



Walsall Healthcare NHS Trust Annual Accounts 2016/17

www.walsallhealthcare.nhs.uk

  @WalsallHcareNHS

Becoming your partners for first class integrated care



2016-17 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.....1/8/17.....

2016-17 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

1/5/17 Date  Chief Executive

1/6/17 Date  Finance Director

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 2017 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 45. 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 2016-17 Government Financial Reporting Manual (the 2016-17 FReM) as contained in the Department of Health Group Accounting Manual 2016-17 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 72;
- the table of pension benefits of senior managers on page 73;
- disclosure of payments for loss of office on page 74;
- disclosure of payments to past senior managers on page 74;
- the tables of exit packages on page 79;
- the analysis of staff numbers and costs on page 75; and
- the narrative of pay multiples on page 71.

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 89, 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 2016, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Opinion on 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 2017 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.

Emphasis of matters

In forming our opinion, which is not modified, we have also considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Trust's ability to continue as a going concern. The conditions described in Note 1 indicate the existence of a material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

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 are required to report to you if:

- in our opinion the governance statement does not comply with the NHS Improvement'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.

We have nothing to report in these respects.

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

- *Referral to the Secretary of State*

We report to you if we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

On 22 May 2017 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 (adverse) conclusion on reporting by exception

Work of regulators

The Care Quality Commission (CQC) inspected the Trust in January 2016, and issued the Trust with an overall rating of inadequate. Action plans were put in place, but these are yet to demonstrate sustained improvements in performance to meet targets.

The Trust has not yet been subject to re-inspection by CQC.

Financial resilience

The Trust's outturn position for 2016/17 was a £21.4million deficit, which is a significant deterioration compared to the 2016/17 planned deficit of £6.2million.

The deterioration in the Trust's financial outturn was due to failure to maintain effective controls over temporary staffing and failure to deliver its Cost Improvement Programme for the year.

Data quality

The Trust failed to report its performance for 18 week Referral to Treatment, a national priority performance indicator for the period April 2016 to November 2016 due to unreliable data quality. The Trust has also failed to correct known data quality issues in Venous Thromboembolism (VTE) Risk Assessment.

Workforce

The results of the 2016 National NHS staff survey show continuing poor performance for staff engagement with 27 out of 32 measures below average.

The Trust's response plan to the CQC inspection included actions to improve workforce and staffing, however these actions have not yet demonstrated a sustained improvement in staff engagement or confidence in the quality of services provided by the Trust.

Impact

These issues are evidence of weaknesses in proper arrangements for:

- ▶ Acting in the public interest, through demonstrating and applying the principles and values of sound governance
- ▶ Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
- ▶ Managing risks effectively and maintaining a sound system of internal control
- ▶ Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
- ▶ Planning, organising and developing the workforce effectively to deliver strategic priorities
- ▶ Working with third parties effectively to deliver strategic priorities
- ▶ Procuring supplies and services effectively to support the delivery of strategic priorities

Qualified (Adverse) conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, 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 2017.

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.



Stephen Clark
for and on behalf of Ernst & Young LLP
Birmingham
1 June 2017

The maintenance and integrity of Walsall Healthcare NHS Trust's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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

**Statement of Comprehensive Income for year ended
31 March 2017**

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	10.1	(172,118)	(164,962)
Other operating costs	8	(85,897)	(84,107)
PFI Impairment*	16.1	(12,833)	0
Revenue from patient care activities	5	223,025	224,590
Other operating revenue	6	21,717	18,935
Operating deficit		(26,106)	(5,544)
Investment revenue	12	21	28
Other gains	13	6	0
Finance costs	14	(8,050)	(5,186)
Surplus/(deficit) for the financial year		(34,129)	(10,702)
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		(34,129)	(10,702)

Other Comprehensive Income

	2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve	0	0
Net gain/loss on revaluation of property, plant & equipment	0	(412)
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 comprehensive income for the year	(34,129)	(11,114)

Financial performance for the year

Retained deficit for the year	(34,129)	(10,702)
Prior period adjustment to correct errors and other performance adjustments	0	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	0	(228)
Impairments (excluding IFRIC 12 impairments)	12,833	1,140
Adjustments in respect of donated gov't grant asset reserve elimination	(96)	0
Adjustment re absorption accounting	0	0
Adjusted retained deficit	(21,392)	(9,790)

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

**Statement of Financial Position as at
31 March 2017**

		31 March 2017	31 March 2016
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	16	133,168	160,685
Intangible assets	17	1,010	1,049
Investment property	19	0	0
Other financial assets		0	0
Trade and other receivables	22.1	1,119	571
Total non-current assets		135,297	162,305
Current assets:			
Inventories	21	2,107	2,357
Trade and other receivables	22.1	14,603	12,636
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	1,705	3,365
Sub-total current assets		18,415	18,358
Non-current assets held for sale	27	0	0
Total current assets		18,415	18,358
Total assets		153,712	180,663
Current liabilities			
Trade and other payables	28	(29,457)	(30,438)
Other liabilities	29	0	0
Provisions	35	(420)	(423)
Borrowings	30	(3,489)	(3,304)
Other financial liabilities	31	0	0
DH revenue support loan	30	0	0
DH capital loan	30	0	0
Total current liabilities		(33,366)	(34,165)
Net current assets/(liabilities)		(14,951)	(15,807)
Total assets less current liabilities		120,346	146,498
Non-current liabilities			
Trade and other payables	28	0	0
Other liabilities	29	0	0
Provisions	35	0	0
Borrowings	30	(127,857)	(131,347)
Other financial liabilities	31	0	0
DH revenue support loan	30	(31,183)	(6,883)
DH capital loan	30	0	0
Total non-current liabilities		(159,040)	(138,230)
Total assets employed:		(38,694)	8,268
FINANCED BY:			
Public Dividend Capital		56,318	56,318
Retained earnings		(107,764)	(60,909)
Revaluation reserve		12,752	12,859
Other reserves		0	0
Total Taxpayers' Equity:		(38,694)	8,268

The following notes form part of this account.

The financial statements were approved by the Board on 1st June 2017 and signed on its behalf

Chief Executive:

Mr R. Kirby

Date:

1/6/17

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

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Restated Opening Balance 1 April 2016	56,318	(73,742)	12,859	0	(4,565)
Changes in taxpayers' equity for 2016-17					
Retained deficit for the year		(34,129)			(34,129)
Net gain / (loss) on revaluation of property, plant, equipment			0		0
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			0		0
Impairments and reversals			0		0
Other gains/(loss)				0	0
Transfers between reserves		107	(107)	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
Temporary and permanent PDC received - cash	0				0
Temporary and permanent PDC repaid in year	0				0
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	0
Other pensions remeasurement		0		0	0
Net recognised expense for the year	0	(34,022)	(107)	0	(34,129)
Balance at 31 March 2017	56,318	(107,764)	12,752	0	(38,694)
Balance at 1 April 2015	58,684	(63,153)	13,384	0	8,915
Changes in taxpayers' equity for the year ended 31 March 2016					
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 assets held for sale			0		0
Impairments and reversals			0		0
Other gains / (loss)				0	0
Transfers between reserves		113	(113)	0	0
Reclassification Adjustments					
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under		0	0		0
On disposal of available for sale financial assets			0		0
Originating capital for Trust established in year	0				0
New PDC received - cash	34				34
PDC repaid in year	(2,400)				(2,400)
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	(2,366)	(10,589)	(525)	0	(13,480)
Balance at 31 March 2016	56,318	(73,742)	12,859	0	(4,565)

Information on reserves

1 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by Walsall Healthcare NHS Trust, is payable to the Department of Health as the public dividend capital dividend. Walsall Healthcare NHS Trust currently does not pay a dividend.

2 Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of Walsall Healthcare NHS Trust.

3 Revaluation Reserve

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

Statement of Cash Flows for the Year ended 31 March 2017

	NOTE	2016-17 £000s	2015-16 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		(26,106)	(5,544)
Depreciation and amortisation	8	6,810	7,271
Impairments and reversals	18	12,833	912
Other gains/(losses) on foreign exchange	13	0	0
Donated Assets received credited to revenue but non-cash	6	(259)	(156)
Government Granted Assets received credited to revenue but non-cash		0	0
Release of PFI/deferred credit		0	0
(Increase)/Decrease in Inventories		250	(48)
(Increase)/Decrease in Trade and Other Receivables		(2,515)	(1,391)
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		(1,523)	9,293
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions utilised		(3)	(236)
Increase/(Decrease) in movement in non cash provisions		0	0
Net Cash Inflow/(Outflow) from Operating Activities		(10,513)	10,101
Cash Flows from Investing Activities			
Interest Received		22	29
(Payments) for Property, Plant and Equipment		(3,738)	(3,574)
(Payments) for Intangible Assets		(376)	(76)
(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		(4,092)	(3,621)
Net Cash Inflow / (outflow) before Financing		(14,605)	6,480
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received		0	34
Gross Temporary and Permanent PDC Repaid		0	(2,400)
Loans received from DH - New Capital Investment Loans		0	0
Loans received from DH - New Revenue Support Loans		25,457	19,366
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		(1,157)	(12,483)
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		(3,304)	(3,147)
Interest paid		(8,051)	(5,186)
PDC Dividend (paid)/refunded		0	0
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		0	0
Net Cash Inflow/(Outflow) from Financing Activities		12,945	(3,816)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,660)	2,664
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period			
		3,365	701
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	26	1,705	3,365

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

1.1 Accounting convention

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

Going Concern

The Trust has recorded revenue deficits in the two financial years prior to 2016/17. The Board are committed to addressing the current deficit position and the Trust's five year model shows a planned breakeven in 2020/21. This financial recovery is dependent upon the achievement of cost improvement programmes over the period during which the Trust will also be reliant on financial support from the Department of Health to continue the provision of services.

The Trust recognises there is significant risk associated with the achievement of cost improvements targets included the forthcoming financial years. The Trust has agreed a cost improvement target of £11m for 2017/18 and is continuing to develop initiatives to deliver future savings beyond this financial year.

The Trust's financial position is a material uncertainty that casts significant doubt upon its ability to continue as a going concern and, that therefore, the Trust may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board of Directors have therefore given careful consideration to the Going Concern principle when preparing these accounts.

In respect of the £20.5m planned revenue deficit for 2017/18, the Trust has access to the Uncommitted Interim Revenue Support Facility and cash supporting loans are agreed monthly with Department of Health dependant on cash requirement.

The Board has concluded that although the financial circumstances represents a material uncertainty, the Directors have a reasonable expectation that the Trust will have access to sufficient resources, including revenue and capital loan funding, to continue to provide services to patients for the foreseeable future. For this reason the Board has adopted the going concern basis when preparing these 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.

1.5 Critical accounting judgements and key sources of estimation uncertainty

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

1.5.1 Critical judgements in applying accounting policies

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

NOTES TO THE ACCOUNTS

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

1.5.2 Key sources of estimation uncertainty

The Trust is forecasting a deficit position for 2017/18 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.

The Trust has revalued its PFI assets net of VAT in line with the Department of Health guidance issued in 2015/16. The Trust did not formally engage a valuer to assess the value of the PFI assets excluding VAT as a full site valuation is planned in 2017/18. The Trust applied the VAT reduction to its opening balances which resulted in a £12.8 million impairment in year. Future PFI valuations will continue to exclude VAT.

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.

Walsall Healthcare 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. Walsall Healthcare NHS Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

1.7 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees, except for bonuses earned but not yet taken which, like leave earned but not yet taken is not accrued for at the year end, on the grounds of immateriality.

Retirement benefit costs

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

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

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

Employees of Walsall Healthcare also have the option of joining the National Employment Savings Trust (NEST) pension scheme where they have opted out or are not viable to join the NHS Pension scheme.

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

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to the NHS trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- Collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

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

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

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

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

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

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

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

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

Subsequent expenditure

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

1.10 Intangible assets

Recognition

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use;

NOTES TO THE ACCOUNTS

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

Measurement

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

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.11 Depreciation, amortisation and impairments

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

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

At each financial year-end, Walsall Healthcare NHS Trust checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year end.

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

The Trust applied the Department of Health guidance issued in 2015/16 to the PFI hospital assets and subsequently impaired the assets by the VAT element included within the valuation. The net impairment of £12.8 million was processed as an opening balance adjustment in the accounts.

1.12 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.13 Government grants

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

1.14 Non-current assets held for sale

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

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

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

1.15 Leases

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

The Trust as lessee

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

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

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

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

The Trust as lessor

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

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

1.16 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

PFI liability

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

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

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

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

Lifecycle replacement

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

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

NOTES TO THE ACCOUNTS

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

Assets contributed by Walsall Healthcare 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 Walsall Healthcare NHS Trust's Statement of Financial Position.

Other assets contributed by Walsall Healthcare NHS Trust to the operator

Assets contributed (e.g. cash payments, surplus property) by Walsall Healthcare 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 Walsall Healthcare 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 Walsall Healthcare NHS Trust's cash management.

1.19 Provisions

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

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

1.20 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA, which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with Walsall Healthcare NHS Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at Note 35.

1.21 Non-clinical risk pooling

Walsall Healthcare NHS Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which Walsall Healthcare 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 Walsall Healthcare NHS Trust makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

1.23 Contingencies

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

NOTES TO THE ACCOUNTS

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure 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 Walsall Healthcare NHS Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

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

Financial guarantee contract liabilities

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

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

Financial liabilities at fair value through profit and loss

NOTES TO THE ACCOUNTS

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

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

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 45 to the accounts.

1.29 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in Walsall Healthcare 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 Walsall Healthcare NHS 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 Walsall Healthcare NHS Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

1.31 Subsidiaries

Material entities over which Walsall Healthcare NHS Trust has the power to exercise control are classified as subsidiaries and are consolidated. Walsall Healthcare 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 Walsall Healthcare 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 Walsall Healthcare 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 Walsall Healthcare 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 Walsall Healthcare 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 Walsall Healthcare 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.

NOTES TO THE ACCOUNTS

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 Walsall Healthcare NHS Trust is a joint operator it recognises its share of, assets, liabilities, income and expenses in its own accounts.

NOTES TO THE 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.

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 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

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

2. Pooled budget

Not relevant for trust

3. Operating segments

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

4. Income generation activities

Not relevant for trust

5. Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	44	0
NHS England	20,589	21,015
Clinical Commissioning Groups	190,174	185,046
Foundation Trusts	28	0
Department of Health	667	0
NHS Other (including Public Health England and Prop Co)	5	0
Additional income for delivery of healthcare services	0	8,000
Non-NHS:		
Local Authorities	10,765	9,623
Private patients	19	14
Overseas patients (non-reciprocal)	17	113
Injury costs recovery	544	623
Other Non-NHS patient care income	173	156
Total Revenue from patient care activities	223,025	224,590

6. Other operating revenue

	2016-17 £000s	2015-16 £000s
Recoveries in respect of employee benefits	449	442
Patient transport services	0	0
Education, training and research	9,850	9,367
Charitable and other contributions to revenue expenditure - NHS	0	0
Charitable and other contributions to revenue expenditure -non- NHS	0	0
Receipt of charitable donations for capital acquisitions	259	156
Support from DH for mergers	0	0
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	4,012	4,511
Sustainability & Transformation Fund Income	2,100	0
Income generation (Other fees and charges)	1,975	1,894
Rental revenue from finance leases	0	0
Rental revenue from operating leases	213	259
Other revenue	2,859	2,306
Total Other Operating Revenue	21,717	18,935
Total operating revenue	244,742	243,525

7. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	17	113
Cash payments received in-year (re receivables at 31 March 2016)	0	0
Cash payments received in-year (iro invoices issued 2016-17)	3	11
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	102	13
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	3	38
Amounts written off in-year (irrespective of year of recognition)	0	0

8. Operating expenses

	2016-17 £000s	2015-16 £000s
Services from other NHS Trusts	1,643	1,533
Services from CCGs/NHS England	0	0
Services from other NHS bodies	57	75
Services from NHS Foundation Trusts	325	0
Total Services from NHS bodies*	2,025	1,608
Purchase of healthcare from non-NHS bodies	1,341	1,539
Purchase of Social Care	0	0
Trust Chair and Non-executive Directors	82	59
Supplies and services - clinical	37,329	36,513
Supplies and services - general	3,779	3,636
Consultancy services	1,439	1,341
Establishment	3,609	3,658
Transport	680	704
Service charges - ON-SOFP PFIs and other service concession arrangements	4,122	4000
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	1,647	1538
Premises	7,560	7,543
Hospitality	0	0
Insurance	174	175
Legal Fees	97	60
Impairments and Reversals of Receivables	138	77
Inventories write down	56	50
Depreciation	6,395	6,850
Amortisation	415	421
Impairments and reversals of property, plant and equipment	12,833	912
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	144	141
Audit fees	81	81
Other auditor's remuneration	43	45
Clinical negligence	11,808	10,735
Research and development (excluding staff costs)	0	0
Education and Training	1,019	865
Change in Discount Rate	0	0
Capital Grants in Kind	0	0
Other	1,914	1,556
Total Operating expenses (excluding employee benefits)	98,730	84,107
Employee Benefits		
Employee benefits excluding Board members	171,253	164,125
Board members	865	837
Total Employee Benefits	172,118	164,962
Total Operating Expenses	270,848	249,069

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

9. 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, and has recently entered in agreements for provision of midwifery and sexual health services.

9.1. Walsall Healthcare NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
Payments recognised as an expense					
Minimum lease payments				784	796
Contingent rents				0	0
Sub-lease payments				0	0
Total				784	796
Payable:					
No later than one year		687	35	722	679
Between one and five years	0	328	14	342	270
After five years	0	301	0	301	351
Total	0	1,316	49	1,365	1,300
Total future sublease payments expected to be received:				0	0

9.2. Walsall Healthcare NHS Trust as lessor

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

	2016-17 £000s	2015-16 £000s
Recognised as revenue		
Rental revenue	213	259
Contingent rents	0	0
Total	213	259
Receivable:		
No later than one year	213	207
Between one and five years	733	724
After five years	3,665	3,799
Total	4,611	4,730

10. Employee benefits**10.1. Employee benefits**

	2016-17	2015-16
	Total	Total
	£000s	£000s
Employee Benefits - Gross Expenditure		
Salaries and wages	143,822	139,504
Social security costs	12,692	10,060
Employer Contributions to NHS BSA - Pensions Division	15,604	15,398
Other pension costs	0	0
Termination benefits	0	0
Total employee benefits	172,118	164,962
Employee costs capitalised	0	0
Gross Employee Benefits excluding capitalised costs	172,118	164,962

10.2. Retirements due to ill-health

	2016-17	2015-16
	Number	Number
	£000s	£000s
Number of persons retired early on ill health grounds	9	5
Total additional pensions liabilities accrued in the year	673	281

Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

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

The Trust offers an additional defined contribution workplace pension scheme e.g. the National Employment Savings Scheme (NEST), that a minority of staff participate in.

11. Better Payment Practice Code

11.1. Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	64,641	113,318	50,095	79,553
Total Non-NHS Trade Invoices Paid Within Target	9,885	59,065	29,842	55,017
Percentage of NHS Trade Invoices Paid Within Target	<u>15.29%</u>	<u>52.12%</u>	<u>59.57%</u>	<u>69.16%</u>
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,428	10,787	1,135	11,135
Total NHS Trade Invoices Paid Within Target	254	1,574	617	6,360
Percentage of NHS Trade Invoices Paid Within Target	<u>17.79%</u>	<u>14.59%</u>	<u>54.36%</u>	<u>57.12%</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.

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

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

12. Investment Revenue

	2016-17 £000s	2015-16 £000s
Rental revenue		
PFI finance lease revenue (planned)	0	0
PFI finance lease revenue (contingent)	0	0
Other finance lease revenue	0	0
Subtotal	<u>0</u>	<u>0</u>
Interest revenue		
LIFT: equity dividends receivable	0	0
LIFT: loan interest receivable	0	0
Bank interest	21	28
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Subtotal	<u>21</u>	<u>28</u>
Total investment revenue	<u>21</u>	<u>28</u>

13. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	6	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	0	0
Total	<u>6</u>	<u>0</u>

14. Finance Costs

	2016-17 £000s	2015-16 £000s
Interest		
Interest on loans and overdrafts	463	344
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts:		
- main finance cost	7,587	4,842
- 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>8,050</u>	<u>5,186</u>
Other finance costs	0	0
Provisions - unwinding of discount	0	0
Total	<u>8,050</u>	<u>5,186</u>

15. Finance Costs**15.1. Other auditor remuneration**

	2016-17 £000s	2015-16 £000s
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	107	109
2. Audit-related assurance services	17	17
3. Taxation compliance services		
4. All taxation advisory services not falling within item 3 above		
5. Internal audit services		
6. All assurance services not falling within items 1 to 5		
7. Corporate finance transaction services not falling within items 1 to 6 above		
8. Other non-audit services not falling within items 2 to 7 above		
Total	<u>124</u>	<u>126</u>

16.1. Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
2016-17	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
Opening Balance 1 April 2016	8,782	137,246	2,320	1,536	36,134	253	9,152	682	196,105
Additions of Assets Under Construction				851					851
Additions Purchased	6	1,970	118		957	0	383	0	3,434
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	259	0	0	0	259
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	924	0	(924)	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
Revaluation	0	0	0	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	(13,220)	0	0	0	0	0	0	(13,220)
Impairments/reversals charged to reserves	0	0	0	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0
At 31 March 2017	8,788	126,920	2,438	1,463	37,350	253	9,535	682	187,429
Depreciation									
Opening Balance 1 April 2016	69	12,025	1,065		26,767	251	7,632	444	48,253
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
Revaluation	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	0	(387)	0		0	0	0	0	(387)
Charged During the Year	0	3,683	194		1,835	2	633	48	6,395
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0		0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	0
At 31 March 2017	69	15,321	1,259	0	28,602	253	8,265	492	54,261
Net Book Value at 31 March 2017	8,719	111,599	1,179	1,463	8,748	0	1,270	190	133,168
Asset financing:									
Owned - Purchased	8,719	47,905	1,179	1,463	7,873	0	1,264	185	68,588
Owned - Donated	0	612	0	0	875	0	6	5	1,498
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	63,082	0	0	0	0	0	0	63,082
PFI residual interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2017	8,719	111,599	1,179	1,463	8,748	0	1,270	190	133,168

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	4,657	7,156	664	0	370	6	0	6	12,859
Movements	0	(13)	(95)	0	0	0	0	0	(108)
At 31 March 2017	<u>4,657</u>	<u>7,143</u>	<u>569</u>	<u>0</u>	<u>370</u>	<u>6</u>	<u>0</u>	<u>6</u>	<u>12,751</u>

Additions to Assets Under Construction in 2016-17

Land	0
Buildings excl Dwellings	849
Dwellings	0
Plant & Machinery	2
Balance as at YTD	<u>851</u>

16.2. 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
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		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
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
Revaluation	(138)	(425)	151	0	0	0	0	0	(412)
Impairment/reversals charged to reserves	0	0	0	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0
At 31 March 2016	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
Revaluation	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

16.3. (cont). Property, plant and equipment

All land and buildings are held at revalued amounts following a full site 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.

The Trust applied the Department of Health guidance issued in 2015/16 to the PFI hospital assets and subsequently impaired the assets by the VAT element included within the valuation. The net impairment of £12.8 million was processed as an opening balance adjustment in the accounts.

Walsall Healthcare NHS Trust will be undertaking a full site valuation in 2017/18 with regard to the PFI hospital scheme and the expected completion of the maternity building extension.

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

17. Intangible non-current assets**17.1. Intangible non-current assets**

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Developmen t Expenditure - Internally Generated	Intangible Assets Under Constructio n	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2016-17							
At 1 April 2016	0	6,435	0	0	0	0	6,435
Additions of Assets Under Construction						0	0
Additions Purchased	0	376	0	0	0	0	376
Additions Internally Generated	0	0	0	0	0	0	0
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	0
At 31 March 2017	0	6,811	0	0	0	0	6,811
Amortisation							
At 1 April 2016	0	5,386	0	0	0		5,386
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	415	0	0	0		415
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0		0
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0		0
At 31 March 2017	0	5,801	0	0	0	0	5,801
Net Book Value at 31 March 2017	0	1,010	0	0	0	0	1,010
Asset Financing: Net book value at 31 March 2017 comprises:							
Purchased	0	1,008	0	0	0	0	1,008
Donated	0	2	0	0	0	0	2
Government Granted	0	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0	0
Total at 31 March 2017	0	1,010	0	0	0	0	1,010
Revaluation reserve balance for intangible non-current assets							
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	0	0	0	0	0	0	0
Movements	0	0	0	0	0	0	0
At 31 March 2017	0	0	0	0	0	0	0

17.2. Intangible non-current assets prior year

2015-16	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Licenses and Trademarks £000's	Patents £000's	Development Expenditure - Internally Generated £000's	£000's	Total £000's
Cost or valuation:							
At 1 April 2015	0	6,359	0	0	0	0	6,359
Additions - purchased	0	76	0	0	0	0	76
Additions - internally generated	0	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	0
At 31 March 2016	<u>0</u>	<u>6,435</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,435</u>
Amortisation							
At 1 April 2015	0	4,965	0	0	0	0	4,965
Reclassifications	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0	0
Charged during the year	0	421	0	0	0	0	421
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0	0
At 31 March 2016	<u>0</u>	<u>5,386</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,386</u>
Net book value at 31 March 2016	0	1,049	0	0	0	0	1,049
Net book value at 31 March 2016 comprises:							
Purchased		1045					1,045
Donated		4					4
Government Granted							0
Finance Leased							0
On-balance Sheet PFIs							0
Total at 31 March 2016	<u>0</u>	<u>1,049</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,049</u>

17.3. 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

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

	2016-17
	Total
	£000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	12,833
Changes in market price	0
Total charged to Annually Managed Expenditure	12,833
Total Impairments of Property, Plant and Equipment changed to SoCI	12,833

19. Investment property

	31 March	31 March
	2017	2016
	£000s	£000s
At fair value		
Balance at 1 April 2016	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 2017	0	0

20. Commitments**20.1. Capital commitments**

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

	31 March	31 March
	2017	2016
	£000s	£000s
Property, plant and equipment	306	55
Intangible assets	0	0
Total	306	55

20.2. Other financial commitments

The Trust has not entered into non-cancellable contracts.

	31 March	31 March
	2017	2016
	£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

21. 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 2016	1,049	1,129	0	131	48	0	2,357	0
Additions	17,329	24,239	0	8	0	0	41,576	0
Inventories recognised as an expense in the period	(17,252)	(24,482)	0	(30)	(6)	0	(41,770)	0
Write-down of inventories (including losses)	(51)	(5)	0	0	0	0	(56)	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 2017	1,075	881	0	109	42	0	2,107	0

22.1. Trade and other receivables

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
NHS receivables - revenue	11,764	7,686	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	0	0	0	0
Non-NHS receivables - revenue	1,507	2,299	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	1,078	1,159	0	0
PDC Dividend prepaid to DH	0	0	(144)	(226)
Provision for the impairment of receivables	(1,064)	(844)	0	0
VAT	318	819	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income excluding PFI lifecycle	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	797
Other receivables	1,000	1,517	1,263	571
Total	14,603	12,636	1,119	1,142
Total current and non current	15,722	13,778		
Included in NHS receivables are prepaid pension contributions:	0			

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

22.2. Receivables past their due date but not impaired

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	245	1,147
By three to six months	1,469	782
By more than six months	4,053	1,021
Total	5,767	2,950

22.3. Provision for impairment of receivables

	2016-17 £000s	2015-16 £000s
Balance at 1 April 2016	(1,070)	(993)
Amount written off during the year	0	0
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(138)	(77)
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 2017	(1,208)	(1,070)

23. NHS LIFT investments

Not relevant for trust

24.1. Other Financial Assets - Current

	31 March 2017 £000s	31 March 2016 £000s
Current part of loans repayable transferred from non-current assets	0	0
NLF deposits over 3 months	0	0
Closing balance 31 March	0	0

24.2. Other Financial Assets - Non Current

	31 March 2017 £000s	31 March 2016 £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	0	0

25. Other current assets

	31 March 2017	31 March 2016
	£000s	£000s
EU Emissions Trading Scheme Allowance	0	0
Other Assets	0	0
Total	0	0

26. Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000s	£000s
Opening balance	3,365	701
Net change in year	(1,660)	2,664
Closing balance	1,705	3,365
Made up of		
Cash with Government Banking Service	1,658	3,331
Commercial banks	17	8
Cash in hand	30	26
Liquid deposits with NLF	0	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	1,705	3,365
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	1,705	3,365
Third Party Assets - Bank balance (not included above)	1	0
Third Party Assets - Monies on deposit	0	0

27. Non-current assets held for sale

Not relevant for trust

28. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
NHS payables - revenue	6,561	5,369	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	1,596	1,630	0	0
Non-NHS payables - revenue	10,419	13,949	0	0
Non-NHS payables - capital	710	163	0	0
Non-NHS accruals and deferred income	4,243	3,459	0	0
Social security costs	1,844	1,419		
PDC Dividend payable to DH	0	0		
Accrued Interest on DH Loans	23	5		
VAT	0	0	0	0
Tax	1,357	1,467		
Payments received on account	0	0	0	0
Other	2,704	2,977	0	0
Total	29,457	30,438	0	0
Total payables (current and non-current)	29,457	30,438		
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	2,147	2,060		

29. Other liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Lease incentives	0	0	0	0
Other	0	0	0	0
Total	0	0	0	0
Total other liabilities (current and non-current)	0	0		

30. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Bank overdraft - Government Banking Service	0	0		
Bank overdraft - commercial banks	0	0		
Loans from Department of Health	0	0	31,183	6,883
Loans from other entities	0	0	0	0
PFI liabilities - main liability	3,489	3,304	127,857	131,347
LIFT liabilities - main liability	0	0	0	0
Finance lease liabilities	0	0	0	0
Other	0	0	0	0
Total	3,489	3,304	159,040	138,230
Total other liabilities (current and non-current)	162,529	141,534		

Borrowings / Loans - repayment of principal falling due in:

	DH £000s	31 March 2017	
		Other £000s	Total £000s
0-1 Years	0	3,489	3,489
1 - 2 Years	0	7,687	7,687
2 - 5 Years	31,183	12,284	43,467
Over 5 Years	0	107,886	107,886
TOTAL	31,183	131,346	162,529

31. Other financial liabilities

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £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		

32. Deferred income

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Opening balance at 1 April 2016	1,665	1,617	0	0
Deferred revenue addition	91	48	0	0
Transfer of deferred revenue	0	0	0	0
Current deferred Income at 31 March 2017	1,756	1,665	0	0
Total deferred income (current and non-current)	1,756	1,665		

33. Finance lease obligations as lessee

Amounts payable under finance leases (Buildings)	Minimum lease payments		Present value of minimum	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£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	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			0	0
			<u>0</u>	<u>0</u>

Amounts payable under finance leases (Land)	Minimum lease payments		Present value of minimum	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£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	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			0	0
Total			<u>0</u>	<u>0</u>

Amounts payable under finance leases (Other)	Minimum lease payments		Present value of minimum	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£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	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			0	0
			<u>0</u>	<u>0</u>

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

34. Finance lease receivables as lessor

	Gross investments in leases		Present value of minimum lease payments	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Amounts receivable under finance leases (buildings)				
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
The unguaranteed residual value accruing to Walsall Healthcare NHS Trust			0	0
Accumulated allowance for uncollectible minimum lease payments receivable			0	0
Rental revenue				
Contingent rent			0	0
Other			0	0
Total rental revenue			0	0

35. 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 2016	423	0	115	0	0	0	308	0
Arising during the year	0	0	0	0	0	0	0	0
Utilised during the year	(3)	0	(3)	0	0	0	0	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 2017	420	0	112	0	0	0	308	0
Expected Timing of Cash Flows:								
No Later than One Year	420	0	112	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:

	£000s
As at 31 March 2017	164,031
As at 31 March 2016	141,821

36. Contingencies

	31 March 2017	31 March 2016
	£000s	£000s
Contingent liabilities		
NHS Litigation Authority legal claims	0	0
Employment Tribunal and other employee related litigation	0	0
Redundancy	0	0
Other	0	0
Net value of contingent liabilities	0	0
Contingent assets		
Contingent assets	0	0
Net value of contingent assets	0	0

37. Charitable Funds

The Trust has not consolidated Charitable Fund balances as they are not material to the accounts .

38. PFI - 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

	2016-17	2015-16
	£000s	£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	4,122	4,000
Total	4,122	4,000

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

No Later than One Year	4,214	4,092
Later than One Year, No Later than Five Years	18,025	17,565
Later than Five Years	112,570	117,245
Total	134,809	138,902

The estimated annual payments in future years are expected to be materially different from those which Walsall Healthcare NHS 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

	2016-17	2015-16
	£000s	£000s
No Later than One Year	9,220	9,183
Later than One Year, No Later than Five Years	37,172	37,284
Later than Five Years	165,095	174,203
Subtotal	211,487	220,670
Less: Interest Element	(80,141)	(86,019)
Total	131,346	134,651

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

	2016-17	2015-16
	£000s	£000s
Analysed by when PFI payments are due		
No Later than One Year	3,489	3,304
Later than One Year, No Later than Five Years	15,904	15,335
Later than Five Years	111,953	116,012
Total	131,346	134,651

Number of on SOFP PFI Contracts

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

Number of off SOFP PFI Contracts

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

39. Impact of IFRS treatment - current year

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

Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI)

	2016-17		2015-16	
	Income £000s	Expenditure £000s	Income £000s	Expenditure £000s
Depreciation charges		2,350		2,322
Interest Expense		5,878		3,756
Impairment charge - AME		0		(228)
Impairment charge - DEL		0		0
Other Expenditure		5,800		8,098
Revenue Receivable from subleasing	0		0	
Impact on PDC dividend payable		0		0
Total IFRS Expenditure (IFRIC12)	0	14,028	0	13,948
Revenue consequences of PFI schemes under UK GAAP / ESA95 (net of any sublease revenue)		15,012		14,773
Net IFRS change (IFRIC12)		(984)		(825)

Capital Consequences of IFRS : PFI and other items under IFRIC12

Capital expenditure 2016-17	856	0
UK GAAP capital expenditure 2016-17 (Reversionary Interest)	4,084	0

Revenue costs of IFRS12 compared with ESA10

	2016-17	2016-17	2015-16	2015-16
	Income/ Expenditure IFRIC 12 YTD £000s	Income/ Expenditure ESA 10 YTD £000s	Income/ Expenditure IFRIC 12 YTD £000s	Income/ Expenditure ESA 10 YTD £000s
Depreciation charges	2,350		2,322	
Interest Expense	5,878		3,756	
Impairment charge - AME	0		(228)	
Impairment charge - DEL	0		0	
Other Expenditure				
Service Charge	4,091	15,012	4,040	14,773
Contingent Rent	1,709		4,058	
Lifecycle	0		0	
Impact on PDC Dividend Payable	0		0	
Total Revenue Cost under IFRIC12 vs ESA10	14,028	15,012	13,948	14,773
Revenue Receivable from subleasing	0	0	0	0
Net Revenue Cost/(income) under IFRIC12 vs ESA10	14,028	15,012	13,948	14,773

40. Financial Instruments

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

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

Currency risk

Walsall Healthcare NHS 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

Walsall Healthcare NHS Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. 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.

Walsall Healthcare NHS Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

Walsall Healthcare NHS Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Walsall Healthcare NHS Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

Walsall Healthcare NHS Trust's operating costs are incurred under contracts with CCGs, 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.

40.2. 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		11,764		11,764
Receivables - non-NHS		2,791		2,791
Cash at bank and in hand		1,705		1,705
Other financial assets	0	0	0	0
Total at 31 March 2017	0	16,260	0	16,260
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

40.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0		0
NHS payables		37,744	37,744
Non-NHS payables		15,811	15,811
Other borrowings		0	0
PFI & finance lease obligations		131,346	131,346
Other financial liabilities	0	0	0
Total at 31 March 2017	0	184,901	184,901
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

41. Events after the end of the reporting period

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

42. Related party transactions

Details of related party transactions with individuals are as follows:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Mr Russell Caldicott	2,993			

Mr Caldicott is an Executive Member of the Branch of the West Midlands Healthcare Financial Management Association. During the year finance staff within Walsall Healthcare NHS Trust attended national and regional courses and conferences.

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. In addition, the Trust has had a number of

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
 University Hospitals Birmingham NHS Foundation Trust
 West Midlands Ambulance Service NHS Foundation Trust
 The Dudley Group of Hospitals
 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.

43. Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	56,777	5
Special payments	81,768	55
Gifts	0	0
Total losses and special payments and gifts	138,545	60

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

44. 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.

44.1. Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	149,144	164,514	161,162	168,545	179,749	226,983	228,409	237,049	239,491	243,525	244,742
Retained surplus/(deficit) for the year	3,463	644	353	(320)	(79,975)	3,630	3,786	12,207	(15,434)	(10,702)	(34,129)
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	272	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	0	2,318	83,222	40	0	(11,479)	2,517	912	12,833
Adjustments for impact of policy change re donated/government grants assets						125	67	(163)	56	0	(96)
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				0	0	369	0	0	0	0	0
Absorption accounting adjustment							0	0	0	0	0
Other agreed adjustments	0	0	318	0	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)	(21,392)
Break-even cumulative position	4,618	5,262	5,933	7,931	11,178	15,342	19,195	19,760	6,899	(2,891)	(24,283)

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

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Materiality test (i.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	2.50	0.39	0.42	1.19	1.81	1.83	1.69	0.24	-5.37	-4.02	-8.74
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	2.88	-1.19	-9.92

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.

44.2. 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%.

44.3. External financing

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

	2016-17	2015-16
	£000s	£000s
External financing limit (EFL)	24,731	584
Cash flow financing	22,656	(1,294)
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	<u>22,656</u>	<u>(1,294)</u>
Under/(over) spend against EFL	<u>2,075</u>	<u>1,878</u>

44.4. Capital resource limit

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

	2016-17	2015-16
	£000s	£000s
Gross capital expenditure	4,919	2,582
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(259)	(156)
Charge against the capital resource limit	<u>4,660</u>	<u>2,426</u>
Capital resource limit	<u>4,777</u>	<u>2,464</u>
(Over)/underspend against the capital resource limit	<u>117</u>	<u>38</u>

45. Third party assets

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

	31 March	31 March
	2017	2016
	£000s	£000s
Third party assets held by Walsall Healthcare NHS Trust	<u>1</u>	<u>0</u>