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Data entered below will be used throughout the workbook:

Trust name	Worcestershire Acute Hospitals NHS Trust
This year	2012-13
Last year	2011-12
This year ended	31 March 2013
Last year ended	31 March 2012
This year commencing:	1 April 2012
Last year commencing:	1 April 2011

**Manual for Accounts 2012-13**

**Statement of Comprehensive Income for year ended  
31 March 2013**

	NOTE	2012-13 £000	2011-12 £000
Gross employee benefits	10.1	(212,818)	(202,901)
Other costs	8	(122,007)	(118,701)
Revenue from patient care activities	5	323,511	307,209
Other Operating revenue	6	25,252	27,715
<b>Operating surplus/(deficit)</b>		<b>13,938</b>	<b>13,322</b>
Investment revenue	12	48	43
Other gains and (losses)	13	(52)	(55)
Finance costs	14	(9,931)	(10,165)
<b>Surplus/(deficit) for the financial year</b>		<b>4,003</b>	<b>3,145</b>
Public dividend capital dividends payable		(4,315)	(4,338)
Net Gain/(loss) on transfers by absorption		0	0
<b>Retained surplus/(deficit) for the year</b>		<b>(312)</b>	<b>(1,193)</b>
<b>Other Comprehensive Income</b>			
		<b>2012-13 £000</b>	<b>2011-12 £000</b>
Impairments and reversals		(7,827)	(887)
Net gain/(loss) on revaluation of property, plant & equipment		94	8,659
Net gain/(loss) on revaluation of intangibles		0	0
Net gain/(loss) on revaluation of financial assets		0	0
Movements in Other Reserves eg. Non NHS Pensions Scheme		0	0
Net gain/(loss) on available for sale financial assets		0	(15)
Net Gain / (loss) on Assets Held for Sale		0	0
Net actuarial gain/(loss) on pension schemes		0	0
<b>Reclassification Adjustments</b>			
On disposal of available for sale financial assets		0	0
<b>Total comprehensive income for the year*</b>		<b>(8,045)</b>	<b>6,564</b>

\* This sums the rows above and the surplus / (deficit) for the year before adjustments for PDC dividend and absorption accounting

**Financial performance for the year**

Retained surplus/(deficit) for the year	(312)	(1,193)
Prior period adjustment to correct errors	0	0
IFRIC 12 adjustment	0	515
Impairments	181	594
Adjustments in respect of donated asset/gov't grant reserve elimination	148	172
Adjustment re Absorption accounting	0	0
<b>Adjusted retained surplus/(deficit)</b>	<b>17</b>	<b>88</b>

PDC dividend: balance receivable/(payable) at 31 March 2013

215

PDC dividend: balance receivable/(payable) at 1 April 2012

0

A Trust's Reported NHS financial performance position is derived from its Retained surplus/(Deficit), but adjusted for the following:-

a) The revenue cost of bringing Private Finance Initiative (PFI) assets onto the Statement of Financial Position (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10) - NHS Trusts' financial performance measurement is required 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 PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This additional cost is not considered part of the organisation's operating position and is narrated above as IFRIC12 adjustment (for 2011/12). For 2012/13 there is no incremental expenditure resulting from the application of IFRS and therefore requires no adjustment.

b) Impairments to Fixed Assets - An impairment charge is not considered part of the organisation's operating position.

c) Adjustment in respect of Donated Asset Reserves elimination - The Treasury revised their reporting manual in 2010-11 to reflect the interpretation of International Accounting Standards (IAS20), resulting in the elimination of Reserves in respect of Donated Assets. The revenue impact of depreciation relating to these assets was previously offset by a release from the Donated Asset Reserve. Following revision to the reporting manuals this cost is charged to the Trusts expenditure without any offset. This is therefore not considered part of the Trusts operating position.

The notes on pages 1 to 45 form part of this account.

**Statement of Financial Position as at  
31 March 2013**

		31 March 2013	31 March 2012
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	232,013	235,571
Intangible assets	16	1,044	54
Investment property	18	0	0
Other financial assets	24	0	0
Trade and other receivables	22.1	1,250	1,527
<b>Total non-current assets</b>		<b>234,307</b>	<b>237,152</b>
<b>Current assets:</b>			
Inventories	21	4,998	4,934
Trade and other receivables	22.1	14,640	18,148
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	16,773	10,940
<b>Total current assets</b>		<b>36,411</b>	<b>34,022</b>
Non-current assets held for sale	27	840	0
<b>Total current assets</b>		<b>37,251</b>	<b>34,022</b>
<b>Total assets</b>		<b>271,558</b>	<b>271,174</b>
<b>Current liabilities</b>			
Trade and other payables	28	(36,151)	(42,539)
Other liabilities	29	(2,173)	(2,410)
Provisions	35	(848)	(616)
Borrowings	30	(1,727)	(1,657)
Other financial liabilities	31	0	0
Working capital loan from Department	30	(1,334)	0
Capital loan from Department	30	(410)	0
<b>Total current liabilities</b>		<b>(42,643)</b>	<b>(47,222)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>228,915</b>	<b>223,952</b>
<b>Non-current liabilities</b>			
Trade and other payables	28	0	0
Other Liabilities	29	0	0
Provisions	35	(1,675)	(1,802)
Borrowings	30	(77,833)	(79,560)
Other financial liabilities	31	0	0
Working capital loan from Department	30	(9,999)	0
Capital loan from Department	30	(6,632)	0
<b>Total non-current liabilities</b>		<b>(96,139)</b>	<b>(81,362)</b>
<b>Total Assets Employed:</b>		<b>132,776</b>	<b>142,590</b>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public Dividend Capital		138,110	139,879
Retained earnings		(52,671)	(56,160)
Revaluation reserve		48,198	59,732
Other reserves		(861)	(861)
<b>Total Taxpayers' Equity:</b>		<b>132,776</b>	<b>142,590</b>

The notes on pages 1 to 45 form part of this account.

The financial statements on pages 1 to 45 were approved by the Board on 5th June 2013 and signed on its behalf by

Chief Executive:

Date:

**Statement of Changes in Taxpayers' Equity**  
**For the year ended 31 March 2013**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
<b>Balance at 1 April 2012</b>	<b>139,879</b>	<b>(56,160)</b>	<b>59,732</b>	<b>(861)</b>	<b>142,590</b>
<b>Changes in taxpayers' equity for 2012-13</b>					
Retained surplus/(deficit) for the year		(312)			(312)
Net gain / (loss) on revaluation of property, plant, equipment			94		94
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			(7,827)		(7,827)
Movements in other reserves				0	0
Transfers between reserves **		3,801	(3,801)	0	0
Release of reserves to Statement of Comprehensive Income			0		0
<b>Reclassification Adjustments</b>					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption		0	0		0
On Disposal of Available for Sale financial Assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received	949				949
PDC Repaid In Year	(2,718)				(2,718)
PDC Written Off	0				0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0				0
Net Actuarial Gain/(Loss) on Pension		0		0	0
<b>Net recognised revenue/(expense) for the year</b>	<b>(1,769)</b>	<b>3,489</b>	<b>(11,534)</b>	<b>0</b>	<b>(9,814)</b>
<b>Balance at 31 March 2013</b>	<b>138,110</b>	<b>(52,671)</b>	<b>48,198</b>	<b>(861)</b>	<b>132,776</b>

\*\* The movement between the Revaluation Reserve and Income and Expenditure Reserve is represented by :-

1) £2,763,333 for excess depreciation from 1.4.12 to 31.3.13. In accordance with IAS16:-

IFRS is clear that all the depreciation chargeable on revalued assets must pass through the profit and loss account. This means that the extra depreciation incurred because an asset has been indexed or revalued upwards is included in the depreciation charge for the year

Bodies should, however, release an amount from the Revaluation reserve to the Retained Earnings in respect of this excess depreciation over historic cost. This transfer avoids the anomaly of the revaluation reserve remaining in perpetuity after an asset has become fully depreciated. It is also justified as it recognises a 'realised profit' in Companies Act terms

2) £1,037,881 for balances held in the Revaluation Reserve that relate to assets disposed or sold.

<b>Balance at 1 April 2011</b>	<b>139,879</b>	<b>(55,758)</b>	<b>52,751</b>	<b>(861)</b>	<b>136,011</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2012</b>					
Retained surplus/(deficit) for the year		(1,193)			(1,193)
Net gain / (loss) on revaluation of property, plant, equipment			8,659		8,659
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			(887)		(887)
Movements in other reserves				0	0
Transfers between reserves		791	(791)	0	0
Release of reserves to Statement of Comprehensive Income			0		0
<b>Reclassification Adjustments</b>					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
On Disposal of Available for Sale financial Assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received	0				0
PDC Repaid In Year	0				0
PDC Written Off	0				0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0				0
Net Actuarial Gain/(Loss) on Pension		0		0	0
<b>Net recognised revenue/(expense) for the year</b>	<b>0</b>	<b>(402)</b>	<b>6,981</b>	<b>0</b>	<b>6,579</b>
<b>Balance at 31 March 2012</b>	<b>139,879</b>	<b>(56,160)</b>	<b>59,732</b>	<b>(861)</b>	<b>142,590</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED****31 March 2013**

	NOTE	2012-13 £000s	2011-12 £000s
<b>Cash Flows from Operating Activities</b>			
Operating Surplus/Deficit		13,938	13,322
Depreciation and Amortisation		8,177	10,363
Impairments and Reversals		181	594
Other Gains / (Losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		0	(14)
Government Granted Assets received credited to revenue but non-cash		0	0
Interest Paid		(9,893)	(10,112)
Dividend (Paid) / Refunded		(4,530)	(2,683)
Release of PFI/deferred credit		0	0
(Increase)/Decrease in Inventories		(64)	(416)
(Increase)/Decrease in Trade and Other Receivables		4,002	(4,153)
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		(11,627)	5,247
(Increase)/Decrease in Other Current Liabilities		(237)	(237)
Provisions Utilised		(502)	(304)
Increase/(Decrease) in Provisions		569	378
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>14</b>	<b>11,985</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received		48	43
(Payments) for Property, Plant and Equipment		(11,896)	(5,960)
(Payments) for Intangible Assets		0	0
(Payments) for Investments with DH		0	0
(Payments) for Other Financial Assets		0	0
(Payments) for Financial Assets (LIFT)		0	0
Proceeds of disposal of assets held for sale (PPE)		0	336
Proceeds of disposal of assets held for sale (Intangible)		0	0
Proceeds from Disposal of Investment with DH		0	0
Proceeds from Disposal of Other Financial Assets		2,718	0
Proceeds from the disposal of Financial Assets (LIFT)		0	0
Loans Made in Respect of LIFT		0	0
Loans Repaid in Respect of LIFT		0	0
Rental Revenue		0	0
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>(9,130)</b>	<b>(5,581)</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>(9,116)</b>	<b>6,404</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Public Dividend Capital Received		949	0
Public Dividend Capital Repaid		(2,718)	0
Loans received from DH - New Capital Investment Loans		7,242	0
Loans received from DH - New Revenue Support Loans		12,000	0
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		(200)	0
Loans repaid to DH -Revenue Support Loans		(667)	(5,000)
Other Loans Repaid		0	0
Cash transferred to NHS Foundation Trusts		0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(1,657)	(1,667)
Capital grants and other capital receipts		0	0
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>14,949</b>	<b>(6,667)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,833</b>	<b>(263)</b>
<b>Cash and Cash Equivalents ( and Bank Overdraft) at Beginning of the Period</b>		<b>10,940</b>	<b>11,203</b>
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		0	0
<b>Cash and Cash Equivalents (and Bank Overdraft) at year end</b>		<b>16,773</b>	<b>10,940</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012-13 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

#### 1.3 Transforming Community Services (TCS) transactions

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

From 1st July 2011 certain services transferred to the Trust under the TCS arrangements, these include:-

- GP Ward at Kidderminster Hospital
- Some specialist nursing services (eg COPD, Diabetes, Rheumatology, Heart Failure, TB nurses)
- Breast Screening
- Colposcopy
- Theatres at Evesham and Tenbury Hospitals
- Burlingham Ward at Evesham Community Hospital

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

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

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

### 1.4.1 Critical judgements in applying accounting policies

The Trust's management team have made the following critical judgements in applying accounting policies.

#### Asset lives

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 has revised its UEL's in the year following a review by DTZ. This is documented at Note 15.3

### 1.4.2 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 (1.8%) in real terms for claims settled in 1-5 years, (1.0%) 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 2013. This resulted in significant downward movement of asset values during the period reflecting the general trend in market prices. Further details are provided at note 15.3

### 1.5 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.

### 1.6 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.

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

### 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.

### 1.7 Other expenses

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

### 1.8 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 £100, 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, subsequent accumulated depreciation and impairment losses.



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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. 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.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new 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.

## 1.9 Intangible assets

### Recognition

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it

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

- 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.

### 1.10 Depreciation, amortisation and impairments

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

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. 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.

### 1.11 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. 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.

This accounting policy change has been applied retrospectively and consequently the results since 2010-11 have been restated.

### 1.12 Government grants

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the results since 2010-11 have been restated.

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

### 1.13 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

### 1.14 Leases

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

#### The trust as lessee

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

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

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

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

#### The trust as lessor

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

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

### 1.15 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.

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

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

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

### Services received

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

### PFI Asset

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

### PFI liability

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

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

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

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

### Lifecycle replacement

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

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

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

### Assets contributed by the 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 Trust's Statement of Financial Position.

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

**Other assets contributed by the Trust to the operator**

Assets contributed (e.g. cash payments, surplus property) by the 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 Trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

**1.16 Inventories**

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

**1.17 Cash and cash equivalents**

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

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

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

### 1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms where the provision will settle after 10 years. (2.8% 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.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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

### 1.19 Clinical negligence costs

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

### 1.20 Non-clinical risk pooling

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

### 1.21 EU Emissions Trading Scheme

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

### 1.22 Contingencies

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

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

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

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

### 1.23 Financial assets

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

Financial assets are initially recognised at fair value.

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

#### Financial assets at fair value through profit and loss

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

#### Available for sale financial assets

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

#### Loans and receivables

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

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

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

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

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

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

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.

### 1.24 Financial liabilities

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

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

#### 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.

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

#### Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability. *The Trust has no financial liabilities held at fair value through I&E and holds no separable embedded derivatives.*

#### 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.

### 1.25 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.

### 1.26 Foreign currencies

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

### 1.27 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.



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

### **1.28 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 Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

### **1.29 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 trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

### **1.30 Subsidiaries**

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows 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 Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

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

For 2011-12 and 2012-13 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

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

### 1.31 Associates

Material entities over which the 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 Trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the Trust's share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity. The Trust currently has no Associates.

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

### 1.32 Joint ventures

Material entities over which the Trust has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. The Trust currently has no Joint Ventures.

Joint ventures 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 operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

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

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

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

**2. Pooled budget**

The Trust held no pooled budgets for the 2012/13.

**3. 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 £348,811k. Total operating expenditure from the provision of healthcare services during the accounting period is £349,123k

The Trust generated over 10% of income from the following organisations:  
Worcestershire PCT £283,098k

**4. 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.

**Car Park Income**

The objective of the scheme is to collect a reasonable income from visitor and staff parking to contribute to the maintenance of parking infrastructure and, if residual income is received, to supplement front line hospital services as far as possible.

<b>Summary Table - aggregate of all schemes</b>	<b>2012-13</b>	<b>2011-12</b>
	<b>£000s</b>	<b>£000s</b>
Income	<b>2227</b>	1968
Full cost **	<b>1824</b>	932
Surplus/(deficit)	<b>403</b>	1,036

\*\* Full cost for 2012-13 includes additional Car Park improvements and modernisation costs.

<b>5. Revenue from patient care activities</b>	<b>2012-13</b>	<b>2011-12</b>
	<b>£000s</b>	<b>£000s</b>
Strategic Health Authorities	<b>224</b>	162
NHS Trusts	<b>1,224</b>	1,623
Primary Care Trusts - tariff	<b>222,830</b>	223,984
Primary Care Trusts - non-tariff	<b>96,232</b>	77,907
Primary Care Trusts - market forces factor	<b>0</b>	0
NHS Foundation Trusts	<b>1,129</b>	1,509
Local Authorities	<b>140</b>	140
Department of Health	<b>0</b>	0
NHS other	<b>0</b>	0
Non-NHS:		
Private patients	<b>306</b>	296
Overseas patients (non-reciprocal)	<b>17</b>	0
Injury costs recovery *	<b>1,112</b>	1,372
Other	<b>297</b>	216
<b>Total Revenue from patient care activities</b>	<b>323,511</b>	<b>307,209</b>

<b>6. Other operating revenue</b>	<b>2012-13</b>	<b>2011-12</b>
	<b>£000s</b>	<b>£000s</b>
Recoveries in respect of employee benefits	<b>0</b>	0
Patient transport services	<b>0</b>	0
Education, training and research	<b>10,060</b>	10,394
Charitable and other contributions to revenue expenditure - NHS	<b>0</b>	0
Charitable and other contributions to revenue expenditure -non- NHS	<b>518</b>	508
Receipt of donations for capital acquisitions - NHS Charity	<b>0</b>	14
Receipt of Government grants for capital acquisitions	<b>0</b>	0
Non-patient care services to other bodies	<b>9,025</b>	11,930
Income generation	<b>2,681</b>	2,055
Rental revenue from finance leases	<b>0</b>	0
Rental revenue from operating leases	<b>273</b>	406
Other revenue	<b>2,695</b>	2,408
<b>Total Other Operating Revenue</b>	<b>25,252</b>	<b>27,715</b>
<b>Total operating revenue</b>	<b>348,763</b>	<b>334,924</b>

\* Injury cost recovery income is subject to a provision for impairment of receivables of 12.6% to reflect expected rates of collection. This percentage is advised nationally by the Compensation Recovery Unit.

<b>7. Revenue</b>	<b>2012-13</b>	<b>2011-12</b>
	<b>£000</b>	<b>£000</b>
From rendering of services	<b>348,763</b>	334,498
From sale of goods	<b>0</b>	0

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

**8. Operating expenses (excluding employee benefits)**

	<b>2012-13</b> <b>£000s</b>	2011-12 £000s
Services from other NHS trusts	0	0
Services from PCTs	0	0
Services from other NHS bodies	0	0
Services from foundation trusts	0	0
Purchase of healthcare from non NHS bodies	47	0
Trust Chair and Non-executive Directors	62	58
Supplies and services - clinical	57,468	55,001
Supplies and services - general	6,764	5,347
Consultancy services	1,103	841
Establishment	4,831	4,617
Transport	1,658	1,623
Premises	13,873	14,501
Impairments and Reversals of Receivables	612	112
Inventories write down	0	116
Depreciation	8,133	10,276
Amortisation	44	87
Impairments and reversals of property, plant and equipment	181	594
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets [by class]	0	0
Impairments and reversals of non current assets held for sale	0	0
Impairments and reversals of investment properties	0	0
Audit fees	96	172
Other auditor's remuneration [Internal Audit]	109	113
Clinical negligence	7,531	6,724
Research and development (excluding staff costs)	67	72
Education and Training	510	509
Change in Discount Rate	53	0
Other	18,865	17,938
<b>Total Operating expenses (excluding employee benefits)</b>	<b><u>122,007</u></b>	<b><u>118,701</u></b>
* Other costs include PFI Related Expenditure of £17,192,282 (£15,494,007 2011-12)		
<b>Employee benefits</b>		
Employee benefits excluding Board members	211,883	202,210
Board members	935	691
<b>Total employee benefits</b>	<b><u>212,818</u></b>	<b><u>202,901</u></b>
<b>Total operating expenses</b>	<b><u><u>334,825</u></u></b>	<b><u><u>321,602</u></u></b>

## 9 Operating Leases

### 9.1 Trust as lessee

	Land £000s	Buildings £000s	Other £000s	Total £000s	2011-12 £000s
<b>Payments recognised as an expense</b>					
Minimum lease payments				315	362
Contingent rents				0	0
Sub-lease payments				0	0
<b>Total</b>				<b>315</b>	<b>362</b>
<b>Payable:</b>					
No later than one year	0	315	0	315	325
Between one and five years	0	315	0	315	325
After five years	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>630</b>	<b>0</b>	<b>630</b>	<b>650</b>
Total future sublease payments expected to be received:				0	0

### 9.2 Trust as lessor

	2012-13 £000	2011-12 £000s
<b>Recognised as income</b>		
Rental revenue	0	0
Contingent rents	273	406
<b>Total</b>	<b>273</b>	<b>406</b>
<b>Receivable:</b>		
No later than one year	103	406
Between one and five years	0	0
After five years	0	0
<b>Total</b>	<b>103</b>	<b>406</b>

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

<u>Asset</u>	<u>Lessee</u>	2012/13 £000 Revenue	2011/12 £000 Revenue
Kidderminster Hospital - D Block **	Worcestershire Health and Care NHS Trust	170	225 *
Kidderminster Hospital - F Block	Worcestershire Health and Care NHS Trust	48	51 *
Alexandra Hospital GU Medicine	Worcestershire PCT	32	35
Worcester John Anthony Centre GU Medicine	Worcestershire PCT	22	20 *
Kidderminster Hospital - A Block (part)	Worcestershire PCT	1	62
Kidderminster Hospital - C Block (part)	Worcestershire PCT	0	13
		<b>273</b>	<b>406</b>

\* Additional detail regarding these leased assets is provided at Note 15.3

\*\* The Lease arrangement for this Asset ended on 21/1/13 when ownership transferred to the Lessee, payments represent the period 1/4/12 to 20/01/13

**10 Employee benefits and staff numbers****10.1 Employee benefits**

	2012-13			2011-12
	Total £000s	Permanently employed £000s	Other £000s	Total £000s
<b>Employee Benefits - Gross Expenditure</b>				
Salaries and wages	180,404	163,956	16,448	171,762
Social security costs	12,294	12,294	0	11,892
Employer Contributions to NHS BSA - Pensions Division	0	0	0	0
Other pension costs	19,570	19,570	0	18,873
Other post-employment benefits	0	0	0	0
Other employment benefits	0	0	0	0
Termination benefits	1,610	1,610	0	505
<b>Total employee benefits</b>	<b>213,878</b>	<b>197,430</b>	<b>16,448</b>	<b>203,032</b>
Less recoveries in respect of employee benefits (table below)	0	0	0	0
<b>Total - Net Employee Benefits including capitalised costs</b>	<b>213,878</b>	<b>197,430</b>	<b>16,448</b>	<b>203,032</b>
<b>Employee costs capitalised</b>	<b>1,060</b>	<b>660</b>	<b>400</b>	<b>131</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>212,818</b>	<b>196,770</b>	<b>16,048</b>	<b>202,901</b>

**Employee Benefits 2012-13 - income**

Salaries and wages	0	0	0
Social Security costs	0	0	0
Employer Contributions to NHS BSA - Pensions Division	0	0	0
Other pension costs	0	0	0
Other Post Employment Benefits	0	0	0
Other Employment Benefits	0	0	0
Termination Benefits	0	0	0
<b>TOTAL excluding capitalised costs</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Gross Employee Benefits & Net expenditure 2011-12**

	Total £000s	Permanently employed £000s	Other £000s
Salaries and wages	171,762	157,881	13,881
Social security costs	11,892	11,892	0
Employer Contributions to NHS BSA - Pensions Division	0	0	0
Other pension costs	18,873	18,873	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	505	505	0
<b>TOTAL - including capitalised costs</b>	<b>203,032</b>	<b>189,151</b>	<b>13,881</b>
Less recoveries in respect of employee benefits	0	0	0
<b>Total - Net Employee Benefits including capitalised costs</b>	<b>203,032</b>	<b>189,151</b>	<b>13,881</b>
Recognised as			
Employee costs capitalised	131		
<b>Net Employee Benefits excluding capitalised costs</b>	<b>202,901</b>		

**10.2 Staff Numbers**

	2012-13			2011-12
	Total Number	Permanently employed Number	Other Number	Total Number
<b>Average Staff Numbers</b>				
Medical and dental	709	639	70	640
Ambulance staff	0	0	0	0
Administration and estates	823	793	30	908
Healthcare assistants and other support staff	854	853	0	838
Nursing, midwifery and health visiting staff	1,793	1,674	119	1,740
Nursing, midwifery and health visiting learners	16	16	0	19
Scientific, therapeutic and technical staff	807	802	5	713
Social Care Staff	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>5,001</b>	<b>4,777</b>	<b>225</b>	<b>4,859</b>
Of the above - staff engaged on capital projects	10	5	5	5

Please note that Permanently employed staff includes Bank staff. Other staff numbers includes Agency staffing.

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

	2012-13 Number	2011-12 Number
Total Days Lost	41505	42,515
Total Staff Years	4746	4,640
<b>Average working Days Lost</b>	<b>8.75</b>	<b>9.16</b>

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	4	7
Total additional pensions liabilities accrued in the year	£000s 187	£000s 348

### 10.4 Exit Packages agreed in 2012-13

Exit package cost band (including any special payment element)	2012-13			2011-12		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	13	13	0	16	16
£10,001-£25,000	0	30	30	0	11	11
£25,001-£50,000	0	15	15	0	3	3
£50,001-£100,000	0	4	4	0	2	2
£100,001 - £150,000	0	2	2	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
<b>Total number of exit packages by type (total cost)</b>	<b>0</b>	<b>64</b>	<b>64</b>	<b>0</b>	<b>32</b>	<b>32</b>
<b>Total resource cost (£000s)</b>	<b>0</b>	<b>1,609,853</b>	<b>1,609,853</b>	<b>0</b>	<b>505,000</b>	<b>505,000</b>

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

This disclosure reports the number and value of exit packages taken by staff leaving in the year.

## 10.5 Pension costs

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

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

### a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 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, published annually. These accounts can be viewed on the NHS Pensions website. 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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

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

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

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

### c) Scheme provisions

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

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

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

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

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

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

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



## 11 Better Payment Practice Code

### 11.1 Measure of compliance

	2012-13 Number	2012-13 £000s	2011-12 Number	2011-12 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	86,160	149,536	74,724	124,329
Total Non-NHS Trade Invoices Paid Within Target	39,962	86,090	24,808	68,023
Percentage of NHS Trade Invoices Paid Within Target	<u>46.38%</u>	<u>57.57%</u>	<u>33.20%</u>	<u>54.71%</u>
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	3,717	34,450	3,061	18,670
Total NHS Trade Invoices Paid Within Target	1,701	13,813	959	2,702
Percentage of NHS Trade Invoices Paid Within Target	<u>45.76%</u>	<u>40.10%</u>	<u>31.33%</u>	<u>14.47%</u>

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

The Trust received a Working Capital Loan on 17th December 2012 that improved liquidity for the remaining part of the Financial Year. Subsequently there was an improvement in payment performance for the period from January to March 2013.

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

	2012-13 £000s	2011-12 £000s
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

## 12 Investment Income

	2012-13 £000s	2011-12 £000s
<b>Rental Income</b>		
PFI finance lease revenue (planned)	0	0
PFI finance lease revenue (contingent)	0	0
<b>Subtotal</b>	<u>0</u>	<u>0</u>
<b>Interest Income</b>		
Bank interest	48	43
<b>Subtotal</b>	<u>48</u>	<u>43</u>
<b>Total investment income</b>	<u>48</u>	<u>43</u>

## 13 Other Gains and Losses

	2012-13 £000s	2011-12 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	<u>(52)</u>	<u>(55)</u>
<b>Total</b>	<u>(52)</u>	<u>(55)</u>

## 14 Finance Costs

	2012-13 £000s	2011-12 £000s
<b>Interest</b>		
Interest on loans and overdrafts	81	210
Interest on obligations under PFI contracts:		
- main finance cost	6,703	6,841
- contingent finance cost	3,109	3,061
<b>Total interest expense</b>	<u>9,893</u>	<u>10,112</u>
Other finance costs	0	0
Provisions - unwinding of discount	38	53
<b>Total</b>	<u>9,931</u>	<u>10,165</u>

## 15.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>2012-13</b>									
<b>Cost or valuation:</b>									
<b>At 1 April 2012</b>	<b>27,726</b>	<b>189,698</b>	<b>2,086</b>	<b>217</b>	<b>49,250</b>	<b>380</b>	<b>24,700</b>	<b>0</b>	<b>294,057</b>
Opening Balance Adjustment - Local PPA *	0	0	0	0	(5,868)	(13)	(6,460)	0	(12,341)
<b>Local Accounts - Restated Opening Cost</b>	<b>27,726</b>	<b>189,698</b>	<b>2,086</b>	<b>217</b>	<b>43,382</b>	<b>367</b>	<b>18,240</b>	<b>0</b>	<b>281,716</b>
Additions of Assets Under Construction	0	0	0	9,885	0	0	0	0	9,885
Additions Purchased	289	1,045	0	0	2,322	0	2,559	0	6,215
Additions Donated	0	0	0	0	0	0	0	0	0
Additions Government Granted	0	0	0	0	0	0	0	0	0
Additions Leased	0	0	0	0	0	0	0	0	0
Reclassifications	0	2,741	0	(2,741)	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	(840)	0	0	0	0	0	(840)
Disposals other than for sale	(176)	(2,575)	0	0	(3,105)	(52)	(4,475)	0	(10,383)
Upward revaluation/positive indexation	27	67	0	0	0	0	0	0	94
Impairments/negative indexation	0	(7,785)	(42)	0	0	0	0	0	(7,827)
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(3,523)	(24)	0	0	0	0	0	(3,547)
<b>At 31 March 2013</b>	<b>27,866</b>	<b>179,668</b>	<b>1,180</b>	<b>7,361</b>	<b>42,599</b>	<b>315</b>	<b>16,324</b>	<b>0</b>	<b>275,313</b>
<b>Depreciation</b>									
<b>At 1 April 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,730</b>	<b>296</b>	<b>20,460</b>	<b>0</b>	<b>58,486</b>
Opening Balance Adjustment - Local PPA *	0	0	0	0	(5,868)	(13)	(6,460)	0	(12,341)
<b>Local Accounts - Restated Opening Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,862</b>	<b>283</b>	<b>14,000</b>	<b>0</b>	<b>46,145</b>
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale / Cumulative dep netted off cost following revaluation	0	(33)	0	0	(3,052)	(52)	(4,475)	0	(7,612)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	0	181	0	0	0	0	0	0	181
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	0	3,375	24	0	3,107	28	1,599	0	8,133
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(3,523)	(24)	0	0	0	0	0	(3,547)
<b>At 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,917</b>	<b>259</b>	<b>11,124</b>	<b>0</b>	<b>43,300</b>
<b>Net Book Value at 31 March 2013</b>	<b>27,866</b>	<b>179,668</b>	<b>1,180</b>	<b>7,361</b>	<b>10,682</b>	<b>56</b>	<b>5,200</b>	<b>0</b>	<b>232,013</b>
Purchased	27,866	179,192	1,180	7,361	10,595	56	5,200	0	231,450
Donated	0	476	0	0	87	0	0	0	563
Government Granted	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2013</b>	<b>27,866</b>	<b>179,668</b>	<b>1,180</b>	<b>7,361</b>	<b>10,682</b>	<b>56</b>	<b>5,200</b>	<b>0</b>	<b>232,013</b>
<b>Asset financing:</b>									
Owned	27,866	92,601	1,180	7,361	6,294	56	5,200	0	140,558
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	87,067	0	0	4,388	0	0	0	91,455
PFI residual: interests	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2013</b>	<b>27,866</b>	<b>179,668</b>	<b>1,180</b>	<b>7,361</b>	<b>10,682</b>	<b>56</b>	<b>5,200</b>	<b>0</b>	<b>232,013</b>

\* the Trust has made a Prior Period Adjustment to amend previous errors with reported Asset Cost and Accumulated Depreciation balances. The errors occurred when assets disposed in prior years (from 2002 to 2011) were reported as a net reduction to asset values instead of a gross reduction of both cost and the associated accumulated depreciation for each asset disposed. The adjustments shown above correct these entries and the remaining balances now reflect the correct carrying value of existing assets in gross terms. The reported Net book value of assets remains unchanged as previously reported.

## Revaluation Reserve Balance for Property, Plant &amp; 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
<b>At 1 April 2012</b>	12,117	46,292	1,151	0	168	1	3	0	59,732
Movements (specify)	27	(11,521)	(40)	0	0	0	0	0	(11,534)
<b>At 31 March 2013</b>	<b>12,144</b>	<b>34,771</b>	<b>1,111</b>	<b>0</b>	<b>168</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>48,198</b>

## Additions to Assets Under Construction in 2012-13

	£000's
Land	0
Buildings excl Dwellings	9,885
Dwellings	0
Plant & Machinery	0
<b>Balance as at YTD</b>	<b>9,885</b>

## 15.2 Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>2011-12</b>									
Cost or valuation:									
At 1 April 2011	27,726	184,093	2,018	216	48,355	380	22,668	0	285,456
Additions - purchased	0	2,628	1	1,050	1,300	0	1,901	0	6,880
Additions - donated	0	0	0	0	13	0	0	0	13
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	1,028	21	(1,049)	(131)	0	131	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(287)	0	0	0	(287)
Revaluation & indexation gains	0	8,535	124	0	0	0	0	0	8,659
Impairments	0	(887)	0	0	0	0	0	0	(887)
Reversals of impairments	0	0	0	0	0	0	0	0	0
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(5,699)	(78)	0	0	0	0	0	(5,777)
At 31 March 2012	<u>27,726</u>	<u>189,698</u>	<u>2,086</u>	<u>217</u>	<u>49,250</u>	<u>380</u>	<u>24,700</u>	<u>0</u>	<u>294,057</u>
Depreciation									
At 1 April 2011	0	0	0	0	34,429	267	18,944	0	53,640
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(247)	0	0	0	(247)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	0	594	0	0	0	0	0	0	594
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	0	5,105	78	0	3,548	29	1,516	0	10,276
Transfers to NHS Bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(5,699)	(78)	0	0	0	0	0	(5,777)
At 31 March 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,730</u>	<u>296</u>	<u>20,460</u>	<u>0</u>	<u>58,486</u>
Net book value at 31 March 2012	<u>27,726</u>	<u>189,698</u>	<u>2,086</u>	<u>217</u>	<u>11,520</u>	<u>84</u>	<u>4,240</u>	<u>0</u>	<u>235,571</u>
Purchased									
Purchased	27,726	189,199	2,086	217	11,298	84	4,240	0	234,850
Donated	0	499	0	0	153	0	0	0	652
Government Granted	0	0	0	0	69	0	0	0	69
Total at 31 March 2012	<u>27,726</u>	<u>189,698</u>	<u>2,086</u>	<u>217</u>	<u>11,520</u>	<u>84</u>	<u>4,240</u>	<u>0</u>	<u>235,571</u>
Asset financing:									
Owned	27,726	99,278	2,086	217	6,859	84	4,240	0	140,490
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	90,420	0	0	4,661	0	0	0	95,081
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	<u>27,726</u>	<u>189,698</u>	<u>2,086</u>	<u>217</u>	<u>11,520</u>	<u>84</u>	<u>4,240</u>	<u>0</u>	<u>235,571</u>

### 15.3 (cont). Property, plant and equipment

A valuation of the Trust's land and buildings was undertaken by the District Valuation Service of the Inland Revenue Government Department, as at 31st March 2013.

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 2013 as at the prospective valuation date of 31 March 2013.

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 2012 was based on the 'Modern Equivalent Asset' approach to valuation.

The Trust acts a Lessor, detailed in Note 9.2 of the Accounts. The PPE note includes amounts associated with the leased assets as follows:-

	Gross Carrying £000	Depreciation 2012/13	Impairment Losses
Kidderminster Hospital - F Block	606	14	-
Worcester John Anthony Centre GU Medicine	314	3	-
	920	17	-

The Lease on Kidderminster Hospital - D Block ceased on 21st January 2013 when ownership and legal title passed to the Worcestershire Health and Care Trust

The Trusts leases smaller areas as detailed in Note 9.2, however due the revaluation of Property on a Modern Equivalent Asset basis it is not possible to separately identify any the values associated with these assets.

The valuation undertaken by the District Valuer calculates the useful economic lives based on a standard formula. In addition, the Trust has undertaken 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. Previously the land, buildings and external works were defined as the property assets. This has had the overall effect of extending the useful economic lives.

This change has resulted in a reduction in Depreciation charges in the current period of £1,877,407.

#### Economic life of non-current assets

	<u>Min Life Years</u>	<u>Max Life Years</u>
Software Licences	0	5
Licences and Trademarks	0	5
Patents	0	5
Development Expenditure	0	5
Property, Plant and Equipment		
Buildings exc Dwellings	13	80
Dwellings	46	51
Plant & Machinery	0	10
Transport Equipment	0	6
Information Technology	0	23
Furniture and Fittings	0	0

**16.1 Intangible non-current assets**

2012-13	Software internally generated £000's	Software purchased £000's	Licences & trademarks £000's	Patents £000's	Development expenditure £000's	Total £000's
<b>At 1 April 2012</b>	<b>1,007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,007</b>
Opening Balance Adjustment - Local PPA*	2	0	0	0	0	2
<b>Local Accounts - Restated Opening Cost</b>	<b>1,009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,009</b>
Additions - purchased	734	300	0	0	0	1,034
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	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	(252)	0	0	0	0	(252)
Revaluation & indexation gains	0	0	0	0	0	0
Impairments charged to reserves	0	0	0	0	0	0
Reversal of impairments charged to reserves	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>1,491</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,791</b>
<b>Amortisation</b>						
<b>At 1 April 2012</b>	<b>953</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>953</b>
Opening Balance Adjustment - Local PPA*	2	0	0	0	0	2
<b>Local Accounts - Restated Opening Cost</b>	<b>955</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>955</b>
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	(252)	0	0	0	0	(252)
Revaluation or indexation gains	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	44	0	0	0	0	44
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>747</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>747</b>
<b>Net Book Value at 31 March 2013</b>	<b>744</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,044</b>
<b>Net book value at 31 March 2013 comprises:</b>						
Purchased	744	300	0	0	0	1,044
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
<b>Total at 31 March 2013</b>	<b>744</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,044</b>

\* See note 15.1 for explanation of adjustment

**Revaluation reserve balance for intangible non-current assets**

	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 1 April 2012</b>	0	0	0	0	0	0
Movements (specify)	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**16.2 Intangible non-current assets prior year**

	Software internally generated £000s	Software purchased £000s	Licences & trademarks £000s	Patents £000s	Development expenditure £000s	Total £000s
2011-12						
Cost or valuation:						
At 1 April 2011	1,007	0	0	0	0	1,007
Additions - purchased	0	0	0	0	0	0
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
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation & indexation gains	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Less cumulative depreciation written down on revaluation	0	0	0	0	0	0
At 31 March 2012	<u>1,007</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,007</u>
Amortisation						
At 1 April 2011	866	0	0	0	0	866
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	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	87	0	0	0	0	87
Transfer to NHS Foundation Trust	0	0	0	0	0	0
Less cumulative depreciation written down on revaluation	0	0	0	0	0	0
At 31 March 2012	<u>953</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>953</u>
Net book value at 31 March 2012	54	0	0	0	0	54
Net book value at 31 March 2012 comprises:						
Purchased	54	0	0	0	0	54
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Total at 31 March 2012	<u>54</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54</u>

**16.3 Intangible non-current assets**

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) 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.

## 17 Analysis of impairments and reversals recognised in 2012-13

2012-13

Total  
£000s

<b>Property, Plant and Equipment impairments and reversals taken to SoCI</b>	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	181
<b>Total charged to Annually Managed Expenditure</b>	<b>181</b>
<b>Property, Plant and Equipment impairments and reversals charged to the revaluation reserve</b>	
Loss or damage resulting from normal operations	0
Over Specification of Assets	26
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	7,801
<b>Total impairments for PPE charged to reserves</b>	<b>7,827</b>
<b>Total Impairments of Property, Plant and Equipment</b>	<b>8,008</b>
<b>Intangible assets impairments and reversals charged to SoCI</b>	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Intangible Assets impairments and reversals charged to the Revaluation Reserve</b>	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total impairments for Intangible Assets charged to Reserves</b>	<b>0</b>
<b>Total Impairments of Intangibles</b>	<b>0</b>
<b>Financial Assets charged to SoCI</b>	
Loss or damage resulting from normal operations	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Loss as a result of catastrophe	0
Other	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Financial Assets impairments and reversals charged to the Revaluation Reserve</b>	
Loss or damage resulting from normal operations	0
Loss as a result of catastrophe	0
Other	0
<b>TOTAL Impairments for Financial Assets charged to reserves</b>	<b>0</b>
<b>Total Impairments of Financial Assets</b>	<b>0</b>
<b>Non-current assets held for sale - impairments and reversals charged to SoCI.</b>	
Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total impairments of non-current assets held for sale</b>	<b>0</b>
<b>Inventories - impairments and reversals charged to SoCI.</b>	
Loss or damage resulting from normal operations	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total impairments of Inventories</b>	<b>0</b>
<b>Investment Property impairments charged to SoCI</b>	
Loss or damage resulting from normal operations	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total Investment Property impairments charged to SoCI</b>	<b>0</b>
<b>Investment Property impairments and reversals charged to the revaluation reserve</b>	
Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total impairments for Investment Property charged to reserves</b>	<b>0</b>
<b>Total Impairments of Investment Property</b>	<b>0</b>
<b>Total Impairments charged to Revaluation Reserve</b>	<b>7,827</b>
<b>Total Impairments charged to SoCI - DEL</b>	<b>0</b>
<b>Total Impairments charged to SoCI - AME</b>	<b>181</b>
<b>Overall Total Impairments</b>	<b>8,008</b>
<b>Of which:</b>	
Impairment on revaluation to "modern equivalent asset" basis	0
<b>Donated and Gov Granted Assets, included above</b>	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

A valuation of the Trust's land and buildings was undertaken by the District Valuation Service of the Inland Revenue Government Department, as at 31st March 2013. As a result of this valuation, the Trusts overall estate reduced in value by £7,889,328. This was represented by an increase in certain Assets totalling £93,480 combined with the reduction of other assets of £7,982,809. This reduction in value was charged to the Revaluation Reserve for those assets until the balances were fully utilised, the remaining reduction of £181,811 was charged to the Statement of Comprehensive Income



## 18 Investment property

The Trust held no Investment Property in 2012-13

## 19 Commitments

### 19.1 Capital commitments

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

	31 March 2013 £000s	31 March 2012 £000s
Property, plant and equipment	19,415	5,390
Intangible assets	0	0
<b>Total</b>	<b>19,415</b>	<b>5,390</b>

### 19.2 Other financial commitments

The trust has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements) The payments to which the trust is committed are as follows

	31 March 2013 £000s	31 March 2012 £000s
Not later than one year	0	1,034
Later than one year and not later than five year	0	107
Later than five years	0	160
<b>Total</b>	<b>0</b>	<b>1,301</b>

## 20 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	7,537	0	5,082	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	5	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,527	0	785	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	5,571	1,250	30,284	0
<b>At 31 March 2013</b>	<b>14,640</b>	<b>1,250</b>	<b>36,151</b>	<b>0</b>
<b>prior period:</b>				
Balances with other Central Government Bodies	11,585	0	9,152	0
Balances with Local Authorities	328	0	83	0
Balances with NHS Trusts and Foundation Trusts	1,672	0	3,337	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	4,563	1,527	29,967	0
<b>At 31 March 2012</b>	<b>18,148</b>	<b>1,527</b>	<b>42,539</b>	<b>0</b>

**21 Inventories**

	Drugs £000s	Consumables £000s	Energy £000s	Work in progress £000s	Loan Equipment £000s	Other £000s	Total £000s
<b>Balance at 1 April 2012</b>	2,107	2,720	0	107	0	0	<b>4,934</b>
Additions	23,611	144	96	0	0	0	<b>23,851</b>
Inventories recognised as an expense in the period	(23,784)	(2)	0	(1)	0	0	<b>(23,787)</b>
Write-down of inventories (including losses)	0	0	0	0	0	0	<b>0</b>
Reversal of write-down previously taken to SoCI	0	0	0	0	0	0	<b>0</b>
Transfers (to) Foundation Trusts	0	0	0	0	0	0	<b>0</b>
Transfers (to) / from other Public Sector Bodies	0	0	0	0	0	0	<b>0</b>
<b>Balance at 31 March 2013</b>	<b>1,934</b>	<b>2,862</b>	<b>96</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>4,998</b>

**22.1 Trade and other receivables**

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
NHS receivables - revenue	7,434	11,571	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	0	0	0	0
Non-NHS receivables - revenue	1,718	2,310	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	3,188	1,937	138	268
Provision for the impairment of receivables	(1,223)	(722)	0	0
VAT	1,635	1,310	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	239	147	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	1,649	1,595	1,112	1,259
<b>Total</b>	<b>14,640</b>	<b>18,148</b>	<b>1,250</b>	<b>1,527</b>
<b>Total current and non current</b>	<b>15,890</b>	<b>19,675</b>		
Included in NHS receivables are prepaid pension contributions:	0	0		

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts 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 2013 £000s	31 March 2012 £000s
By up to three months	522	888
By three to six months	161	804
By more than six months	250	705
<b>Total</b>	<b>933</b>	<b>2,397</b>

**22.3 Provision for impairment of receivables**

	2012-13 £000s	2011-12 £000s
<b>Balance at 1 April 2012</b>	(722)	(610)
Amount written off during the year	111	0
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(612)	(112)
Transfer to NHS Foundation Trust	0	0
<b>Balance at 31 March 2013</b>	<b>(1,223)</b>	<b>(722)</b>

**23 NHS LIFT investments**

The Trust had no LIFT Investments during the year ended 31st March 2013

**24.1 Other Financial Assets - Current**

	<b>31 March 2013</b>	31 March 2012
	£000s	£000s
<b>Opening balance 1 April</b>	0	0
Transfers (to)/from Other Public Sector Bodies in year	0	0
Other Movements	0	0
<b>Closing balance 31 March</b>	<u>0</u>	<u>0</u>

**24.2 Other Financial Assets - Non Current**

	<b>31 March 2013</b>	31 March 2012
	£000s	£000s
<b>Opening balance 1 April</b>	<b>0</b>	0
Additions	0	0
Revaluation	0	0
Impairments	0	0
Impairment Reversals	0	0
Transferred to current financial assets	0	0
Disposals	0	0
Transfers (to)/from Other Public Sector Bodies in year	0	0
<b>Total Other Financial Assets - Non Current</b>	<u>0</u>	<u>0</u>

**24.3 Other Financial Assets - Non Current - Capital Analysis**

	<b>31 March 2013</b>	31 March 2012
	£000s	£000s
Capital Expenditure	<b>0</b>	0
Capital Income	<b>0</b>	0

**25 Other current assets**

	<b>31 March 2013</b>	31 March 2012
	£000s	£000s
EU Emissions Trading Scheme Allowance	<b>0</b>	0
Other Assets	<b>0</b>	0
<b>Total</b>	<u>0</u>	<u>0</u>

**26 Cash and Cash Equivalents**

	<b>31 March 2013</b>	31 March 2012
	£000s	£000s
<b>Opening balance</b>	<b>10,940</b>	11,203
Net change in year	<b>5,833</b>	(263)
<b>Closing balance</b>	<u>16,773</u>	<u>10,940</u>
<b>Made up of</b>		
Cash with Government Banking Service	<b>16,740</b>	10,893
Commercial banks	<b>26</b>	40
Cash in hand	<b>7</b>	7
Current investments	<b>0</b>	0
<b>Cash and cash equivalents as in statement of financial position</b>	<u>16,773</u>	<u>10,940</u>
Bank overdraft - Government Banking Service	<b>0</b>	0
Bank overdraft - Commercial banks	<b>0</b>	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<u>16,773</u>	<u>10,940</u>
Patients' money held by the Trust, not included above	<u>1</u>	<u>0</u>

**27 Non-current assets held for sale**

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account £000s	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2012</b>	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	840	0	0	0	0	0	0	840
Less assets sold in the year	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
Plus reversal of impairment of assets held for sale	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
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies	0	0	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>840</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>840</b>
<b>Liabilities associated with assets held for sale at 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 1 April 2011</b>	350	0	0	0	0	0	0	0	0	350
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	0
Less assets sold in the year	(350)	0	0	0	0	0	0	0	0	(350)
Less impairment of assets held for sale	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
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
<b>Balance at 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities associated with assets held for sale at 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

For 2012-13 the Assets classified as held for sale in year are two Accommodation Blocks at the Alexandra Hospital, for which the process of disposal is still to be determined.

For 2011-12 the above asset reflects Land held for sale at Kidderminster Hospital on the site of the current GP Practice redevelopment.

**28 Trade and other payables**

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Interest payable	0	0	0	0
NHS payables - revenue	948	3,909	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	0	0	0	0
Non-NHS payables - revenue	10,907	19,047	0	0
Non-NHS payables - capital	6,417	1,178	0	0
Non-NHS accruals and deferred income	11,212	9,642	0	0
Social security costs	2,004	2,959	0	0
VAT	0	0	0	0
Tax	2,155	3,168	0	0
Payments received on account	0	0	0	0
Other	2,508	2,636	0	0
<b>Total</b>	<b>36,151</b>	<b>42,539</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>36,151</b>	<b>42,539</b>		

**Included above:**

- to Buy Out the Liability for Early Retirements Over 5 Years	0	0
number of Cases Involved (number)	0	0
- outstanding Pension Contributions at the year end	2,659	2,429

**29 Other liabilities**

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
PFI/LIFT deferred credit	2,173	2,410	0	0
Lease incentives	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>2,173</b>	<b>2,410</b>	<b>0</b>	<b>0</b>
<b>Total other liabilities (current and non-current)</b>	<b>2,173</b>	<b>2,410</b>		

**30 Borrowings**

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Bank overdraft - Government Banking Service	0	0	0	0
Bank overdraft - commercial banks	0	0	0	0
Loans from Department of Health	1,744	0	16,631	0
Loans from other entities	0	0	0	0
<b>PFI liabilities:</b>				
Main liability	1,727	1,657	77,833	79,560
Lifecycle replacement received in advance	0	0	0	0
<b>LIFT liabilities:</b>				
Main liability	0	0	0	0
Lifecycle replacement received in advance	0	0	0	0
Finance lease liabilities	0	0	0	0
Other (describe)	0	0	0	0
<b>Total</b>	<b>3,471</b>	<b>1,657</b>	<b>94,464</b>	<b>79,560</b>
<b>Total other liabilities (current and non-current)</b>	<b>97,935</b>	<b>81,217</b>		

**Loans - repayment of principal falling due in:**

	31 March 2013		
	DH £000s	Other £000s	Total £000s
0-1 years	1,744	1,727	3,471
1 - 2 Years	1,744	1,873	3,617
2 - 5 Years	5,232	5,847	11,079
Over 5 Years	9,655	70,113	79,768
<b>TOTAL</b>	<b>18,375</b>	<b>79,560</b>	<b>97,935</b>

### 31 Other financial liabilities

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Embedded Derivatives at Fair Value through SoCI	0	0	0	0
Financial liabilities carried at fair value through profit and loss	0	0	0	0
Amortised Cost	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total other liabilities (current and non-current)	<b>0</b>	<b>0</b>		

### 32 Deferred income

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
<b>Opening balance at 1 April 2012</b>	1,584	1,428	0	0
Deferred income addition	864	1,505	0	0
Transfer of deferred income	(1,584)	(1,349)	0	0
<b>Current deferred Income at 31 March 2013</b>	<b>864</b>	<b>1,584</b>	<b>0</b>	<b>0</b>
Total deferred income (current and non-current)	<b>864</b>	<b>1,584</b>		

### 33 Finance lease obligations as lessee

The Trust held no finance leases during 2012-13 (as defined under IAS17). PFI finance leases as determined under IFRIC12 are disclosed in Note 37.

### 34 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 2012-13.

**35 Provisions**

	Comprising:									
	Total	Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Restructuring	Continuing Care	Equal Pay	Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2012</b>	<b>2,418</b>	0	1,924	194	0	0	0	0	300	0
Arising During the Year	558	0	33	116	0	0	0	0	409	0
Utilised During the Year	(502)	0	(177)	(40)	0	0	0	0	(285)	0
Reversed Unused	(42)	0	0	(27)	0	0	0	0	(15)	0
Unwinding of Discount	38	0	38	0	0	0	0	0	0	0
Change in Discount Rate	53	0	53	0	0	0	0	0	0	0
Transfers to NHS Foundation Trusts (for Trusts becoming FTs only)	0	0	0	0	0	0	0	0	0	0
Transferred (to)/from other public sector bodies	0	0	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2013</b>	<b>2,523</b>	<b>0</b>	<b>1,871</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>409</b>	<b>0</b>
<b>Expected Timing of Cash Flows:</b>										
No Later than One Year	848	0	196	243	0	0	0	0	409	0
Later than One Year and not later than Five Years	708	0	708	0	0	0	0	0	0	0
Later than Five Years	967	0	967	0	0	0	0	0	0	0

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

<b>As at 31 March 2013</b>	53,490
<b>As at 31 March 2012</b>	43,521

The provision for pensions relating to other staff includes a degree of uncertainty in respect of timings and amounts, due to the uncertainty over life expectancy. Future liability is calculated using actuarial values.

The provision for other legal claims predominantly to third party liability, property expense and employee liability claims. The Trust's legal advisors have assessed each claim and a provision has been made, based upon the expected outcome of the claim, the related probability and the expected settlement date.

The Other Provision recognises the liability in respect of :-

- £268,152 Carbon Reduction Commitment Energy Efficiency Scheme (CRC) - this obligation represents the charge for CO2 emissions for 2012-13.
- £124,496 PFI Provision - backdated Contract Variation claims that the Trust intends to dispute with the PFI Provider.

In addition to the amount provided for within the Trust's accounts, details of contingent liabilities and assets relating to these claims are given in Note 36 below.

**36 Contingencies**

	31 March 2013	31 March 2012
	£000s	£000s
<b>Contingent liabilities</b>		
Equal Pay	0	0
Other	(37)	(46)
Amounts Recoverable Against Contingent Liabilities	0	0
<b>Net Value of Contingent Liabilities</b>	<b>(37)</b>	<b>(46)</b>
<b>Contingent Assets</b>		
Contingent Assets	0	0
<b>Net Value of Contingent Assets</b>	<b>0</b>	<b>0</b>

\* The Trust's contingent liabilities include claims brought by employees and third parties totalling £36,858. The Provisions for these claims are included within Note 35 under 'Legal Claims'. The values included within this liability are advised by the NHS Litigation Authority

### 37.1 PFI and LIFT - additional information

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

	2012-13 £000s	2011-12 £000s
<b>Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI</b>		
Total charge to operating expenses in year - OFF SOFP PFI	0	0
Service element of on SOFP PFI charged to operating expenses in year	12,177	12,062
<b>Total</b>	<b>12,177</b>	<b>12,062</b>
<b>Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI</b>		
No Later than One Year	12,482	11,780
Later than One Year, No Later than Five Years	53,126	50,139
Later than Five Years	228,571	234,285
<b>Total</b>	<b>294,179</b>	<b>296,204</b>

The estimated annual payments in future years are not expected to be materially different from those which the Trust had recognised in 2012-13

	2012-13 £000s	2011-12 £000s
<b>Imputed "finance lease" obligations for on SOFP PFI contracts due</b>		
No Later than One Year	8,292	8,360
Later than One Year, No Later than Five Years	32,434	32,847
Later than Five Years	120,896	128,775
<b>Subtotal</b>	<b>161,622</b>	<b>169,982</b>
Less: Interest Element	(82,062)	(88,765)
<b>Total</b>	<b>79,560</b>	<b>81,217</b>

### 37.2 Other financial Commitments

	2012-13 £000s	2011-12 £000s
Payments due no later than 1 year	0	0
Payments due later than 1 year, no later than 5 years	0	0
Payments due later than 5 years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### 38 Impact of IFRS treatment - current year

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

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

	Total £000s
Depreciation charges	2,319
Interest Expense	9,812
Impairment charge - AME	0
Impairment charge - DEL	0
Other Expenditure	11,940
Revenue Receivable from subleasing	0
Impact on PDC dividend payable	(388)
<b>Total IFRS Expenditure (IFRIC12)</b>	<b>23,683</b>
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease income)	(23,868)
<b>Net IFRS change (IFRIC12)</b>	<b>(185)</b>

#### Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12

Capital expenditure 2012-13	1,170
UK GAAP capital expenditure 2012-13 (Reversionary Interest)	0



## 39 Financial Instruments

### 39.1 Financial risk management

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

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

#### Currency risk

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

#### Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the 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 income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2013 are in receivables from customers, as disclosed in the trade and other receivables note.

#### Liquidity risk

The Trust's operating costs are incurred under contracts with primary care Trusts, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

### 39.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	0	0	0	0
Receivables - NHS	0	7,434	0	7,434
Receivables - non-NHS	0	1,718	0	1,718
Cash at bank and in hand	0	16,773	0	16,773
Other financial assets	0	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>25,925</b>	<b>0</b>	<b>25,925</b>

Embedded derivatives	0	0	0	0
Receivables - NHS	0	11,571	0	11,571
Receivables - non-NHS	0	2,310	0	2,310
Cash at bank and in hand	0	10,940	0	10,940
Other financial assets	0	0	0	0
<b>Total at 31 March 2012</b>	<b>0</b>	<b>24,821</b>	<b>0</b>	<b>24,821</b>

### 39.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0	0	0
NHS payables	0	948	948
Non-NHS payables	0	17,324	17,324
Other borrowings	0	18,375	18,375
PFI & finance lease obligations	0	79,560	79,560
Other financial liabilities	0	0	0
<b>Total at 31 March 2013</b>	<b>0</b>	<b>116,207</b>	<b>116,207</b>

Embedded derivatives	0	0	0
NHS payables	0	3,909	3,909
Non-NHS payables	0	20,835	20,835
Other borrowings	0	0	0
PFI & finance lease obligations	0	81,218	81,218
Other financial liabilities	0	0	0
<b>Total at 31 March 2012</b>	<b>0</b>	<b>105,962</b>	<b>105,962</b>

## 40 Events after the end of the reporting period

There are no material events occurring after the Reporting Period.

#### 41 Related party transactions

During the year one of the Trust Board members has undertaken material transactions with Worcestershire Acute Hospitals NHS Trust

	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 and:  as Trustee of the Charles Hastings Education Centre				
<b><u>Transactions with the Charles Hastings Education Centre</u></b>	332,769	421,607	487	61,255

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. These entities are listed below:

Worcestershire PCT  
Worcestershire Health and Care NHS Trust  
NHS Litigation Authority;  
NHS Business Services Authority

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the Trust board. The summary financial statements of the Funds Held on Trust are included in this annual report and accounts.

#### 42 Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	121,785	9
Special payments	308,603	83
<b>Total losses and special payments</b>	<b>430,388</b>	<b>92</b>

##### Details of cases individually over £250,000:-

There was one case in excess of £250,000 which was payment for a negotiated settlement associated with an Employee Tribunal case.

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	143,021	4
Special payments	140,084	72
<b>Total losses and special payments</b>	<b>283,105</b>	<b>76</b>

**43. 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.

**43.1 Breakeven performance**

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s
Turnover	246,068	263,801	293,859	299,601	312,889	321,829	336,594	<b>348,763</b>
Retained surplus/(deficit) for the year	(4,952)	53	5,193	5,833	(2,179)	(1,193)	(1,193)	<b>(312)</b>
Adjustment for:								
Timing/non-cash impacting distortions:								
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	<b>0</b>
2006/07 PPA (relating to 1997/98 to 2005/06)	0							
2007/08 PPA (relating to 1997/98 to 2006/07)	0	(1,059)						
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0					
Adjustments for Impairments				0	3,020	1,126	634	<b>181</b>
Adjustments for impact of policy change re donated/government grants assets							172	<b>148</b>
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					2,294	354	475	<b>0</b>
Adsorption Accounting Adjustment								<b>0</b>
Other agreed adjustments	0	0	0	0	0	0	0	<b>0</b>
Break-even in-year position	<u>(4,952)</u>	<u>(1,006)</u>	<u>5,193</u>	<u>5,833</u>	<u>3,135</u>	<u>287</u>	<u>88</u>	<u>17</u>
Break-even cumulative position	<u><b>(31,874)</b></u>	<u><b>(32,880)</b></u>	<u><b>(27,687)</b></u>	<u><b>(21,854)</b></u>	<u><b>(18,719)</b></u>	<u><b>(18,432)</b></u>	<u><b>(18,344)</b></u>	<u><b>(18,327)</b></u>

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

The Trust's financial plan aims to achieve a cumulative break-even position by 2020/21

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Materiality test (I.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover	-2.01	-0.38	1.77	1.95	1.00	0.09	0.03	<b>0.00</b>
Break-even cumulative position as a percentage of turnover	-12.95	-12.46	-9.42	-7.29	-5.98	-5.73	-5.45	<b>-5.25</b>

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

### 43.2 Capital cost absorption rate

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

### 43.3 External financing

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

	£000s	2012-13 £000s	2011-12 £000s
External financing limit		14,487	(4,597)
Cash flow financing	11,834		(6,404)
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement	<u>0</u>	<u>11,834</u>	<u>(6,404)</u>
<b>Undershoot/(overshoot)</b>		<u><b>2,653</b></u>	<u><b>1,807</b></u>

### 43.4 Capital resource limit

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

	2012-13 £000s	2011-12 £000s
Gross capital expenditure	17,134	6,893
Less: book value of assets disposed of	(2,771)	(390)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	0	(14)
<b>Charge against the capital resource limit</b>	<u><b>14,363</b></u>	<u><b>6,489</b></u>
Capital resource limit	<u><b>15,659</b></u>	<u><b>8,440</b></u>
<b>(Over)/underspend against the capital resource limit</b>	<u><b>1,296</b></u>	<u><b>1,951</b></u>

**44 Third party assets**

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

	<b>31 March 2013</b>	31 March 2012
	<b>£000s</b>	£000s
Third party assets held by the Trust	<u>1</u>	<u>0</u>