

Shropshire Community Health   
NHS Trust

# **Annual Accounts 2013/14**

## 2013-14 Annual Accounts of Shropshire Community Health NHS Trust

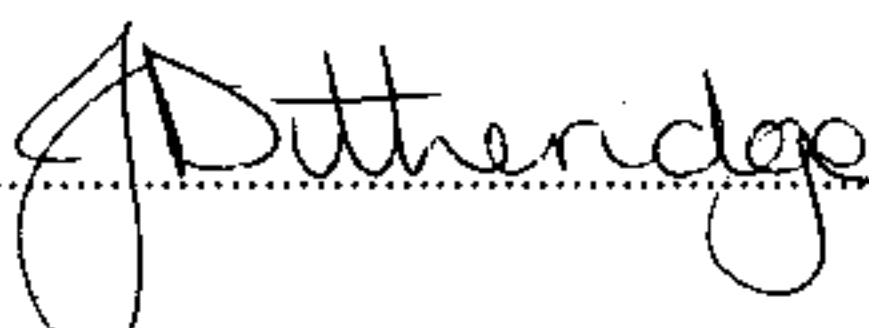
### STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

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.

**nb: sign and date in any colour ink except black**

Signed..........Chief Executive

Date.....06/06/2014.....

## 2013-14 Annual Accounts of Shropshire Community Health 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

**nb: sign and date in any colour ink except black**

06.06.2014 Date  Chief Executive

06.06.2014 Date  Finance Director

# Shropshire Community Health

NHS Trust

## Annual Governance Statement 2013/14

### Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. Alongside this, I have responsibility for safeguarding quality standards, public funds and the organisation's assets for which I am responsible as set out in the Accountable Officer Memorandum.

I have gained assurance on the system of internal control for the last year by considering a range of governance activity, and participating in many aspects of it. This has included the work of the Board and its committees. During the year the Board reviewed its strategic objectives and the risks to these objectives which make up the Board Assurance Framework (BAF). Internal control has been monitored through reviewing the BAF and Corporate Risk Registers, internal and external audit reports, independent consultant reports and by meeting with commissioners, individual staff and teams.

As Accountable Officer I work with partner organisations, including commissioners, especially the Clinical Commissioning Groups, NHS England, the Trust Development Authority, Local Authorities, voluntary organisations and patient representative groups, to ensure that the Trust meets its obligations in fulfilling service agreements with commissioning bodies, meets statutory duties and ensures proper stewardship of public money.

The Board has adopted a governance code of conduct and assessed itself as compliant. This draws upon best practice which includes Department of Health governance standards including the NHS National Code of Conduct, Nolan principles and updated standards for NHS Boards.

### The governance framework of the organisation

The corporate governance arrangements of the Trust are set out in the Standing Orders, the Standing Financial Instructions and the Schemes of Reservation and Delegation. These detail the committee structures and responsibilities. Board committees are charged with responsibility for ensuring the Trust's strategic objectives are progressed. The Board committees review their terms of reference on a regular basis, which are then agreed by the Board. There are five Board committees:

- a) Audit Committee, chaired by Peter Phillips, Non Executive Director from January 2014, and Chris Bird from April to October 2013

The Audit Committee is responsible for ensuring that risk management systems, and systems for internal control are operating effectively by scrutinising assurance of their effectiveness. This applies to financial, clinical and governance systems. In doing this the committee utilises the work of internal and external audit in addition to internal management systems.

The Audit Committee has an annual plan of work which it confirms is being met at each meeting. The Committee assesses itself against the Audit Committee Handbook self assessment tool

annually and prepares an annual report to the Board. The Committee has concluded that overall the Trust has a sound system of internal control, and that when inadequacies are identified, action is taken to improve systems. This is informed by the work of internal and external audit, management reports, the committee's own assurance findings and any reports submitted to the Trust by regulatory or advisory bodies.

b) Quality and Safety Committee, chaired by Angela Saganowska, Non Executive Director

The purpose of the Quality and Safety Committee is to oversee, co-ordinate, review and assess the clinical governance arrangements and to drive quality and service improvements throughout the Trust services. The committee considers performance related to safety, effectiveness and patient experience throughout the Trust, including Quality Impact Assessments associated with service change. A full range of supporting information, and work of supporting groups, is reported to the Committee regularly enabling it to give assurance and to monitor follow up actions needed, in areas including clinical audit, never events, serious untoward incidents, patient complaints and reports from external bodies.

The primary aim is to ensure the robustness of systems, processes and behaviours that stand up to scrutiny and thus provide assurance to the Trust Board.

c) Resources and Performance Committee, chaired by Mike Sommers, Non Executive Director

The Resources and Performance Committee is responsible for the review and monitoring of Trust performance relating to finance and business, contract delivery, business development, financial systems, business risks, capital investments, information technology, data quality, cost improvements, charitable funds and elements of transformation.

d) Information Governance Committee, chaired by Rolf Levesley, Non Executive Director

The Information Governance Committee is responsible for the review and monitoring of all aspects of the supply and use of information, including the use of information technology, to ensure compliance with information governance standards. This includes:

- Information security and information risk management
- IT equipment use and security
- Data integrity and control.

e) Nominations, Appointments and Remuneration Committee, chaired by Mike Ridley, Trust Chair

This committee reviews the arrangements for succession planning and development of senior managers, and the appointment and remuneration of Executive Directors.

Particular highlights from Board committee reports are identified later in this section.

## **Board Performance and Governance Compliance**

The Board's prime roles are assurance, strategy and developing organisational culture. Its meetings cover comprehensive items on quality, finance and strategy. It receives a governance report at each meeting dealing with risk assessment and the Board Assurance Framework, and corporate governance compliance. The Board receives "flash reports" about significant events which have occurred in between meetings. Internal audit have completed audits on aspects of governance arrangements through the year.

The Board continually monitors its performance. It uses the Burdett checklist at each meeting as an aid to evaluation. A programme of Board development sessions is in place to enhance the Board's

effectiveness in its leadership of the Trust. Each Board committee presents a report of its key decisions and findings at each Board meeting. Finance and performance are discussed at all Board meetings.

An Internal Audit advisory report on Board composition and business indicated no significant gaps or issues. Via use of the Burdett checklist the Board has concluded that its performance through its meetings is effective overall but has agreed to strengthen its evaluation via a new annual assessment.

The Board met 6 times in public in 2013/14. In addition there were 6 informal meetings and 4 development meetings. Three of the public meetings were fully attended; on other occasions there were 3 non executive director non attendances and one voting executive director non attendance.

### **Quality Performance**

The Trust produces an annual quality account in line with Department of Health Guidance. This account looks back at performance in the last year and sets priorities for the following year. The Board approves the account prior to publication. The Quality and Safety Operational Group monitors performance against the priorities and reports to the Quality and Safety Committee any concerns or risks. This committee prepares a report to the Board which would include any serious issues arising out of the delivery of Quality Account priorities.

The Trust has arrangements in place to manage Infection Prevention and Control and the Safeguarding of Children and Vulnerable Adults. These include external partnership arrangements with Local Authorities, Police and Shrewsbury and Telford Hospital Trust

The Care Quality Commission visited Ludlow Hospital in January 2013, and Oswestry Minor Injuries Unit in January 2014. On both occasions they found the area compliant with standards.

### **Financial Performance**

NHS Trusts are required to deliver statutory and other financial duties. For the year ended 31 March 2014, the Trust met these duties, as summarised below and set out in more detail within the financial statements

- to break-even on Income & Expenditure – achieved
- to maintain capital expenditure below a set limit – achieved
- to remain within an External Financing Limit (EFL) - achieved

Within this, the Trust faced significant challenge in delivering the efficiency programme for the year, with plans remaining under development throughout the first half of the year. However, the target was met by year end, with non recurrent measures replacing in-year shortfalls in recurrent initiatives where required.

Whilst this area remains of significant challenge, the Trust's transformational approach to generate and implement efficiency measures has been revised and strengthened.

Checking the correct discharge of statutory functions is managed via the Trust risk management system. No areas of non compliance have been identified

### **Risk assessment**

The Trust's risk management arrangements are set out in the Risk Management Policy. This sets out how risks are identified, assessed and managed through the hierarchy of risk register levels,

which are overseen in specific defined ways through the organisation, culminating in the Board overseeing the highest risks to achievement of strategic objectives (the Board Assurance Framework). The system of managing and monitoring risks at different levels is described below.

The Audit Committee reviews the Board Assurance Framework and tests assurances with management. Internal Audit has reviewed the framework in place and used by the Trust during 2013/14. The Audit Committee reports its finding to the Board, which reviews the framework at each meeting.

The major risks (defined as scoring 15 or above in the Trust's system) during the year were:

- Insufficient delivery of organisational and service change
- Non delivery of cost improvement plans
- Financial and reputation risk associated with new Ludlow health facility
- IMT systems
- Sustainability
- Achievement of FT Status

In early 2014 a review of the BAF was carried out resulting in updated and more focussed entries. The revised risks were approved at the Board in January 2014. The previous risk entries have been amalgamated into the new entries detailed below:

Title	Risk	Mitigation
Insufficient delivery of Clinical Quality and Safety standards	Care does not meet the standards that the public, commissioners and regulators expect.	Monitoring of quality indicators, carrying out clinical audits, investigating and learning from untoward events.
Shortfalls on data quality	Data is not accurate or timely. Does not allow the trust to effectively manage its services and activity and to be able to plan for the future	Collation of data into data warehouse and use of specialist reporting software. Audit of systems and actions to implement audit recommendations. Data validation.
Risk to transforming services as a result of local and national contexts	Competing health priorities do not allow sufficient resources to transform community services	Trust involvement in health economy service changes. Greater involvement of clinicians in initiatives. Development of integrated strategy and divisional plans.
Risk to transforming services as a result of shortfalls in Trust systems eg IMT	Administration systems do not support changing services	Electronic Patient Record (EPR) replacement project initiated. Implementation of interim targeted solutions where need is identified.
Risk to transforming services as a result of workforce issues eg staff numbers and availability of new skills	Trust does not develop staff or is unable to recruit staff with skills to meet increased care complexity in community settings	Future workforce planning. Clinical skills audit and action plan. Working with partners to identify service change. Provision of skills development training.

Meeting Financial Targets	Trust fails to meet targets for CIPs, breakeven, external finance limit, capital expenditure or agreed surpluses	Financial monitoring Long term financial modelling Cost improvement plans evaluation and monitoring
Risk of delay in achieving change to organisational culture	The organisation does not develop or change quickly enough to take advantage of development opportunities	Organisational development plan. Engagement with staff by CEO and Directors.
Trust Sustainability	Trust does not grow sufficiently to sustain its services. Block contracts, rather than tariff, do not meet increases in demands. Service tenders are awarded to other providers.	Tender processes. Contract discussions with commissioners, including changes in demand. Efficiency - focus on reduction of overhead costs. Engagement with commissioners on development of better care fund.

### Risk Identification and recording

Risks are identified through:

- The recording and investigation of incidents, complaints and claims
- Specific group and committee sessions to identify and analyse risks
- Clinical, internal and external audit
- Other work carried out by groups and committees
- External and internal reports and inspections
- Other external bodies, e.g. commissioners, CQC
- Being raised by individual managers and staff

All risks are rated using a 5 by 5 risk matrix. Risk consequences are defined on the matrix using four categories:

- Injury or harm
- Finance
- Service delivery
- Reputation

Dependant on the rating, risks are recorded at 4 levels:

Departmental	Risks that are low level and can be managed locally Risks are monitored at team level, e.g. through team meetings
Directorate	Risks of a moderate level that impact on the directorate's service objectives Risks are monitored at divisional/directorate quality groups, and are overseen by the Quality and Safety Operational Group
Corporate	Risks that are moderate but Trust-wide and have impact on the Trust's strategic objectives Risks are monitored by the Executive Team and overseen by the Audit Committee



Board Assurance Framework	Risk that are high level and pose a significant threat to the Trust's strategic objectives Risks are monitored by the Audit Committee and overseen by the Board
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The mitigation controls are identified at all risk levels, along with any further actions necessary to further control or mitigate the risks. The risk management policy identifies the groups and committees whose responsibility it is to monitor risks at the four levels, the effectiveness of their controls and the implementation of actions to further mitigate the risks.

All risks are recorded on the Trust's risk management software.

## **Data Security**

The Trust has robust measures in place to protect sensitive information. This includes paper based information and electronic data. An assessment of the risks related to information security has taken place and is reviewed annually. Where concerns are raised these are investigated thoroughly and further data controls are introduced where necessary. The Trust has an Information Governance Committee which is a sub committee of the Board. This committee, supported by operational groups, assesses and tests the robustness of the systems employed. All mobile electronic devices used by the Trust are fully encrypted to ensure that unauthorised personnel cannot access the data.

During the past 12 months, the Trust has reported two data security significant incidents and the actions described below reflected the advice of the Caldicott Guardian:

1. A member of staff left a locked suitcase on a train containing a laptop and three sets of patient notes. The laptop was encrypted and posed no information governance threat or issue; access by an unauthorised person would not have been possible. The suitcase was safely retrieved and returned to the Trust, there was no sign of the suitcase being accessed. The three patients were informed of the incident and the outcome. Following this incident improvements have been made to the induction and training of temporary and locum staff
2. A database was transferred to another NHS organisation containing sensitive data relating to sexual health patients where the transfer agreement had not been formalised. The incident was reported to the Information Commissioner who assessed the case and found that, although the transfer had been unauthorised, the data had remained within the NHS arena and the Trust had dealt with the incident satisfactorily. Therefore, there was no further action to take. Following this incident the process has been reviewed and a more robust system for data transfer has been developed.

The Trust has assessed itself against the Information Governance Toolkit. A score of Level 2 was achieved for all standards.

## **The risk and control framework**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The purpose of the risk and control framework is to ensure risk is managed at a level that allows the Trust to meet its strategic objectives. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- Where risk cannot be prevented to mitigate the consequences, e.g. by putting into place response plans, or provide deterrents e.g. awareness of sanctions relating to fraud.

The system of internal control has been in place in the Trust from the 1<sup>st</sup> April 2013, to the year end on the 31st March 2014 and up to the date of approval of the annual report and accounts.

The Risk Management Policy details the structure for the risk and control mechanisms. This includes the duties of individuals, groups and committees and the responsibility for the identification of risks, controls, further mitigation control and assurances.

During 2013/14 all team leaders and managers attended a training course on risk management which included the Trust's risk and control framework, risk assessment, health and safety and practical ways of applying this within their own areas of responsibility. This has helped to support and equip staff to manage risk.

The Quality and Safety Committee has the overall responsibility for the monitoring of the Trust's Risk Registers, which is conducted via the Quality and Safety Operational Group (with exceptions being notified to the Quality and Safety Committee). The Audit Committee, through its work programme, scrutinises the registers and risk management processes, seeking additional assurance where necessary.

The Resources and Performance Committee considers the detailed work and reports related to finance, business and cost improvements, performance indicators and contract monitoring performance indicators. It identifies any risks associated with these areas and reports these to the Board for inclusion in the risk management framework where it is appropriate to do so. It monitors the effectiveness of any controls in place and the implementation of further controls.

Serious Incidents are reported to the Commissioners and the Care Quality Commission through the National Reporting and Learning Service. All of these incidents are investigated using the Root Cause Analysis methodology provided by the National Patient Safety Agency. The purpose of the investigation is to identify the key contributory factors that if addressed would prevent re-occurrence. Service Improvement Plans are developed and implemented where necessary.

In the year April 2013 to March 2014 the Trust reported 57 serious incidents. 42 of these related to Grade 3 or 4 pressure ulcers. The other 16 consisted of the following:

- prisoner to prisoner assault
- missing patient
- infection outbreak
- 2 information incidents
- 2 falls resulting in fractures
- 1 unexpected death
- 6 suspected pressure ulcers which were reclassified as other skin damage
- tracheostomy tube size error

The overall system for learning from such incidents and monitoring progress on actions is through divisional quality meetings, reporting to the Quality and Safety Operational Group and by exception to the Quality and Safety Committee. Specifically on pressure ulcers, where grade 3 or 4 pressure ulcers are reported the investigator presents the RCA at a challenge meeting. This, combined with a 'Harm Free Care' initiative with staff, has led to improvements in awareness, assessment, treatment, identification and equipment provision, which in the latter part of the year has led to a reduction in the number of reported pressure ulcers. Other improvements related to serious incidents have included better environmental control at a community hospital, improved induction, better management of bed alarms and improvements to the recording and communication of close observation.

Where risks are identified relating to these incidents they are assessed and added to the risk management framework as appropriate.

The Trust did not report any 'never events' during 2013/14.

The Trust employs a Local Counter Fraud Specialist. A Counter Fraud programme is developed annually. The programme details the work to be carried out to raise awareness of issues, reporting and how cases are managed. Progress against the plan is reported to the Audit Committee. An annual report is prepared and presented to the Audit Committee. No significant issues have been raised this year.

### **Foundation Trust Status (FT)**

With the agreement of the TDA, the Trust has been focussing on service transformation and integration as an NHS Trust and has not been actively pursuing FT or a transaction route at this stage. Future plans are subject to further discussions with TDA, however the Trust continues to apply the rigour of the FT approach to our governance systems.

### **Review of the effectiveness of risk management and internal control**

The Head of Internal audit provides an opinion on the effectiveness of the System of Internal Control.

The opinion for 2013/14 is:

"Based on the work undertaken in 2013/2014, significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, it should be noted that Data Quality has been a focal point for the Trust as a whole and is considered as part of the Trust's Assurance Framework. Whilst our Data Quality – Capturing of Source Data (04.13/14) was an advisory review, the Trust will need to continue to address recommendations made within this report to improve the control framework in place, specifically around Data Quality."

An action plan is in place to address issues with Data Quality & capturing of source data in the short term, and to look at more robust solutions in the longer term, with the introduction of a new electronic patient record system. Plans to improve data quality have been regularly discussed by the Board. Actions will be monitored by the Resources and Performance Committee especially in relation to introduction of new systems, via the recommendation tracking process reported to the Audit Committee, and through divisional quality and safety meetings.

Internal Audit have not identified any significant control weaknesses.

The systems for providing assurance that risks are being managed effectively are monitored by the Audit Committee. Assurance sources include:

- Audit Committee programmes and reviews
- Internal and External Audits
- Counter Fraud and Security Management
  
- Risk Management Reports
- Staff and Patient Surveys
- Clinical Audit Reports
- CQC Self Assessment, inspections and reviews
- Counter Fraud Reports
- Management Reports
- Performance and Quality Reports
- Review of Governance Arrangements

The above and any other sources of assurance are reviewed by the Trust Board, Audit Committee, Resources and Performance Committee, Quality and Safety Committee and individual members of staff who contribute to the system for internal control

Following review of the above the Audit Committee has confirmed that there is an effective risk management process in place.

#### **Significant Issues**


No significant issues have been identified at the year end or during the year

#### **Accountable Officer:**

Jan Ditheridge, Chief Executive Officer

#### **Organisation:**

Shropshire Community Health NHS Trust

**Signature** 

**Date** 06-06-14

## **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF SHROPSHIRE COMMUNITY HEALTH NHS TRUST**

We have audited the financial statements of Shropshire Community Health NHS Trust for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

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

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

This report is made solely to the Board of Directors of Shropshire Community Health NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2014. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's directors and the Trust as a body, for our audit work, for this report, or for opinions we have formed.

### **Respective responsibilities of Directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities in respect of the accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report which comprises the sections entitled: *Foreword*; *Who we are and what we do*; *Performance overview for 2013/14*; *Our finances at a glance*; *Vision and objectives*; *Our community services*; *Our children's and family services*; *Our community hospitals*; *Our staff*; *Quality and safety*; *Putting patients at the heart of what we do*; *Sustainability*; *Emergency planning*; *Disclosure of serious untoward incidents*; *Measures to combat fraud*; *Our future plans*; *Corporate information*; *Financial duties*; *Management commentary including finance and business report*; *Commentary on summary financial statements*; *Summary financial statements*; and *Remuneration report*, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Shropshire Community Health NHS Trust as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

## **Opinion on other matters**

In our opinion:

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

## **Matters on which we report by exception**

We report to you if:

- in our opinion the governance statement does not reflect compliance with the Trust Development Authority's Guidance;
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We have nothing to report in these respects.

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

### **Respective responsibilities of the Trust and auditors**

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Trust has proper arrangements for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

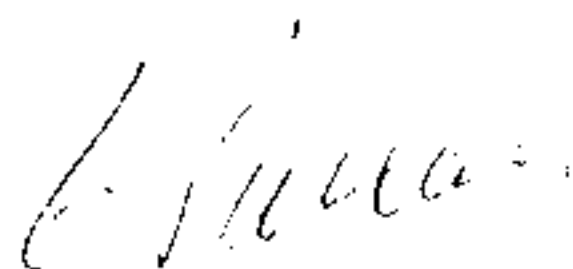
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that in all significant respects Shropshire Community Health NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

**Certificate**

We certify that we have completed the audit of the accounts of Shropshire Community Health NHS Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Grant Patterson  
Director, for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza  
20 Colmore Circus  
BIRMINGHAM  
West Midlands  
B4 6AT

6 June 2014

# Statement of Comprehensive Income for year ended 31 March 2014

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	10.1	(54,368)	(54,486)
Other operating costs	8	(21,682)	(23,745)
Revenue from patient care activities	5	72,569	74,481
Other Operating revenue	6	3,536	5,198
<b>Operating surplus/(deficit)</b>		<b>55</b>	<b>1,448</b>
Investment revenue	12	19	15
Other gains and (losses)	13	(29)	(16)
Finance costs	14	0	0
<b>Surplus/(deficit) for the financial year</b>		<b>45</b>	<b>1,447</b>
Public dividend capital dividends payable		0	0
Transfers by absorption - gains		0	0
Transfers by absorption - (losses)		0	0
<b>Net Gain/(loss) on transfers by absorption</b>		<b>0</b>	<b>0</b>
<b>Retained surplus/(deficit) for the year</b>		<b>45</b>	<b>1,447</b>

## Other Comprehensive Income

	2013-14 £000s	2012-13 £000s
Impairments and reversals taken to the Revaluation Reserve	(480)	0
Net gain/(loss) on revaluation of property, plant & equipment	494	11
Net gain/(loss) on revaluation of intangibles	0	0
Net gain/(loss) on revaluation of financial assets	0	0
Other gain /(loss)	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 re-measurements	0	
<b>Reclassification Adjustments</b>		
On disposal of available for sale financial assets	0	0
<b>Total other comprehensive income for the year</b>	<b>14</b>	<b>11</b>
<b>Total comprehensive income for the year</b>	<b>59</b>	<b>1,458</b>

## Financial performance for the year

	2013-14 £000s	2012-13 £000s
Retained surplus/(deficit) for the year	45	1,447
Prior period adjustment to correct errors and other performance adjustments	0	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	0	0
Impairments (excluding IFRIC 12 impairments)	184	0
Adjustments in respect of donated gov't grant asset reserve elimination	5	49
Adjustment re absorption accounting	0	0
<b>Adjusted retained surplus/(deficit)</b>	<b>234</b>	<b>1,496</b>

The adjustment to arrive at reported financial performance relates to the adverse impact on the Trust of:

- the change in accounting policy from 2011/12 for assets funded by donations or government grants.
- the impairment of Trust land and buildings following the required 5 yearly revaluation.

The notes on pages 5 to 37 form part of this account.



**Statement of Financial Position as at  
31 March 2014**

		31 March 2014	31 March 2013
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	19,344	2,305
Intangible assets	16	0	0
Investment property	18	0	0
Other financial assets		0	0
Trade and other receivables	22.1	104	110
<b>Total non-current assets</b>		<b>19,448</b>	<b>2,415</b>
<b>Current assets:</b>			
Inventories	21	462	330
Trade and other receivables	22.1	3,225	1,043
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	5,713	5,827
<b>Total current assets</b>		<b>9,400</b>	<b>7,200</b>
Non-current assets held for sale	27	0	1,000
<b>Total current assets</b>		<b>9,400</b>	<b>8,200</b>
<b>Total assets</b>		<b>28,848</b>	<b>10,615</b>
<b>Current liabilities</b>			
Trade and other payables	28	(6,844)	(6,055)
Other liabilities	29	0	0
Provisions	35	(545)	(64)
Borrowings	30	0	0
Other financial liabilities	31	0	0
Working capital loan from Department	30	0	0
Capital loan from Department	30	0	0
<b>Total current liabilities</b>		<b>(7,389)</b>	<b>(6,119)</b>
<b>Net current assets/(liabilities)</b>		<b>2,011</b>	<b>2,081</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>21,459</b>	<b>4,496</b>
<b>Non-current liabilities</b>			
Trade and other payables	28	0	0
Other Liabilities	31	0	0
Provisions	35	0	0
Borrowings	31	0	0
Other financial liabilities	30	0	0
Working capital loan from Department	30	0	0
Capital loan from Department	30	0	0
<b>Total non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Total Assets Employed:</b>		<b>21,459</b>	<b>4,496</b>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public Dividend Capital		1,489	1,000
Retained earnings		16,757	3,401
Revaluation reserve		3,213	95
Other reserves		0	0
<b>Total Taxpayers' Equity:</b>		<b>21,459</b>	<b>4,496</b>

The notes on pages 5 to 37 form part of this account.

The financial statements on pages 1 to 37 were approved by the Board on 5 June and signed on its behalf by

Chief Executive:

Date:

6-6-14

# Statement of Changes in Taxpayers' Equity

## For the year ended 31 March 2014

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
<b>Balance at 1 April 2013</b>	<b>1,000</b>	<b>3,401</b>	<b>95</b>	<b>0</b>	<b>4,496</b>
<b>Changes in taxpayers' equity for 2013-14</b>					
Retained surplus/(deficit) for the year		45			45
Net gain / (loss) on revaluation of property, plant, equipment			494		494
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of available for sale financial assets			0		0
Impairments and reversals			(480)		(480)
Other gains/(loss)				0	0
Transfers between reserves		44	(44)	0	0
Transfers under Modified Absorption Accounting - PCTs & SHAs		16,415			16,415
Transfers under Modified Absorption Accounting - Other Bodies		0			0
<b>Reclassification Adjustments</b>					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption		0	0		0
On disposal of available for sale financial assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC received - cash	77				77
New PDC received/(repaid) - PCTs & SHAs legacy items paid for by Department of Health	412				412
PDC repaid In Year	0				0
PDC written Off	0				0
Transferred to NHS Foundation Trusts	0	0	0	0	0
Other movements	0	0	0	0	0
Net actuarial gain/(loss) on pension				0	0
Other pensions re-measurement				0	0
<b>Net recognised revenue/(expense) for the year</b>	<b>489</b>	<b>16,504</b>	<b>(30)</b>	<b>0</b>	<b>16,963</b>
Transfers between reserves in respect of modified absorption - PCTs & SHAs		(3,148)	3,148	0	0
Transfers between reserves in respect of modified absorption - Other Bodies		0	0	0	0
<b>Balance at 31 March 2014</b>	<b>1,489</b>	<b>16,757</b>	<b>3,213</b>	<b>0</b>	<b>21,459</b>
<b>Balance at 1 April 2012</b>	<b>0</b>	<b>1,951</b>	<b>87</b>	<b>0</b>	<b>2,038</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2013</b>					
Retained surplus/(deficit) for the year		1,447			1,447
Net gain / (loss) on revaluation of property, plant, equipment			11		11
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
Movements in other reserves				0	0
Transfers between reserves		3	(3)	0	0
Release of reserves to Statement of Comprehensive Income			0		0
<b>Reclassification Adjustments</b>					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings Reserve in respect of assets transferred under absorption		0	0		0
On disposal of available for sale financial assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC received	1,000				1,000
PDC repaid In Year	0				0
PDC written off	0				0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other movements in PDC in year	0				0
Net Actuarial gain/(loss) on pension				0	0
<b>Net recognised revenue/(expense) for the year</b>	<b>1,000</b>	<b>1,450</b>	<b>8</b>	<b>0</b>	<b>2,458</b>
<b>Balance at 31 March 2013</b>	<b>1,000</b>	<b>3,401</b>	<b>95</b>	<b>0</b>	<b>4,496</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED****31 March 2014**

	NOTE	2013-14 £000s	2012-13 £000s
<b>Cash Flows from Operating Activities</b>			
Operating Surplus/(Deficit)		55	1,448
Depreciation and Amortisation		1,184	648
Impairments and Reversals		184	0
Other Gains/(Losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		0	(22)
Government Granted Assets received credited to revenue but non-cash		0	0
Interest paid		0	0
Dividend (paid)/refunded		0	530
Release of PFI/deferred credit		0	0
(Increase)/Decrease in Inventories		(132)	(200)
(Increase)/Decrease in Trade and Other Receivables		(2,176)	2,781
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		298	(961)
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions utilised		(59)	(772)
Increase/(Decrease) in Provisions		540	(167)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>(106)</b>	<b>3,285</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		19	15
(Payments) for Property, Plant and Equipment		(517)	(1,416)
(Payments) for Intangible Assets		0	0
(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)		1	6
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
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>(497)</b>	<b>(1,395)</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>(603)</b>	<b>1,890</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Public Dividend Capital received		489	1,000
Public Dividend Capital repaid		0	0
Loans received from DH - New Capital Investment Loans		0	0
Loans received from DH - New Revenue Support Loans		0	0
Other Loans received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		0	0
Loans repaid to DH - Revenue Support Loans		0	0
Other Loans repaid		0	0
Cash transferred to NHS Foundation Trusts		0	0
Capital element of payments in respect of Finance Leases and On-SoFP PFI and LIFT		0	0
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		0	22
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>489</b>	<b>1,022</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(114)</b>	<b>2,912</b>
<b>Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period</b>		<b>5,827</b>	<b>2,915</b>
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		0	0
<b>Cash and Cash Equivalents (and Bank Overdraft) at year end</b>		<b>5,713</b>	<b>5,827</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2013-14 NHS Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 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.

#### 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 SOCNI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS20 and similarly give rise to income and expenditure entries.

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the SOCNI.

A number of properties used by the Trust transferred from the 2 local PCTs to the Trust on 1 April 2013. The value of these properties was £16.9m.

#### 1.4 Charitable Funds

Following Treasury's agreement to apply IAS27 to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the corporate trustee of the linked NHS Charity (Shropshire Community Health NHS Trust General Charitable Fund), it effectively has the power to exercise control so as to obtain economic benefits. However the balance and transactions are immaterial in the context of the group and transactions have not been consolidated. Details of the transactions with the charity are included in the related parties' note.

#### 1.5 Critical accounting judgements and key sources of estimation uncertainty

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

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

### 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 Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1. Determining whether substantially all the significant risks and rewards of ownership of leased assets have transferred, to determine whether a lease is a finance lease or an operating lease.

### 1.5.2 Key sources of estimation uncertainty

1. Land and buildings (£17.4m) are valued periodically by an external valuer who makes assumptions concerning values. Estimates are also made concerning the lives of those assets. If the valuations were 1% different, this would amount to £0.2m.

2. A provision of £463k has been included for redundancy costs associated with a restructuring. Since it is not yet clear which staff would need to be accounted for, estimated costs have been included based on an average of those affected. The maximum figure would be £709k.

## 1.6 Revenue

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

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

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

## 1.7 Employee benefits

### Short-term employee benefits

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

### Retirement benefit costs

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

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

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

### 1.8 Other expenses

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

### 1.9 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

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

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

#### Valuation

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

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

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

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

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

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

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value. The Trust policy on equipment indexation is that where a piece of equipment has a life of more than 10 years and a net book value in excess of £30,000 it is indexed using the Health Services Cost Index (HSCI).

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

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 £5,000.

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

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

### Measurement

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

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

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

### 1.11 Depreciation, amortisation and impairments

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

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

### 1.12 Donated assets

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

### 1.13 Government grants

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



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

### 1.14 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the Revaluation Reserve is transferred to Retained Earnings.

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

### 1.15 Leases

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

#### The Trust as lessee

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

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

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

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

#### The Trust as lessor

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

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

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

### **1.17 Cash and cash equivalents**

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

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

### **1.18 Provisions**

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

The Trust has not applied the Treasury's discount rates because settlement of the provisions is expected within one year and the impact of discounting is not material.

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

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

### **1.19 Clinical negligence costs**

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

### **1.20 Non-clinical risk pooling**

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

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

### 1.21 Contingencies

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

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

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

### 1.22 Financial assets

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

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

#### Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

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

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

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

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

### 1.23 Financial liabilities

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

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

#### Other financial liabilities

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

The value of the financial liabilities measured at amortised cost, is the same as the carrying value of those liabilities.

### 1.24 Value Added Tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### 1.25 Foreign currencies

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

### 1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 44 to the accounts.

### 1.27 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets, net assets transferred from NHS bodies dissolved on 1 April 2013 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.

For those NHS Trusts receiving property assets from NHS bodies which ceased to exist on 1 April 2013, the value of those transferred assets is excluded from the calculation of both opening and closing net relevant assets for 2013-14 only.

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

### 1.28 Losses and Special Payments

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

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

### 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 Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation  
IAS 28 Investments in Associates and Joint Ventures - subject to consultation  
IFRS 9 Financial Instruments - subject to consultation - subject to consultation  
IFRS 10 Consolidated Financial Statements - subject to consultation  
IFRS 11 Joint Arrangements - subject to consultation  
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation  
IFRS 13 Fair Value Measurement - subject to consultation  
IPSAS 32 - Service Concession Arrangement - subject to consultation

## 2. Pooled Budgets

There were no pooled budgets.

## 3. Operating Segments

The Trust has only one operating segment - healthcare. This is in line with reporting to decision makers. Therefore no further analysis is required.

#### 4. Income Generation Activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. In 2012/13 income and costs of £1m and £0.9m respectively were reported. In 2013-14 there were no income generation activities whose full cost exceeded £1m or was otherwise material.

#### 5. Revenue from Patient Care Activities

	2013-14 £000s	2012-13 £000s
NHS Trusts	549	199
NHS England	8,008	0
Clinical Commissioning Groups	58,446	0
Primary Care Trusts		73,092
Strategic Health Authorities		0
NHS Foundation Trusts	36	36
Department of Health	0	0
NHS Other (including Public Health England and Prop Co)	0	0
Non-NHS:		
Local Authorities	4,702	224
Private patients	0	0
Overseas patients (non-reciprocal)	0	0
Injury costs recovery	57	60
Other	771	870
<b>Total revenue from patient care activities</b>	<b>72,569</b>	<b>74,481</b>

#### 6. Other Operating Revenue

	2013-14 £000s	2012-13 £000s
Recoveries in respect of employee benefits	306	1,336
Patient transport services	0	0
Education, training and research	1,564	1,339
Charitable and other contributions to revenue expenditure - NHS	0	0
Charitable and other contributions to revenue expenditure -non- NHS	0	0
Receipt of donations for capital acquisitions - NHS Charity	102	22
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	0	0
Income generation	660	822
Rental revenue from finance leases	0	0
Rental revenue from operating leases	158	158
Other revenue	746	1,521
<b>Total Other Operating Revenue</b>	<b>3,536</b>	<b>5,198</b>
<b>Total operating revenue</b>	<b>76,105</b>	<b>79,679</b>

#### 7. Revenue

The majority of revenue is from rendering of services. Sale of goods is immaterial.

# 8. Operating Expenses

	2013-14 £000s	2012-13 £000s
Services from other NHS Trusts	1,832	2,694
Services from CCGs/NHS England	3	
Services from other NHS bodies	55	0
Services from NHS Foundation Trusts	276	1,434
Services from Primary Care Trusts		2,634
<b>Total Services from NHS bodies*</b>	<b>2,166</b>	<b>6,762</b>
Purchase of healthcare from non-NHS bodies	173	304
Trust Chair and Non-executive Directors	51	47
Supplies and services - clinical	6,601	5,997
Supplies and services - general	607	533
Consultancy services	699	1,049
Establishment	3,554	4,008
Transport	0	0
Premises	5,011	3,310
Hospitality	8	
Insurance	241	
Legal Fees	146	
Impairments and Reversals of Receivables	43	46
Inventories write down	0	0
Depreciation	1,184	648
Amortisation	0	0
Impairments and reversals of property, plant and equipment	184	0
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets [by class]	0	0
Impairments and reversals of non current assets held for sale	0	0
Impairments and reversals of investment properties		0
Audit fees	54	51
Other auditor's remuneration	0	0
Clinical negligence	126	117
Research and development (excluding staff costs)	0	0
Education and Training	225	173
Change in Discount Rate	0	0
Other	609	700
<b>Total Operating expenses (excluding employee benefits)</b>	<b>21,682</b>	<b>23,745</b>
<b>Employee Benefits</b>		
Employee benefits excluding Board members	53,738	54,060
Board members	630	426
<b>Total Employee Benefits</b>	<b>54,368</b>	<b>54,486</b>
<b>Total Operating Expenses</b>	<b>76,050</b>	<b>78,231</b>

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

## 9. Operating Leases

### 9.1 Trust as lessee

The most significant lease payments in 2013/14 are to NHS Property Services. A number of premises used by the Trust transferred from local PCTs to NHS Property Services in 2013/14. Under DH guidance, the Trust was not permitted to own/lease these properties, mainly because they are non-clinical. Whilst no formal leases are yet in place with NHS Property Services, invoices have been received by the Trust and payments have been made.

The remaining leases are for properties leased by the Trust directly, and lease cars for staff.

	Land £000s	Buildings £000s	Other £000s	2013-14 Total £000s	2012-13 £000s
<b>Payments recognised as an expense</b>					
Minimum lease payments				3,290	3,680
Contingent rents				0	0
Sub-lease payments				0	0
<b>Total</b>				<b>3,290</b>	<b>3,680</b>
<b>Payable:</b>					
No later than one year	0	2,473	545	3,018	1,426
Between one and five years	0	839	483	1,322	2,568
After five years	0	1,252	0	1,252	1,634
<b>Total</b>	<b>0</b>	<b>4,564</b>	<b>1,028</b>	<b>5,592</b>	<b>5,628</b>
Total future sublease payments expected to be received:				0	0

### 9.2 Trust as lessor

All leases are property leases with other NHS bodies.

	2013-14 £000	2012-13 £000s
<b>Recognised as revenue</b>		
Rental revenue	158	158
Contingent rents	0	0
<b>Total</b>	<b>158</b>	<b>158</b>
<b>Receivable:</b>		
No later than one year	158	158
Between one and five years	0	0
After five years	0	0
<b>Total</b>	<b>158</b>	<b>158</b>



## 10 Employee Benefits and Staff Numbers

### 10.1 Employee benefits

	2013-14		
	Total	Permanently employed	Other
	£000s	£000s	£000s
<b>Employee Benefits - Gross Expenditure</b>			
Salaries and wages	45,618	40,049	5,569
Social security costs	2,727	2,727	0
Employer Contributions to NHS BSA - Pensions Division	5,071	5,071	0
Other pension costs	0	0	0
Termination benefits	952	952	0
<b>Total employee benefits</b>	<b>54,368</b>	<b>48,799</b>	<b>5,569</b>
<b>Employee costs capitalised</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>54,368</b>	<b>48,799</b>	<b>5,569</b>

	2012-13		
	Total	Permanently employed	Other
	£000s	£000s	£000s
<b>Employee Benefits - Gross Expenditure 2012-13</b>			
Salaries and wages	45,572	41,845	3,727
Social security costs	2,923	2,923	0
Employer Contributions to NHS BSA - Pensions Division	5,208	5,208	0
Other pension costs	0	0	0
Termination benefits	783	783	0
<b>TOTAL - including capitalised costs</b>	<b>54,486</b>	<b>50,759</b>	<b>3,727</b>
<b>Employee costs capitalised</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>54,486</b>	<b>50,759</b>	<b>3,727</b>

### 10.2 Staff numbers

	2013-14			2012-13
	Total	Permanently employed	Other	Total
	Number	Number	Number	Number
<b>Average Staff Numbers</b>				
Medical and dental	35	29	6	40
Ambulance staff	0	0	0	0
Administration and estates	291	259	32	343
Healthcare assistants and other support staff	87	83	4	87
Nursing, midwifery and health visiting staff	709	666	43	674
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	226	218	8	209
Social Care Staff	7	0	7	8
Other	59	46	14	62
<b>TOTAL</b>	<b>1,414</b>	<b>1,300</b>	<b>114</b>	<b>1,423</b>
Of the above - staff engaged on capital projects	0	0	0	0

**10.3 Staff sickness absence and ill health retirements**

	2013-14	2012-13
Total Days Lost	<b>13,607</b>	15,660
Total Staff Years	<b>1,286</b>	1,361
<b>Average working Days Lost</b>	<b>10.58</b>	11.51
Number of persons retired early on ill health grounds	<b>5</b>	1
Total additional pensions liabilities accrued in the year (£'000)	<b>139</b>	63

**10.4 Exit packages agreed in 2013-14**

Exit package cost band (including any special payment element)	Number of compulsory redundancies Number	Cost of compulsory redundancies £000s	2013-14		Total number of exit packages Number	Total cost of exit packages £000s
			Number of other departures agreed Number	Cost of other departures agreed £000s		
Less than £10,000	17	89	3	8	20	97
£10,000-£25,000	15	253	0	0	15	253
£25,001-£50,000	3	104	1	31	4	135
£50,001-£100,000	1	62	0	0	1	62
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
<b>Totals</b>	<b>36</b>	<b>508</b>	<b>4</b>	<b>39</b>	<b>40</b>	<b>547</b>

Exit package cost band (including any special payment element)	Number of compulsory redundancies Number	Cost of compulsory redundancies £000s	2012-13		Total number of exit packages Number	Total cost of exit packages £000s
			Number of other departures agreed Number	Cost of other departures agreed £000s		
Less than £10,000	6	32	8	42	14	74
£10,000-£25,000	8	141	11	200	19	341
£25,001-£50,000	4	155	13	459	17	614
£50,001-£100,000	1	62	3	214	4	276
£100,001 - £150,000	4	426	0	0	4	426
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
<b>Totals</b>	<b>23</b>	<b>816</b>	<b>35</b>	<b>915</b>	<b>58</b>	<b>1,731</b>

There were no departures where special payments were made.

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

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

**10.5 Exit packages - other departures analysis**

	2013-14		2012-13	
	Agreements	Total value of agreements £000s	Agreements	Total value of agreements £000s
	Number		Number	
Voluntary redundancies incl early retirement contractual costs	0	0	4	115
Mutually agreed resignations (MARS) contractual costs	0	0	27	772
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	4	39	4	28
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval*	0	0	0	0
<b>Total</b>	<b>4</b>	<b>39</b>	<b>35</b>	<b>915</b>

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

As a single exit package can be made up of several components each of which will be counted separately in this note, the total number above will not necessarily match the total numbers in Note 10.4 which will be the number of individuals.

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

**10.6 Pension costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

**a) Accounting valuation**

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 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) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

## 10.6 Pension costs (continued)

### b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

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

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

### c) Scheme provisions

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

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

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

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

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

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

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

## 11. Better Payment Practice Code

### 11.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	23,875	17,834	23,611	17,642
Total Non-NHS Trade Invoices Paid Within Target	23,268	17,464	22,771	17,074
Percentage of NHS Trade Invoices Paid Within Target	97.46%	97.93%	96.44%	96.78%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	1,583	11,039	1,787	13,612
Total NHS Trade Invoices Paid Within Target	1,544	10,547	1,671	12,951
Percentage of NHS Trade Invoices Paid Within Target	97.54%	95.54%	93.51%	95.14%

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

There were no payments under the Late Payment of Commercial Debts (Interest) Act 1998.

## 12. Investment Revenue

	2013-14 £000s	2012-13 £000s
<b>Rental revenue</b>		
PFI finance lease revenue (planned)	0	0
PFI finance lease revenue (contingent)	0	0
Other finance lease revenue	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>
<b>Interest revenue</b>		
LIFT: equity dividends receivable	0	0
LIFT: loan interest receivable	0	0
Bank interest	19	15
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Subtotal</b>	<b>19</b>	<b>15</b>
<b>Total investment revenue</b>	<b>19</b>	<b>15</b>

## 13. Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	(29)	(2)
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other then held for sale	0	0
Gain (Loss) on disposal of assets held for sale	0	(14)
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
<b>Total</b>	<b>(29)</b>	<b>(16)</b>

## 14. Finance Costs

There were no finance costs.

**15.1 Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	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
<b>2013-14</b>									
<b>Cost or valuation:</b>									
<b>At 1 April 2013</b>	0	0	0	0	3,097	169	1,881	131	5,278
Transfers under Modified Absorption Accounting - PCTs/SHAs	2,887	13,694	0	301	0	0	0	0	16,882
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0	0
Additions of Assets Under Construction				160					160
Additions Purchased	0	131	0		86	0	62	0	279
Additions Donated	0	0	0	0	102	0	0	0	102
Additions Government Granted	0	0	0	0	0	0	0	0	0
Additions Leased	0	0	0	0	0	0	0	0	0
Reclassifications	0	368	0	(368)	0	0	0	0	0
Reclassifications as Held for Sale and reversals	1,000	0	0	0	0	(14)	0	0	986
Disposals other than for sale	0	(23)	0	0	(98)	0	(20)	0	(141)
Upward revaluation/positive indexation	0	488	0	0	6	0	0	0	494
Impairments/negative indexation	0	(480)	0	0	0	0	0	0	(480)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Removal of cumulative depreciation at date of revaluation		(550)							(550)
Transfers to NHS Foundation Trust	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
<b>At 31 March 2014</b>	<b>3,887</b>	<b>13,628</b>	<b>0</b>	<b>93</b>	<b>3,193</b>	<b>155</b>	<b>1,923</b>	<b>131</b>	<b>23,010</b>
<b>Depreciation</b>									
<b>At 1 April 2013</b>	0	0	0	0	1,478	138	1,290	67	2,973
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	(14)	0	0	(14)
Disposals other than for sale	0	0	0	0	(98)	0	(13)	0	(111)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	0	184	0	0	0	0	0	0	184
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	550	0	0	355	14	248	17	1,184
Removal of cumulative depreciation at date of revaluation		(550)							(550)
Transfers to NHS Foundation Trust	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
<b>At 31 March 2014</b>	<b>0</b>	<b>184</b>	<b>0</b>	<b>0</b>	<b>1,735</b>	<b>138</b>	<b>1,525</b>	<b>84</b>	<b>3,666</b>
<b>Net Book Value at 31 March 2014</b>	<b>3,887</b>	<b>13,444</b>	<b>0</b>	<b>93</b>	<b>1,458</b>	<b>17</b>	<b>398</b>	<b>47</b>	<b>19,344</b>
<b>Asset financing:</b>									
Owned - Purchased	3,887	13,086	0	93	1,025	17	398	47	18,553
Owned - Donated	0	358	0	0	392	0	0	0	750
Owned - Government Granted	0	0	0	0	41	0	0	0	41
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2014</b>	<b>3,887</b>	<b>13,444</b>	<b>0</b>	<b>93</b>	<b>1,458</b>	<b>17</b>	<b>398</b>	<b>47</b>	<b>19,344</b>

**Revaluation Reserve Balance for Property, Plant & Equipment**

	Land	Buildings	Dwellings	Assets under construction	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
<b>At 1 April 2013</b>	0	0	0	0	89	6	0	0	95
Movements	1,093	2,022	0	0	2	0	0	0	3,117
<b>At 31 March 2014</b>	<b>1,093</b>	<b>2,022</b>	<b>0</b>	<b>0</b>	<b>91</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>3,212</b>

**Additions to Assets Under Construction in 2013/14**

	£000's
Land	0
Buildings excl Dwellings	160
Dwellings	0
Plant & Machinery	0
<b>Balance as at YTD</b>	<b>160</b>

**15.2 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
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>2012-13</b>									
<b>Cost or valuation:</b>									
At 1 April 2012	0	0	0	0	2,955	169	2,018	172	5,314
Additions - Assets Under Construction				0					0
Additions - purchased	1,000	0	0		216	0	126	0	1,342
Additions - donated	0	0	0	0	22	0	0	0	22
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	(1,000)	0	0	0	(39)	0	0	0	(1,039)
Disposals other than by sale	0	0	0	0	(68)	0	(263)	(41)	(372)
Revaluation & indexation gains	0	0	0	0	11	0	0	0	11
Impairments	0	0	0	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	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
<b>At 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,097</b>	<b>169</b>	<b>1,881</b>	<b>131</b>	<b>5,278</b>
<b>Depreciation</b>									
At 1 April 2012	0	0	0	0	1,226	123	1,276	89	2,714
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0		(19)	0	0	0	(19)
Disposals other than for sale	0	0	0		(67)	0	(263)	(40)	(370)
Upward revaluation/positive indexation	0	0	0		0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	0	0	0		338	15	277	18	648
Transfer to NHS Foundation Trust	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
<b>At 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,478</b>	<b>138</b>	<b>1,290</b>	<b>67</b>	<b>2,973</b>
<b>Net book value at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,619</b>	<b>31</b>	<b>591</b>	<b>64</b>	<b>2,305</b>
<b>Purchased</b>					1,216	31	591	64	1,902
<b>Donated</b>					354				354
<b>Government Granted</b>					49				49
<b>Total at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,619</b>	<b>31</b>	<b>591</b>	<b>64</b>	<b>2,305</b>
<b>Asset financing:</b>									
<b>Owned</b>	0	0	0	0	1,619	31	591	64	2,305
<b>Held on finance lease</b>	0	0	0	0	0	0	0	0	0
<b>On-SOFP PFI contracts</b>	0	0	0	0	0	0	0	0	0
<b>PFI residual: interests</b>	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,619</b>	<b>31</b>	<b>591</b>	<b>64</b>	<b>2,305</b>



### 15.3 Property, plant and equipment

Prior to 2013/14 the Trust had no land and building assets other than the piece of land in Ludlow, acquired for the planned new healthcare facility. On 1 April 2013 land and buildings used by the Trust transferred from the 2 local PCTs to the

The required 5 yearly full land and buildings revaluation was undertaken by the Valuation Office Agency (surveyor was Jon Jones BSc(Hons) MRICS) with an effective date of 31st March 2014.

Excluded from the valuation were buildings with an immaterial value (£121k in total). Instead these assets were indexed using BCIS indices provided to the Trust by the Valuation Office Agency.

The valuations were undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the NHS, and the requirements of the RICS Valuation Professional Standards.

The revaluation resulted in an overall decrease in value of £176k.

Asset lives for each class of asset fall into the following ranges:

Buildings excluding dwellings : 5 to 55 years

Plant & machinery : 2 to 15 years

Transport equipment : 7 to 7 years

Information technology : 3 to 5 years

Furniture & fittings : 10 to 10 years

No asset lives have been changed during the year.

Equipment assets donated in the year were from the League of Friends of the Community Hospitals, as well as the Trust's own charitable funds.

The gross carrying amount of fully depreciated assets still in use was £1.7m.

### 16. Intangible Non-Current Assets

There were no intangible non-current assets.

### 17. Analysis of Impairments and Reversals Recognised in 2013-14

	Total £000s	Property Plant and Equipment £000s	Intangible Assets £000s	Financial Assets £000s	Non- Current Assets Held for Sale £000s
<b>Impairments and reversals taken to SoCI</b>					
Loss or damage resulting from normal operations	0	0	0	0	0
Over-specification of assets	0	0	0		
Abandonment of assets in the course of construction	0	0	0		0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Unforeseen obsolescence	0	0	0		0
Loss as a result of catastrophe	0	0	0	0	0
Other	0	0	0	0	0
Changes in market price	184	184	0		0
<b>Total charged to Annually Managed Expenditure</b>	<b>184</b>	<b>184</b>	<b>0</b>	<b>0</b>	<b>0</b>

The impairments above did not relate to donated or government grant assets.

There were no significant impairment losses.

**18. Investment Property**

There was no investment property.

**19. Commitments****19.1 Capital commitments**

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

	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£000s</b>	<b>£000s</b>
Property, plant and equipment	132	0
Intangible assets	0	0
<b>Total</b>	<b>132</b>	<b>0</b>

**19.2 Other financial commitments**

There were no other financial commitments.

**20. Intra-Government and Other Balances**

	<b>Current receivables £000s</b>	<b>Non-current receivables £000s</b>	<b>Current payables £000s</b>	<b>Non-current payables £000s</b>
Balances with other Central Government Bodies	2,014	0	3,623	0
Balances with Local Authorities	541	0	348	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	409	0	534	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	261	104	2,339	0
<b>At 31 March 2014</b>	<b>3,225</b>	<b>104</b>	<b>6,844</b>	<b>0</b>
<b>Prior period:</b>				
Balances with other Central Government Bodies	583	0	2,304	0
Balances with Local Authorities	165	0	305	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	50	0	611	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	245	110	2,835	0
<b>At 31 March 2013</b>	<b>1,043</b>	<b>110</b>	<b>6,055</b>	<b>0</b>

**21. Inventories**

	Drugs Consumables £000s	Work in Progress £000s	Energy £000s	Loan Equipment £000s	Other £000s	Total £000s
<b>Balance at 1 April 2013</b>	<b>0</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>330</b>
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0		0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0
Additions	0	2,218	0	1,857	0	4,075
Inventories recognised as an expense	0	(2,368)	0	(1,575)	0	(3,943)
Write-down of inventories (incl losses)	0	0	0	0	0	0
Reversal of write-down prev taken to SOCI	0	0	0	0	0	0
Transfers (to) Foundation Trusts	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>0</b>	<b>180</b>	<b>0</b>	<b>282</b>	<b>0</b>	<b>462</b>

**22.1 Trade and other receivables**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 Mar 2014 £000s</b>	<b>31 Mar 2013 £000s</b>	<b>31 Mar 2014 £000s</b>	<b>31 Mar 2013 £000s</b>
NHS receivables - revenue	2,353	536	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	0	0	0	0
Non-NHS receivables - revenue	802	332	45	62
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	95	124	66	56
Provision for the impairment of receivables	(77)	(49)	(7)	(8)
VAT	49	97	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	0	0	0
Interest receivables	1	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	2	3	0	0
<b>Total</b>	<b>3,225</b>	<b>1,043</b>	<b>104</b>	<b>110</b>
<b>Total current and non current</b>	<b>3,329</b>	<b>1,153</b>		
Included in NHS receivables are prepaid pension contributions:	0			

The great majority of trade is with CCGs and NHS England. As these NHS bodies 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**

	<b>31 Mar 2014 £000s</b>	<b>31 Mar 2013 £000s</b>
By up to three months	931	379
By three to six months	311	112
By more than six months	64	134
<b>Total</b>	<b>1,306</b>	<b>625</b>

## 22.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
<b>Balance at 1 April 2013</b>	<b>(57)</b>	<b>(11)</b>
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	
Transfers under Modified Absorption Accounting - Other Bodies	0	
Amount written off during the year	16	
Amount recovered during the year	30	
(Increase)/decrease in receivables impaired	(73)	(46)
Transfer to NHS Foundation Trust	0	
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	
<b>Balance at 31 March 2014</b>	<b>(84)</b>	<b>(57)</b>

The majority of the provision (£60,000) relates to over performance on healthcare SLAs with non-NHS bodies. It is considered unlikely that the Trust will receive payment for this.

The balance relates to the NHS Injury Costs recovery Scheme and non-contracted activity with local authorities.

## 23. NHS LIFT investments

There were no NHS LIFT investments.

## 24. Other Financial Assets

There were no other financial assets.

## 25. Other Current Assets

There were no other current assets.

## 26. Cash and Cash Equivalents

	31 March 2014 £000s	31 March 2013 £000s
<b>Opening balance</b>	<b>5,827</b>	<b>2,915</b>
Net change in year	(114)	2,912
<b>Closing balance</b>	<b>5,713</b>	<b>5,827</b>
<b>Made up of</b>		
Cash with Government Banking Service	5,691	5,805
Commercial banks	0	0
Cash in hand	22	22
Current investments	0	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>5,713</b>	<b>5,827</b>
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>5,713</b>	<b>5,827</b>
Patients' money held by the Trust, not included above	0	0

**27. Non-Current Assets Held for Sale**

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Financial Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2013</b>	1,000	0	0	0	0	0	0	0	0	0	<b>1,000</b>
Transfers under Modified Absorption Accounting - PCTs/SHAs	0	0	0	0	0	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(1,000)	0	0	0	0	0	0	0	0	0	<b>(1,000)</b>
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities associated with assets held for sale at 31 March 2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 1 April 2012</b>	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Plus assets classified as held for sale in the year	1,000	0	0	0	20	0	0	0	0	0	<b>1,020</b>
Less assets sold in the year	0	0	0	0	(20)	0	0	0	0	0	<b>(20)</b>
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0	0
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies	0	0	0	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2013</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>
<b>Liabilities associated with assets held for sale at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The £1m relates to the land for the new Ludlow health facility, to be sold to the 3rd party developer following financial close. During 2013/14 a decision was made by the Trust Board not to go ahead with this. Therefore it is no longer classified as held for sale

## 28. Trade and Other Payables

	Current		Non-current	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	£000s	£000s	£000s	£000s
NHS payables - revenue	1,980	1,194	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	542	54	0	0
Non-NHS payables - revenue	1,234	1,252	0	0
Non-NHS payables - capital	171	147	0	0
Non-NHS accruals and deferred income	1,194	956	0	0
Social security costs	459	473		
VAT	0	0	0	0
Tax	414	459		
Payments received on account	0	0	0	0
Other	850	1,520	0	0
<b>Total</b>	<b>6,844</b>	<b>6,055</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>6,844</b>	<b>6,055</b>		
<b>Included above:</b>				
Outstanding pension contributions at the year end	698	681		

## 29. Other Liabilities

There were no other liabilities.

## 30. Borrowings

There were no borrowings.

## 31. Other Financial Liabilities

There were no other financial liabilities.

## 32. Deferred Revenue

	Current		Non-current	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	£000s	£000s	£000s	£000s
Opening balance at 1 April 2013	54	0	0	0
Deferred revenue addition	0	54	0	0
Transfer of deferred revenue	(54)	0	0	0
<b>Current deferred income at 31 March 2014</b>	<b>0</b>	<b>54</b>	<b>0</b>	<b>0</b>
<b>Total deferred income (current and non-current)</b>	<b>0</b>	<b>54</b>		

## 33. Finance Lease Obligations as Lessee

There were no finance lease obligations as lessee.

## 34. Finance Lease Obligations as Lessor

There were no finance lease obligations as lessor.

**35. Provisions**

	Total	Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change £000s	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2013</b>	<b>64</b>	0	9	0		0	0	55
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0
Arising During the Year	<b>546</b>	0	11	0	0	0	0	535
Utilised During the Year	<b>(59)</b>	0	(4)	0	0	0	0	(55)
Reversed Unused	<b>(6)</b>	0	(6)	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 (for Trusts becoming FTs only)	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
<b>Balance at 31 March 2014</b>	<b>545</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>535</b>
<b>Expected Timing of Cash Flows:</b>								
No Later than One Year	<b>545</b>	0	10	0	0	0	0	535
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 at 31st March 2014 (and 31st March 2013) was nil.

**36. Contingencies**

	31 March 2014 £000s	31 March 2013 £000s
<b>Contingent liabilities</b>		
Equal pay	0	0
Other (employer/public liability claims)	(2)	(14)
Amounts recoverable against contingent liabilities	0	0
<b>Net Value of Contingent Liabilities</b>	<b>(2)</b>	<b>(14)</b>
<b>Contingent Assets</b>		
Contingent assets	0	0
<b>Net Value of Contingent Assets</b>	<b>0</b>	<b>0</b>

## **37. PFI and LIFT - Additional Information**

There were no PFI or LIFT schemes.

## **38. Impact of IFRS Treatment - Current Year**

There was no impact of IFRS treatment in the current year.

## **39. Financial Instruments**

### **39.1 Financial risk management**

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

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

#### **Currency risk**

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

#### **Interest rate risk**

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

#### **Credit risk**

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 are in receivables from customers, as disclosed in the trade and other receivables note.

#### **Liquidity risk**

The Trust's operating costs are incurred under contracts with primary care organisations, 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.



### 39.2 Financial assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	0			0
Receivables - NHS		2,353		2,353
Receivables - non-NHS		763		763
Cash at bank and in hand		5,713		5,713
Other financial assets	0	0	0	0
<b>Total at 31 March 2014</b>	<b>0</b>	<b>8,829</b>	<b>0</b>	<b>8,829</b>
Embedded derivatives	0			0
Receivables - NHS		536		536
Receivables - non-NHS		394		394
Cash at bank and in hand		5,827		5,827
Other financial assets	0	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>6,757</b>	<b>0</b>	<b>6,757</b>

### 39.3 Financial liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0		0
NHS payables		2,522	2,522
Non-NHS payables		3,286	3,286
Other borrowings		0	0
PFI & finance lease obligations		0	0
Other financial liabilities	0	0	0
<b>Total at 31 March 2014</b>	<b>0</b>	<b>5,808</b>	<b>5,808</b>
Embedded derivatives	0		0
NHS payables		1,248	1,248
Non-NHS payables		3,193	3,193
Other borrowings		0	0
PFI & finance lease obligations		0	0
Other financial liabilities	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>4,441</b>	<b>4,441</b>

### 40. Events After the End of the Reporting Period

There were no events after the end of the reporting period.

## 41. Related Party Transactions

The following material transactions are total payments made to or received from organisations where Trust Board members have declared an interest.

<u>Organisation</u>	<u>Board Member &amp; Interest Declared</u>		<u>£'000</u>
Shropshire Council	Jane Mackenzie Councillor	Payments	223
		Receipts	2,135

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

Health Education England  
NHS England  
NHS Property Services  
Shrewsbury & Telford Hospitals NHS Trust  
Shropshire CCG  
Telford & Wrekin CCG

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Shropshire Council and Telford & Wrekin Council in respect of joint enterprises.

The Trust has also received revenue and capital payments from charitable funds, the trustees for which are also members of the Trust board. There is a separate set of accounts and annual report for the Trust's charitable funds.

Total income for the charitable funds was £229,000 and total expenditure was £304,000, most of which was grants to the Trust.

## 42. Losses and Special Payments

The total number of losses cases in 2013-14 and their total value was as follows:

	<b>Total Value of Cases £</b>	<b>Total Number of Cases</b>
Losses	3,575	3
Special payments	6,053	12
<b>Total losses and special payments</b>	<b>9,628</b>	<b>15</b>

The total number of losses cases in 2012-13 and their total value was as follows:

	<b>Total Value of Cases £</b>	<b>Total Number of Cases</b>
Losses	306	3
Special payments	90,393	6
<b>Total losses and special payments</b>	<b>90,699</b>	<b>9</b>

There were no cases over £250,000.

**43. Financial Performance Targets****43.1 Breakeven performance**

	<b>2011-12 £000s</b>	<b>2012-13 £000s</b>	<b>2013-14 £000s</b>
Turnover	80,802	79,679	<b>76,105</b>
Retained surplus/(deficit) for the year	1,600	1,447	<b>45</b>
Adjustment for:			
Timing/non-cash impacting distortions:			
Pre FDL(97)24 Agreements	0	0	<b>0</b>
2006/07 PPA (relating to 1997/98 to 2005/06)			
2007/08 PPA (relating to 1997/98 to 2006/07)			
2008/09 PPA (relating to 1997/98 to 2007/08)			
Adjustments for Impairments	0	0	<b>184</b>
Adjustments for impact of policy change re donated/government grants assets	(203)	49	<b>5</b>
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*	0	0	<b>0</b>
Adsorption Accounting Adjustment		0	<b>0</b>
Other agreed adjustments	0	0	<b>0</b>
Break-even in-year position	<b>1,397</b>	<b>1,496</b>	<b>234</b>
Break-even cumulative position	<b>1,397</b>	<b>2,893</b>	<b>3,127</b>

\*

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

	<b>2011-12 %</b>	<b>2012-13 %</b>	<b>2012-13 %</b>
Materiality test (I.e. is it equal to or less than 0.5%):			
Break-even in-year position as a percentage of turnover	1.73	1.88	0.31
Break-even cumulative position as a percentage of turnover	1.73	3.63	4.11

## 43.2 Capital cost absorption rate

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

However, since average relevant net assets for the Trust for 2013/14 are negative, no dividend is payable.

## 43.3 External financing

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

	2013-14 £000s	2012-13 £000s
External financing limit (EFL)	855	357
Cash flow financing	603	(1,890)
Unwinding of Discount Adjustment	0	0
Finance leases taken out in the year	0	0
Other capital receipts	0	(22)
External financing requirement	603	(1,912)
<b>Under/(Over) Spend against EFL</b>	<b>252</b>	<b>2,269</b>

## 43.4 Capital resource limit

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

	2013-14 £000s	2012-13 £000s
Gross capital expenditure	541	1,364
Less: book value of assets disposed of	(30)	(22)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(102)	(22)
<b>Charge against the capital resource limit</b>	<b>409</b>	<b>1,320</b>
Capital resource limit	577	1,350
<b>(Over)/underspend against the capital resource limit</b>	<b>168</b>	<b>30</b>

## 44. Third Party Assets

There were no third party assets.