of assets held for sale			0		0
Impairments and reversals			0		0
Other gains / (loss)				0	0
Transfers between reserves		145	(145)	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource	0	0	0	0	0
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption		0	0		0
On disposal of available for sale financial assets			0		0
Originating capital for Trust established in year	0				0
New temporary and permanent PDC received - cash	11,722				11,722
New temporary and permanent PDC repaid in year	(2,500)				(2,500)
Other movements	0	0	0	0	0
Net actuarial gain/(loss) on pension				0	0
Other pension remeasurement				0	0
Net recognised revenue/(expense) for the year	9,222	(15,289)	(1,002)	0	(7,069)
Balance at 31 March 2015	58,684	(62,380)	13,384	0	9,688

Statement of Cash Flows for the Year ended 31 March 2016

	NOTE	2015-16 £000s	2014-15 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		(5,544)	(7,073)
Depreciation and amortisation	5	7,271	7,194
Impairments and reversals	14	912	2,517
Other gains/(losses) on foreign exchange	10	0	0
Donated Assets received credited to revenue but non-cash	3	(156)	(93)
Government Granted Assets received credited to revenue but non-cash		0	0
Interest paid		(5,186)	(8,391)
PDC Dividend (paid)/refunded		0	0
Release of PFI/deferred credit		0	101
(Increase)/Decrease in Inventories		(48)	16
(Increase)/Decrease in Trade and Other Receivables		(1,391)	796
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		9,293	(745)
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions utilised		(236)	(84)
Increase/(Decrease) in movement in non cash provisions		0	563
Net Cash Inflow/(Outflow) from Operating Activities		4,915	(5,199)
Cash Flows from Investing Activities			
Interest Received		29	32
(Payments) for Property, Plant and Equipment		(3,574)	(10,613)
(Payments) for Intangible Assets		(76)	(107)
(Payments) for Investments with DH		0	0
(Payments) for Other Financial Assets		0	0
(Payments) for Financial Assets (LIFT)		0	0
Proceeds of disposal of assets held for sale (PPE)		0	0
Proceeds of disposal of assets held for sale (Intangible)		0	0
Proceeds from Disposal of Investment with DH		0	0
Proceeds from Disposal of Other Financial Assets		0	0
Proceeds from the disposal of Financial Assets (LIFT)		0	0
Loans Made in Respect of LIFT		0	0
Loans Repaid in Respect of LIFT		0	0
Rental Revenue		0	0
Net Cash Inflow/(Outflow) from Investing Activities		(3,621)	(10,688)
Net Cash Inform / (outflow) before Financing		1,294	(15,887)
Cash Flows from Financing Activities			
Gross Temporary (2014/15 only) and Permanent PDC Received		34	11,722
Gross Temporary (2014/15 only) and Permanent PDC Repaid		(2,400)	(2,500)
Loans received from DH - New Capital Investment Loans		0	0
Loans received from DH - New Revenue Support Loans		19,366	0
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		0	0
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		(12,483)	0
Other Loans Repaid		0	0
Cash transferred to NHS Foundation Trusts or on dissolution		0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(3,147)	(3,180)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		0	0
Net Cash Inflow/(Outflow) from Financing Activities		1,370	6,042
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,664	(9,845)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		701	10,546
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	23	3,365	701

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 2015-16 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.

These accounts have been prepared on a going concern basis.

The Board has been regularly updated on the ongoing financial plans of the Trust. The Board agreed the overall budget for 2016/17 following conclusion of contract discussions with the Walsall Clinical Commissioning Group, our main Commissioner. The financial plan for 2016/17 considers the financial operational and environmental conditions and associated risks. The plan presented to the Performance, Finance & Investment Committee and subsequently the Trust Board considered the upside and downside scenarios associated with the key risks and the impact of savings schemes. Having received this information the Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

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. The Trust has decided not to consolidate the results of its General Charitable Fund into these accounts, on the basis that the balances on these funds are not material to the accounts.

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.

1.5.2 Key sources of estimation uncertainty

The Trust is forecasting a deficit position for 2016/17 and will require revenue loan support from the Department of Health to maintain current services. The Trust is working with NHS Improvement Authority on a plan for financial recovery.

NOTES TO THE ACCOUNTS

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

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. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

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

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.

NOTES TO THE ACCOUNTS

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

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

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

Valuation

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

All assets are measured subsequently at fair value.

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

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

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

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

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

Subsequent expenditure

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

NOTES TO THE ACCOUNTS

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

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 fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

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

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

1.11 Depreciation, amortisation and impairments

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

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

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

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

1.12 Donated assets

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

1.13 Government grants

Government grant funded assets are capitalised at their 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.

NOTES TO THE ACCOUNTS

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

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 on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

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

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

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

The Trust as lessor

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

NOTES TO THE ACCOUNTS

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

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 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 Trust has a PFI scheme estimated to have cost £170m, with an agreement signed by the Trust in November 2007 and occupancy in September 2010 (the contractual obligation being for 34 years).

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

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

Services received

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

PFI Asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

Assets contributed by the NHS trust to the operator for use in the scheme

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

NOTES TO THE ACCOUNTS

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

Other assets contributed by the NHS trust to the operator

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

1.17 Inventories

Inventories are valued at the lower of cost and net realisable value using the *weighted 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 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.

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

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

The Trust currently does not apply discount rates to the provision balances on the basis that settlement of the provisions is expected within one year and the impact of discounting is immaterial.

NOTES TO THE ACCOUNTS

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

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 Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at Note 32.

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 body 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 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 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.

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 Trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

NOTES TO THE ACCOUNTS

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

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.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques that includes the use of discounted cashflow.

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

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

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

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

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 historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are subsequently measured at the higher of:

- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

Financial liabilities 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 liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the NHS trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

Other financial liabilities

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

1.26 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 Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions.

NOTES TO THE ACCOUNTS

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

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 41.

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

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'.

1.32 Associates

Material entities over which the NHS trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the NHS trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the NHS trust share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the NHS trust from the entity.

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

1.33 Joint arrangements

Material entities over which the NHS trust has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

A joint operation exists where the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. Where the NHS body is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

1.34 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.

NOTES TO THE ACCOUNTS

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

1.35 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 2015-16. 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 for Contracts with Customers* - Application required for accounting periods beginning on or after 1 January 2017, 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.

Operating segments

The Trust has one operating segment, which is the provision of healthcare

2. Revenue from patient care activities

	2015-16 £000s	2014-15 £000s
NHS Trusts	0	55
NHS England	21,015	23,917
Clinical Commissioning Groups	185,046	187,682
Foundation Trusts	0	26
Department of Health	0	0
NHS Other (including Public Health England and Prop Co)	0	0
Additional income for delivery of healthcare services	8,000	0
Non-NHS:		
Local Authorities	9,623	7,646
Private patients	14	11
Overseas patients (non-reciprocal)	113	22
Injury costs recovery	623	874
Other	156	60
Total Revenue from patient care activities	224,590	220,293

3. Other operating revenue

	2015-16 £000s	2014-15 £000s
Recoveries in respect of employee benefits	442	548
Patient transport services	0	0
Education, training and research	9,367	9,254
Charitable and other contributions to revenue expenditure - NHS	0	0
Charitable and other contributions to revenue expenditure -non- NHS	0	0
Receipt of donations for capital acquisitions - Charity	156	93
Support from DH for mergers	0	0
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	4,511	4,803
Income generation (Other fees and charges)	1,894	1,712
Rental revenue from finance leases	0	0
Rental revenue from operating leases	259	257
Other revenue	2,306	2,531
Total Other Operating Revenue	18,935	19,198
Total operating revenue	243,525	239,491

4. Overseas Visitors Disclosure

	2015-16 £000	2014-15 £000s
Income recognised during 2015-16 (invoiced amounts and accruals)	113	22
Cash payments received in-year (re receivables at 31 March 2015)	0	2
Cash payments received in-year (iro invoices issued 2014-15)	11	9
Amounts added to provision for impairment of receivables (re receivables at 31 March 2014)	13	1
Amounts added to provision for impairment of receivables (iro invoices issued 2014-15)	38	3
Amounts written off in-year (irrespective of year of recognition)	0	0

5. Operating expenses

	2015-16 £000s	2014-15 £000s
Services from other NHS Trusts	1,533	1,127
Services from CCGs/NHS England	0	0
Services from other NHS bodies	75	418
Services from NHS Foundation Trusts	0	0
Total Services from NHS bodies	1,608	1,545
Purchase of healthcare from non-NHS bodies	1,539	1,207
Purchase of Social Care	0	
Trust Chair and Non-executive Directors	59	59
Supplies and services - clinical	36,513	35,408
Supplies and services - general	3,636	3,648
Consultancy services	1,341	2,822
Establishment	3,658	3,778
Transport	704	868
Service charges - ON-SOFP PFIs and other service concession arrangements	4,000	4,016
Service charges - On-SOFP LIFT contracts	0	0
Total charges - Off-SOFP PFIs and other service concession arrangements	0	0
Total charges - Off-SOFP LIFT contracts	0	0
Business rates paid to local authorities	1,538	1,587
Premises	7,543	7,952
Hospitality	0	0
Insurance	175	189
Legal Fees	60	58
Impairments and Reversals of Receivables	77	667
Inventories write down	50	33
Depreciation	6,850	6,900
Amortisation	421	294
Impairments and reversals of property, plant and equipment	912	2,517
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets	0	0
Impairments and reversals of non current assets held for sale	0	0
Internal Audit Fees	141	139
Audit fees	81	108
Other auditor's remuneration	45	11
Clinical negligence	10,735	6,926
Research and development (excluding staff costs)	0	0
Education and Training	865	785
Change in Discount Rate	0	0
Other	1,556	2,016
Total Operating expenses (excluding employee benefits)	84,107	83,533
Employee Benefits		
Employee benefits excluding Board members	164,125	162,266
Board members	837	765
Total Employee Benefits	164,962	163,031
Total Operating Expenses	249,069	246,564

6. Operating Leases

The Trust has leases relating to cars primarily for employees working within the local community. Employees have the option to renew their lease arrangement after 3 years. Employees do not have the option to purchase the vehicle at the end of the agreement.

The Trust also pays NHS Property Services for occupancy of a number of community buildings throughout the borough

6.1. Walsall Healthcare NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2015-16 Total £000s	2014-15 £000s
Payments recognised as an expense					
Minimum lease payments				796	883
Contingent rents				0	0
Sub-lease payments				0	0
Total				796	883
Payable:					
No later than one year	0	622	57	679	742
Between one and five years	0	201	69	270	263
After five years	0	351	0	351	402
Total	0	1,174	126	1,300	1,407
Total future sublease payments expected to be received:				0	0

6.2. Walsall Healthcare NHS Trust as lessor

The Trust receives rental income for use of the Urgent Care Centre and from Homeless Supported Accommodation

	2015-16 £000	2014-15 £000s
Recognised as revenue		
Rental revenue	259	257
Contingent rents	0	0
Total	259	257
Receivable:		
No later than one year	207	257
Between one and five years	724	743
After five years	3,799	3,945
Total	4,730	4,945

7. Employee benefits and staff numbers

7.1. Employee benefits

	2015-16		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	139,504	120,534	18,970
Social security costs	10,060	10,060	0
Employer Contributions to NHS BSA - Pensions Division	15,398	15,398	0
Other pension costs	0	0	0
Termination benefits	0	0	0
Total employee benefits	164,962	145,992	18,970
Employee costs capitalised	0	0	0
Gross Employee Benefits excluding capitalised costs	164,962	145,992	18,970

	2015-16			2014-15		
	Total £000s	Permanently employed £000s	Other £000s	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure 2014-15						
Salaries and wages	137,979	118,010	19,969			
Social security costs	10,110	10,110	0			
Employer Contributions to NHS BSA - Pensions Division	14,938	14,938	0			
Other pension costs	4	4	0			
Termination benefits	0	0	0			
TOTAL - including capitalised costs	163,031	143,062	19,969			
Employee costs capitalised	0	0	0			
Gross Employee Benefits excluding capitalised costs	163,031	143,062	19,969			

7.2. Staff Numbers

	2015-16			2014-15
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	446	382	64	438
Ambulance staff	0	0	0	0
Administration and estates	837	788	49	738
Healthcare assistants and other support staff	1,114	988	126	1,235
Nursing, midwifery and health visiting staff	1,235	1,147	88	1,230
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	377	359	18	355
Social Care Staff	0	0	0	0
Healthcare Science Staff	85	85	0	85
Other	0	0	0	0
TOTAL	4,094	3,749	345	4,081
Of the above - staff engaged on capital projects	0	0	0	0

7.3. Staff Sickness absence and ill health retirements

	2015-16	2014-15
	Number	Number
Total Days Lost	41,301	38,805
Total Staff Years	3,760	3,661
Average working Days Lost	10.98	10.60
	2015-16	2014-15
	Number	Number
Number of persons retired early on ill health grounds	5	2
	£000s	£000s
Total additional pensions liabilities accrued in the year	281	154

7.4. Exit Packages agreed in 2015-16

2015-16								
Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	0	0	3	16,934	3	16,934	0	0
£10,000-£25,000	1	23,805	5	80,083	6	103,888	0	0
£25,001-£50,000	0	0	5	181,590	5	181,590	0	0
£50,001-£100,000	1	69,135	0	0	1	69,135	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
Total	2	92,940	13	278,607	15	371,547	0	0

2014-15								
Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	1	5,144	4	19,930	5	25,074	0	0
£10,000-£25,000	1	11,785	11	195,861	12	207,646	0	0
£25,001-£50,000	1	25,713	2	73,826	3	99,539	0	0
£50,001-£100,000	0	0	1	56,504	1	56,504	0	0
£100,001 - £150,000	1	135,758	0	0	1	135,758	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
Total	4	178,400	18	346,121	22	524,521	0	0

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

Other Departures are covered by MARS (mutually agreed resignation scheme)

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

7.5. Exit packages - Other Departures analysis

	2015-16		2014-15	
	Agreements	Total value of agreements	Agreements	Total value of agreements
	Number	£000s	Number	£000s
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	13	279	18	346
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	0	0	0	0
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval*	0	0	0	0
Total	13	279	18	346
Non-contractual payments made to individuals where the payment value was more than 12 months of their annual salary	0	0	0	0

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

As a single exit packages can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers in the note 7.4 which will be the number of individuals.

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

7.6. 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 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 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.

8. Better Payment Practice Code**8.1. Measure of compliance**

	2015-16 Number	2015-16 £000s	2014-15 Number	2014-15 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	50,095	79,553	66,725	95,011
Total Non-NHS Trade Invoices Paid Within Target	<u>29,842</u>	<u>55,017</u>	<u>50,141</u>	<u>73,465</u>
Percentage of NHS Trade Invoices Paid Within Target	<u>59.57%</u>	<u>69.16%</u>	<u>75.15%</u>	<u>77.32%</u>
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,135	11,135	1,332	12,159
Total NHS Trade Invoices Paid Within Target	<u>617</u>	<u>6,360</u>	<u>737</u>	<u>6,984</u>
Percentage of NHS Trade Invoices Paid Within Target	<u>54.36%</u>	<u>57.12%</u>	<u>55.33%</u>	<u>57.44%</u>

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.

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

	2015-16 £000s	2014-15 £000s
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

9. Investment Revenue

	2015-16 £000s	2014-15 £000s
Rental revenue		
PFI finance lease revenue (planned)	0	0
PFI finance lease revenue (contingent)	0	0
Other finance lease revenue	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>
Interest revenue		
LIFT: equity dividends receivable	0	0
LIFT: loan interest receivable	0	0
Bank interest	28	30
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	<u>0</u>	<u>0</u>
Subtotal	<u>28</u>	<u>30</u>
Total investment revenue	<u>28</u>	<u>30</u>

10. Other Gains and Losses

	2015-16 £000s	2014-15 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	0	0
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other than held for sale	0	0
Gain (Loss) on disposal of assets held for sale	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through the SoCI	0	0
Change in fair value of financial liabilities carried at fair value through the SoCI	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

11. Finance Costs

	2015-16 £000s	2014-15 £000s
Interest		
Interest on loans and overdrafts	344	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts:		
- main finance cost	4,842	8,391
- contingent finance cost	0	0
Interest on obligations under LIFT contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Total interest expense	<u>5,186</u>	<u>8,391</u>
Other finance costs	0	0
Provisions - unwinding of discount	0	0
Total	<u>5,186</u>	<u>8,391</u>

12.1. Property, plant and equipment

	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
2015-16									
Cost or valuation:									
At 1 April 2015	8,920	136,245	2,148	1,472	35,347	253	8,948	680	194,013
Additions of Assets Under Construction				64					64
Additions Purchased	0	1,426	21	0	631	0	204	2	2,284
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	156	0	0	0	156
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0
Upward revaluation/positive indexation	(138)	(425)	151	0	0	0	0	0	(412)
Impairment/reversals charged to operating expenses	0	0	0	0	0	0	0	0	0
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 2016	8,782	137,246	2,320	1,536	36,134	253	9,152	682	196,105
Depreciation									
At 1 April 2015	0	7,447	573		24,920	249	6,906	396	40,491
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		0	0	0	0	0
Upward revaluation/positive indexation	0	0	0		0	0	0	0	0
Impairment/reversals charged to reserves	0	0	0		0	0	0	0	0
Impairments/reversals charged to operating expenses	69	530	313		0	0	0	0	912
Charged During the Year	0	4,048	179		1,847	2	726	48	6,850
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	69	12,025	1,065	0	26,767	251	7,632	444	48,253
Net Book Value at 31 March 2016	8,713	125,221	1,255	1,536	9,367	2	1,520	238	147,852
Asset financing:									
Owned - Purchased	8,713	46,712	1,255	1,536	8,612	2	1,511	233	68,574
Owned - Donated	0	631	0	0	755	0	9	5	1,400
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	77,878	0	0	0	0	0	0	77,878
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2016	8,713	125,221	1,255	1,536	9,367	2	1,520	238	147,852

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 2015	4,795	7,591	617	0	370	6	0	6	13,385
Movements	(138)	(435)	47	0	0	0	0	0	(526)
At 31 March 2016	4,657	7,156	664	0	370	6	0	6	12,859

Additions to Assets Under Construction in 2014-15

Land	0
Buildings excl Dwellings	64
Dwellings	0
Plant & Machinery	0
Balance as at YTD	64

12.2. Property, plant and equipment prior-year

	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
2014-15									
Cost or valuation:									
At 1 April 2014	8,920	127,938	2,097	997	34,282	253	8,321	508	183,316
Additions of Assets Under Construction				6,355					6,355
Additions Purchased	0	2,146	51		1,027	0	622	1	3,847
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	75	0	5	6	86
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0		0	0	0	0	0
Reclassifications	0	5,562	0	(5,880)	60	0	0	165	(93)
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	(97)	0	0	0	(97)
Revaluation	0	(857)	0	0	0	0	0	0	(857)
Impairments/negative indexation charged to reserves	0	0	0	0	0	0	0	0	0
Reversal of Impairments charged to reserves	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 2015	8,920	134,789	2,148	1,472	35,347	253	8,948	680	192,557
Depreciation									
At 1 April 2014	0	717	425	0	23,203	245	6,216	365	31,171
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		(97)	0	0	0	(97)
Revaluation	0	0	0		0	0	0	0	0
Impairments/negative indexation charged to operating expenses	0	2,517	0	0	0	0	0	0	2,517
Reversal of Impairments charged to operating expenses	0	0	0	0	0	0	0	0	0
Charged During the Year	0	4,213	148		1,814	4	690	31	6,900
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	0
At 31 March 2015	0	7,447	573	0	24,920	249	6,906	396	40,491
Net Book Value at 31 March 2015	8,920	127,342	1,575	1,472	10,427	4	2,042	284	152,066
Asset financing:									
Owned - Purchased	8,920	48,923	1,575	1,472	9,695	4	2,030	279	72,898
Owned - Donated	0	676	0	0	732	0	12	5	1,425
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	77,743	0	0	0	0	0	0	77,743
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2015	8,920	127,342	1,575	1,472	10,427	4	2,042	284	152,066

12.3. (cont). Property, plant and equipment

All land and buildings are held at revalued amounts following a full valuation in 2015/16. The Trust appointed registered valuers from GVA Grimley Ltd, as Independent valuers, using the Modern Equivalent Asset (MEA) methodology for estimating the depreciated replacement cost valuation.

During the year Walsall Hospitals NHS Trust General Charitable Fund purchased various assets for the Trust from accumulated donations received from various donors.

Class of Asset	Useful Asset Life Range
Software Licences	over 1 up to 4 years
Buildings exc. Dwellings	over 2 up to 80 years
Dwellings	over 6 up to 22 years
Plant & Machinery	over 1 up to 14 years
Transport Equipment	over 1 up to 3 years
Information Technology	over 1 up to 5 years
Furniture and Fittings	over 1 up to 10 years

13. Intangible non-current assets**13.1. Intangible non-current assets**

2015-16

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	0	6,359	0	0	0	6,359
Additions Purchased	0	76	0	0	0	76
Additions Internally Generated	0	0	0	0	0	0
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
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
Impairments/reversals charged to operating expenses	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2016	0	6,435	0	0	0	6,435
Amortisation						
At 1 April 2015	0	4,965	0	0	0	4,965
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	421	0	0	0	421
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2016	0	5,386	0	0	0	5,386
Net Book Value at 31 March 2016	0	1,049	0	0	0	1,049
Asset Financing: Net book value at 31 March 2016 comprises:						
Purchased	0	1,045	0	0	0	1,045
Donated	0	4	0	0	0	4
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
Total at 31 March 2016	0	1,049	0	0	0	1,049
Revaluation reserve balance for intangible non-current assets						
						£000's
At 1 April 2015	0	0	0	0	0	0
Movements	0	0	0	0	0	0
At 31 March 2016	0	0	0	0	0	0

13.2. Intangible non-current assets prior year

2014-15

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:						
At 1 April 2014	0	5,445	0	0	0	5,445
Additions - purchased	0	814	0	0	0	814
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	7	0	0	0	7
Additions - government granted	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
Reclassifications	0	93	0	0	0	93
Reclassified as held for sale	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
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2015	<u>0</u>	<u>6,359</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,359</u>
Amortisation						
At 1 April 2014	0	4,671	0	0	0	4,671
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	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
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	294	0	0	0	294
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2015	<u>0</u>	<u>4,965</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,965</u>
Net book value at 31 March 2015	0	1,394	0	0	0	1,394
Net book value at 31 March 2015 comprises:						
Purchased		1,387				1,387
Donated		7				7
Government Granted		0				0
Finance Leased		0				0
On-balance Sheet PFIs		0				0
Total at 31 March 2015	<u>0</u>	<u>1,394</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,394</u>

13.3. Intangible non-current assets

The Trust has capitalised various software licences.

The licences have been capitalised with asset lives ranging from 3 to 7 years

14. Analysis of impairments and reversals recognised in 2015-16

	2015-16 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	912
Total charged to Annually Managed Expenditure	912
Total Impairments of Property, Plant and Equipment charged to SoCI	912
Intangible assets impairments and reversals charged 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	0
Total charged to Annually Managed Expenditure	0
Total Impairments of Intangibles charged to SoCI	0
Financial Assets charged to SoCI	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	0
Loss as a result of catastrophe	0
Other	0
Total charged to Annually Managed Expenditure	0
Total Impairments of Financial Assets charged to SoCI	0
Non-current assets held for sale - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	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	0
Total charged to Annually Managed Expenditure	0
Total impairments of non-current assets held for sale charged to SoCI	0
Total Impairments charged to SoCI - DEL	0
Total Impairments charged to SoCI - AME	912
Overall Total Impairments	912
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

A full site valuation was completed during the year by Independent Valuers, GVA Grimley Ltd using the Modern Equivalent Asset (MEA) methodology

14. Analysis of impairments and reversals recognised in 2015-16

	Property Plant and Equipmen t	Intangible Assets	Financial Assets	Non- Current Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s
Impairments and reversals taken to SoCI	0	0	0	0	
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
	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	912	0	0	0	912
Total charged to Annually Managed Expenditure	912	0	0	0	912
Total Impairments of Property, Plant and Equipment changed to SoCI	912	0	0	0	912

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

A full site valuation was completed during the year by Independent Valuers, GVA Grimley Ltd using the Modern Equivalent Asset (MEA) methodology

15. Investment property

	31 March 2016	31 March 2015
	£000s	£000s
At fair value		
Balance at 1 April 2015	0	0
Additions Through Subsequent Expenditure	0	0
Other Acquisitions	0	0
Disposals	0	0
Property Reclassified as Held for Sale	0	0
Loss from Fair Value Adjustments - Impairments	0	0
Loss from Fair Value Adjustments - Reversal of Impairments	0	0
Gain from Fair Value Adjustments	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0
Transfers (to) / from Other Public Sector Bodies under absorption accounting	0	0
Other Changes	0	0
Balance at 31 March 2016	0	0

16. Commitments**16.1. Capital commitments**

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

	31 March 2016	31 March 2015
	£000s	£000s
Property, plant and equipment	55	0
Intangible assets	0	12
Total	55	12

16.2. Other financial commitments

The trust has not entered into non-cancellable contracts

	31 March 2016	31 March 2015
	£000s	£000s
Not later than one year	0	0
Later than one year and not later than five year	0	0
Later than five years	0	0
Total	0	0

17. Intra-Government and other balances

	Current receivables	Non- current receivables	Current payables	Non- current payables
	£000s	£000s	£000s	£000s
Balances with Other Central Government Bodies	0	0	2,886	0
Balances with Local Authorities	1,416	0	43	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS bodies inside the Departmental Group	7,686	0	6,999	6,883
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	3,534	571	23,814	131,347
At 31 March 2016	12,636	571	33,742	138,230
prior period:				
Balances with Other Central Government Bodies	0	0	2,950	0
Balances with Local Authorities	1,031	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS bodies inside the Departmental Group	7,198	0	4,653	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	2,813	3,292	15,155	137,699
At 31 March 2015	11,042	3,292	22,758	137,699

18. Inventories

	Drugs	Consumables	Work in Progress	Energy	Loan Equipment	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	1,083	1,083	0	121	22	0	2,309	0
Additions	16,973	23,498	0	31	26	0	40,528	0
Inventories recognised as an expense in the period	(16,959)	(23,450)	0	(21)	0	0	(40,430)	0
Write-down of inventories (including losses)	(48)	(2)	0	0	0	0	(50)	0
Reversal of write-down previously taken to SOCI	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
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0
Balance at 31 March 2016	1,049	1,129	0	131	48	0	2,357	0

19.1. Trade and other receivables

	Current		Non-current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000s	£000s	£000s	£000s
NHS receivables - revenue	7,686	7,198	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	0	0	0	0
Non-NHS receivables - revenue	2,299	1,399	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	1,159	1,463	0	0
PDC Dividend prepaid to DH	0	0		
Provision for the impairment of receivables	(844)	(774)	(226)	(219)
VAT	819	179	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	101	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	1,517	1,476	797	993
Total	12,636	11,042	571	774
Total current and non current	13,207	11,816		
Included in NHS receivables are prepaid pension contributions:	0			

The great majority of trade is with Clinical Commissioning Group's (CCG's) . As CCG's are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

19.2. Receivables past their due date but not impaired

	31 March 2016	31 March 2015
	£000s	£000s
By up to three months	1,147	190
By three to six months	782	1,051
By more than six months	1,021	54
Total	2,950	1,295

19.3. Provision for impairment of receivables

	2015-16 £000s	2014-15 £000s
Balance at 1 April 2015	(993)	(326)
Amount written off during the year	0	0
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(77)	(667)
Transfers to NHS Foundation Trust on authorisation as FT	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0
Balance at 31 March 2016	<u>(1,070)</u>	<u>(993)</u>

20. NHS LIFT investments

	Loan £000s	Share capital £000s	Total £000s
Balance at 1 April 2015	0	0	0
Additions	0	0	0
Disposals	0	0	0
Loan repayments	0	0	0
Revaluations	0	0	0
Loans repayable within 12 months transferred to receivables	0	0	0
Balance at 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 1 April 2014	0	0	0
Additions	0	0	0
Disposals	0	0	0
Loan repayments	0	0	0
Revaluations	0	0	0
Loans repayable within 12 months transferred to receivables	0	0	0
Balance at 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>

21.1. Other Financial Assets - Current

	31 March 2016 £000s	31 March 2015 £000s
Current part of loans repayable transferred from non-current assets	0	0
NLF deposits over 3 months	0	0
Closing balance 31 March	<u>0</u>	<u>0</u>

21.2. Other Financial Assets - Non Current

	31 March 2016 £000s	31 March 2015 £000s
Opening balance 1 April	0	0
Additions	0	0
Revaluation	0	0
Impairments/reversals taken to Revaluation Reserve	0	0
Impairment/reversals taken to SoCI	0	0
Change in Fair Value through SoCI	0	0
Transferred to current financial assets	0	0
Disposals	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0
Total Other Financial Assets - Non Current	<u>0</u>	<u>0</u>

22. Other current assets

	31 March 2016 £000s	31 March 2015 £000s
EU Emissions Trading Scheme Allowance	0	0
Other Assets	0	0
Total	0	0

23. Cash and Cash Equivalents

	31 March 2016 £000s	31 March 2015 £000s
Opening balance	701	701
Net change in year	2,664	0
Closing balance	3,365	701
Made up of		
Cash with Government Banking Service	3,331	670
Commercial banks	8	7
Cash in hand	26	24
Liquid deposits with NLF	0	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	3,365	701
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	3,365	701
Third Party Assets - Bank balance (not included above)	0	0
Third Party Assets - Monies on deposit	0	0

24. Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Constructio n and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Financial Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	0	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0	0
Transfers to Foundation Trust on authorisation as FT	0	0	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	0	0
Balance at 31 March 2016	0	0	0	0	0	0	0	0	0	0	0
Liabilities associated with assets held for sale at 31 March 2016	0	0	0	0	0	0	0	0	0	0	0
Balance at 1 April 2014	0	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	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	0	0
Balance at 31 March 2015	0	0	0	0	0	0	0	0	0	0	0
Liabilities associated with assets held for sale at 31 March 2015	0	0	0	0	0	0	0	0	0	0	0

25. Trade and other payables

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
NHS payables - revenue	5,369	3,102	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	1,630	1,551	0	0
Non-NHS payables - revenue	13,949	2,557	0	0
Non-NHS payables - capital	163	1,233	0	0
Non-NHS accruals and deferred income	3,459	4,584	0	0
Social security costs	1,419	1,442		
PDC Dividend payable to DH	0	0		
Accrued Interest on DH Loans	5			
VAT	0	0	0	0
Tax	1,467	1,508		
Payments received on account	0	0	0	0
Other	2,977	3,464	0	0
Total	30,438	19,441	0	0
Total payables (current and non-current)	30,438	19,441		

Included above:

to Buy Out the Liability for Early Retirements Over 5 Years	0	0
number of Cases Involved (number)	0	0
outstanding Pension Contributions at the year end	2,060	0

26. Other liabilities

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
PFI/LIFT deferred credit	0	0	0	0
Lease incentives	0	0	0	0
Total	0	0	0	0
Total other liabilities (current and non-current)	0	0		

27. Borrowings

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Bank overdraft - Government Banking Service	0	0		
Bank overdraft - commercial banks	0	0		
Loans from Department of Health	0	0	6,883	0
Loans from other entities	0	0	0	0
PFI liabilities:				
Main liability	3,304	3,317	131,347	137,410
Lifecycle replacement received in advance	0	0	0	0
LIFT liabilities:				
Main liability	0	0	0	0
Lifecycle replacement received in advance	0	0	0	0
Finance lease liabilities	0	0	0	0
Other (describe)	0	0	0	0
Total	3,304	3,317	138,230	137,410
Total other liabilities (current and non-current)	141,534	140,727		

Borrowings / Loans - repayment of principal falling due in:

	DH £000s	31 March 2016	
		Other £000s	Total £000s
0-1 Years	0	3,304	3,304
1 - 2 Years	6,883	7,186	14,069
2 - 5 Years	0	12,207	12,207
Over 5 Years	0	111,954	111,954
TOTAL	6,883	134,651	141,534

28. Other financial liabilities

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Embedded derivatives at fair value through SoCI	0	0	0	0
Financial liabilities carried at fair value through profit and loss	0	0	0	0
Amortised cost	0	0	0	0
Total	0	0	0	0
Total other financial liabilities (current and non-current)	0	0		

29. Deferred income

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Opening balance at 1 April 2015	1,617	1,541	0	0
Deferred revenue addition	48	1,617	0	0
Transfer of deferred revenue	0	(1,541)	0	0
Current deferred Income at 31 March 2016	1,665	1,617	0	0
Total deferred income (current and non-current)	1,665	1,617		

30. Finance lease obligations as lessee**Amounts payable under finance leases (Buildings)**

	Minimum lease payments		Present value of minimum	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0		
Minimum Lease Payments / Present value of minimum lease payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Included in:				
Current borrowings			0	0
Non-current borrowings			<u>0</u>	<u>0</u>

Amounts payable under finance leases (Land)

	Minimum lease payments		Present value of minimum	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0		
Minimum Lease Payments / Present value of minimum lease payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Included in:				
Current borrowings			0	0
Non-current borrowings			<u>0</u>	<u>0</u>
Total			<u>0</u>	<u>0</u>

Amounts payable under finance leases (Other)

	Minimum lease payments		Present value of minimum	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0		
Minimum Lease Payments / Present value of minimum lease payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Included in:				
Current borrowings			0	0
Non-current borrowings			<u>0</u>	<u>0</u>

Finance leases as lessee

	31 March 2016 £000s	31 March 2015 £000s
Future Sublease Payments Expected to be received	0	0
Contingent Rents Recognised as an Expense	0	0

31. Finance lease receivables as lessor

Amounts receivable under finance leases (buildings)	Gross investments in leases		Present value of minimum	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Of minimum lease payments				
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0		
Gross Investment in Leases / Present Value of Minimum Lease Payments	0	0	0	0
Less allowance for uncollectible lease payments:	0	0	0	0
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0
Amounts receivable under finance leases (land)				
Of minimum lease payments				
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0		
Gross Investment in Leases / Present Value of Minimum Lease Payments	0	0	0	0
Less allowance for uncollectible lease payments:	0	0	0	0
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0
Amounts receivable under finance leases (Other)				
Of minimum lease payments				
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0		
Gross Investment in Leases / Present Value of Minimum Lease Payments	0	0	0	0
Less allowance for uncollectible lease payments:	0	0	0	0
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0
			31 March 2016 £000	31 March 2015 £000
The unguaranteed residual value accruing to the Trust			0	0
Accumulated allowance for uncollectible minimum lease payments receivable			0	0
Rental revenue			31 March 2016	31 March 2015
Contingent rent			0	0
Other			0	0
Total rental revenue			0	0

32. Provisions

	Total	Comprising:						Redundancy
		Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change)	Other	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	659	0	151	0	0	0	508	0
Arising during the year	0	0	0	0	0	0	0	0
Utilised during the year	(236)	0	(36)	0	0	0	(200)	0
Reversed unused	0	0	0	0	0	0	0	0
Unwinding of discount	0	0	0	0	0	0	0	0
Change in discount rate	0	0	0	0	0	0	0	0
Transfers to NHS Foundation Trusts on being authorised 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
Balance at 31 March 2016	423	0	115	0	0	0	308	0
Expected Timing of Cash Flows:								
No Later than One Year	423	0	115	0	0	0	308	0
Later than One Year and not later than Five Years	0	0	0	0	0	0	0	0
Later than Five Years	0	0	0	0	0	0	0	0

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

As at 31 March 2016	141,821
As at 31 March 2015	60,467

33. Contingencies

	31 March 2016 £000s	31 March 2015 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	0	0
Employment Tribunal and other employee related litigation	0	0
Redundancy	0	0
Other	0	(2,600)
Net value of contingent liabilities	0	(2,600)
Contingent assets		
Contingent assets	0	0
Net value of contingent assets	0	0

34. PFI and LIFT - additional information

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

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

	2015-16 £000s	2014-15 £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	4,000	4,016
Total	4,000	4,016

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

No Later than One Year	4,092	4,151
Later than One Year, No Later than Five Years	17,565	18,046
Later than Five Years	117,245	143,637
Total	138,902	165,834

The estimated annual payments in future years are expected to be materially different from those which the Trust is committed to make materially different from those which the Trust 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

	2015-16 £000s	2014-15 £000s
No Later than One Year	9,183	9,879
Later than One Year, No Later than Five Years	37,284	39,359
Later than Five Years	174,203	192,255
Subtotal	220,670	241,493
Less: Interest Element	(86,019)	(100,188)
Total	134,651	141,305

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due Analysed by when PFI payments are due

	2015-16 £000s	2014-15 £000s
No Later than One Year	3,304	3,317
Later than One Year, No Later than Five Years	15,335	14,749
Later than Five Years	116,012	123,239
Total	134,651	141,305

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

35. Impact of IFRS treatment - current year

	2015-16 Income £000s	Expenditure £000s	2014-15 Income £000s	Expenditure £000s
The information below is required by the Department of Health for budget reconciliation				
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)				
Depreciation charges		2,322		2,670
Interest Expense		3,756		8,391
Impairment charge - AME		(228)		0
Impairment charge - DEL		0		0
Other Expenditure		8,098		4,016
Revenue Receivable from subleasing	0		0	
Impact on PDC dividend payable		0		0
Total IFRS Expenditure (IFRIC12)	0	13,948	0	15,077
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)		14,773		15,486
Net IFRS change (IFRIC12)		(825)		(409)
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12				
Capital expenditure 2015-16		0		0
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		0		0

	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	2,322	
Interest Expense	3,756	
Impairment charge - AME	(228)	
Impairment charge - DEL	0	
Other Expenditure		
Service Charge	4,040	14,773
Contingent Rent	4,058	
Lifecycle	0	
Impact on PDC Dividend Payable	0	
Total Revenue Cost under IFRIC12 vs ESA10	13,948	14,773
Revenue Receivable from subleasing	0	0
Net Revenue Cost/(income) under IDRIC12 vs ESA10	13,948	14,773

36. Financial Instruments

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

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. The Trust's 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 2016 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 CCG's, 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.

36.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0			0
Receivables - NHS		7,686		7,686
Receivables - non-NHS		4,179		4,179
Cash at bank and in hand		3,365		3,365
Other financial assets	0	0	0	0
Total at 31 March 2016	0	15,230	0	15,230
Embedded derivatives	0			0
Receivables - NHS		7,198		7,198
Receivables - non-NHS		4,007		4,007
Cash at bank and in hand		701		701
Other financial assets	0	0	0	0
Total at 31 March 2015	0	11,906	0	11,906

36.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
			£000s
Embedded derivatives	0		0
NHS payables		12,844	12,844
Non-NHS payables		17,876	17,876
Other borrowings		0	0
PFI & finance lease obligations		134,651	134,651
Other financial liabilities	0	0	0
Total at 31 March 2016	0	165,371	165,371
Embedded derivatives	0		0
NHS payables		4,318	4,318
Non-NHS payables		9,932	9,932
Other borrowings		0	0
PFI & finance lease obligations		141,016	141,016
Other financial liabilities	0	0	0
Total at 31 March 2015	0	155,266	155,266

37. Events after the end of the reporting period

There are no material events post close of the financial reporting period.

38. Related party transactions

Details of related party transactions with individuals are as follows:

	Related Party	Expenditure with Related Party £	Amounts outstanding £
Ben Reid - Trust Chairman	Midland Counties Co-operative	145	36

The Department of Health is regarded as a related party. During the year the Trust had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

Walsall Clinical Commissioning Group
 Dudley And Walsall Mental Health Partnership NHS Trust
 Sandwell and West Birmingham Clinical Commissioning Group
 South East Staffs and Seisdon Peninsular Clinical Commissioning Group
 Dudley Clinical Commissioning Group
 Cannock Chase Clinical Commissioning Group
 Birmingham Cross City Clinical Commissioning Group
 Stafford and Surrounds Clinical Commissioning Group
 Wolverhampton Clinical Commissioning Group
 Royal Wolverhampton Hospitals NHS Trust
 Sandwell and West Birmingham Hospitals NHS Trust
 Birmingham Womens NHS Foundation Trust
 Heart of England NHS Foundation Trust
 Unversity Hospitals Birmingham NHS Foundation Trust
 West Midlands Ambulance Service NHS Foundation Trust
 NHS England
 Health Education England
 NHS Business Services Authority
 NHS Pension Scheme
 National Insurance Fund
 NHS Litigation Authority
 NHS Property Services
 Walsall Metropolitan Borough Council

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the Trust board.

39. Losses and special payments

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	49,849	6
Special payments	111,329	53
Total losses and special payments	161,178	59

The total number of losses cases in 2014-15 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	33,646	11
Special payments	104,641	97
Total losses and special payments	138,287	108

40. 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.

40.1. 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
Turnover	149,144	164,514	161,162	168,545	179,749	226,983	228,409	237,049	239,491	243,525
Retained surplus/(deficit) for the year	3,463	644	353	(320)	(79,975)	3,630	3,786	12,207	(15,434)	(10,702)
Adjustment for:										
Timing/non-cash impacting distortions:										
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	272									
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0								
Adjustments for impairments			0	2,318	83,222	40	0	(11,479)	2,517	912
Adjustments for impact of policy change re donated/government grants assets						125	67	(163)	56	0
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				0	0	369	0	0	0	0
Absorption accounting adjustment							0	0	0	0
Other agreed adjustments	0	0	318	0	0	0	0	0	0	0
Break-even in-year position	3,735	644	671	1,998	3,247	4,164	3,853	565	(12,861)	(9,790)
Break-even cumulative position	4,618	5,262	5,933	7,931	11,178	15,342	19,195	19,760	6,899	(2,891)

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

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %
Materiality test (i.e. is it equal to or less than 0.5%):										
Break-even in-year position as a percentage of turnover	2.50	0.39	0.42	1.19	1.81	1.83	1.69	0.24	0.00	-4.02
Break-even cumulative position as a percentage of turnover	3.10	3.20	3.68	4.71	6.22	6.76	8.40	8.34	0.00	-1.19

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.

40.2. 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%.

40.3. External financing

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

	2015-16	2014-15
	£000s	£000s
External financing limit (EFL)	584	16,457
Cash flow financing	(1,294)	15,887
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	(1,294)	15,887
Under/(over) spend against EFL	<u>1,878</u>	<u>570</u>

40.4. Capital resource limit

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

	2015-16	2014-15
	£000s	£000s
Gross capital expenditure	2,582	11,016
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(156)	0
Charge against the capital resource limit	<u>2,426</u>	<u>11,016</u>
Capital resource limit	2,464	13,425
(Over)/underspend against the capital resource limit	<u>38</u>	<u>2,409</u>

41. Third party assets

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

	31 March	31 March
	2016	2015
	£000s	£000s
Third party assets held by the Trust	<u>0</u>	<u>1</u>

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