

Worcestershire Acute Hospitals NHS Trust

Annual Accounts for the period

1 April 2015 to 31 March 2016

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

	NOTE	2015-16 £000s	2014-15 £000s	Consolidated 2015-16 £000s	Consolidated 2014-15 £000s
Gross employee benefits	9.1	(254,707)	(236,915)	(254,707)	(236,915)
Other operating costs	7	(172,031)	(145,667)	(172,031)	(145,667)
Revenue from patient care activities	4	349,355	341,925	349,355	341,925
Other operating revenue	5	19,626	22,731	19,626	22,731
Operating surplus/(deficit)		(57,757)	(17,926)	(57,757)	(17,926)
Investment revenue	11	43	43	43	43
Other gains and (losses)	12	0	21	0	21
Finance costs	13	(11,804)	(11,338)	(11,804)	(11,338)
Surplus/(deficit) for the financial year		(69,518)	(29,200)	(69,518)	(29,200)
Public dividend capital dividends payable		(3,163)	(3,739)	(3,163)	(3,739)
Transfers by absorption - gains		0	0	0	0
Transfers by absorption - (losses)		0	0	0	0
Net Gain/(loss) on transfers by absorption		0	0	0	0
Retained surplus/(deficit) for the year		(72,681)	(32,939)	(72,681)	(32,939)
Other Comprehensive Income		2015-16 £000s	2014-15 £000s	2015-16 £000s	2014-15 £000s
Impairments and reversals taken to the revaluation reserve		(19,743)	0	(19,743)	0
Net gain/(loss) on revaluation of property, plant & equipment		12,545	12,268	12,545	12,268
Net gain/(loss) on revaluation of intangibles		0	0	0	0
Net gain/(loss) on revaluation of financial assets		0	0	0	0
Other gain/(loss) (explain in footnote below)		0	0	0	0
Net gain/(loss) on revaluation of available for sale financial assets		0	0	0	0
Net actuarial gain/(loss) on pension schemes		0	0	0	0
Other pension remeasurements		0	0	0	0
Reclassification adjustments		0	0	0	0
On disposal of available for sale financial assets		0	0	0	0
Total Other Comprehensive Income		(7,198)	12,268	(7,198)	12,268
Total comprehensive income for the year*		(79,879)	(20,671)	(79,879)	(20,671)
Financial performance for the year					
Retained surplus/(deficit) for the year		(72,681)	(32,939)		
Prior period adjustment to correct errors and other performance adjustments		0	0		
IFRIC 12 adjustment (including IFRIC 12 impairments)		63	50		
Impairments (excluding IFRIC 12 impairments)		13,261	6,900		
Adjustments in respect of donated gov't grant asset reserve elimination		(474)	71		
Adjustment re absorption accounting		0	0		
Adjusted retained surplus/(deficit)		(59,831)	(25,918)		

The notes on pages 7 to 26 form part of this account.

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

		31 March 2016	31 March 2015	Consolidated 31 March 2016	Consolidated 31 March 2015
	NOTE	£000s	£000s	£000s	£000s
Non-current assets:					
Property, plant and equipment	14	248,857	266,840	248,857	266,840
Intangible assets	15	1,733	1,717	1,733	1,717
Other Investments - Charitable				0	0
Investment property	18	0	0	0	0
Other financial assets		0	0	0	0
Trade and other receivables	22.1	1,669	2,059	1,669	2,059
Total non-current assets		252,259	270,616	252,259	270,616
Current assets:					
Inventories	21	7,081	6,107	7,081	6,107
Trade and other receivables	22.1	24,983	28,335	24,983	28,335
Other financial assets	24	0	0	0	0
Other current assets		0	0	0	0
Cash and cash equivalents	25	1,474	2,107	1,474	2,107
Sub-total current assets		33,538	36,549	33,538	36,549
Non-current assets held for sale	26	840	840	840	840
Total current assets		34,378	37,389	34,378	37,389
Total assets		286,637	308,005	286,637	308,005
Current liabilities					
Trade and other payables	27	(43,389)	(42,969)	(43,389)	(42,969)
Other liabilities	28	(320)	(395)	(320)	(395)
Provisions	34	(791)	(813)	(791)	(813)
Borrowings	29	(1,936)	(1,970)	(1,936)	(1,970)
Other financial liabilities		0	0	0	0
DH revenue support loan	29	(1,334)	(1,334)	(1,334)	(1,334)
DH capital loan	29	(2,436)	(2,436)	(2,436)	(2,436)
Total current liabilities		(50,206)	(49,917)	(50,206)	(49,917)
Net current assets/(liabilities)		(15,828)	(12,528)	(15,828)	(12,528)
Total assets less current liabilities		236,431	258,088	236,431	258,088
Non-current liabilities					
Trade and other payables		0	0	0	0
Other liabilities	28	(2,915)	(3,157)	(2,915)	(3,157)
Provisions	34	(1,363)	(1,492)	(1,363)	(1,492)
Borrowings	29	(72,055)	(73,990)	(72,055)	(73,990)
Other financial liabilities		0	0	0	0
DH revenue support loan	29	(67,944)	(7,331)	(67,944)	(7,331)
DH capital loan	29	(23,535)	(24,188)	(23,535)	(24,188)
Total non-current liabilities		(167,812)	(110,158)	(167,812)	(110,158)
Total assets employed:		68,619	147,930	68,619	147,930
FINANCED BY:					
Public Dividend Capital		184,564	183,996	184,564	183,996
Retained earnings		(169,404)	(95,744)	(169,404)	(95,744)
Revaluation reserve		54,320	60,539	54,320	60,539
Charitable Funds Reserve				0	0
Other reserves		(861)	(861)	(861)	(861)
Total Taxpayers' Equity:		68,619	147,930	68,619	147,930

The notes on pages 27 to 49 form part of this account.

The financial statements on pages 2 to 6 were approved by the Board on 02.06.15 and signed on its behalf by

Chief Executive:

Date:

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

	Public Dividend capital £000s	Retained earnings £000s	Revaluatio n reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2015	183,996	(95,744)	60,539	(861)	147,930
Changes in taxpayers' equity for 2015-16					
Retained surplus/(deficit) for the year		(72,681)			(72,681)
Net gain / (loss) on revaluation of property, plant, equipment			12,545		12,545
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			(19,743)		(19,743)
Other gains/(loss)				0	0
Transfers between reserves		(979)	979	0	0
Reclassification Adjustments					
Transfers between Reserves in respect of assets transferred under absorption	0	0	0	0	0
On disposal of available for sale financial assets			0		0
Reserves eliminated on dissolution		0	0	0	0
Originating capital for Trust established in year	0				0
Permanent PDC received - cash	568				568
Permanent PDC repaid in year	0				0
PDC written off	0	0			0
Transfer due to change of status from Trust to Foundation Trust	0	0	0	0	0
Other movements	0	0	0	0	0
Net actuarial gain/(loss) on pension				0	0
Other pensions remeasurement				0	0
Net recognised revenue/(expense) for the year	568	(73,660)	(6,219)	0	(79,311)
Balance at 31 March 2016	184,564	(169,404)	54,320	(861)	68,619

Balance at 1 April 2014	138,589	(64,917)	50,383	(861)	123,194
Changes in taxpayers' equity for the year ended 31 March 2015					
Retained surplus/(deficit) for the year		(32,939)			(32,939)
Net gain / (loss) on revaluation of property, plant, equipment			12,268		12,268
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of assets held for sale			0		0
Impairments and reversals			0		0
Other gains / (loss)				0	0
Transfers between reserves		2,112	(2,112)	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource	0	0	0	0	0
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption		0	0		0
On disposal of available for sale financial assets			0		0
Originating capital for Trust established in year	0				0
New temporary and permanent PDC received - cash	79,907				79,907
New temporary and permanent PDC repaid in year	(34,500)				(34,500)
Other movements	0	0	0	0	0
Net actuarial gain/(loss) on pension				0	0
Other pension remeasurement				0	0
Net recognised revenue/(expense) for the year	45,407	(30,827)	10,156	0	24,736
Balance at 31 March 2015	183,996	(95,744)	60,539	(861)	147,930

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

	Consolidated					Total reserves £000s
	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Charitable Funds Reserve £000s	Other reserves £000s	
Balance at 1 April 2015	183,996	(95,744)	60,539	0	(861)	147,930
Changes in taxpayers' equity for 2015-16						
Retained surplus/(deficit) for the year		(72,681)		0		(72,681)
Net gain / (loss) on revaluation of property, plant, equipment			12,545	0		12,545
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			(19,743)			(19,743)
Other gains/(loss)					0	0
Transfers between reserves		(979)	979		0	0
Reclassification Adjustments						
Transfers between Reserves in respect of assets transferred under absorption	0	0	0	0	0	0
On disposal of available for sale financial assets			0			0
Reserves eliminated on dissolution		0	0		0	0
Originating capital for Trust established in year	0					0
Permanent PDC received - cash	568					568
Permanent PDC repaid in year	0					0
PDC written off	0	0				0
Transfer due to change of status from Trust to Foundation Trust	0	0	0		0	0
Other movements	0	0	0		0	0
Revaluation and impairment of Charitable fund assets				0		0
Charitable Funds Adjustment				0		0
Net actuarial gain/(loss) on pension					0	0
Other pensions remeasurement					(861)	0
Net recognised revenue/(expense) for the year	568	(73,660)	(6,219)	0	(861)	(79,311)
Balance at 31 March 2016	184,564	(169,404)	54,320	0	(1,722)	68,619
Balance at 1 April 2014	138,589	(64,917)	50,383	0	(861)	123,194
Changes in taxpayers' equity for the year ended 31 March 2015						
Retained surplus/(deficit) for the year		(32,939)		0		(32,939)
Net gain / (loss) on revaluation of property, plant, equipment			12,268	0		12,268
Net gain / (loss) on revaluation of intangible assets			0			0
Net gain / (loss) on revaluation of financial assets			0			0
Net gain / (loss) on revaluation of assets held for sale			0			0
Impairments and reversals			0			0
Other gains / (loss)					0	0
Transfers between reserves		2,112	(2,112)		0	0
Reclassification Adjustments						
Transfers to/(from) Other Bodies within the Resource	0	0	0	0	0	0
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption		0	0			0
On disposal of available for sale financial assets			0			0
Originating capital for Trust established in year	0					0
New temporary and permanent PDC received - cash	79,907					79,907
New temporary and permanent PDC repaid in year	(34,500)					(34,500)
Other movements	0	0	0		0	0
Revaluation and impairment of Charitable fund assets				0		0
Charitable Funds Adjustment				0		0
Net actuarial gain/(loss) on pension					0	0
Other pension remeasurement					0	0
Net recognised revenue/(expense) for the year	45,407	(30,827)	10,156	0	0	24,736
Balance at 31 March 2015	183,996	(95,744)	60,539	0	(861)	147,930

Statement of Cash Flows for the Year ended 31 March 2016

		2015-16	2014-15	Consolidated 2015-16	Consolidated 2014-15
	NOTE	£000s	£000s	£000s	£000s
Cash Flows from Operating Activities					
Operating surplus/(deficit)		(57,757)	(17,926)	(57,757)	(17,926)
Depreciation and amortisation	8	10,247	8,532	10,247	8,532
Impairments and reversals	17	13,261	6,950	13,261	6,950
Other gains/(losses) on foreign exchange	13	0	0	0	0
Donated Assets received credited to revenue but non-cash	6	0	0	0	0
Government Granted Assets received credited to revenue but non-cash		0	0	0	0
Interest paid		(11,803)	(11,143)	(11,803)	(11,143)
PDC Dividend (paid)/refunded		(4,244)	(4,057)	(4,244)	(4,057)
Release of PFI/deferred credit		0	0	0	0
(Increase)/Decrease in Inventories		(974)	(1,046)	(974)	(1,046)
(Increase)/Decrease in Trade and Other Receivables		3,742	(8,412)	3,742	(8,412)
(Increase)/Decrease in Other Current Assets		0	0	0	0
Increase/(Decrease) in Trade and Other Payables		1,325	(4,480)	1,325	(4,480)
(Increase)/Decrease in Other Current Liabilities		(317)	768	(317)	768
Provisions utilised		(677)	(554)	(677)	(554)
Increase/(Decrease) in movement in non cash provisions		(77)	451	(77)	451
NHS Charitable Funds - net adjustments for working capital movements, non-cash transactions and non-operating cash flows				0	0
Net Cash Inflow/(Outflow) from Operating Activities		(47,274)	(30,917)	(47,274)	(30,917)
Cash Flows from Investing Activities					
Interest Received		43	43	43	43
(Payments) for Property, Plant and Equipment		(11,664)	(18,387)	(11,664)	(18,387)
(Payments) for Intangible Assets		(296)	0	(296)	0
(Payments) for Investments with DH		0	0	0	0
(Payments) for Other Financial Assets		0	0	0	0
(Payments) for Financial Assets (LIFT)		0	0	0	0
Proceeds of disposal of assets held for sale (PPE)		0	0	0	0
Proceeds of disposal of assets held for sale (Intangible)		0	0	0	0
Proceeds from Disposal of Investment with DH		0	0	0	0
Proceeds from Disposal of Other Financial Assets		0	0	0	0
Proceeds from the disposal of Financial Assets (LIFT)		0	0	0	0
Loans Made in Respect of LIFT		0	0	0	0
Loans Repaid in Respect of LIFT		0	0	0	0
Rental Revenue		0	0	0	0
NHS Charitable Funds - net cash flows relating to investing activities				0	0
Net Cash Inflow/(Outflow) from Investing Activities		(11,917)	(18,344)	(11,917)	(18,344)
Net Cash Inflow/(Outflow) before Financing		(59,191)	(49,261)	(59,191)	(49,261)
Cash Flows from Financing Activities					
Gross Temporary (2014/15 only) and Permanent PDC Received		568	79,907	568	79,907
Gross Temporary (2014/15 only) and Permanent PDC Repaid		0	(34,500)	0	(34,500)
Loans received from DH - New Capital Investment Loans		1,783	4,950	1,783	4,950
Loans received from DH - New Revenue Support Loans		95,665	0	95,665	0
Other Loans Received		0	0	0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		(2,436)	(1,446)	(2,436)	(1,446)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		(35,052)	(1,334)	(35,052)	(1,334)
Other Loans Repaid		0	0	0	0
Cash transferred to NHS Foundation Trusts or on dissolution		0	0	0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(1,970)	(1,873)	(1,970)	(1,873)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		0	0	0	0
NHS Charitable Funds - net cash flows relating to Financing activities					
Net Cash Inflow/(Outflow) from Financing Activities		58,558	45,704	58,558	45,704
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(633)	(3,557)	(633)	(3,557)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		2,107	5,664	2,107	4,134
Effect of exchange rate changes in the balance of cash held in foreign currencies		0	0	0	0
Cash and Cash Equivalents (and Bank Overdraft) at year end	26	1,474	2,107	1,474	577

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2015-16 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

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 Going Concern

IAS 1 requires management to assess as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements the directors have considered the Trust's overall financial position and expectation of future cash support. The Trust Board confirmed the appropriateness of the going concern assumption for the 2016/17 accounts at its meeting on 6th April 2016. The Trust has submitted a financial plan for 2016-17 to the NHS Trust Development Authority (NHS TDA) which delivers a £51.5 million deficit after delivery of a £24.3 million savings programme. The plan recognises that the Trust has insufficient cash resources and includes a requirement for £66.1 million of cash support from the Department of Health to maintain the Trust's cash flow in 2016-17.

The Trust agreed a £15.4 million revenue support loan with the Department on Health on the 9th May 2016 which provides sufficient cash resources to meet planned commitments to the end of July 2016. The Directors have received confirmation from the NHS TDA that it supports the Trust's application for cash support and consider that there is sufficient evidence that the services the Trust provides will continue as a going concern for the foreseeable future.

1.4 Charitable Funds

Following Treasury's agreement to apply IAS 27 (now superseded by IFRS10) to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the corporate trustee of the linked NHS Charity (Worcestershire Acute Hospitals Charity), it effectively has the power to exercise control so as to obtain economic benefits. However the 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' notes.

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. These accounts have been prepared on the going concern basis (despite the issue of a report to the Secretary of State for Health under Section 30 of the Local Audit and Accountability Act 2014 for the anticipated or actual breach of financial duties). Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents. Where a Trust ceases to exist, it considers whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of Financial Statements. If services will continue to be provided the financial statements are prepared on the going concern basis."

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.

Asset lives

NOTES TO THE ACCOUNTS

The Trust has to make assumptions and judgments when determining the length of an asset's estimated useful life . This will take into account the view provided during the professional valuation and also the Trust's assessment of the period over which it will obtain service potential from the asset.

In determining the estimated useful lives of assets the Trust has taken into consideration any future lifecycle replacement that will enhance and prolong the life of the asset; specifically in relation to assets capitalised under PFI contract arrangements. The Trust revised its UEL's in March 2016 following a review by DTZ. This is documented at Note 15.3

NOTES TO THE ACCOUNTS

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

PFI Asset Valuation

From 31st March 2015, the Trust has accounted for the Valuation of its PFI Hospital on the basis of Depreciated Replacement Cost excluding VAT. When determining the change in treatment, the Trust sought advice from its appointed VAT Advisors to confirm the appropriateness of its judgement.

PFI Contract

The Trust is pursuing a claim with the PFI provider largely relating to an unavailability claim under the terms of the contract. The amount included in the accounts represents the agreed settlement value but is subject to finalisation of contract terms. The Trust is being advised by external consultants and its legal advisors in pursuing this claim.

1.5.2 Key sources of estimation uncertainty

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

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of (1.5%) in real terms for claims settled in 1-5 years, (1.05%) for 6 to 10 years and 2.2% for claims settling after 10 years.. For pensions the Trust uses actuarial tables to value provisions.

Property Valuation

Assets relating to land and buildings were subject to a formal valuation during the financial year ending 31st March 2016. This resulted in a £20.4m decrease in asset values during the period. The valuation for land increased by almost £4.1m, but the valuation for buildings fell by £24.5m. Further details are provided at note 15.3.

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/costs incurred to date compared to total expected costs.

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, except for bonuses earned but not yet taken which, like leave earned but not yet taken is not accrued for at the year end, on the grounds of immateriality. However, accruals for Consultant's leave, which is calculated from the date of appointment rather than the start of the financial year. is accrued on the basis of materiality.

Retirement benefit costs

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

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

1.8 Other expenses

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

NOTES TO THE ACCOUNTS

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

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

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

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

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

Subsequent expenditure

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

NOTES TO THE ACCOUNTS

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

1.10 Intangible assets

Recognition

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

1.11 Depreciation, amortisation and impairments

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

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

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

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

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

Government grant funded assets are capitalised at their fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.14 Non-current assets held for sale

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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

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 NHS trust as lessor

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

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

1.16 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI Asset

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

PFI liability

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

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

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

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

NOTES TO THE ACCOUNTS

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

Lifecycle replacement

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

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

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

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

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

Other assets contributed by the NHS trust to the operator

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

1.17 Inventories

Inventories (excluding Drugs) 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.

Drugs inventories are valued on an average cost basis.

1.18 Cash and cash equivalents

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

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

1.19 Provisions

Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 0.8% in real terms (1.37% for employee early departure obligations).

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.

NOTES TO THE ACCOUNTS

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

1.20 Clinical negligence costs

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

1.21 Non-clinical risk pooling

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

1.22 Carbon Reduction Commitment Scheme (CRC)

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

1.23 Contingencies

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

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

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

1.24 Financial assets

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

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

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the NHS trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset. The Trust has no separable embedded derivatives

Held to maturity investments

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

NOTES TO THE ACCOUNTS

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

Loans and receivables

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

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

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

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

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

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

1.25 Financial liabilities

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

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

Financial guarantee contract liabilities

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

The premium received (or imputed) for entering into the guarantee less cumulative amortisation; and

The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Other financial liabilities

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

1.26 Value Added Tax

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

1.27 Foreign currencies

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

NOTES TO THE ACCOUNTS

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

1.28 Third party assets

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

1.29 Public Dividend Capital (PDC) and PDC dividend

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

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

1.30 Losses and Special Payments

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

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

1.31 Subsidiaries

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

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

1.32 Associates

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

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

1.33 Joint arrangements

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

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are recognised as an investment and accounted for using the equity method.

NOTES TO THE ACCOUNTS

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

1.34 Research and Development

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

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2015-16. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

- IFRS 9 *Financial Instruments* – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 *Revenue for Contracts with Customers* - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 *Leases* – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

2 Operating segments

The Trust has only one operating segment; that is the provision of healthcare services. The total amount of income from the provision of healthcare services during the accounting period is £368,981k. Total operating expenditure from the provision of healthcare services during the accounting period is £426,738k

The Trust generated over 10% of income from the following organisations:

	£000s
NHS England	58,403
NHS Redditch and Bromsgrove CCG	74,350
NHS South Worcestershire CCG	126,964
NHS Wyre Forest CCG	55,787

3 Income generation activities

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

Summary Table - aggregate of all schemes

	2015-16	2014-15
	£000s	£000s
Income	2,557	2,291
Full cost **	2,005	1,636
Surplus/(deficit)	552	655

** Full cost for both financial years includes additional car park improvements and modernisation costs.

4 Revenue from patient care activities

	2015-16 £000s	2014-15 £000s
NHS Trusts	7,531	3,726
NHS England	59,073	50,442
Clinical Commissioning Groups	279,733	284,263
Foundation Trusts	1,106	1,320
NHS Other (including Public Health England and Prop Co)	31	422
Additional income for delivery of healthcare services	0	0
Non-NHS:		
Local Authorities	149	309
Private patients	484	652
Overseas patients (non-reciprocal)	13	3
Injury costs recovery	1,186	495
Other	49	293
Total Revenue from patient care activities	349,355	341,925

5 Other operating revenue

	2015-16 £000s	2014-15 £000s
Recoveries in respect of employee benefits	0	0
Patient transport services	0	0
Education, training and research	11,142	12,183
Charitable and other contributions to revenue expenditure - NHS	535	538
Charitable and other contributions to revenue expenditure -non- NHS	0	0
Receipt of donations for capital acquisitions - Charity	1,098	0
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	856	4,790
Income generation (Other fees and charges)	37	2,670
Rental revenue from finance leases	0	0
Rental revenue from operating leases	93	94
Other revenue	5,865	2,456
Total Other Operating Revenue	19,626	22,731
Total operating revenue	368,981	364,656

* Injury cost recovery income is subject to a provision for impairment of receivables of 18.9% to reflect expected rates of collection. This percentage is advised nationally by the Compensation Recovery Unit.

6 Overseas Visitors Disclosure

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

7 Operating expenses

	2015-16	2014-15
	£000s	£000s
Services from other NHS Trusts	2,515	0
Services from CCGs/NHS England	0	0
Services from other NHS bodies	0	0
Services from NHS Foundation Trusts	0	0
Total Services from NHS bodies*	2,515	0
Purchase of healthcare from non-NHS bodies	1,435	2,657
Trust Chair and Non-executive Directors	62	63
Supplies and services - clinical	88,073	73,971
Supplies and services - general	5,554	8,087
Consultancy services	148	157
Establishment	8,838	4,609
Transport	394	1,665
Service charges - ON-SOFP PFIs and other service concession arrangements	13,393	12,951
Service charges - On-SOFP LIFT contracts	0	0
Total charges - Off-SOFP PFIs and other service concession arrangements	0	0
Total charges - Off-SOFP LIFT contracts	0	0
Business rates paid to local authorities	2,155	1,834
Premises	14,230	13,539
Hospitality	13	34
Insurance	253	290
Legal Fees	1,341	553
Impairments and Reversals of Receivables	559	80
Inventories write down	0	0
Depreciation	9,690	8,266
Amortisation	557	266
Impairments and reversals of property, plant and equipment	13,261	6,950
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
Internal Audit Fees	78	0
Audit fees	75	68
Other auditor's remuneration [Internal Audit Fees]	38	95
Clinical negligence	7,146	7,367
Research and development (excluding staff costs)	0	33
Education and Training	858	940
Change in Discount Rate	19	65
Other	1,346	1,127
Total Operating expenses (excluding employee benefits)	172,031	145,667
Employee Benefits		
Employee benefits excluding Board members	253,712	235,974
Board members	995	941
Total Employee Benefits	254,707	236,915
Total Operating Expenses	426,738	382,582

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

8 Operating Leases

8.1 Worcestershire Acute Hospitals NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2015-16 Total £000s	2014-15 £000s
Payments recognised as an expense					
Minimum lease payments				311	332
Contingent rents				0	0
Sub-lease payments				0	0
Total				311	332
Payable:					
No later than one year	0	296	0	296	332
Between one and five years	0	2,959	0	2,959	2,403
After five years	0	6,214	0	6,214	7,398
Total	0	9,469	0	9,469	10,133
Total future sublease payments expected to be received:				0	0

8.2 Worcestershire Acute Hospitals NHS Trust as lessor

	2015-16 £000	2014-15 £000s
Recognised as revenue		
Rental revenue	0	0
Contingent rents	93	94
Total	93	94
Receivable:		
No later than one year	93	94
Between one and five years	0	0
After five years	0	0
Total	93	94

The Trust acts as a Lessor for the following assets:-

<u>Asset</u>	<u>Lessee</u>	2015-16 £000 Revenue	2014-15 £000 Revenue
Kidderminster Hospital - F Block	Worcestershire Health and Care NHS Trust	50	51
Alexandra Hospital GU Medicine	Worcestershire Health and Care NHS Trust	23	23
Worcester John Anthony Centre GU Medicine	Worcestershire Health and Care NHS Trust	19	19
Kidderminster Hospital - A Block (part)	Worcestershire Health and Care NHS Trust	1	1
		93	94

* Additional detail regarding these leased assets is provided at Note 14.3

9 Employee benefits and staff numbers

9.1 Employee benefits

	2015-16		
	Total £000s	Permanently employed £000s	Other* £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	222,130	184,962	37,168
Social security costs	13,489	13,489	0
Employer Contributions to NHS BSA - Pensions Division	20,210	20,210	0
Other pension costs	0	0	0
Termination benefits	383	383	0
Total employee benefits	256,212	219,044	37,168
Employee costs capitalised	1,505	1,185	320
Gross Employee Benefits excluding capitalised costs	254,707	217,859	36,848

* The Other column includes those on inward secondment or loan from other organisations, agency staff and those engaged on a contract to undertake a project or other temporary task. It does not include amounts payable to contractors for services, that is, where the staff remain under the control of the contractor.

	2014-15		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure 2014-15			
Salaries and wages	204,895	177,792	27,103
Social security costs	13,028	13,028	0
Employer Contributions to NHS BSA - Pensions Division	20,931	20,931	0
Other pension costs	0	0	0
Termination benefits	0	0	0
TOTAL - including capitalised costs	238,854	211,751	27,103
Employee costs capitalised	1,939	1,276	663
Gross Employee Benefits excluding capitalised costs	236,915	210,475	26,440

9.2 Staff Numbers

	2015-16			2014-15
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	676	600	76	711
Ambulance staff	0	0	0	0
Administration and estates	944	910	34	959
Healthcare assistants and other support staff	1,080	1,079	1	999
Nursing, midwifery and health visiting staff	1,961	1,691	270	1,921
Nursing, midwifery and health visiting learners	18	18	0	14
Scientific, therapeutic and technical staff	771	743	28	717
Social Care Staff	0	0	0	0
Healthcare Science Staff	0	0	0	0
Other	23	23	0	25
TOTAL	5,473	5,064	409	5,346
Of the above - staff engaged on capital projects	30	2	28	26

9.3 Staff Sickness absence and ill health retirements

	2015-16		2014-15	
	Number	£000s	Number	£000s
Total Days Lost	48,800		45,670	
Total Staff Years	5,054		4,969	
Average working Days Lost	9.66		9.19	
Number of persons retired early on ill health grounds	3		2	
Total additional pensions liabilities accrued in the year	90		292	

9.4 Exit Packages agreed in 2015-16

2015-16										
Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages		
	Number	£s	Number	£s	Number	£s	Number	£		
Less than £10,000	0	0	6	42,351	6	42,351	0	0		
£10,000-£25,000	0	0	11	204,053	11	204,053	0	0		
£25,001-£50,000	0	0	4	131,984	4	131,984	0	0		
£50,001-£100,000	0	0	0	0	0	0	0	0		
£100,001 - £150,000	0	0	0	0	0	0	0	0		
£150,001 - £200,000	0	0	0	0	0	0	0	0		
>£200,000	0	0	0	0	0	0	0	0		
Total	0	0	21	378,388	21	378,388	0	0		

2014-15										
Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages		
	Number	£s	Number	£s	Number	£s	Number	£		
Less than £10,000	0	0	0	0	0	0	0	0		
£10,000-£25,000	1	13,920	0	0	1	13,920	0	0		
£25,001-£50,000	0	0	0	0	0	0	0	0		
£50,001-£100,000	0	0	0	0	0	0	0	0		
£100,001 - £150,000	0	0	0	0	0	0	0	0		
£150,001 - £200,000	0	0	0	0	0	0	0	0		
>£200,000	0	0	0	0	0	0	0	0		
Total	1	13,920	0	0	1	13,920	0	0		

Redundancy and other departure costs have been paid in accordance with the provisions of the Mutually Agreed Resignation Scheme (MARS). 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.

All of the above exit packages in 2015/16 were administered through a Mutually Agreed Resignation Scheme (MARS).

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.

9.5 Exit packages - Other Departures analysis

The Trust had no other exit packages in 2015-16

9.6 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

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

10. Better Payment Practice Code

10.1 Measure of compliance

	2015-16 Number	2015-16 £000s	2014-15 Number	2014-15 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	100,120	209,148	98,426	188,412
Total Non-NHS Trade Invoices Paid Within Target	36,193	100,323	34,464	85,574
Percentage of NHS Trade Invoices Paid Within Target	36.15%	47.97%	35.02%	45.42%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	3,164	30,424	3,502	25,124
Total NHS Trade Invoices Paid Within Target	1,418	22,247	1,668	11,802
Percentage of NHS Trade Invoices Paid Within Target	44.82%	73.12%	47.63%	46.98%

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

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

	2015-16 £000s	2014-15 £000s
Amounts included in finance costs from claims made under this legislation	71	272
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	71	272

11. Investment Revenue

	2015-16 £000s	2014-15 £000s
Rental revenue		
PFI finance lease revenue (planned)	0	0
PFI finance lease revenue (contingent)	0	0
Other finance lease revenue	0	0
Subtotal	0	0
Interest revenue		
LIFT: equity dividends receivable	0	0
LIFT: loan interest receivable	0	0
Bank interest	43	43
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Subtotal	43	43
Total investment revenue	43	43

12. Other Gains and Losses

	2015-16 £000s	2014-15 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	126	21
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other than held for sale	0	0
Gain (Loss) on disposal of assets held for sale	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through the SoCI	0	0
Change in fair value of financial liabilities carried at fair value through the SoCI	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	126	21

13. Finance Costs

	2015-16 £000s	2014-15 £000s
Interest		
Interest on loans and overdrafts	1,279	622
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts:		
- main finance cost	6,260	6,419
- contingent finance cost	4,171	3,830
Interest on obligations under LIFT contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on late payment of commercial debt	71	272
Total interest expense	<u>11,781</u>	<u>11,143</u>
Other finance costs	0	172
Provisions - unwinding of discount	23	23
Total	<u>11,804</u>	<u>11,338</u>

14 Property, plant and equipment

14.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
2015-16									
Cost or valuation:									
At 1 April 2015	32,706	203,750	1,761	5,366	50,771	315	21,494	0	316,163
Additions of Assets Under Construction				9,001					9,001
Additions Purchased	0	54	0		1,528	0	888	0	2,470
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	0
Additions - Purchases from Cash Donations & Government Grants	0	1,098	0	0	0	0	0	0	1,098
Additions Leased (including PFI/LIFT)	0	0	0		0	0	0	0	0
Reclassifications	0	4,965	24	(7,397)	164	0	1,967	0	(277)
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(2,633)	(3)	0	0	(2,636)
Upward revaluation/positive indexation	7,469	5,076	0	0	0	0	0	0	12,545
Impairment/reversals charged to operating expenses	(208)	(12,813)	(240)	0	0	0	0	0	(13,261)
Impairments/reversals charged to reserves	(3,169)	(15,969)	(605)	0	0	0	0	0	(19,743)
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accountin	0	0	0	0	0	0	0	0	0
At 31 March 2016	36,798	186,161	940	6,970	49,830	312	24,349	0	305,360
Depreciation									
At 1 April 2015	0	0	0		34,760	315	14,248	0	49,323
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(2,507)	(3)	0	0	(2,510)
Upward revaluation/positive indexation	0	0	0		0	0	0	0	0
Impairment/reversals charged to reserves	0	0	0		0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0		0	0	0	0	0
Charged During the Year	0	3,676	38		3,081	0	2,895	0	9,690
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0		0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accountin	0	0	0		0	0	0	0	0
At 31 March 2016	0	3,676	38	0	35,334	312	17,143	0	56,503
Net Book Value at 31 March 2016	36,798	182,485	902	6,970	14,496	0	7,206	0	248,857
Asset financing:									
Owned - Purchased	36,798	107,923	902	6,970	8,504	0	7,206	0	168,303
Owned - Donated	0	299	0	0	156	0	0	0	455
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	74,263	0	0	5,836	0	0	0	80,099
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2016	36,798	182,485	902	6,970	14,496	0	7,206	0	248,857

14 Property, plant and equipment

Revaluation Reserve Balance for Property, Plant & Equipment

14 Property, plant and equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	18,003	40,562	1,102	0	868	1	3	0	60,539
Movements	4,300	(10,040)	(631)	0	152	0	0	0	(6,219)
At 31 March 2016	22,303	30,522	471	0	1,020	1	3	0	54,320

Additions to Assets Under Construction in 2014-15

Land	0
Buildings excl Dwellings	9,001
Dwellings	0
Plant & Machinery	0
Balance as at YTD	9,001

14.2 Property, plant and equipment prior-year

14 Property, plant and equipment

2014-15	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2014	27,651	187,690	1,199	17,561	44,554	315	18,629	0	297,599
Additions of Assets Under Construction				12,053					12,053
Additions Purchased	0	2,059	20		1,839	0	2,931	0	6,849
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	0
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0		0	0	0	0	0
Reclassifications	0	17,761	0	(24,248)	5,746	0	741	0	0
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(1,368)	0	(807)	0	(2,175)
Revaluation	6,038	(3,760)	542	0	0	0	0	0	2,820
Impairments/negative indexation charged to reserves	0	0	0	0	0	0	0	0	0
Reversal of Impairments charged to reserves	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0
At 31 March 2015	33,689	203,750	1,761	5,366	50,771	315	21,494	0	317,146
Depreciation									
At 1 April 2014	0	1	0	0	33,511	287	12,914	0	46,713
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and Reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(1,368)	0	(807)	0	(2,175)
Revaluation	761	(10,172)	(37)		0	0	0	0	(9,448)
Impairments/negative indexation charged to operating expenses	222	6,657	13	0	56	0	2	0	6,950
Reversal of Impairments charged to operating expenses	0	0	0	0	0	0	0	0	0
Charged During the Year	0	3,514	24		2,561	28	2,139	0	8,266
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	0
At 31 March 2015	983	0	0	0	34,760	315	14,248	0	50,306
Net Book Value at 31 March 2015	32,706	203,750	1,761	5,366	16,011	0	7,246	0	266,840
Asset financing:									
Owned - Purchased	32,706	123,685	1,761	5,366	9,824	0	7,246	0	180,588
Owned - Donated	0	478	0	0	150	0	0	0	628
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	79,587	0	0	6,037	0	0	0	85,624
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2015	32,706	203,750	1,761	5,366	16,011	0	7,246	0	266,840

14.2 (cont). Property, plant and equipment

A valuation of the Trust's land and buildings was undertaken by DTZ (RICS Registered Valuers), as at 31st March 2016.

The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2016 as at the prospective valuation date of 31 March 2016.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property.

In line with HM Treasury guidance, the revaluation as at 31st March 2016 was based on the 'Modern Equivalent Asset' approach to valuation.

The Trust acts as a Lessor, detailed in Note 8.2 of the Accounts. The PPE note includes amounts associated with the leased assets as follows:-

	Gross Carrying Amount	Depreciation 2015/16
	£000	£000
Kidderminster Hospital - F Block	1,083	10
Worcester John Anthony Centre GU Medicine	293	3

The Trusts leases smaller areas as detailed in Note 8.2, however due the revaluation of Property on a Modern Equivalent Asset basis it is not possible to separately identify any of the values associated with these assets.

The valuation undertaken by DTZ calculates the useful economic lives based on a standard formula. In March 2013 the Trust undertook a full review of its asset base including a condition survey which informed the Trust's assessment of useful economic lives. After taking professional advice the Trust has revised the useful economic lives based on the condition survey to more accurately reflect the future economic benefit from property assets. The approach used is consistent with the principles of the Red Book and IAS16. Each site is now defined as the property asset with the 3 significant components defined as land, buildings and external works. This has had the overall effect of extending the useful economic lives. During the March 2016 valuation exercise, these Asset Lives were checked and revised where necessary.

15. Intangible non-current assets

15.1 Intangible non-current assets

2015-16	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	2,189	707	0	0	0	2,896
Additions Purchased	296	0	0	0	0	296
Additions Internally Generated	0	0	0	0	0	0
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
Reclassifications	277	0	0	0	0	277
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2016	2,762	707	0	0	0	3,469
Amortisation						
At 1 April 2015	1,070	109	0	0	0	1,179
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairment/reversals charged to reserves	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0
Charged During the Year	557	0	0	0	0	557
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2016	1,627	109	0	0	0	1,736
Net Book Value at 31 March 2016	1,135	598	0	0	0	1,733
Asset Financing: Net book value at 31 March 2016 comprises:						
Purchased	1,135	598	0	0	0	1,733
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
Total at 31 March 2016	1,135	598	0	0	0	1,733
Revaluation reserve balance for intangible non-current assets						£000's
At 1 April 2015	0	0	0	0	0	0
Movements	0	0	0	0	0	0
At 31 March 2016	0	0	0	0	0	0

15.2 Intangible non-current assets prior year

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
2014-15						
Cost or valuation:						
At 1 April 2014	1,491	336	0	0	0	1,827
Additions - purchased	698	399	0	0	0	1,097
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(28)	0	0	0	(28)
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0
Accounting						
At 31 March 2015	<u>2,189</u>	<u>707</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,896</u>
Amortisation						
At 1 April 2014	905	36	0	0	0	941
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(28)	0	0	0	(28)
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	165	101	0	0	0	266
Transfer (to)/from Other Public Sector bodies under Absorption	0	0	0	0	0	0
Accounting						
At 31 March 2015	<u>1,070</u>	<u>109</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,179</u>
Net book value at 31 March 2015	1,119	598	0	0	0	1,717
Net book value at 31 March 2015 comprises:						
Purchased	1,119	598	0	0	0	1,717
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
Total at 31 March 2015	<u>1,119</u>	<u>598</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,717</u>

15.3 Intangible non-current assets

Economic life of non-current assets

	<u>Min Life</u> <u>Years</u>	<u>Max Life</u> <u>Years</u>
Software Licences	5	5
Property, Plant and Equipment:-		
Buildings excl Dwellings	17	93
Dwellings	58	87
Plant & Machinery	4	15
Transport Equipment	4	15
Information Technology	3	10
Furniture and Fittings		

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

	2015-16
	Total
	£000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	<u>0</u>
Total charged to Departmental Expenditure Limit	0
Unforeseen obsolescence	13,261
Loss as a result of catastrophe	0
Other	0
Changes in market price	<u>0</u>
Total charged to Annually Managed Expenditure	13,261
Total Impairments of Property, Plant and Equipment charged to SoCI	<u>13,261</u>
Intangible assets impairments and reversals charged to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	<u>0</u>
Total charged to Departmental Expenditure Limit	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	<u>0</u>
Total charged to Annually Managed Expenditure	0
Total Impairments of Intangibles charged to SoCI	<u>0</u>
Financial Assets charged to SoCI	
Loss or damage resulting from normal operations	<u>0</u>
Total charged to Departmental Expenditure Limit	0
Loss as a result of catastrophe	0
Other	<u>0</u>
Total charged to Annually Managed Expenditure	0
Total Impairments of Financial Assets charged to SoCI	<u>0</u>
Non-current assets held for sale - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	<u>0</u>
Total charged to Departmental Expenditure Limit	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	<u>0</u>
Total charged to Annually Managed Expenditure	0
Total impairments of non-current assets held for sale charged to SoCI	<u>0</u>
Total Impairments charged to SoCI - DEL	0
Total Impairments charged to SoCI - AME	<u>13,261</u>
Overall Total Impairments	<u>13,261</u>
Donated and Gov Granted Assets, included above	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	136
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

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

	Property Plant and Equipmen t	Intangible Assets	Financial Assets	Non-Current Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s
Impairments and reversals taken to SoCI	0	0	0	0	0
Loss or damage resulting from normal operations	0	0	0	0	0
Over-specification of assets	0	0	0	0	0
Abandonment of assets in the course of construction	0	0	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0	0	0
Unforeseen obsolescence	13,261	0	0	0	13,261
Loss as a result of catastrophe	0	0	0	0	0
Other	0	0	0	0	0
Changes in market price	0	0	0	0	0
Total charged to Annually Managed Expenditure	13,261	0	0	0	13,261
Total Impairments of Property, Plant and Equipment changed to SoCI	13,261	0	0	0	13,261

Donated and Gov Granted Assets, included above

	£000s
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	136
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

18. Investment property

The Trust held no Investment Property in 2015-16

19. Commitments

19.1. Capital commitments

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

	31 March 2016	31 March 2015
	£000s	£000s
Property, plant and equipment	1,541	138
Intangible assets	0	0
Total	1,541	138

19.2. Other financial commitments

The trust has not entered into non-cancellable contracts (apart from leases or PFI contracts or other service concession arrangements) in 2015-16.

20. Intra-Government and other balances

	Current receivables	Non- current receivables	Current payables	Non- current payables
	£000s	£000s	£000s	£000s
Balances with Other Central Government Bodies	0	0	4,267	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS bodies inside the Departmental Group	11,502	0	7,006	91,479
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	13,481	1,669	38,142	74,970
At 31 March 2016	24,983	1,669	49,415	166,449
prior period:				
Balances with Other Central Government Bodies	126	0	4,203	0
Balances with Local Authorities	366	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS bodies inside the Departmental Group	16,827	0	7,952	31,519
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	11,016	2,059	36,949	77,147
At 31 March 2015	28,335	2,059	49,104	108,666

21. Inventories

	Drugs	Consumables	Work in Progress	Energy	Loan Equipment	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	3,054	2,927	120	6	0	0	6,107	0
Additions	30,079	22,186	10	0	0	0	52,275	0
Inventories recognised as an expense in the period	(30,211)	(20,859)	(43)	0	0	0	(51,113)	0
Write-down of inventories (including losses)	(188)	0	0	0	0	0	(188)	0
Reversal of write-down previously taken to SOCI	0	0	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0
Balance at 31 March 2016	2,734	4,254	87	6	0	0	7,081	0

22.1. Trade and other receivables

	Current		Non-current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000s	£000s	£000s	£000s
NHS receivables - revenue	10,231	16,763	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	0	0	0	0
Non-NHS receivables - revenue	665	2,196	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	13,740	8,565	587	709
PDC Dividend prepaid to DH	1,271	190		
Provision for the impairment of receivables	(2,041)	(1,192)	0	0
VAT	1,117	808	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	0	1,005	1,082	1,350
Total	24,983	28,335	1,669	2,059
Total current and non current	26,652	30,394		
Included in NHS receivables are prepaid pension contributions:	0			

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

22.2. Receivables past their due date but not impaired

	31 March 2016	31 March 2015
	£000s	£000s
By up to three months	3,623	2,235
By three to six months	493	59
By more than six months	1,671	1,804
Total	5,787	4,098

22.3. Provision for impairment of receivables

2015-16	2014-15
£000s	£000s
(1,482)	(1,372)
0	260
0	0
(559)	(80)
0	0
0	0
(2,041)	(1,192)

Balance at 1 April 2015

Amount written off during the year

Amount recovered during the year

(Increase)/decrease in receivables impaired

Transfers to NHS Foundation Trust on authorisation as FT

Transfers (to)/from Other Public Sector Bodies under Absorption Accounting

Balance at 31 March 2016

23. NHS LIFT investments

The Trust had no LIFT Investments during the year ended 31st March 2016

24. Other Financial Assets - Current

The Trust had no Other Financial Assets during the year ended 31st March 2016

25. Cash and Cash Equivalents

	31 March 2016 £000s	31 March 2015 £000s
Opening balance	2,107	2,107
Net change in year	(633)	0
Closing balance	1,474	2,107
Made up of		
Cash with Government Banking Service	970	973
Commercial banks*	500	1,132
Cash in hand	4	2
Liquid deposits with NLF	0	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	1,474	2,107
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	1,474	2,107
Third Party Assets - Bank balance (not included above)	0	0
Third Party Assets - Monies on deposit	0	0

* Balances in Commercial Accounts include £479,347.95 held in the Trust variation account. This account is jointly accessible by the Trust and the Trust's PFI Partner, Worcestershire Hospitals SPC. The purpose of the account is for the Trust to deposit specific sums to the value of agreed deed of variations for capital work to be undertaken within the PFI Hospital by Worcestershire Hospitals SPC for the Trust.

26. 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
Balance at 1 April 2015	0	0	840	0	0	0	0	0	0	0	840
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 c	0	0	0	0	0	0	0	0	0	0	0
Transfers to Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Account	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2016	0	0	840	0	0	0	0	0	0	0	840
Liabilities associated with assets held for sale at 31 March 2016	0	0	0	0	0	0	0	0	0	0	0
Balance at 1 April 2014	0	0	840	0	0	0	0	0	0	0	840
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2015	0	0	840	0	0	0	0	0	0	0	840
Liabilities associated with assets held for sale at 31 March 2015	0	0	0	0	0	0	0	0	0	0	0

For 2015/16 the Assets classified as Held for Sale in year are two Accommodation Blocks at the Alexandra Hospital Redditch, for which the process of disposal is still to be finalised.

27. Trade and other payables

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
NHS payables - revenue	3,236	4,182	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	0	0	0	0
Non-NHS payables - revenue	15,414	15,526	0	0
Non-NHS payables - capital	3,365	4,270	0	0
Non-NHS accruals and deferred income	13,160	11,571	0	0
Social security costs	2,052	2,112		
PDC Dividend payable to DH	0	0		
Accrued Interest on DH Loans	195			
VAT	0	0	0	0
Tax	2,215	2,091		
Payments received on account	0	0	0	0
Other	3,752	3,217	0	0
Total	43,389	42,969	0	0
Total payables (current and non-current)	43,389	42,969		
Included above:				
to Buy Out the Liability for Early Retirements Over 5 Years	0	0		
number of Cases Involved	0	0		
outstanding Pension Contributions at the year end	3,048	2,982		

28. Other liabilities

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
PFI/LIFT deferred credit	320	395	2,915	3,157
Lease incentives	0	0	0	0
Other	0	0	0	0
Total	320	395	2,915	3,157
Total other liabilities (current and non-current)	3,235	3,552		

29. Borrowings

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Bank overdraft - Government Banking Service	0	0		
Bank overdraft - commercial banks	0	0		
Loans from Department of Health	3,770	3,770	91,479	31,519
Loans from other entities	0	0	0	0
PFI liabilities:				
Main liability	1,936	1,970	72,055	73,990
Lifecycle replacement received in advance	0	0	0	0
LIFT liabilities:				
Main liability	0	0	0	0
Lifecycle replacement received in advance	0	0	0	0
Finance lease liabilities	0	0	0	0
Other	0	0	0	0
Total	5,706	5,740	163,534	105,509
Total other liabilities (current and non-current)	169,240	111,249		

Borrowings / Loans - repayment of principal falling due in:

	DH £000s	31 March 2016	
		Other £000s	Total £000s
0-1 Years	3,770	1,936	5,706
1 - 2 Years	3,770	1,941	5,711
2 - 5 Years	73,532	6,943	80,475
Over 5 Years	14,177	63,171	77,348
TOTAL	95,249	73,991	169,240

30. Other financial liabilities

The Trust held no other financial liabilities in 2015-16.

31. Deferred income

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Opening balance at 1 April 2015	682	355	0	0
Deferred revenue addition	0	682	0	0
Transfer of deferred revenue	0	(355)	0	0
Current deferred Income at 31 March 2016	682	682	0	0
Total deferred income (current and non-current)	682	682		

32. Finance lease obligations as lessee

The Trust held no finance leases during 2015-16 (as defined under IAS17). PFI finance leases as determined under IFRIC12 are disclosed in Note 37.

33. Finance lease receivables as lessor

The Trust did not lease any assets to a third party that were deemed to be a finance leases during 2015-16.

34. Provisions

	Total	Comprising:						Redundancy
		Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change)	Other	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	2,305	1,706	183	0	0	0	416	0
Arising during the year	500	5	89	0	0	0	406	0
Utilised during the year	(677)	(231)	(30)	0	0	0	(416)	0
Reversed unused	(16)	(16)	0	0	0	0	0	0
Unwinding of discount	23	23	0	0	0	0	0	0
Change in discount rate	19	19	0	0	0	0	0	0
Transfers to NHS Foundation Trusts on being authorised as FT	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies under absorption accounting	0	0	0	0	0	0	0	0
Balance at 31 March 2016	2,154	1,506	242	0	0	0	406	0
Expected Timing of Cash Flows:								
No Later than One Year	791	197	231	0	0	0	363	0
Later than One Year and not later than Five Years	0	0	0	0	0	0	0	0
Later than Five Years	1,363	1,309	11	0	0	0	43	0

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

As at 31 March 2016	78,207
As at 31 March 2015	77,022

35. Contingencies

	31 March 2016 £000s	31 March 2015 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	(50)	(50)
Employment Tribunal and other employee related litigation	0	0
Redundancy	0	0
Other	0	0
Net value of contingent liabilities	(50)	(50)
Contingent assets		
Contingent assets	0	0
Net value of contingent assets	0	0

36. PFI and LIFT - additional information

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

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

	2015-16 £000s	2014-15 £000s
Total charge to operating expenses in year - Off SoFP PFI	0	0
Service element of on SOFP PFI charged to operating expenses in year	13,393	12,951
Total	13,393	12,951

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

No Later than One Year	13,616	13,284
Later than One Year, No Later than Five Years	57,953	56,539
Later than Five Years	187,599	202,628
Total	259,168	272,451

The estimated annual payments in future years are not expected to be materially different from those which the Trust had recognised in 2015-16.

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

	2015-16 £000s	2014-15 £000s
No Later than One Year	8,033	8,230
Later than One Year, No Later than Five Years	31,591	31,691
Later than Five Years	97,184	105,117
Subtotal	136,808	145,038
Less: Interest Element	(62,817)	(69,078)
Total	73,991	75,960

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

	2015-16 £000s	2014-15 £000s
Analysed by when PFI payments are due		
No Later than One Year	1,936	1,970
Later than One Year, No Later than Five Years	8,884	8,287
Later than Five Years	63,171	65,703
Total	73,991	75,960

Number of on SOFP PFI Contracts

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

Number of off SOFP PFI Contracts

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

37. Impact of IFRS treatment - current year

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

	2015-16 Income £000s	Expenditure £000s	2014-15 Income £000s	Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)				
Depreciation charges		2,442		2,573
Interest Expense		10,431		10,249
Impairment charge - AME		0		50
Impairment charge - DEL		0		0
Other Expenditure		18,663		12,590
Revenue Receivable from subleasing	(6,941)		0	
Impact on PDC dividend payable		1,597		(585)
Total IFRS Expenditure (IFRIC12)	(6,941)	33,133	0	24,877
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)		26,129		25,341
Net IFRS change (IFRIC12)		63		(464)
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12				
Capital expenditure 2015-16		1,450		1,691
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		1,667		1,610

	2015-16 Income/ Expenditure IFRIC 12 YTD £000s	2015-16 Income/ Expenditure ESA 10 YTD £000s
Revenue costs of IFRS12 compared with ESA10		
Depreciation charges	2,442	
Interest Expense	10,431	
Impairment charge - AME	0	
Impairment charge - DEL	0	
Other Expenditure		
Service Charge	13,393	13,393
Contingent Rent	3,820	
Lifecycle	1,450	
Impact on PDC Dividend Payable	1,597	
Total Revenue Cost under IFRIC12 vs ESA10	33,133	13,393
Revenue Receivable from subleasing	(6,941)	12,736
Net Revenue Cost/(income) under IDRIC12 vs ESA10	26,192	26,129

38. Financial Instruments

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 Mar 2016 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups, 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.

38.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0			0
Receivables - NHS		12,213		12,213
Receivables - non-NHS		1,831		1,831
Cash at bank and in hand		1,474		1,474
Other financial assets	0	0	0	0
Total at 31 March 2016	0	15,518	0	15,518
Embedded derivatives	0			0
Receivables - NHS		16,764		16,764
Receivables - non-NHS		2,195		2,195
Cash at bank and in hand		2,107		2,107
Other financial assets	0	0	0	0
Total at 31 March 2015	0	21,066	0	21,066

38.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
			£000s
Embedded derivatives	0		0
NHS payables		4,116	4,116
Non-NHS payables		9,678	9,678
Other borrowings		95,249	95,249
PFI & finance lease obligations		73,991	73,991
Other financial liabilities	0	0	0
Total at 31 March 2016	0	183,034	183,034
Embedded derivatives	0		0
NHS payables		4,182	4,182
Non-NHS payables		19,798	19,798
Other borrowings		35,289	35,289
PFI & finance lease obligations		75,960	75,960
Other financial liabilities	0	0	0
Total at 31 March 2015	0	135,229	135,229

39. Events after the end of the reporting period

The are no material events occurring after the reporting period.

40. Related party transactions

Details of related party transactions with individuals are as follows:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Mr. Harry Turner - Chairman of the Trust until March 2016 and: as Trustee of the Charles Hastings Education Centre	273,560	27,918	0	163,314

The Department of Health is regarded as a related party. During the year Worcestershire Acute Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. For example :

- NHS England
- NHS Redditch and Bromsgrove CCG
- NHS South Worcestershire CCG
- NHS Wyre Forest CCG
- Worcestershire Health and Care NHS Trust
- NHS Litigation Authority
- NHS Business Services Authority

The Trust has also received revenue and capital payments from Worcestershire Acute Hospitals Charity amounting to £535,220 (£538,399 in 2014-15). 11 of the Trustees of Worcestershire Acute Hospitals NHS Trust Charitable Fund are also members of the Trust Board. The summary financial statements of the Funds Held on Trust are included in the annual report.

41. Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	187,575	12
Special payments	100,102	84
Total losses and special payments	287,677	96

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

	Total Value of Cases £s	Total Number of Cases
Losses	389,602	73
Special payments	61,352	60
Total losses and special payments	450,954	133

42. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years, and have not been restated to IFRS.

42.1. Breakeven performance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	£000s									
Turnover	263,801	293,859	299,601	312,889	321,829	336,594	348,763	346,029	364,656	368,981
Retained surplus/(deficit) for the year	53	5,193	5,833	(2,179)	(1,193)	(1,193)	(312)	(14,271)	(32,939)	(72,681)
Adjustment for:										
Timing/non-cash impacting distortions:										
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	(1,059)									
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0								
Adjustments for impairments			0	3,020	1,126	634	181	189	6,950	13,261
Adjustments for impact of policy change re donated/government grants assets						172	148	(109)	71	(474)
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				2,294	354	475	0	0	0	63
Absorption accounting adjustment							0	0	0	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	(1,006)	5,193	5,833	3,135	287	88	17	(14,191)	(25,918)	(59,831)
Break-even cumulative position	(32,880)	(27,687)	(21,854)	(18,719)	(18,432)	(18,344)	(18,327)	(32,518)	(58,436)	(118,267)

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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	%	%	%	%	%	%	%	%	%	%
Materiality test (i.e. is it equal to or less than 0.5%):										
Break-even in-year position as a percentage of turnover	-0.38	1.77	1.95	1.00	0.09	0.03	0.00	-4.10	-7.11	-16.22
Break-even cumulative position as a percentage of turnover	-12.46	-9.42	-7.29	-5.98	-5.73	-5.45	-5.25	-9.40	-16.02	-32.05

42.2. Capital cost absorption rate

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

42.3. External financing

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

	2015-16	2014-15
	£000s	£000s
External financing limit (EFL)	59,658	50,552
Cash flow financing	59,191	49,261
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	59,191	49,261
Under/(over) spend against EFL	467	1,291

42.4. Capital resource limit

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

	2015-16	2014-15
	£000s	£000s
Gross capital expenditure	12,739	19,999
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(1,098)	0
Charge against the capital resource limit	11,641	19,999
Capital resource limit	11,698	20,402
(Over)/underspend against the capital resource limit	57	403

43. Third party assets

As at 31st March 2016 the Trust held no cash and cash equivalents which relate third parties.