

# Annual Accounts 2017-18



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**Foreword to the Accounts**

**Financial Review - year ended 31 March 2018**

The Financial results achieved by the Trust are shown in the table below. In common with all NHS Trusts we are required to meet a number of financial

| Financial Target  | Actual Performance     |                        |
|---|------------------------|------------------------|
|   | 2017-18                | 2016-17                |
| To break even on income and expenditure, taking one year with another         | Surplus of £7.337m     | Deficit of £13.222m    |
| To achieve a capital cost absorption rate of between 3% and 4%                | 3.5%                   | 3.5%                   |
| To operate within an External Financing Limit set by the Department of Health | On plan                | Undershoot of £0.012m  |
| To remain within a Capital Resource Limit set by the Department of Health     | Under-spent by £0.159m | Under-spent by £0.446m |
| To pay 95% of non-NHS trade creditors within 30 days                          | 76%                    | 88%                    |



Kevin Stringer  
Director of Finance  
25 May 2018

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

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum*. These include ensuring that:

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

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

Signed  ..... Chief Executive

Date.....25 May 2018.....

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

By order of the Board

..25 May 2018.....Date..........Chief Executive

..25 May 2018.....Date..........Finance Director



## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF THE ROYAL WOLVERHAMPTON NHS TRUST**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of The Royal Wolverhampton NHS Trust ("the Trust") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to NHS Trusts in England and included in the Department of Health Group Accounting Manual 2017/18.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **Other information in the Annual Report**

The Accountable Officer is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements

#### **Annual Governance Statement**

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the Department of Health Group Accounting Manual 2017/18. We have nothing to report in this respect.

### **Remuneration and Staff Report**

In our opinion the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the Department of Health Group Accounting Manual 2017/18.

### **Directors' and Accountable Officer's responsibilities**

As explained more fully in the statement set out on page 113, the directors are responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity. As explained more fully in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, on Page 111 the Accountable Officer is responsible for ensuring that annual statutory accounts are prepared in a format directed by the Secretary of State.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

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

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in its use of resources.

We have nothing to report in this respect.

### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

As explained in the statement set out on page 111, the Chief Executive, as the Accountable Officer, is responsible for ensuring that value for money is achieved from the resources available to the Trust. We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and

related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

### **Statutory reporting matters**

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Board of Directors of The Royal Wolverhampton NHS Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Board of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

### **CERTIFICATE OF COMPLETION OF THE AUDIT**

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



Andrew Bostock, for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Queensway  
Birmingham  
B4 6GH

25 May 2017

# GOVERNANCE STATEMENT 2017-2018

## Organisational Code: RL4

### **1. Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Trust Accountable Officer Memorandum*.

#### **1.1 Partnership**

I acknowledge that I must discharge my duty of partnership, and have undertaken this in a number of ways. As Chief Executive, I attend the Wolverhampton City Council Overview and Health Scrutiny Panel where a range of topics have been discussed with local authority elected members. Reflecting our footprint in Staffordshire, I have also engaged with Overview and Scrutiny Panels and Healthwatch within the County of Staffordshire. During the year a proportion of my time, and that of Director Colleagues, has included continued involvement in the development of Sustainability and Transformation Plans (STP) in both the Black Country and Staffordshire.

There has continued to be close contact with commissioning organisations, and members of my Executive Team and I have attended meetings with Wolverhampton Healthwatch, and the Wolverhampton Health and Wellbeing Board.

Close links have been maintained with NHS England and NHS Improvement (NHSI) through a range of group, individual, formal and informal meetings. I have continued to participate in the meetings of West Midlands NHS Provider Trust Chief Executives meetings. All my Executive Directors are fully engaged in the relevant networks, including finance, nursing, medical, operations and human resources.

I am supported in my engagement with partner organisations by the Chairman of the Board, who this year has met with his counterparts at The Dudley Group NHS Foundation Trust, Walsall Healthcare NHS Trust, University Hospital of Birmingham/Heart of England NHS Foundation Trusts, Sandwell and West Birmingham Hospital NHS Trust, The Shrewsbury and Telford Hospital NHS Trust, the University Hospital of North Midlands NHS Trust, Black Country Partnership NHS Foundation Trust, West Midlands Ambulance Service NHS Foundation Trust, as well as regular meetings with local authority members and officers, and other key players in the city's business and third sector communities. He too has taken part in discussions towards further developing the sustainability and transformation plans (STPs).

I have met periodically with the local Members of Parliament and senior members of the national NHS team present and past.

Whilst the detailed provisions of the UK Corporate Governance Code are not mandatory for public sector bodies, compliance with relevant principles of the Code is considered to be good practice. This Governance Statement is intended to demonstrate how the Trust had regard to the principles set out in the Code considered appropriate for the Trust for the financial year ended 31 March 2018.

### **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of The Royal Wolverhampton NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal

control has been in place in The Royal Wolverhampton NHS Trust for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

### 3. The Governance Framework of the Organisation

We have a well-established framework for governance to inform the Trust Board of operational and strategic risks as well as to provide assurance on business performance and compliance. The framework sets in place under the Trust Board a high level committee and management structure for the delivery of assured governance.

Sub Trust Board assurance committees are constituted to ensure the delegated operation of effective risk management systems, processes and outcomes. These committees inform and assure the Trust Board through the functioning and reporting of sub-groups and specialist working groups defined in their terms of reference.

In March 2018 the Trust piloted two new groups to replace the functions of the current Quality Standards Action Group and Patient Safety Improvement Group. The new groups will report into the Quality Governance Assurance Committee and are proposed to facilitate independent overview and assurance through a new Compliance Oversight Group; and to strengthen Quality and Safety monitoring and accountability through a new Quality and Safety Intelligence Group. The new arrangements are in the early stages of development and will continue to evolve during 2018/19.

In November 2017 internal audit reviewed the design and operation of the Trust's Risk Management Assurance Strategy and arrangements, which is underpinned by the Risk Management and Patient Safety Reporting Policy (OP10). The report concluded that the processes provide significant assurance with good practice highlighted as well as improvement required to further strengthen levels of assurance to the Board. Their recommendations are formed into an action plan that is regularly monitored by the Audit Committee. Finally, due to the increasing emphasis on Workforce issues a new Trust Board 'Workforce & Organisational Development Committee' was formed.

#### 3.1 Trust Board

The Trust Board has met monthly (except in August and December). Other than for matters requiring commercial confidence or having sensitive human resources implications it has conducted its business in public and allowed time for the press, public and other observers to ask questions of the Directors at each meeting. A high attendance rate by Directors was recorded during the year.

The Chairman's term of office continues to March 2019. A new Non-executive Director took up position in August 2017, replacing Dr Anderson who reached the end of her term with the Trust. The new Director of Human Resources took up his position on 5 April 2017. The process to recruit another associate Non-executive Director is planned for during the latter part of 2018. At 31 March 2018 the Board comprised 6 female and 8 male directors; two from a minority ethnic background.

At each meeting the Trust Board considered reports on:

- Quality and safety
- Serious incidents
- Operational performance
- Financial issues and performance
- The progress of the Financial Recovery Board
- GP Vertical Integration
- Reports and minutes from the Trust Board's standing committees
- Cost improvement programme (financial and qualitative delivery – within the Finance Report)
- Mortality (within the Integrated Quality and Performance Report)

The Trust Board receives a monthly Integrated Quality and Performance Report (IQPR) (including national performance measures and 12 month trends). This report includes workforce data such as staff turnover and appraisal rates, metrics relevant to patient experience (such as medication incidents, infection prevention, friends and family test scores and safety thermometer), and those relating to operational performance (such as targets for referral to treatment times, time spent in the Emergency Department, ambulance handover times, cancelled operations and cancer waiting times). The indicators within the report are reviewed annually and approved by the Trust Board. This is added to by the Report of the Director of Workforce.

The Trust Board also considered the conclusion of the Care Quality Commission (CQC) review, as requested by the Trust Board, into the ratings awarded following their inspection carried out in June 2015. The review recommended that in a number of areas, the original score should be increased. This can be summarised as follows:

New Cross Hospital children and young people services – the well-led and safe scores were increased to good and the service as a whole was lifted from requires improvement to good. For the Cannock Chase Hospital urgent and emergency care service the well-led and safe scores were increased to good and the service across both the New Cross Hospital and Cannock Chase Hospitals improved to good. The community children and young people service the ratings for caring and well-led were increased to outstanding. These changes resulted in the overall score for the service being increased to outstanding.

Whilst the Trust rating was not affected by the review, the Trust Board accepted the revised conclusion of the CQC following the lengthy review of our appeal. The Trust was recently re-inspected by the CQC in February and March 2018 and the Trust is awaiting the draft Report.

The Trust Board strives to maintain an appropriate balance between strategic matters and supervising the management of the Trust. Among the former in 2017-2018 were: the recruitment of key staff particularly doctors and nurses, the 5-year capital programme, the continued development of the University of Wolverhampton Postgraduate Academic Institute of Medicine and the Trust's own clinical fellowship programme, vertical integration of GP practices, the development of an accountable care organisation, contributing to the development of the sustainability and transformation plans, and the financial challenges within the NHS.

The Trust Board maintains strong relations with stakeholders, including local commissioners, Healthwatch, and local authority overview and scrutiny committees.

The Non-Executive Directors (NED) are committed to self-development and learning, as evidenced by frequent attendance at events arranged by NHS Improvement (NHSI), NHS Providers, Healthcare Financial Management Associate (HFMA) NED forum, Chair and NED events put on by the Health Services Management Centre, and networking via private firms (particularly legal firms specialising in healthcare law).

Table 1 summarises the Trust Boards achievements in ensuring good and effective governance arrangements in managing the Trust Board over the year.

**Table 1 – Board Composition and Commitment / Experience**

| Board Governance  |
|---|
| All voting positions substantively filled   |
| New Senior Independent Director in position (following retirement of previous)                            |
| Clarity over who is entitled to vote at Trust Board meetings  |
| At least half of the Board of Directors comprises Non-Executive Directors who are independent             |
| Appropriate blend of NEDs from the public, private and voluntary sectors                                  |
| One NED has clinical healthcare experience  |
| Appropriate balance between Directors who are new to the Trust Board and those who have served for longer |

Majority of the Trust Board are experienced board members  
Chairman has had previous non-executive director experience  
Membership and terms of reference of Trust Board committees reviewed during the year  
Two members of the Audit Committee have recent and relevant financial experience  
Trust Board members have a good attendance record at all formal board and committee meetings, and at other board events.  
A positive result from the independent external review of governance reported in year.

In addition to the Committees listed, Non-Executive Directors have individually taken part in the new format safety walkabouts, the Royal Awards, and charring consultant interview panels.

As well as meeting formally, the whole Trust Board meets every month for a development session, this programme has covered a mixture of informal presentations around strategic and operational matters, as well as informal briefings and discussions, such as on financial pressures and service development opportunities in the Black Country. The Trust Board has also held two away days during the year.

### 3.2 Audit Committee

**Members: R Dunshea, J Anderson (to July 2017), M Martin, and R Edwards**

The aims of the Committee are to provide the Trust Board with an independent and objective review of its financial systems, financial information, risk management and compliance with laws, guidance, and regulations governing the NHS.

During 2017-2018 the Audit Committee met quarterly, and at each meeting considered progress updates on: risk management and assurance, internal audit, external audit, fraud prevention, security management and tracking of the implementation of auditors' recommendations across the Trust. Each meeting received an update on any new risks or assurance concerns from the chairs of the Quality Governance Assurance Committee (QGAC), the Finance and Performance Committee (F&PC) and the Trust Management Committee (TMC).

One joint meeting was held with QGAC.

The Committee received and discussed reports on the:

- Annual Report for Trust Charitable Funds 2016-17
- Trust Annual Report 2016-17
- Quality Account and Annual Accounts 2016-17
- Consultant job planning
- Serious incident follow up
- Vertical integration

These matters featured in the Committee's reports to the Trust Board, including a high level summary of the Internal Audit reports received at each meeting. The Trust Board have been kept informed of when audit reports showed high or medium risk recommendations requiring management attention, and has been assured that mitigating actions are being taken in accordance with the agreed timeframes.

The Committee also receives regular reports from the Local Counter Fraud Specialist. The Trust currently complies fully with the National Strategy to combat and reduce NHS fraud, having a zero tolerance policy on fraud, bribery and corruption. The Trust has a counter fraud plan and strategy in place designed to make all staff aware of what they should do if they suspect fraud.

The Committee monitors this strategy and oversees when fraud is suspected and fully investigated. The Committee seeks assurance that appropriate action has been taken, which can result in criminal, disciplinary and civil sanctions being applied. There were no significant frauds detected during the year, although some cases reported to the counter fraud team remain on-going.

The Chair of the Quality Governance Assurance Committee (QGAC) is a member of the Audit Committee, which helps to maintain the flow of information between the two committees, particularly on clinical audit matters. Two of the three Committee members have recent and relevant financial experience. Non-Executive Directors' attendances were recorded as being high during the year, and the Committee was quorate at each meeting.

### 3.3 Quality Governance Assurance Committee (QGAC)

**Members: J. Anderson (retired July 2017) J Small (from 20 September 2017), R. Edwards, M. Martin**

The Trust has established the QGAC to assure the Board of the effective functioning of risk management systems through a reporting framework. The framework reviews care standards and targets, monitors quality and safety performance, identifies risks and escalates as appropriate to the Board. High Non-Executive Directors' attendance rates at the monthly meetings of this Committee were recorded throughout the year.

The Committee received reports and minutes from its sub groups (listed below):

- Patient Safety Improvement Group (PSIG)\*\*
- Quality Standards Action Group (QSAG)\*\*
- Complaints, Litigation, Incidents and PALs group (CLIP) - the committee received the quarterly reports on themes and trends of incidents, complaints and claims.

\*\*From March 2018 QGAC agreed to pilot two new subgroups to replace the functions of the current Quality Standards Action Group and Patient Safety Improvement Group. The new groups are proposed to facilitate independent overview and assurance through a new Compliance Oversight Group; and to strengthen Quality and Safety monitoring and accountability through a new Quality and Safety Intelligence Group. Minutes and chairman reports are provided to QGAC from the new groups.

The Committee considered various matters during the year. The Board Assurance Framework (BAF) and Trust Risk Register (TRR) and the Integrated Quality and Performance Report (IQPR) were reviewed in detail at each meeting.

Other topics reported during the year included:

- Health and Safety assurance
- External review registry
- Safeguarding assurance
- CQC regulatory compliance assurance
- Claims and litigation
- Annual audit plan
- Themes and trends of incidents, complaints and claims
- National Reporting and Learning System report (Incident benchmarking)

To inform QGAC, the PSIG and QSAG sub groups have conducted detailed reviews of compliance and risk status on the following key areas:

- Compliance with the use of the safer surgical checklist
- National Safety Standard for Invasive Procedures (NatSSIPs)/Local Safety Standard for Invasive Procedures (LocSIPPs) audits
- Ward Performance Indicators
- New Procedure applications
- Policy audit reports e.g. Risk Management and Integrated Governance strategy, Being open

- Safe Discharges report/action plan
- Review of prospective audit schedule
- Safety alert compliance e.g. National Patient Safety Agency (NPSA), Medicine & Healthcare products Regulatory Agency (MHRA), Medical Device Alerts (MDA)
- Serious Untoward Incident (SUI) management (process, investigation outcomes and action tracking)
- CQC standard Compliance (including internal Quality review visits)
- National Clinical guidelines/standards e.g. The National Institute for Health and Care Excellence (NICE), National Confidential Enquiry (NCE), Royal College reports
- National and Local audit performance for a number of clinical services
- External assessment and accreditation for a number of clinical services
- Health and Safety Management
- Approval and review of new [clinical] procedure applications
- Radiation protection
- Information Governance
- Organ Donation
- Medicines management
- Patient Experience
- Equality Diversity regulatory Compliance
- Creating Best Practice Group
- Sign up to Safety Group
- Swan Steering Group – now End of Life Steering Group from October 2017
- Clinical Product Evaluation Group

The non-exhaustive list above is factored into an annual plan of work for the QSAG/PSIG subgroups with upward reporting to QGAC through chairman reports and minutes. (The above items were reported between April 2017 and Feb 2018 until the inaugural meetings of the new meeting structure in March 2018).

The Committee also reviewed the annual Governance Statement (alongside the draft opinion of the Head of Internal Audit). The Committee recognised progress made with the completion of The Board Assurance Framework (BAF) and has challenged assurances and action update within the Trust Risk Register (TRR). As well as routine reporting the QGAC requested themed reviews (deep dive reports) for assurance on safeguarding performance (in September 2017 and February 2018).

The following items were escalated / notified to the Trust Board in the period:

- Late Observations
- Maternity – births exceeded threshold and impact of capacity and workforce levels
- BAF and TRR updates and new risks
- Changes to BAF format further to Internal Audit recommendations
- New data monitoring of late moves to impact efficient discharge
- Reduction of falls with harm within the period
- Assurance requested on outstanding Serious Untoward Incident (SUI) actions
- Cancer breaches
- Decrease in Pressure injuries incidents
- Decrease in Falls overall and falls with serious harm (noting falls collaborative work)
- Increased trend of Carbapenemase producing Enterobacteriaceae (CPE) cases
- Safety Checklist audit results
- Progress on Safeguarding assurance – training compliance improvements and staff appointments ongoing
- Complaint response rates improved. FFT response rates above average except for Emergency Department (ED) where focus is being attended. The Royal Wolverhampton NHS Trust (RWT) recommendation rate slightly lower than average at 93% (av 94.5%) within the period
- Good performance on Clostridium difficile (Cdiff) - below target
- Safety Culture Audit in theatres

- Urgent care provision under-performance against 4 hour target
- Largely positive assurance on NatSSIPs audits reviewed thus far
- Progress update of Sign up to Safety Project to address Safety culture
- Rise in Emergency Caesarean section (C-section) rate – Assurance reported requested
- Review of new meeting structure and early feedback

From June 2016 the Trust acquired 9 Primary Care General Practices as part of the Vertical Integration (VI) pilot. A Primary Care Directorate has been created to manage the affairs of these new services and reports into Trust Management Committee and Trust Board within an interim integration structure. QGAC have therefore not reviewed reports pertaining to VI quality/safety compliance or performance. This work is managed within the Primary Care Directorate and reported to the Trust Management Committee during 2017/18. Moving forward the creation of a third Division (to include Primary Care) from April 2018 will align with reporting into the new QSIG.

### 3.4 Finance and Performance Committee

**Members: M Martin, S Rawlings, and J Hemans.**

The F&PC provides assurance to the Trust Board on the effective financial and external performance targets of the organisation. It also supports the development, implementation and delivery of the medium term financial plan, and the efficient use of financial resources. The Committee meets monthly and considers in detail, among other things, the Trust's financial position, budget training report, the progress of the capital programme, and performance aspects of the Trust Board's quality and performance report. It also considers the work of the Financial Recovery Board and Cost Improvement Programme Group, Service Line Reporting, Sustainability and Transformation Programme (STP), contractual performance against contractual standards, Commissioning for Quality and Innovation (CQUIN), Local Clinical Research Network (LCRN) finance report, the procurement strategy and other matters associated with operational finance and budgeting. As the Committee with oversight of the majority of risks highlighted on the BAF, it has spent a considerable amount of time reviewing progress with the mitigations against each of the risks assigned.

The Committee meetings have always been quorate and well attended. As with the other Committees, the Chair submits a report on each meeting to the next available Board and highlights pertinent issues. This is done in a timely fashion as the Committee meets the week before the Board. In addition, the minutes are submitted to the Board for information. The Committee had set itself two objectives for the year. The first was to improve the presentation of the supplementary finance report coming to the Committee, which has been achieved. The second was to support the coding/data capture process where there is now on-going training for all involved. We have not set the objectives for 2018/19 at the time of the preparation of this report.

### 3.5 Workforce & Organisational Development (WOD) Committee

**Chair: Junior Hemans, Member: Roger Dunshea + one 'floating' Member**

One of the Trust Strategic Objectives was and is to attract, retain and develop all employees and improve employee engagement year on year. This links to the Board Assurance Framework risk relating to the requirement for Recruitment and Retention of staff across the Trust and in particular the future pipeline of nursing and medical staff.

The Committee was established as a Committee of the Trust Board with its Terms of Reference being approved in September 2017 and it commenced operation in October 2017.

The Committee was formed to give greater emphasis and assurance on workforce governance relating to Resourcing, Skills, Leadership & Organisational Effectiveness, Engagement and Productivity.

The outline remit of the committee is as follows:

- The organisational development and workforce strategy, structures, systems and processes are in place and functioning to support employees in the provision and delivery of high quality, safe patient care

- Processes are in place to support optimum employee performance to enable the delivery of strategy and business plans in line with the Trust's values
- The Trust is meeting its legal and regulatory duties in relation to its employees
- Where there are human resource risks and issues that may jeopardise the Trusts ability to deliver its objectives, that these are being managed in a controlled way.

In order to meet the requirements of the committee, the following points are key areas of focus:

1. The implementation of an overarching organisational development and human resources strategy that enables the Trust to deliver its strategy, vision and values
2. Effective identification and mitigation of Human Resources risks within the supporting infrastructure of the Board Assurance Framework and Risk Register
3. Robust workforce planning and recruitment processes are in place, supported with attraction & retention approaches, to ensure that the Trust has a workforce to deliver its strategy and annual plan
4. Mechanisms in place and effective to communicate with and inform the workforce in relation to strategy as well as constitution, values and ethos
5. The monitoring of staff engagement and experience, reviewing staff surveys (national & local) and delivering its plans to achieve a highly motivated and engaged workforce to enhance the quality of patient care
6. The monitoring of processes in place to identify and develop organisational structures, leadership and management capability to ensure the delivery of the Trust's strategy
7. Arrangements for the effective training and education of the workforce in all professions and disciplines
8. The Trust is delivering its ambition and legal obligations in relation to the Diversity/Equal opportunity of the workforce
9. Processes & resources are in place, to ensure the development of healthy teams and indicators of poor team health are acted upon, as well as support the wider Trust Health &Well-Being agenda.
10. Performance management reports are reviewed

### 3.6 Remuneration Committee

**Members: J Vanes, J Anderson (retired July 2017), R Dunshea, R Edwards, J Hemans, M Martin, S Rawlings and J Small (joined August 2017).**

The purpose of this Committee is to advise the Trust Board about appropriate remuneration and terms of service for the Chief Executive and other Executive Directors. The Remuneration Committee met several times during the year and reviewed Executive Director Remuneration and appraised the performance of the Chief Executive (in his absence). The Chairman appraised all of the Non-Executive Directors. NHS Improvement undertakes the appraisal of the Chairman, which took place in April 2017.

### 3.7 Charitable Funds Committee

**Members: S Rawlings, R Dunshea, and J Vanes.**

The aim of the Committee is to administer the Trust's Charitable Funds in accordance with any statutory or other legal requirements or best practice required by the Charities Commission.

During 2017/18, the Committee has continued to benefit from the dedicated support of an in-house fundraising coordinator, plus the support of the new Head of Communications and her team, as well as the on-going help of the finance team and external investment adviser. This year it has launched its new Newsletter and has drafted new processes and procedures for Fund Management - which will go live in 2018/19. More fund managers are also given the opportunity to attend and present at committee meetings. Some of the projects supported during the year include the Reminiscence Room - to support dementia care; a Book of Celebration - to celebrate fundraisers and donors; the RWT Singers - a choir made up of staff members who perform for patients across the hospital and offer concerts; plus a range of medical equipment for various departments.

### 3.8 Trust Management Committee

The Trust Management Committee (TMC) provides a formal platform for the major decision-making process for clinical and non-clinical operations, and as such is not attended by Non-Executive Directors, but all of the Executives attend, along with Divisional Medical Directors and Heads of Service. High attendance rates were recorded at all of these meetings.

The Committee, chaired by the Chief Executive, receives monthly reports from the Divisions on governance, nursing and quality issues, as well as business cases above a certain value. The Committee also receives monthly updates on finance, human resources, the capital programme, vertical integration, nursing and midwifery professional issues, policies, the IQPR, and the Trust efficiency programme. Quarterly updates are presented on cancer services, infection prevention, research and development, information governance and the integrated electronic patient record project. Reports on other matters, such as education and training, are also submitted periodically. During the year, the Committee started to include on its agendas a strategic matter for discussion, in order to engage the members in considering and debating together some of the bigger issues facing the organisation going forward.

It approves in line with Standing Financial Instructions, some Business Cases and all new or significantly changed Policies, Strategies and Procedures.

## 4. Capacity to handle risk

### 4.1 Risk Assessment

The Trust Board has approved a Risk Management Assurance Strategy, which identifies that the Chief Executive has overall responsibility for risk management within the Trust. Within the strategy (and supporting policies) all managers and staff have delegated responsibility identified for the management of risk as part of their core duties. Training is provided to equip staff with appropriate knowledge and skills via a combination of e-training packages and handbook resources. The risk management training for senior managers was reviewed, and a new Risk Management e-training package developed and further revised for all staff. The training for all staff will be considered for mandatory status in 2018/19.

We manage risk through a series of processes that identifies risks, assesses their potential impact, and implements action to reduce / control that impact.

In practice this means:

- Interrogating internal sources of risk intelligence and activity to inform local and Trust level risk registers and assurance frameworks (e.g. incident, complaint, claim, audit, and compliance)
- Using committee / subgroup reporting to inform the risk registers
- Reviewing external / independent accounts of our performance to inform risk status (e.g. CQC standards, national benchmarks, external reviews and internal audit reports)
- Integrating functions (strategic and operational) at all levels of the Trust to feed a risk register and escalation process
- Using a standardised approach to risk reporting, grading and escalation. Our categorisation matrix supports a standard approach to risk tolerance
- Monitoring controls through positive and negative assurance and treatment actions for each risk, to mitigate and manage residual risks
- Developing and implementing a risk management and patient safety reporting policy (OP10) across the Trust
- Refinement of risk management training made available to all staff (including senior managers)

#### 4.2 Management of the Risk Register within the Trust:

Risk registers are managed at the following levels:

- Divisional / Directorate / Departmental – operational risks that include clinical, business / service, financial, reputational, and patient / staff / stakeholders
- Trust Risk Register (TRR) – Any risks graded as 12 or above are escalated to the TRR for consideration by Directors. This has the purpose to inform Directors and the Trust Board of operational risks which may adversely impact the BAF and strategic objectives. Risks / elements of controls may also be delegated from the BAF to operational risk registers for management
- Board Assurance Framework (BAF) – Contains all risks which impact on our strategic objectives

Each risk on the BAF and TRR has an identified Director and operations lead to manage the risk.

The TRR and BAF are reviewed by Directors and the Board at the following frequencies:

- QGAC – Monthly
- Trust Board – Bi Monthly
- Finance & Performance Committee - Monthly
- Delegated Committees - Monthly

During the year we have maintained focus on the quality of controls assigned to risks at all levels and the principles of measurable controls are applied. For risk registers to remain effective priority is also placed on the completion and update of assurances and actions to manage risk.

A total of 57 risks on the BAF and TRR were managed during the year 2017-2018, of these 20 were new risks identified in year. The 57 risks comprised of the following categories, 14 were red (red being the highest risk rating), 36 were amber, 6 were yellow, and 1 green.

There were 22 risks closed as at 31 March 2018, the remaining 40 to be carried forward to 2018/19 are:

#### **RED (3 – Board Assurance Framework (BAF) and 5 Trust Risk Register (TRR))**

- Workforce - Recruitment and Retention of staff across the Trust and in particular the future pipeline of nursing and medical staff (BAF)
- That there is a failure to deliver recurrent CIP's (BAF)
- That financial balance (and surplus) is not achieved. (BAF)
- Risk to quality of patient care: reduced manpower (TRR)
- Lack of robust system for review and communication of test results (TRR)
- Division 1 failure to achieve CIP target (TRR)
- Delays in Cubicle Assessment and Triage (TRR)
- Risk of non-compliance with Thoracic Service Specification (TRR)

29 risks are RAG rated amber (4 – BAF and 25 - TRR), and 3 risks RAG rated yellow (3 – TRR). All remaining risks will be managed and regularly reviewed on the Trust Risk Register and BAF.

#### 4.3 The Risk and Control Framework

The Board-approved Risk Management Assurance Strategy includes the following:

- The aims and objectives for risk management in the organisation, aligned to our vision
- A description of the committee arrangements and relationships between various corporate committees and subgroups
- The BAF and process for management of risk registers
- The identification of the roles and responsibilities of all staff with regard to risk management, including accountability and reporting structures.
- The promotion of standard risk management systems as an integral part of assurance provision

- A description of the risk management process and a requirement for all risks to be recorded in a risk register prioritised (i.e. graded) and escalated using a standard scoring methodology

We seek to identify risks through all available intelligence sources including independent review, external review and assessment. The risk management process is supported by a number of policies which direct risk assessment, incident reporting and investigation, mandatory training, health and safety, conflict resolution, violence and aggression, complaints, infection prevention, fire safety, human resources management, consent, manual handling and security. All policies have identified audit, monitoring and training arrangements.

The BAF identifies the risks to our strategic objectives, the key controls in place to manage these risks and the effectiveness of the controls shown in positive and negative assurance. The Internal Audit of Risk Management (Nov 2017) reported recognisable alignment between the TRR and BAF and duplication was not evident.

In addition, during 2017-2018 the local audit of the Risk Management Reporting Policy (OP10) showed good compliance with risk register reviews at all levels and sustained improvement with risk escalation/management.

All Committees of the Trust Board (excluding TMC) are chaired by Non-Executive Directors to reflect the need for independence and objectivity, ensuring that effective governance and controls are in place. This structure facilitates appropriate scrutiny and challenge of the performance of the organisation. The Committees met regularly throughout the year, and reported to the Trust Board following their meetings.

We have a well-developed framework for assessing on-going compliance with CQC Fundamental standards of care (and 5 key questions of Safe, Caring, Effective, Responsive and Well Led) known as Quality Review Visits (QRV's). The assessment of compliance uses a combination of quality performance indicators, clinical audits and observational ward and department visits to measure on-going compliance with care standards. Following each QRV we use the CQC rating characteristics to make judgements about compliance with the fundamental standards of care and judgments are cross checked and challenged at Divisional Management Performance & Quality meetings and by Executives at Trust groups. This approach allows for information to be triangulated between performance results and observation of care standards and allows for assurance to be reported from ward to Board.

The programme aims to:

- Create a positive and proactive approach to observational assessment and external reviews
- Ensure robust / reliable compliance reporting: ward to Trust Board
- Support continuous quality improvement and patient safety
- Highlight good practice and areas of excellence

During 2017 we conducted 8 QRVs identifying areas of good and excellent practice to be shared, as well as areas for improvement for local follow up. The QRVs are well embedded within the Trust with positive feedback and quality benefits being reported by both the clinical areas visited and those conducting the inspections.

A follow-up visit process has commenced in 2017 where areas requiring improvements are followed up. Six visits which met the criteria agreed by the Trust have been completed to date. These have shown some good improvements.

In areas not currently undertaking the QRV programme, self-assessments have been completed against CQC requirements with local improvement actions taken forward. Consideration will be given in 2018/19 to extend the QRV programme to vertically integrated GP practices.

#### 4.4 The Risk and Control Framework - Looking Forward to 2018-2019

Over the coming year we will continue to progress enhancements to its internal assurance including a focus on strengthening local ownership and accountability through its reporting structures, monitoring the consistency of good governance standards across all Directorates, monitor compliance with CQC standards through the QRV revisit programme and develop a framework and internal arrangements to build capacity for learning and improvement. Having reviewed its strategic objectives during 2017/18, there will be further emphasis on developing the BAF to monitor and manage threats to Trust objectives.

The key strategic risks identified as we go into the new financial year are:

- Workforce – Recruitment and retention of staff across the Trust
- Risk of adverse impact on the Trust following service transfer from Mid Staffordshire Foundation Trust in November 2014 due to underlying financial gap of £6million
- Black Country or Staffordshire Sustainability Transformation Plans has an adverse impact on The Royal Wolverhampton NHS Trust (RWT) income and services
- Failure to deliver recurrent Cost Improvement Programmes (CIPs)
- That we fail to generate sufficient cash to pay for its commitments
- Condition of the existing estate – quality and flexibility
- That the underlying deficit for the Trust of c£30million is not addressed by the medium term financial plan and fails to bring us back to surplus

The Trust will develop a strategy, systems and processes to develop its capacity for learning and improvement. The strategy will include arrangements for the extraction and publication of lessons for improvement as well as evidence based components that support the nurturing of a learning organisation.

#### 4.5 Compliance Summary

The Trust is fully compliant with the Self-assessment, declaration and registration requirements of the Care Quality Commission.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

#### 5. Review of economy, efficiency and effectiveness of the use of resources

The Trust has a robust governance structure in place ensuring monitoring and control of the effective and efficient use of the Trust's resources. Financial monitoring, service performance, quality and workforce information is scrutinised at meetings of the Trust Board, F&PC, TMC and at Divisional Team meetings.

The Trust has achieved all of its statutory financial targets, achieving an end of year surplus of £4.3m, delivering the Capital Programme within its Capital Resource Limit and achieving its External Funding Limit.

The Trust has arrangements in place for setting objectives and targets on a strategic and annual basis. These arrangements include ensuring the financial strategy is affordable and scrutiny of cost savings plans to ensure achievement, with regular monitoring of performance against the plans.

This is done through:

- Approval of the annual budget by the Trust Board
- Monthly reporting to the Trust Board on key performance indicators covering finance, activity, governance, quality and performance
- Monthly reporting to the F&PC
- Regular reporting at Operational and Divisional meetings on financial performance
- Finance Recovery Board meetings to oversee the Lord Carter economies work streams, and the Cost Improvement Programme

Internal Audit has provided assurance on internal controls, risk management and governance systems to the Audit Committee and to the Trust Board. Where scope for improvement in controls or value for money was identified during their review, appropriate recommendations were made and actions were agreed with management for implementation. The implementation of these actions is monitored by the Audit Committee.

## 6. Information Governance

The table below details the level 2 or above incidents reported on the NHS Digital incident reporting tool and to the Information Commissioners Office (ICO), within the financial year 2017/18. Any incidents that are still being investigated for the period 2017/18 are not included. The incidents listed below are for The Royal Wolverhampton NHS Trust and for the Vertical Integration (VI) GP partnerships that have joined the Trust as listed below.

**Table 2 – Information Governance Incidents Reported to the ICO**

| Date incident occurred (Month) | Nature of incident   | Number of data subjects potentially affected    | Description/ Nature of data involved                       | Further action on information risk  |
|--------------------------------|--|---|--|---|
| March 2018                     | Default system password to a clinical observation system sent out in error in an email to all Trust staff in communication to highlight new process to be followed by staff.   | Any patient currently on the system the system. | Demographic data limited patient data (i.e. name and ward) | Password was changed to system to prevent unauthorised access and no reports of authorised access received.   |
| July 2017                      | Member of staff had been taking pictures of clinical information on personal mobile phone and sending to someone outside the Trust – without knowledge and approval of the Trust.  | 11-100 individuals                              | Patient list from a specific service.                      | The Trust liaised with ICO, police and forensic investigators to seek assurances around deletion.   |
| October 2017                   | Ex member of staff has alleged that they have access to 120 patient details and that they will make contact with the patents following outcome of a separate investigation.  | 120 individuals                                 |  | The Trust has requested all data not belonging to ex staff member be returned since they are not authorised to have in their possession. No evidence to suggest any data was actually held or obtained or if it was a threat. No further concerns/ issues following this containment. |
| May 2017                       | A condemned medical device was sent for sale to a Trust approved medical equipment auctioneer company. When tested the device they found patient identifiable data. Company then contacted manager to make aware that the device still contains this data and data was securely deleted to Trust standard. | 501-1,000 individuals                           | Medical images and patient identifiers.                    | The company was under contract with the Trust and immediately informed and deleted the data to the required standard when it was discovered.  |

## Incidents classified at lower severity level

Incidents classified at severity level 1 are aggregated and provided in table below for RL4. VI practices recorded no level Information Governance (IG) incidents for the period of 2017/18.

**Table 3 – Lower Level Incidents**

| <b>SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2017-18</b> |  |              |
|--|--|--------------|
| <b>Category</b>  | <b>Breach Type</b>                                 | <b>Total</b> |
| A  | Corruption or inability to recover electronic data | 0            |
| B  | Disclosed in Error                                 | 49           |
| C  | Lost in Transit                                    | 1            |
| D  | Lost or stolen hardware                            | 1            |
| E  | Lost or stolen paperwork                           | 10           |
| F  | Non-secure Disposal – hardware                     | 0            |
| G  | Non-secure Disposal – paperwork                    | 2            |
| H  | Uploaded to website in error                       | 1            |
| I  | Technical security failing (including hacking)     | 3            |
| J  | Unauthorised access/disclosure                     | 7            |
|  |  | 74           |

### 6.1 Information Governance Toolkit Return 2017-2018

The annual self-assessment submission (V14.1) on the Information Governance Toolkit to the Department of Health for 2017/18, the overall scores are as follows:

- RL4 - The Royal Wolverhampton NHS Trust – 77% Satisfactory (45 requirements)
- Alfred Squire M92002 - 89% Satisfactory (13 Requirements)
- MGS Medical Practice M92654 - 71% Satisfactory (13 Requirements)
- Lea Road M92007 - 66% Satisfactory (13 Requirements)
- West Park M92042 - 66% Satisfactory (13 Requirements)
- Warstones M92044 - 76% Satisfactory (13 Requirements)
- Ettingshall Medical Centre Y02735 - 100% Satisfactory (13 Requirements)
- Thornley Street M92028 - 82% Satisfactory (13 Requirements)
- Penn Manor M92011 - 97% Satisfactory (13 Requirements)

### 6.2 Looking forward to 2018/19 for Information Governance and General Data Protection Regulation 2018

The Trust are continuing to monitor patterns and trends of Information Governance incidents and implementing measures to reduce these to the lowest level practicable, in line with the Trusts Information Governance Strategy 2016-18.

The Trust is implementing a programme of work to ensure compliance with the new General Data Protection Regulation 2016 (GDPR), in readiness for May 2018 when the regulation comes into force. The Trust is also working closely with GP Partnerships that have joined the organisation to align practices and share good practice.

## 7. Annual Quality Report

The Directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. Guidance has been issued to NHS Trust Boards on the form, content and reporting arrangements of annual quality reports. Our priorities for 2017-2018 were chosen after consulting both our staff and clinical teams who work in the Trust, looking at what patients and members of the public say about us and our services in national and local surveys and in patient feedback received through complaints, compliments and the Friends and Family Test. We have also taken account of our CQC feedback and of what people say nationally about health services and where services need to improve.

The Department of Health Quality Accounts Toolkit 2015/16 influenced the format and content of the Quality Account. The existing reporting structure has been the source for information, for example Datix for numbers and themes of complaints and incidents. Specific information has been validated by the key leaders in the Trust, for example Infection Prevention data provided by the Director of Infection Prevention and Control (DIPC), and incident data by the Head of Governance and Legal Services.

A draft version of the Quality Account is approved by Directors before being circulated to the local authority's Overview and Scrutiny Committee, Wolverhampton Healthwatch and Clinical Commissioning Group. The Quality Account is subject to a limited assurance review by the Trust External Auditors before a final version is produced for publication.

## 8. Operational Performance

The Trust is committed to delivering the national requirements and operational performance standards. These are robustly monitored and managed to ensure patients receive the most appropriate levels of care. A comprehensive and robust performance management process exists across the Trust to monitor delivery against operational standards. This involves weekly review at the Chief Operating Officer's performance meeting and through subsequent meetings across the Divisions. A detailed Integrated Quality and Performance Report (IQPR) is produced monthly; performance is discussed in-depth at the monthly Finance and Performance Committee, which is chaired by a Non-executive Director, with further scrutiny taking place at the full Trust Board. Examples of the Operating Framework targets can be evidenced below:

- The Trust was unable to achieve compliance with the headline position for RTT incomplete pathways across the year. Demand for certain services continues to rise and the ability to respond is restricted by a national shortage of consultants in key areas. Whilst the overall backlog is beginning to reduce, there are specific problems in orthopaedics, urology and ophthalmology where there is insufficient capacity to meet the demand for certain procedures. The Trust successfully completed the recovery plan for long waiting patients and is able to confirm that there have been zero 52 week waiters since June 2017.
- The Emergency Department saw a like-for-like increase in attendances of just over 3% on the previous year. The peak winter months saw bigger increases with January experiencing a 9% growth on the previous year. This has had the inevitable detrimental impact on performance. Overall the Trust saw an increase of 2.5% in ambulances which meant 1,187 additional conveyances received during the year. Whilst the Trust did not achieve the A&E standard, our performance puts us above average with a ranking of 40/137 Trusts nationally. Across the year there were four 12 hour trolley waits. Three of these related to the need to transfer patients to other care providers for specialist support (Mental Health and Paediatrics) however, a suitable bed could not be found.
- Despite implementing the findings of the Intensive Support Team (IST) action plan, undertaking pathway reviews with the Cancer Alliance and working with regional providers to improve late tertiary referrals, we were unable to deliver the 62-day Cancer target during 2017-18. This remains a high priority for the Trust and we have produced a refreshed action plan to help improve performance. However, demand for some cancer sites continues to rise and additional capacity needs to be secured in order to adequately support this.

## 8.1 Emergency Planning / Resilience

Under the Civil Contingencies Act 2004, (CCA) every NHS Organisation has to have Emergency Preparedness, Response and Resilience (EPRR) arrangements in place. The Trust is further required to meet the core standards set out by NHS England under the EPRR arrangements (updated 2017) and alignment to the Business Continuity Standard ISO 22301.

As a requirement in the Core Standards we need to plan for and respond to a wide range of emergencies and business continuity incidents that could affect health or patient safety. These could be anything from severe weather to an infectious disease outbreak or a major or mass casualty incident. For the second year running the Trust was assessed as being 'fully compliant' in meeting these standards.

The Trust is an active member and participates in the local health and multi-agency groups to ensure a proactive and co-ordinated approach to warning and informing and sharing best practice, encouraging a joint approach to emergency preparedness in terms of planning, responding and recovery.

West Midlands Ambulance Service (WMAS) reviewed the readiness of the Trust on its Chemical, Biological, Radiological and Nuclear (CBRN) status to respond effectively to incidents involving contamination. A self-assessment tool was completed prior to a site visit, to undertake a challenge and confirm process on the Trust's submitted responses and to observe a practical demonstration of decontamination equipment in March 2018. Post their visit, WMAS confirmed the Trust as being ready with no recommendations.

The Trust has focused on improving training and has produced and launched four E-learning packages for staff in responding to any type of incident or disruption, with one of the packages becoming a mandatory requirement for Strategic and Tactical commanders to complete.

The Trust has undertaken a series of exercises over the last 12 months in line with CCA requirements, with one exercise with the West Midlands Fire Service in responding to a fire in our main Theatre services area.

As a Trust we responded well to what was an unprecedented incident with no reports of harm to patients or of patient data being compromised or stolen. This was the ransomware attack, known as "WannaCry", which affected a wide range of countries and sectors. The Trust has not been complacent and continues to improve and gain leverage on current capabilities to improve security across the Trust.

An Emergency Preparedness annual report and plan has been produced, identifying the status of the Trust's resilience over the last 12 months and identifying objectives for the year.

## 8.2 Health and Safety at Work

The Trust Health and Safety risk profile has been maintained and shows compliance with relevant Health and Safety Executive (HSE) legislation. Work continues to identify gaps and provide action plans to fill these gaps giving the Board an improved assurance around compliance with the Regulations. Estates and Facilities continue to work towards compliance with the Premises Assurance Model (PAM) accreditation system, this is adding to the robustness of assurance received from Estates. Estates Facilities are also maintaining their accreditation for CHAS (Contractors Health & Safety Assessment Scheme) allowing them to use the logo on their letterheads as approved contractors.

Cannock Chase Hospital is fully aligned to The Royal Wolverhampton NHS Trust Health and Safety processes and compliance with Trust policy as are the GP practices within the Vertical Integration Team; we continue to work with these groups to ensure they also meet policy compliance.

This year has seen the Trust receive two visits from the HSE, one being a planned inspection of the Laboratory and one being prompted by a Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable incident. Both visits resulted in a positive outcome and no further action was taken by the HSE.

There has been a 13.8% reduction in the number of health and safety incidents when comparing 2017-2018 to 2016-2017. Focus has remained on the high incident reporting areas; ensuring investigations are undertaken where needed and risk assessments reviewed to improve control measures. Focus continues on sharing lessons identified across the Trust, using various forums to do this including the Safety Representative Forum, the Health and Safety newsletter and our Risk Newsletter 'Risky Business'.

The top 5 reported health and safety related incidents for the year are:

- Sharps incidents (28% decrease)
- Personal Contact Injury (18% decrease)
- Manual Handling (15% decrease)
- Violence and Aggression (9% decrease)
- Slips, trips & falls (2% decrease)

This would indicate a turn in the right direction for RWT and we hope to sustain this over the coming year.

### **8.3 Social Economic Responsibilities: Modern Slavery and Forced Labour**

The Trust is committed to its Social Economic Responsibilities and ensuring that it is a Good Corporate Citizen (GCC). In its procurement practices the Trust stipulate that: the successful contractor will ensure that its supply chain is monitored and that there is zero tolerance of modern slavery within their supply chain; the successful contractor must ensure that at no point, throughout the delivery of their contractual agreement with the Trust, will any materials used to deliver the agreement be created through the use of bonded labour or infringement of human rights; and that where any such issues arise within the extended supply chain, the successful contractor will act to remove these items from entering the Trust's extended supply chain and implement ethical sourcing programs and supply chain audits to prevent any repetition.

In addition, sourcing staff within the Procurement team access external e-learning which covers Ethical & Sustainable Procurement."

## **9. Annual Declarations**

1. The Royal Wolverhampton NHS Trust is required to register with the CQC and its current registration status is active. The Royal Wolverhampton NHS Trust has no conditions with its continued registration. The CQC has not taken enforcement action against The Royal Wolverhampton NHS Trust during 2017-2018.
2. As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension scheme records are accurately updated in accordance with the timescales detailed in the Regulations. The Trust as part of the Pensions Regulations is required to complete an Annual Assurance Statement for the Pension Agency by the 5th of April each year, and this has been done.
3. Control measures are in place aiming to ensure that the Trust's obligations under equality, diversity, inclusion, human rights and employment legislation are complied with. The Trust strives to deliver safe, accessible and fair services to the diverse population that we serve. We value our greatest asset, our diverse workforce, and strive to create working environments in which everyone is able to reach their full potential and flourish, this in turn will help us deliver truly inclusive services that treat people with respect, care, dignity and compassion and improve the overall patient experience.
4. The Trust has undertaken risk assessments, and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on the United Kingdom Climate Impact Programme (UKCIP) 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the adaptation reporting requirements are complied with.

5. The Trust made its annual self-assessment submission to the Department of Health by the 31st March 2018 on the Information Governance Toolkit. The overall score was 77% and the Trust was graded satisfactory all 45 requirements.

#### **10. Head of Internal Audit Opinion**

Based on the work of internal audit completed during the year we conclude that we can provide significant assurance with some improvements required to enhance the design and/or operation of internal controls, in respect of governance, risk and control.

During the course of our work we did identify certain higher risk recommendations which have been accepted by Management and are being implemented. In particular we would highlight the Trust's ongoing work in respect of consulting job planning and ensuring all job plans are in place and approved at the start of each financial year. Internal Audit reports have been presented to the Audit Committee during the year, actions accepted and the Committee receives a quarterly report from Internal Audit outlining progress in closing outstanding actions.

#### **11. Review of effectiveness of Risk Management and Internal Control**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Trust who have responsibility for the development and maintenance of the internal control framework.

I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Quality Governance Assurance Committee have a plan to address weaknesses and ensure continuous improvement of the system is in place.

My review is informed by reports from external inspecting bodies including external audit and the Patient-Led Assessments of the Care Environment (PLACE) inspections (the system for assessing the quality of the patient environment). It is also informed by comments made by the External Auditors in their report to those charged with governance (ISA 260) and other reports. I have been advised on the implications of the result of my review of effectiveness of the system of internal control by the Trust Board, the Audit Committee, and the QGAC and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has continued to undertake regular Development meetings throughout the year and has recently commenced a review to inform future Board development. It has monitored the performance and effectiveness of the Trust Board Committee's including the Audit Committee, Finance and Performance Committee and the Quality Governance Assurance Committee all of which have key roles in the assessment of assurance and effectiveness of the Trust and in the identification of and mitigation of any identified risks.

The Audit Committee has managed on behalf of the Trust Board the agreed programme of Audit including internal audit, external audit and clinical audit (alongside the Quality Governance Assurance Committee). The Board receives the presentation of examples of clinical audit work.

I have not identified any significant internal control issues or gaps in control from the work and assurances provided to me and to the Trust Board.

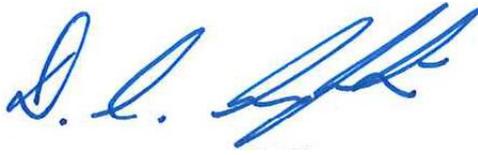
**12. Conclusion**

No significant internal control issues have been identified during 2017-2018.

**Accountable Officer:** David Loughton CBE

**Organisation:** The Royal Wolverhampton NHS Trust

**Signature:**

A handwritten signature in blue ink, appearing to read 'D. Loughton', written in a cursive style.

**Date:** 25 May 2018

## Statement of Comprehensive Income for year ended 31 March 2018

|   |      | 2017-18              | 2016-17                |
|---|------|----------------------|------------------------|
|   | Note | £000s                | £000s                  |
| Operating income from patient care activities                 | 3    | 464,033              | 442,957                |
| Other operating income  | 4    | 84,505               | 93,071                 |
| Operating expenses  | 6, 8 | <u>(529,386)</u>     | <u>(538,251)</u>       |
| <b>Operating surplus/(deficit) from continuing operations</b> |      | <b>19,152</b>        | <b>(2,223)</b>         |
| Finance income  | 11   | 52                   | 39                     |
| Finance expenses  | 12   | (1,728)              | (1,615)                |
| PDC dividends payable   |      | <u>(10,170)</u>      | <u>(9,467)</u>         |
| <b>Net finance costs</b>                                      |      | <b>(11,846)</b>      | <b>(11,043)</b>        |
| Other gains / (losses)  | 13   | <u>31</u>            | <u>44</u>              |
| <b>Surplus / (deficit) for the year</b>                       |      | <b><u>7,337</u></b>  | <b><u>(13,222)</u></b> |
| <br>  |      |                      |                        |
| <b>Other comprehensive income</b>                             |      | <b>2017-18</b>       | <b>2016-17</b>         |
|   |      | <b>£000s</b>         | <b>£000s</b>           |
| <b>Will not be reclassified to income and expenditure:</b>    |      |                      |                        |
| Revaluations  |      | 16,905               | (74,234)               |
| Other reserve movements                                       |      | <u>(2)</u>           | <u>1</u>               |
| <b>Total comprehensive income / (expense) for the period</b>  |      | <b><u>24,240</u></b> | <b><u>(87,455)</u></b> |

## Statement of Financial Position as at 31 March 2018

|  | Note | 31 March 2018<br>£000s | 31 March 2017<br>£000s |
|--|------|------------------------|------------------------|
| <b>Non-current assets</b>                                    |      |                        |                        |
| Intangible assets  | 14   | 1,115                  | 979                    |
| Property, plant and equipment                                | 15   | 331,382                | 306,710                |
| Trade and other receivables                                  | 19   | 0                      | 624                    |
| <b>Total non-current assets</b>                              |      | <b>332,497</b>         | <b>308,313</b>         |
| <b>Current assets</b>  |      |                        |                        |
| Inventories  | 18   | 6,357                  | 6,337                  |
| Trade and other receivables                                  | 19   | 35,572                 | 33,157                 |
| Non-current assets held for sale / assets in disposal groups | 20   | 800                    | 800                    |
| Cash and cash equivalents                                    | 21   | 16,982                 | 14,180                 |
| <b>Total current assets</b>                                  |      | <b>59,711</b>          | <b>54,474</b>          |
| <b>Current liabilities</b>                                   |      |                        |                        |
| Trade and other payables                                     | 22   | (52,971)               | (48,522)               |
| Borrowings   | 24   | (1,979)                | (2,123)                |
| Provisions   | 26   | (6,219)                | (5,463)                |
| Other liabilities  | 23   | (3,205)                | (3,689)                |
| <b>Total current liabilities</b>                             |      | <b>(64,374)</b>        | <b>(59,797)</b>        |
| <b>Total assets less current liabilities</b>                 |      | <b>327,834</b>         | <b>302,990</b>         |
| <b>Non-current liabilities</b>                               |      |                        |                        |
| Borrowings   | 24   | (5,299)                | (6,037)                |
| Provisions   | 26   | (581)                  | (594)                  |
| <b>Total non-current liabilities</b>                         |      | <b>(5,880)</b>         | <b>(6,631)</b>         |
| <b>Total assets employed</b>                                 |      | <b>321,954</b>         | <b>296,359</b>         |
| <b>Financed by</b>   |      |                        |                        |
| Public dividend capital                                      |      | 232,753                | 231,398                |
| Revaluation reserve  |      | 67,355                 | 50,457                 |
| Other reserves   |      | 190                    | 190                    |
| Income and expenditure reserve                               |      | 21,656                 | 14,314                 |
| <b>Total taxpayers' equity</b>                               |      | <b>321,954</b>         | <b>296,359</b>         |

The notes on pages 33 to 64 form part of these accounts.

Chief Executive

Date: 25 May 2018

### Statement of Changes in Equity for the year ended 31 March 2018

|  | Public dividend capital<br>£000s | Revaluation reserve<br>£000s | Other reserves<br>£000s | Income and expenditure reserve<br>£000s | Total<br>£000s |
|--|----------------------------------|------------------------------|-------------------------|---|----------------|
| <b>Taxpayers' equity at 1 April 2017 - brought forward</b> | <b>231,398</b>                   | <b>50,457</b>                | <b>190</b>              | <b>14,314</b>                           | <b>296,359</b> |
| Surplus/(deficit) for the year                             | 0                                | 0                            | 0                       | 7,337                                   | 7,337          |
| Other transfers between reserves                           | 0                                | (7)                          | 0                       | 7                                       | 0              |
| Revaluations   | 0                                | 16,905                       | 0                       | 0                                       | 16,905         |
| Public dividend capital received                           | 1,355                            | 0                            | 0                       | 0                                       | 1,355          |
| Other reserve movements                                    | 0                                | 0                            | 0                       | (2)                                     | (2)            |
| <b>Taxpayers' equity at 31 March 2018</b>                  | <b>232,753</b>                   | <b>67,355</b>                | <b>190</b>              | <b>21,656</b>                           | <b>321,954</b> |

### Statement of Changes in Equity for the year ended 31 March 2017

|  | Public dividend capital<br>£000s | Revaluation reserve<br>£000s | Other reserves<br>£000s | Income and expenditure reserve<br>£000s | Total<br>£000s |
|--|----------------------------------|------------------------------|-------------------------|---|----------------|
| <b>Taxpayers' equity at 1 April 2016 - brought forward</b> | <b>229,568</b>                   | <b>125,320</b>               | <b>190</b>              | <b>26,906</b>                           | <b>381,984</b> |
| Surplus/(deficit) for the year                             | 0                                | 0                            | 0                       | (13,222)                                | (13,222)       |
| Other transfers between reserves                           | 0                                | (629)                        | 0                       | 629                                     | 0              |
| Revaluations   | 0                                | (74,234)                     | 0                       | 0                                       | (74,234)       |
| Public dividend capital received                           | 1,830                            | 0                            | 0                       | 0                                       | 1,830          |
| Other reserve movements                                    | 0                                | 0                            | 0                       | 1                                       | 1              |
| <b>Taxpayers' equity at 31 March 2017</b>                  | <b>231,398</b>                   | <b>50,457</b>                | <b>190</b>              | <b>14,314</b>                           | <b>296,359</b> |

## **Information on reserves**

### **Public dividend capital**

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. Additional PDC may also be issued to trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as the public dividend capital dividend.

### **Revaluation reserve**

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

### **Available-for-sale investment reserve**

This reserve comprises changes in the fair value of available-for-sale financial instruments. When these instruments are derecognised, cumulative gains or losses previously recognised as other comprehensive income or expenditure are recycled to income or expenditure.

### **Merger reserve**

This reserve reflects balances formed on merger of NHS bodies.

### **Income and expenditure reserve**

The balance of this reserve is the accumulated surpluses and deficits of the trust.

**Statement of Cash Flows for the year ended 31 March 2018**

|   | Note | 2017-18<br>£000s | 2016-17<br>£000s |
|---|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                         |      |                  |                  |
| Operating surplus / (deficit)                                       |      | 19,152           | (2,223)          |
| <b>Non-cash income and expense:</b>                                 |      |                  |                  |
| Depreciation and amortisation                                       | 6.1  | 15,237           | 14,855           |
| Net impairments   | 7    | (3,157)          | 22,547           |
| Other investments / financial assets                                | 4    | (74)             | (984)            |
| Amortisation of PFI deferred credit                                 |      | 0                | (124)            |
| (Increase) / decrease in receivables and other assets               |      | (5,563)          | (7,085)          |
| (Increase) / decrease in inventories                                |      | (20)             | 644              |
| Increase / (decrease) in payables and other liabilities             |      | 4,148            | (1,972)          |
| Increase / (decrease) in provisions                                 |      | 742              | 2,170            |
| <b>Net cash generated from / (used in) operating activities</b>     |      | <b>30,465</b>    | <b>27,828</b>    |
| <b>Cash flows from investing activities</b>                         |      |                  |                  |
| Interest received   |      | 52               | 39               |
| Purchase of intangible assets                                       |      | (485)            | (1)              |
| Purchase of property, plant, equipment and investment property      |      | (18,490)         | (17,167)         |
| Sales of property, plant, equipment and investment property         |      | 31               | 52               |
| Receipt of cash donations to purchase capital assets                |      | 74               | 984              |
| <b>Net cash generated from / (used in) investing activities</b>     |      | <b>(18,818)</b>  | <b>(16,093)</b>  |
| <b>Cash flows from financing activities</b>                         |      |                  |                  |
| Public dividend capital received                                    |      | 1,355            | 1,830            |
| Capital element of finance lease rental payments                    |      | (259)            | (16)             |
| Capital element of PFI, LIFT and other service concession payments  |      | (1,920)          | (1,871)          |
| Interest paid on finance lease liabilities                          |      | (18)             | 0                |
| Interest paid on PFI, LIFT and other service concession obligations |      | (1,710)          | (1,613)          |
| PDC dividend (paid) / refunded                                      |      | (6,293)          | (12,812)         |
| <b>Net cash generated from / (used in) financing activities</b>     |      | <b>(8,845)</b>   | <b>(14,482)</b>  |
| <b>Increase / (decrease) in cash and cash equivalents</b>           |      | <b>2,802</b>     | <b>(2,747)</b>   |
| <b>Cash and cash equivalents at 1 April - brought forward</b>       |      | <b>14,180</b>    | <b>16,927</b>    |
| <b>Cash and cash equivalents at 31 March</b>                        | 21.1 | <b>16,982</b>    | <b>14,180</b>    |

## Notes to the Accounts

### Note 1 Accounting policies and other information

#### Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2017-18 issued by the Department of Health and Social Care. The accounting policies contained in the GAM 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 GAM permits a choice of accounting policy, the accounting policy that 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 are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

#### Note 1.1.1 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.

#### Note 1.1.2 Going concern

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

#### Note 1.2 Critical accounting judgements and key sources of estimation uncertainty

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

#### Note 1.2.1 Sources of estimation uncertainty

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

##### - Leases

The Trust applies the tests contained in IAS17 to all of its present and proposed leases in order to ascertain if they should be classed as operating or finance leases. Often the information available may be inconclusive and therefore judgement is made regarding the transfer of the risks and rewards of ownership of the associated assets in order that a decision may be made.

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### -Useful Economic Lives of Assets

The Trust estimates the useful economic lives of its non-current assets. Every care is taken to ensure that estimates are robust however factors such as unforeseen obsolescence or breakdown may impact on the actual life of the asset held.

##### -Provisions

When considering provisions for events such as pension payments, NHSLA claims and other legal cases the Trust uses estimates based on expert advice from agencies such as the NHS Litigation Authority, legal advice from Trust advisors and the experience of its managers.

### **Note 1.2 Income**

Income 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 income for the trust is contracts with commissioners in respect of health care services. At the year end, the trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

The NHS trust receives income from the National Institute for Health Research (NIHR) for the hosting of the Greater Midlands Clinical Research Network.

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

### **Note 1.3 Expenditure on employee benefits**

#### **Short-term employee benefits**

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is not accrued for at the year end on the grounds of immateriality.

#### **Pension costs**

##### *NHS Pension Scheme*

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they are defined contribution schemes.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the trust commits itself to the retirement, regardless of the method of payment.

### **Note 1.4 Expenditure on other goods and services**

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

## **Note 1.5 Property, plant and equipment**

### **Note 1.5.1 Recognition**

Property, plant and equipment is capitalised where:

- 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 be provided to, the trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- 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 cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

### **Note 1.5.2 Measurement**

#### **Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value under IFRS 13 where there are no restrictions preventing access to the market at the reporting date and if it does not meet the requirement of IAS 40 or IFRS 5.

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

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

A standard approach to depreciated replacement cost valuations has been adopted based on HM Treasury guidance and the concept of Modern Equivalent Asset (MEA) Valuations. The valuation included in the Statement of Financial Position at 31 March 2017 is based on an alternative site MEA valuation, undertaken specifically in accordance with the HM Treasury guidance which states that such valuations are an option if the Trust's service requirements can be met from the alternative site.

The fair value of land and buildings is determined by valuations carried out by the Trust's Valuer GVA. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS). A desktop valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2018.

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

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

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

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

**Depreciation**

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

**Revaluation gains and losses**

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

**Impairments**

In accordance with the *GAM*, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

**Note 1.5.3 Derecognition**

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable ie:
  - management are committed to a plan to sell the asset
  - an active programme has begun to find a buyer and complete the sale
  - the asset is being actively marketed at a reasonable price
  - the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

**Note 1.5.4 Donated and grant funded assets**

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

**Note 1.5.5 Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions**

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

Components of the asset replaced by the operator during the contract, 'lifecycle replacement', are measured and capitalised at the time they are provided by the operator at their fair value where they meet the NHS trust's criteria for capital expenditure.

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

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

**Note 1.5.6 Useful economic lives of property, plant and equipment**

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

|                                | <b>Min life</b> | <b>Max life</b> |
|--------------------------------|-----------------|-----------------|
|                                | <b>Years</b>    | <b>Years</b>    |
| Buildings, excluding dwellings | 1               | 90              |
| Dwellings                      | 5               | 60              |
| Plant & machinery              | 5               | 15              |
| Transport equipment            | 5               | 7               |
| Information technology         | 4               | 5               |
| Furniture & fittings           | 7               | 10              |

Finance-leased assets (including land) are depreciated over the shorter of the useful economic life or the lease term, unless the trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

**Note 1.6 Intangible assets**

**Note 1.6.1 Recognition**

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

**Internally generated intangible assets**

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use
- the trust intends to complete the asset and sell or use it
- the trust has the ability to sell or use the asset
- how the intangible asset will generate probable future economic or service delivery benefits, eg, the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the trust to complete the development and sell or use the asset and
- the trust can measure reliably the expenses attributable to the asset during development.

**Software**

Software which is integral to the operation of hardware, eg an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, eg application software, is capitalised as an intangible asset.

**Note 1.6.2 Measurement**

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

Intangible assets held for sale are measured at the lower of their carrying amount or “fair value less costs to sell”.

**Amortisation**

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

**Note 1.6.3 Useful economic lives of intangible assets**

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

|                   | <b>Min life<br/>Years</b> | <b>Max life<br/>Years</b> |
|-------------------|---------------------------|---------------------------|
| Software licences | 4                         | 5                         |

**Note 1.7 Inventories**

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

**Note 1.8 Cash and cash equivalents**

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

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

**Note 1.9 Carbon Reduction Commitment scheme (CRC)**

The CRC scheme is a mandatory cap and trade scheme for non-transport CO<sub>2</sub> emissions. The trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO<sub>2</sub> it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO<sub>2</sub> emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO<sub>2</sub> emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

Allowances acquired under the scheme are recognised as intangible assets.

**Note 1.10 Financial Assets & Liabilities**

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

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

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

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

**Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and where 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.

### **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.

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

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

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

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.

### **Financial liabilities**

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

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

### **Other financial liabilities**

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

### **Note 1.11 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.

#### **Note 1.11.1 The Trust as lessee**

##### **Finance leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

##### **Operating leases**

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.

##### **Leases of land and buildings**

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

#### **Note 1.11.2 The Trust as lessor**

##### **Finance leases**

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

##### **Operating 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 as an expense on a straight-line basis over the lease term.

#### **Note 1.12 Provisions**

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources 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 discount rates published and mandated by HM Treasury.

##### **Clinical negligence costs**

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS resolution on behalf of the trust is disclosed at note 26.2 but is not recognised in the trust's accounts.

##### **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 NHS Resolution 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 when the liability arises.

#### **Note 1.13 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 27 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 27, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

#### **Note 1.14 Public dividend capital**

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

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.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for

- donated assets (including lottery funded assets),
- average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
- any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

#### **Note 1.15 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.

#### **Note 1.16 Foreign exchange**

The functional and presentational currency of the trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at "fair value through income and expenditure") are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.]

#### **Note 1.17 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. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM*. Details of third party assets are given in Note 21.2 to the accounts.

#### **Note 1.18 Losses and special payments**

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

#### **Note 1.19 Gifts**

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

#### **Note 1.20 Transfers of functions from other NHS bodies**

For functions that have been transferred to the trust from another NHS body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition.

For property plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity's accounts are preserved on recognition in the trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

#### **Note 1.21 Early adoption of standards, amendments and interpretations**

No new accounting standards or revisions to existing standards have been early adopted in 2017-18.

#### **Note 1.22 Standards, amendments and interpretations in issue but not yet effective or adopted**

The HM Treasury *FReM* does not require the following Standards and Interpretations to be applied in 2017-18.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the *FReM*: early adoption is not therefore permitted
- IFRS 14 Regulatory Deferral Accounts – This is not EU-endorsed and applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable to DH group bodies.
- IFRS 15 Revenue from Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the *FReM*: early adoption is not therefore permitted
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the *FReM*: early adoption is not therefore permitted.
- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the *FReM*: early adoption is not therefore permitted.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - Application required for accounting periods beginning on or after 1 January 2018.
- IFRIC 23 Uncertainty over Income Tax Treatments - Application required for accounting periods beginning on or after 1 January 2019.

The Trust is not expecting the above standards to have significant impact on the Trust's accounts once adopted but will be further reviewing the impact in detail

## Note 2 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Trust Board that makes strategic decisions.

The Trust has identified two operating segments:-

### Healthcare Services

This is the core activity of the Trust. It is primarily the provision of NHS Healthcare services to patients, paid for by the relevant NHS Commissioner.

### Clinical Research Network

The Trust hosts the Greater Midlands Clinical Research Network. It receives funds from the National Institute for Health Research and pays for research provided by 29 NHS Trusts (including this Trust) plus 3 Universities. The total turnover for the Network is £27.4m. The Network operates on a break even basis.

|                           | Healthcare Services |                  | Clinical Research Network:<br>West Midlands |                  | Total            |                  |
|---------------------------|---------------------|------------------|---|------------------|------------------|------------------|
|                           | 2017-18<br>£000s    | 2016-17<br>£000s | 2017-18<br>£000s                            | 2016-17<br>£000s | 2017-18<br>£000s | 2016-17<br>£000s |
| Income                    | <u>521,153</u>      | <u>506,913</u>   | <u>27,385</u>                               | <u>29,115</u>    | <u>548,538</u>   | <u>536,028</u>   |
| Surplus/(Deficit)         |                     |                  |   |                  |                  |                  |
| Segment surplus/(deficit) | (1,676)             | (1,576)          | 0   | 0                | (1,676)          | (1,576)          |
| Common costs              | <u>(539,525)</u>    | <u>(518,559)</u> | <u>(27,385)</u>                             | <u>(29,115)</u>  | <u>(566,910)</u> | <u>(547,674)</u> |
| Surplus/(deficit)         | <u>(20,048)</u>     | <u>(13,222)</u>  | <u>0</u>                                    | <u>0</u>         | <u>(20,048)</u>  | <u>(13,222)</u>  |
| Net Assets:               |                     |                  |   |                  |                  |                  |
| Segment net assets        | <u>321,954</u>      | <u>296,359</u>   | <u>0</u>                                    | <u>0</u>         | <u>321,954</u>   | <u>296,359</u>   |

All assets & liabilities are reported to the Trust Board at a consolidated level so it is not possible to separate these by segment.

## Note 3 Operating income from patient care activities

### Note 3.1 Income from patient care activities (by nature)

|  | 2017-18<br>£000s | 2016-17<br>£000s |
|--|------------------|------------------|
| <b>Acute services</b>  |                  |                  |
| Elective income  | 69,488           | 67,911           |
| Non elective income  | 107,991          | 90,815           |
| First outpatient income  | 31,871           | 28,343           |
| Follow up outpatient income  | 39,339           | 40,602           |
| A & E income   | 17,422           | 15,338           |
| High cost drugs income from commissioners (excluding pass-through costs) | 47,766           | 38,445           |
| Other NHS clinical income  | 95,685           | 111,554          |
| <b>Community services</b>  |                  |                  |
| Community services income from CCGs and NHS England                      | 38,896           | 40,010           |
| Income from other sources (e.g. local authorities)                       | 6,353            | 7,408            |
| <b>All services</b>  |                  |                  |
| Private patient income   | 1,241            | 1,123            |
| Other clinical income  | 7,981            | 1,408            |
| <b>Total income from activities</b>                                      | <u>464,033</u>   | <u>442,957</u>   |

**Note 3.2 Income from patient care activities (by source)**

| <b>Income from patient care activities received from:</b> | <b>2017-18</b>        | 2016-17               |
|---|-----------------------|-----------------------|
|   | <b>£000s</b>          | £000s                 |
| NHS England   | <b>109,428</b>        | 99,864                |
| Clinical commissioning groups                             | <b>332,450</b>        | 325,300               |
| Other NHS providers                                       | <b>2,588</b>          | 2,880                 |
| NHS other   | <b>0</b>              | 12                    |
| Local authorities   | <b>9,029</b>          | 9,970                 |
| Non-NHS: private patients                                 | <b>1,241</b>          | 1,123                 |
| Non-NHS: overseas patients (chargeable to patient)        | <b>338</b>            | 90                    |
| NHS injury scheme   | <b>1,337</b>          | 1,254                 |
| Non NHS: other  | <b>7,622</b>          | 2,464                 |
| <b>Total income from activities</b>                       | <b><u>464,033</u></b> | <b><u>442,957</u></b> |
| <b>Of which:</b>  |                       |                       |
| Related to continuing operations                          | <b>464,033</b>        | 442,957               |

**Note 3.3 Overseas visitors (relating to patients charged directly by the provider)**

|  | <b>2017-18</b> | 2016-17 |
|--|----------------|---------|
|  | <b>£000s</b>   | £000s   |
| Income recognised this year                              | <b>338</b>     | 90      |
| Cash payments received in-year                           | <b>80</b>      | 80      |
| Amounts added to provision for impairment of receivables | <b>121</b>     | 995     |
| Amounts written off in-year                              | <b>33</b>      | 121     |

**Note 4 Other operating income**

|   | <b>2017-18</b>            | 2016-17              |
|---|---------------------------|----------------------|
|   | <b>£000s</b>              | £000s                |
| Research and development  | <b>30,004</b>             | 31,648               |
| Education and training  | <b>15,984</b>             | 15,796               |
| Receipt of capital grants and donations                           | <b>74</b>                 | 984                  |
| Non-patient care services to other bodies                         | <b>12,013</b>             | 10,528               |
| Support from the Department of Health and Social Care for mergers | <b>6,000</b> <sup>1</sup> | 7,000                |
| Sustainability and transformation fund income                     | <b>8,547</b>              | 11,628               |
| Rental revenue from operating leases                              | <b>351</b>                | 379                  |
| Other income  | <b>11,532</b>             | 15,108               |
| <b>Total other operating income</b>                               | <b><u>84,505</u></b>      | <b><u>93,071</u></b> |
| <b>Of which:</b>  |                           |                      |
| Related to continuing operations                                  | <b>84,505</b>             | 93,071               |

<sup>1</sup> Support from DOHSC for mergers relates to income received following the dissolution of Mid-Staffordshire NHS Foundation Trust

**Note 5 Fees and charges**

|                            | <b>2017-18</b>      | 2016-17             |
|----------------------------|---------------------|---------------------|
|                            | <b>£000s</b>        | £000s               |
| Income                     | <b>4,701</b>        | 2,784               |
| Full cost                  | <b>(2,356)</b>      | (1,250)             |
| <b>Surplus / (deficit)</b> | <b><u>2,345</u></b> | <b><u>1,534</u></b> |

**Note 6.1 Operating expenses**

|   | 2017-18<br>£000s | 2016-17<br>£000s |
|---|------------------|------------------|
| Purchase of healthcare from NHS and DHSC bodies   | 3,474            | 3,835            |
| Purchase of healthcare from non-NHS and non-DHSC bodies                                       | 1,197            | 1,227            |
| Staff and executive directors costs   | 317,645          | 310,543          |
| Remuneration of non-executive directors   | 92               | 92               |
| Supplies and services - clinical (excluding drugs costs)                                      | 49,357           | 49,883           |
| Supplies and services - general   | 10,662           | 10,170           |
| Drug costs (drugs inventory consumed and purchase of non-inventory drugs)                     | 56,835           | 54,923           |
| Inventories written down  | 0                | 10               |
| Consultancy costs   | 1,654            | 1,254            |
| Establishment   | 4,886            | 5,863            |
| Premises  | 17,701           | 15,335           |
| Transport (including patient travel)  | 2,216            | 1,720            |
| Depreciation on property, plant and equipment   | 14,888           | 14,536           |
| Amortisation on intangible assets   | 349              | 319              |
| Net impairments   | (3,157)          | 22,547           |
| Increase/(decrease) in provision for impairment of receivables                                | 632              | 402              |
| audit services- statutory audit   | 61               | 62               |
| other auditor remuneration (external auditor only)  | 9                | 11               |
| Internal audit costs  | 137              | 98               |
| Clinical negligence   | 10,087           | 7,292            |
| Legal fees  | 270              | 337              |
| Insurance   | 97               | 72               |
| Research and development  | 29,184           | 28,334           |
| Education and training  | 4,350            | 2,628            |
| Rentals under operating leases  | 2,551            | 2,346            |
| Redundancy  | 33               | 0                |
| Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) on IFRS basis | 2,188            | 2,136            |
| Car parking & security  | 646              | 547              |
| Losses, ex gratia & special payments  | 5                | 0                |
| Other   | 1,337            | 1,729            |
| <b>Total</b>  | <b>529,386</b>   | <b>538,251</b>   |
| <b>Of which:</b>  |                  |                  |
| Related to continuing operations  | 529,386          | 538,251          |

**Note 6.2 Other auditor remuneration**

|   | 2017-18<br>£000s | 2016-17<br>£000s |
|---|------------------|------------------|
| <b>Other auditor remuneration paid to the external auditor:</b>                 |                  |                  |
| 1. Audit of accounts of any associate of the trust                              | 0                | 0                |
| 2. Audit-related assurance services   | 9                | 11               |
| 3. Taxation compliance services   | 0                | 0                |
| 4. All taxation advisory services not falling within item 3 above               | 0                | 0                |
| 5. Internal audit services  | 0                | 0                |
| 6. All assurance services not falling within items 1 to 5                       | 0                | 0                |
| 7. Corporate finance transaction services not falling within items 1 to 6 above | 0                | 0                |
| 8. Other non-audit services not falling within items 2 to 7 above               | 0                | 0                |
| <b>Total</b>  | <b>9</b>         | <b>11</b>        |

**Note 6.3 Limitation on auditor's liability**

There is no limitation on auditor's liability for external audit work carried out for the financial years 2017-18 or 2016-17.

## Note 7 Impairment of assets

|   | 2017-18<br>£000s      | 2016-17<br>£000s     |
|---|-----------------------|----------------------|
| <b>Net impairments charged to operating surplus / deficit resulting from:</b> |                       |                      |
| Changes in market price   | (3,157)               | 22,547               |
| <b>Total net impairments charged to operating surplus / deficit</b>           | <u>(3,157)</u>        | <u>22,547</u>        |
| Impairments charged to the revaluation reserve                                | <u>0</u>              | <u>0</u>             |
| <b>Total net impairments</b>  | <u><u>(3,157)</u></u> | <u><u>22,547</u></u> |

## Note 8 Employee benefits

|  | 2017-18<br>£000s      | 2016-17<br>£000s      |
|--|-----------------------|-----------------------|
| Salaries and wages                       | 259,611               | 249,103               |
| Social security costs                    | 25,494                | 23,158                |
| Apprenticeship levy                      | 1,197                 | 0                     |
| Employer's contributions to NHS pensions | 31,314                | 29,835                |
| Termination benefits                     | 73                    | 76                    |
| Temporary staff (including agency)       | 10,611                | 15,776                |
| <b>Total gross staff costs</b>           | <u>328,300</u>        | <u>317,948</u>        |
| Recoveries in respect of seconded staff  | <u>0</u>              | <u>0</u>              |
| <b>Total staff costs</b>                 | <u><u>328,300</u></u> | <u><u>317,948</u></u> |
| <b>Of which</b>                          |                       |                       |
| Costs capitalised as part of assets      | 489                   | 507                   |

### Note 8.1 Retirements due to ill-health

During 2017-18 there were 2 early retirements from the Trust agreed on the grounds of ill-health (7 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £90k (£295k in 2016-17).

The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## **Note 9 Pension costs**

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

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

### **a) Accounting valuation**

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 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 report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

### **b) Full actuarial (funding) valuation**

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

## Note 10 Operating leases

### Note 10.1 The Royal Wolverhampton NHS Trust as a lessor

This note discloses income generated in operating lease agreements where The Royal Wolverhampton NHS Trust is the lessor.

Included within this note are a number of 3rd party services and retail outlets on site with whom The Trust have a leasing arrangement.

|  | <b>2017-18</b>      | 2016-17             |
|--|---------------------|---------------------|
|  | <b>£000s</b>        | £000s               |
| <b>Operating lease revenue</b>                       |                     |                     |
| Minimum lease receipts                               | <u>351</u>          | <u>379</u>          |
| <b>Total</b>   | <u><u>351</u></u>   | <u><u>379</u></u>   |
|  | <b>2017-18</b>      | 2016-17             |
|  | <b>£000s</b>        | £000s               |
| <b>Future minimum lease receipts due:</b>            |                     |                     |
| - not later than one year;                           | 312                 | 331                 |
| - later than one year and not later than five years; | 1,073               | 1,205               |
| - later than five years.                             | <u>0</u>            | <u>250</u>          |
| <b>Total</b>   | <u><u>1,385</u></u> | <u><u>1,786</u></u> |

### Note 10.2 The Royal Wolverhampton NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where The Royal Wolverhampton NHS Trust is the lessee.

Included in this note is the arrangement for the lease of buildings from NHS Property Services which were previously owned by Wolverhampton City PCT. The value of this arrangement is £2.5 million per annum, some of the leased properties transferring to the Trust and others being transferred to NHS Property Services. There are no other individually significant operating leases included in the figures below.

|  | <b>2017-18</b>      | 2016-17             |
|--|---------------------|---------------------|
|  | <b>£000s</b>        | £000s               |
| <b>Operating lease expense</b>                       |                     |                     |
| Minimum lease payments                               | <u>2,551</u>        | <u>2,346</u>        |
| <b>Total</b>   | <u><u>2,551</u></u> | <u><u>2,346</u></u> |
|  | <b>2017-18</b>      | 2016-17             |
|  | <b>£000s</b>        | £000s               |
| <b>Future minimum lease payments due:</b>            |                     |                     |
| - not later than one year;                           | 328                 | 601                 |
| - later than one year and not later than five years; | 396                 | 1,330               |
| - later than five years.                             | <u>1</u>            | <u>1,063</u>        |
| <b>Total</b>   | <u><u>725</u></u>   | <u><u>2,994</u></u> |
| Future minimum sublease payments to be received      | <u>0</u>            | <u>0</u>            |

### Note 11 Finance income

Finance income represents interest received on assets and investments in the period.

|                           | <b>2017-18</b> | 2016-17 |
|---------------------------|----------------|---------|
|                           | <b>£000s</b>   | £000s   |
| Interest on bank accounts | <b>52</b>      | 39      |
| <b>Total</b>              | <b>52</b>      | 39      |

### Note 12.1 Finance expenditure

Finance expenditure represents interest and other charges involved in the borrowing of money.

|   | <b>2017-18</b> | 2016-17 |
|---|----------------|---------|
|   | <b>£000s</b>   | £000s   |
| <b>Interest expense:</b>                                    |                |         |
| Finance leases  | <b>18</b>      | 0       |
| Main finance costs on PFI and LIFT schemes obligations      | <b>404</b>     | 452     |
| Contingent finance costs on PFI and LIFT scheme obligations | <b>1,305</b>   | 1,161   |
| <b>Total interest expense</b>                               | <b>1,727</b>   | 1,613   |
| Unwinding of discount on provisions                         | <b>1</b>       | 2       |
| <b>Total finance costs</b>                                  | <b>1,728</b>   | 1,615   |

### Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

|  | <b>2017-18</b> | 2016-17 |
|--|----------------|---------|
|  | <b>£000s</b>   | £000s   |
| Total liability accruing in year under this legislation as a result of late payments     | <b>0</b>       | 0       |
| Amounts included within interest payable arising from claims made under this legislation | <b>0</b>       | 0       |
| Compensation paid to cover debt recovery costs under this legislation                    | <b>0</b>       | 0       |

### Note 13 Other gains / (losses)

|   | <b>2017-18</b> | 2016-17 |
|---|----------------|---------|
|   | <b>£000s</b>   | £000s   |
| Gains on disposal of assets                         | <b>31</b>      | 44      |
| <b>Total gains / (losses) on disposal of assets</b> | <b>31</b>      | 44      |

**Note 14.1 Intangible assets - 2017-18**

|   | Software<br>licences<br>£000s | Intangible<br>assets under<br>construction<br>£000s | Total<br>£000s |
|---|-------------------------------|---|----------------|
| <b>Valuation / gross cost at 1 April 2017 - brought forward</b> | 3,456                         | -   | 3,456          |
| Additions   | 26                            | 459   | 485            |
| Reclassifications   | 459                           | (459)   | 0              |
| <b>Gross cost at 31 March 2018</b>                              | <b>3,941</b>                  | <b>-</b>  | <b>3,941</b>   |
| <b>Amortisation at 1 April 2017 - brought forward</b>           | 2,477                         | -   | 2,477          |
| Provided during the year  | 349                           | 0   | 349            |
| <b>Amortisation at 31 March 2018</b>                            | <b>2,826</b>                  | <b>-</b>  | <b>2,826</b>   |
| <b>Net book value at 31 March 2018</b>                          | 1,115                         | -   | 1,115          |
| <b>Net book value at 1 April 2017</b>                           | 979                           | -   | 979            |

**Note 14.2 Intangible assets - 2016-17**

|  | Software<br>licences<br>£000s | Intangible<br>assets under<br>construction<br>£000s | Total<br>£000s |
|--|-------------------------------|---|----------------|
| <b>Valuation / gross cost at 1 April 2016 - as previously stated</b> | 2,971                         | -   | 2,971          |
| Prior period adjustments   | 0                             | 0   | 0              |
| <b>Valuation / gross cost at 1 April 2016 - restated</b>             | <b>2,971</b>                  | <b>-</b>  | <b>2,971</b>   |
| Additions  | 1                             | 0   | 1              |
| Reclassifications  | 484                           | 0   | 484            |
| <b>Valuation / gross cost at 31 March 2017</b>                       | <b>3,456</b>                  | <b>-</b>  | <b>3,456</b>   |
| <b>Amortisation at 1 April 2016 - as previously stated</b>           | 2,158                         | -   | 2,158          |
| Prior period adjustments   | 0                             | 0   | 0              |
| <b>Amortisation at 1 April 2016 - restated</b>                       | <b>2,158</b>                  | <b>-</b>  | <b>2,158</b>   |
| Provided during the year   | 319                           | 0   | 319            |
| <b>Amortisation at 31 March 2017</b>                                 | <b>2,477</b>                  | <b>-</b>  | <b>2,477</b>   |
| <b>Net book value at 31 March 2017</b>                               | 979                           | -   | 979            |
| <b>Net book value at 1 April 2016</b>                                | 813                           | -   | 813            |

**Note 14.3 Intangible non-current assets**

Intangible assets are not revalued. They are valued at fair value using historic cost as an approximation.

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year, they can be valued and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives, which is usually estimated at being 5 years.

**Note 15.1 Property, plant and equipment - 2017-18**

|   | Land<br>£000s | Buildings excluding<br>dwellings<br>£000s | Dwellings<br>£000s | Assets under<br>construction<br>£000s | Plant & machinery<br>£000s | Transport equipment<br>£000s | Information<br>technology<br>£000s | Furniture & fittings<br>£000s | Total<br>£000s |
|---|---------------|---|--------------------|---------------------------------------|----------------------------|------------------------------|------------------------------------|-------------------------------|----------------|
| <b>Valuation/gross cost at 1 April 2017 - brought forward</b>     | <b>9,011</b>  | <b>249,651</b>                            | <b>1,489</b>       | <b>10,423</b>                         | <b>81,624</b>              | <b>749</b>                   | <b>19,929</b>                      | <b>6,173</b>                  | <b>379,049</b> |
| Additions   | 0             | 1,593                                     | 0                  | 14,553                                | 2,905                      | 14                           | 219                                | 214                           | 19,498         |
| Impairments   | 0             | (1,410)                                   | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | (1,410)        |
| Reversals of impairments  | 0             | 4,567                                     | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | 4,567          |
| Revaluations  | 225           | 10,688                                    | 72                 | 0                                     | 0                          | 0                            | 0                                  | 0                             | 10,985         |
| Reclassifications   | 0             | 10,344                                    | 0                  | (16,592)                              | 4,728                      | 0                            | 1,127                              | 393                           | 0              |
| Disposals / derecognition   | 0             | 0   | 0                  | 0                                     | (3,520)                    | (54)                         | 0                                  | 0                             | (3,574)        |
| <b>Valuation/gross cost at 31 March 2018</b>                      | <b>9,236</b>  | <b>275,433</b>                            | <b>1,561</b>       | <b>8,384</b>                          | <b>85,737</b>              | <b>709</b>                   | <b>21,275</b>                      | <b>6,780</b>                  | <b>409,115</b> |
| <b>Accumulated depreciation at 1 April 2017 - brought forward</b> | <b>0</b>      | <b>0</b>                                  | <b>0</b>           | <b>0</b>                              | <b>52,713</b>              | <b>599</b>                   | <b>13,932</b>                      | <b>5,095</b>                  | <b>72,339</b>  |
| Provided during the year  | 0             | 5,873                                     | 47                 | 0                                     | 6,764                      | 35                           | 1,848                              | 321                           | 14,888         |
| Impairments   | 0             | 0   | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | 0              |
| Reversals of impairments  | 0             | 0   | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | 0              |
| Revaluations  | 0             | (5,873)                                   | (47)               | 0                                     | 0                          | 0                            | 0                                  | 0                             | (5,920)        |
| Reclassifications   | 0             | 0   | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | 0              |
| Disposals / derecognition   | 0             | 0   | 0                  | 0                                     | (3,520)                    | (54)                         | 0                                  | 0                             | (3,574)        |
| <b>Accumulated depreciation at 31 March 2018</b>                  | <b>-</b>      | <b>-</b>                                  | <b>-</b>           | <b>-</b>                              | <b>55,957</b>              | <b>580</b>                   | <b>15,780</b>                      | <b>5,416</b>                  | <b>77,733</b>  |
| <b>Net book value at 31 March 2018</b>                            | <b>9,236</b>  | <b>275,433</b>                            | <b>1,561</b>       | <b>8,384</b>                          | <b>29,780</b>              | <b>129</b>                   | <b>5,495</b>                       | <b>1,364</b>                  | <b>331,382</b> |
| <b>Net book value at 1 April 2017</b>                             | <b>9,011</b>  | <b>249,651</b>                            | <b>1,489</b>       | <b>10,423</b>                         | <b>28,911</b>              | <b>150</b>                   | <b>5,997</b>                       | <b>1,078</b>                  | <b>306,710</b> |

**Note 15.2 Property, plant and equipment - 2016-17**

|  | Land<br>£000s | Buildings excluding<br>dwellings<br>£000s | Dwellings<br>£000s | Assets under<br>construction<br>£000s | Plant & machinery<br>£000s | Transport equipment<br>£000s | Information<br>technology<br>£000s | Furniture & fittings<br>£000s | Total<br>£000s |
|--|---------------|---|--------------------|---------------------------------------|----------------------------|------------------------------|------------------------------------|-------------------------------|----------------|
| <b>Valuation / gross cost at 1 April 2016 - as previously stated</b>   | <b>21,968</b> | <b>327,502</b>                            | <b>1,920</b>       | <b>10,195</b>                         | <b>75,544</b>              | <b>671</b>                   | <b>17,479</b>                      | <b>6,214</b>                  | <b>461,493</b> |
| Additions  | 0             | 914                                       | 0                  | 17,000                                | 4,391                      | 74                           | 427                                | 3                             | 22,809         |
| Impairments  | (6,081)       | (16,463)                                  | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | (22,544)       |
| Reversals of impairments   | 0             | 0   | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | 0              |
| Revaluations   | (6,796)       | (72,665)                                  | (461)              | 0                                     | 0                          | 0                            | 0                                  | 0                             | (79,922)       |
| Reclassifications  | (80)          | 10,363                                    | 30                 | (16,772)                              | 3,892                      | 4                            | 2,023                              | 56                            | (484)          |
| Disposals / derecognition  | 0             | 0   | 0                  | 0                                     | (2,203)                    | 0                            | 0                                  | (100)                         | (2,303)        |
| <b>Valuation/gross cost at 31 March 2017</b>                           | <b>9,011</b>  | <b>249,651</b>                            | <b>1,489</b>       | <b>10,423</b>                         | <b>81,624</b>              | <b>749</b>                   | <b>19,929</b>                      | <b>6,173</b>                  | <b>379,049</b> |
| <b>Accumulated depreciation at 1 April 2016 - as previously stated</b> | <b>0</b>      | <b>0</b>                                  | <b>0</b>           | <b>0</b>                              | <b>48,535</b>              | <b>572</b>                   | <b>11,790</b>                      | <b>4,886</b>                  | <b>65,783</b>  |
| Provided during the year   | 0             | 5,643                                     | 45                 | 0                                     | 6,370                      | 24                           | 2,144                              | 310                           | 14,536         |
| Impairments  | 0             | 0   | 0                  | 0                                     | 3                          | 0                            | 0                                  | 0                             | 3              |
| Reversals of impairments   | 0             | 0   | 0                  | 0                                     | 0                          | 0                            | 0                                  | 0                             | 0              |
| Revaluations   | 0             | (5,643)                                   | (45)               | 0                                     | 0                          | 0                            | 0                                  | 0                             | (5,688)        |
| Reclassifications  | 0             | 0   | 0                  | 0                                     | 0                          | 3                            | (2)                                | (1)                           | 0              |
| Disposals/ derecognition   | 0             | 0   | 0                  | 0                                     | (2,195)                    | 0                            | 0                                  | (100)                         | (2,295)        |
| <b>Accumulated depreciation at 31 March 2017</b>                       | <b>-</b>      | <b>-</b>                                  | <b>-</b>           | <b>-</b>                              | <b>52,713</b>              | <b>599</b>                   | <b>13,932</b>                      | <b>5,095</b>                  | <b>72,339</b>  |
| <b>Net book value at 31 March 2017</b>                                 | <b>9,011</b>  | <b>249,651</b>                            | <b>1,489</b>       | <b>10,423</b>                         | <b>28,911</b>              | <b>150</b>                   | <b>5,997</b>                       | <b>1,078</b>                  | <b>306,710</b> |
| <b>Net book value at 1 April 2016</b>                                  | <b>21,968</b> | <b>327,502</b>                            | <b>1,920</b>       | <b>10,195</b>                         | <b>27,009</b>              | <b>99</b>                    | <b>5,689</b>                       | <b>1,328</b>                  | <b>395,710</b> |

**Note 15.3 Property, plant and equipment financing - 2017-18**

|  | Land<br>£000s | Buildings<br>excluding<br>dwellings<br>£000s | Dwellings<br>£000s | Assets under<br>construction<br>£000s | Plant &<br>machinery<br>£000s | Transport<br>equipment<br>£000s | Information<br>technology<br>£000s | Furniture &<br>fittings<br>£000s | Total<br>£000s |
|--|---------------|--|--------------------|---------------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------------|----------------|
| <b>Net book value at 31 March 2018</b>                             |               |  |                    |                                       |                               |                                 |                                    |                                  |                |
| Owned - purchased  | 9,236         | 266,530                                      | 1,561              | 8,384                                 | 22,919                        | 129                             | 5,495                              | 1,364                            | <b>315,618</b> |
| Finance leased   | 0             | 0  | 0                  | 0                                     | 1,790                         | 0                               | 0                                  | 0                                | <b>1,790</b>   |
| On-SoFP PFI contracts and other service<br>concession arrangements | 0             | 8,041  | 0                  | 0                                     | 4,444                         | 0                               | 0                                  | 0                                | <b>12,485</b>  |
| Owned - donated  | 0             | 862  | 0                  | 0                                     | 627                           | 0                               | 0                                  | 0                                | <b>1,489</b>   |
| <b>NBV total at 31 March 2018</b>                                  | <b>9,236</b>  | <b>275,433</b>                               | <b>1,561</b>       | <b>8,384</b>                          | <b>29,780</b>                 | <b>129</b>                      | <b>5,495</b>                       | <b>1,364</b>                     | <b>331,382</b> |

**Note 15.4 Property, plant and equipment financing - 2016-17**

|  | Land<br>£000s | Buildings<br>excluding<br>dwellings<br>£000s | Dwellings<br>£000s | Assets under<br>construction<br>£000s | Plant &<br>machinery<br>£000s | Transport<br>equipment<br>£000s | Information<br>technology<br>£000s | Furniture &<br>fittings<br>£000s | Total<br>£000s |
|--|---------------|--|--------------------|---------------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------------|----------------|
| <b>Net book value at 31 March 2017</b>                             |               |  |                    |                                       |                               |                                 |                                    |                                  |                |
| Owned - purchased  | 9,011         | 241,303                                      | 1,489              | 10,423                                | 22,007                        | 150                             | 5,997                              | 1,075                            | <b>291,455</b> |
| Finance leased   | 0             | 0  | 0                  | 0                                     | 1,966                         | 0                               | 0                                  | 0                                | <b>1,966</b>   |
| On-SoFP PFI contracts and other service<br>concession arrangements | 0             | 7,549  | 0                  | 0                                     | 4,166                         | 0                               | 0                                  | 0                                | <b>11,715</b>  |
| Owned - donated  | 0             | 799  | 0                  | 0                                     | 772                           | 0                               | 0                                  | 3                                | <b>1,574</b>   |
| <b>NBV total at 31 March 2017</b>                                  | <b>9,011</b>  | <b>249,651</b>                               | <b>1,489</b>       | <b>10,423</b>                         | <b>28,911</b>                 | <b>150</b>                      | <b>5,997</b>                       | <b>1,078</b>                     | <b>306,710</b> |

## Note 16 Donations of property, plant and equipment

The Royal Wolverhampton Hospitals NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2018.

## Note 17 Revaluations of property, plant and equipment

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value under IFRS 13 where there are no restrictions preventing access to the market at the reporting date and if it does not meet the requirement of IAS 40 or IFRS 5.

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

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

The fair value of land and buildings is determined by valuations carried out by a Professional Valuer GVA. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. A desktop valuation (excluding assets under construction/work in progress) was carried out as at 31 March 2018 and assets lives were also reviewed by the GVA as at this date. This valuation was based on published data from the Building Cost Information Service (BCIS) which provides a level of consistency in reporting and forecasting future trends. The valuation and the associated data was based on all in forecast Tender Price Index (TPI) as at 31 March 2018.

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

## Note 18 Inventories

|                                       | <b>31 March<br/>2018<br/>£000s</b> | 31 March 2017<br>£000s |
|---------------------------------------|------------------------------------|------------------------|
| Drugs                                 | 1,931                              | 2,051                  |
| Consumables                           | 4,148                              | 4,034                  |
| Energy                                | 138                                | 129                    |
| Other                                 | 140                                | 123                    |
| <b>Total inventories</b>              | <b>6,357</b>                       | <b>6,337</b>           |
| <b>of which:</b>                      |                                    |                        |
| Held at fair value less costs to sell | 0                                  | 0                      |

Inventories recognised in expenses for the year were £86,021k (2016-17: £87,295k). Write-down of inventories recognised as expenses for the year were £0k (2016-17: £10k).

**Note 19.1 Trade receivables and other receivables**

|   | <b>31 March<br/>2018</b> | 31 March 2017      |
|---|--------------------------|--------------------|
|   | <b>£000s</b>             | £000s              |
| <b>Current</b>  |                          |                    |
| Trade receivables   | 26,356                   | 24,279             |
| Accrued income  | 6,670                    | 2,070              |
| Provision for impaired receivables                          | (2,104)                  | (836)              |
| Prepayments (non-PFI)                                       | 2,891                    | 2,023              |
| PDC dividend receivable                                     | 0                        | 3,667              |
| VAT receivable  | 919                      | 1,240              |
| Other receivables   | 840                      | 714                |
| <b>Total current trade and other receivables</b>            | <b>35,572</b>            | <b>33,157</b>      |
| <b>Non-current</b>  |                          |                    |
| Trade receivables   | 0                        | 1,307 <sup>1</sup> |
| Provision for impaired receivables                          | 0                        | (788) <sup>1</sup> |
| PFI lifecycle prepayments                                   | 0                        | 105                |
| <b>Total non-current trade and other receivables</b>        | <b>0</b>                 | <b>624</b>         |
| <b>Of which receivables from NHS and DHSC group bodies:</b> |                          |                    |
| Current   | 25,596                   | 25,771             |
| Non-current   | 0                        | 0                  |

1 Prior year non- current assets relating to ICR income have been recategorised in year and are included in current assets for 2017-18

**Note 19.2 Provision for impairment of receivables**

|                                 | <b>2017-18</b> | 2016-17      |
|---------------------------------|----------------|--------------|
|                                 | <b>£000s</b>   | £000s        |
| <b>Balance at 1 April 2017</b>  | <b>1,624</b>   | 1,338        |
| Increase in provision           | 1,055          | 402          |
| Amounts utilised                | (152)          | (116)        |
| Unused amounts reversed         | (423)          | 0            |
| <b>Balance at 31 March 2018</b> | <b>2,104</b>   | <b>1,624</b> |

Factors determining whether a receivable is impaired include the age of the debt and whether or not the debt is collectable or collectable by instalments.

**Note 19.3 Credit quality of financial assets**

|  | <b>31 March<br/>2018</b>                   | 31 March 2017                     |
|--|--|-----------------------------------|
|  | <b>Trade and<br/>other<br/>receivables</b> | Trade and<br>other<br>receivables |
|  | <b>£000s</b>                               | £000s                             |
| <b>Ageing of impaired financial assets</b>                         |  |                                   |
| 0-30 days  | 0  | 368                               |
| 30-60 Days   | 3  | 220                               |
| 60-90 days   | 33   | 2                                 |
| 90-180 days  | 252  | 0                                 |
| Over 180 days  | 627  | 156                               |
| <b>Total</b>   | <b>915</b>                                 | <b>746</b>                        |
| <b>Ageing of non-impaired financial assets past their due date</b> |  |                                   |
| 0-30 days  | 382  | 160                               |
| 30-60 Days   | 159  | 284                               |
| 60-90 days   | 62   | 0                                 |
| 90-180 days  | 85   | 245                               |
| Over 180 days  | 657  | 76                                |
| <b>Total</b>   | <b>1,345</b>                               | <b>765</b>                        |

**Note 20 Non-current assets held for sale and assets in disposal groups**

|   | 2017-18<br>£000s  | 2016-17<br>£000s  |
|---|-------------------|-------------------|
| <b>NBV of non-current assets for sale and assets in disposal groups at 1 April</b>  | <u>800</u>        | <u>800</u>        |
| <b>NBV of non-current assets for sale and assets in disposal groups at 31 March</b> | <u><u>800</u></u> | <u><u>800</u></u> |

The non-current assets held for sale are the building and land relating to the former Eye Infirmary Unit on Compton Road, in Wolverhampton. These assets became surplus to requirements following the rationalisation of the Trust's estate onto the New Cross Hospital site.

The Compton Road site has been valued on the open market by a professional chartered surveyor for at least £0.8m, and the Trust is engaging expert advice from NHSI to determine the best outcome/price with regards to this site.

**Note 21.1 Cash and cash equivalents movements**

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

|   | 2017-18<br>£000s     | 2016-17<br>£000s     |
|---|----------------------|----------------------|
| <b>At 1 April</b>                                 | <b>14,180</b>        | 16,927               |
| Net change in year                                | <u>2,802</u>         | <u>(2,747)</u>       |
| <b>At 31 March</b>                                | <u><u>16,982</u></u> | <u><u>14,180</u></u> |
| <b>Broken down into:</b>                          |                      |                      |
| Cash at commercial banks and in hand              | 19                   | 16                   |
| Cash with the Government Banking Service          | <u>16,963</u>        | <u>14,164</u>        |
| <b>Total cash and cash equivalents as in SoFP</b> | <u><u>16,982</u></u> | <u><u>14,180</u></u> |
| <b>Total cash and cash equivalents as in SoCF</b> | <u><u>16,982</u></u> | <u><u>14,180</u></u> |

**Note 21.2 Third party assets held by the Trust**

The Trust held cash and cash equivalents which relate to monies held by the 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.

|                                 | 31 March<br>2018<br>£000s | 31 March 2017<br>£000s |
|---------------------------------|---------------------------|------------------------|
| Monies on deposit               | <u>45</u>                 | <u>58</u>              |
| <b>Total third party assets</b> | <u><u>45</u></u>          | <u><u>58</u></u>       |

### Note 22.1 Trade and other payables

|  | 31 March<br>2018<br>£000s | 31 March<br>2017<br>£000s |
|--|---------------------------|---------------------------|
| <b>Current</b>   |                           |                           |
| Trade payables   | 17,335                    | 17,792                    |
| Capital payables   | 7,083                     | 7,476                     |
| Accruals   | 16,821                    | 18,685                    |
| Social security costs                                    | 3,737                     | 3                         |
| VAT Payables   | 74                        | 32                        |
| Other taxes payable                                      | 3,146                     | 0                         |
| PDC dividend payable                                     | 210                       | 0                         |
| Other payables   | 4,565                     | 4,534                     |
| <b>Total current trade and other payables</b>            | <b>52,971</b>             | <b>48,522</b>             |
| <b>Non-current</b>                                       |                           |                           |
| <b>Total non-current trade and other payables</b>        | <b>0</b>                  | <b>0</b>                  |
| <b>Of which payables from NHS and DHSC group bodies:</b> |                           |                           |
| Current  | 5,984                     | 7,945                     |
| Non-current  | 0                         | 0                         |

### Note 22.2 Early retirements in NHS payables above

The payables note above includes amounts in relation to early retirements as set out below:

|                                     | 31 March<br>2018<br>£000s | 31 March<br>2017<br>£000s |
|-------------------------------------|---------------------------|---------------------------|
| - outstanding pension contributions | 4,348                     | 4,065                     |

### Note 23 Other liabilities

|  | 31 March<br>2018<br>£000s | 31 March<br>2017<br>£000s |
|--|---------------------------|---------------------------|
| <b>Current</b>                             |                           |                           |
| Deferred income                            | 3,205                     | 3,689                     |
| <b>Total other current liabilities</b>     | <b>3,205</b>              | <b>3,689</b>              |
| <b>Non-current</b>                         |                           |                           |
| <b>Total other non-current liabilities</b> | <b>0</b>                  | <b>0</b>                  |

### Note 24 Borrowings

|   | 31 March<br>2018<br>£000s | 31 March<br>2017<br>£000s |
|---|---------------------------|---------------------------|
| <b>Current</b>  |                           |                           |
| Obligations under finance leases  | 196                       | 203                       |
| Obligations under PFI, LIFT or other service concession contracts (excl. lifecycle) | 1,783                     | 1,920                     |
| <b>Total current borrowings</b>   | <b>1,979</b>              | <b>2,123</b>              |
| <b>Non-current</b>  |                           |                           |
| Obligations under finance leases contracts  | 1,497                     | 1,748                     |
| <b>Total non-current borrowings</b>   | <b>3,802</b>              | <b>4,289</b>              |
|   | <b>5,299</b>              | <b>6,037</b>              |

## Note 25 Finance leases

### Note 25.1 The Royal Wolverhampton NHS Trust as a lessee

Obligations under finance leases where The Royal Wolverhampton NHS Trust is the lessee.

|  | 31 March 2018<br>£000s | 31 March 2017<br>£000s |
|--|------------------------|------------------------|
| <b>Gross lease liabilities</b>   | <b>1,813</b>           | 2,151                  |
| of which liabilities are due:  |                        |                        |
| - not later than one year;   | 211                    | 215                    |
| - later than one year and not later than five years;                               | 844                    | 962                    |
| - later than five years.   | 758                    | 974                    |
| Finance charges allocated to future periods  | (120)                  | (200)                  |
| <b>Net lease liabilities</b>   | <b>1,693</b>           | 1,951                  |
| of which payable:  |                        |                        |
| - not later than one year;   | 196                    | 203                    |
| - later than one year and not later than five years;                               | 784                    | 874                    |
| - later than five years.   | 713                    | 874                    |
| <br>Total of future minimum sublease payments to be received at the reporting date | <br>0                  | <br>0                  |
| Contingent rent recognised as an expense in the period                             | 0                      | 0                      |

### Note 26.1 Provisions for liabilities and charges analysis

|  | Legal claims<br>£000s | Other<br>£000s | Total<br>£000s |
|--|-----------------------|----------------|----------------|
| <b>At 1 April 2017</b>                               | 856                   | 5,201          | 6,057          |
| Arising during the year                              | 329                   | 3,048          | 3,377          |
| Utilised during the year                             | (233)                 | (2,173)        | (2,406)        |
| Reversed unused                                      | (82)                  | (147)          | (229)          |
| Unwinding of discount                                | 1                     | 0              | 1              |
| <b>At 31 March 2018</b>                              | <b>871</b>            | <b>5,929</b>   | <b>6,800</b>   |
| <b>Expected timing of cash flows:</b>                |                       |                |                |
| - not later than one year;                           | 290                   | 5,929          | 6,219          |
| - later than one year and not later than five years; | 163                   | 0              | 163            |
| - later than five years.                             | 418                   | 0              | 418            |
| <b>Total</b>   | <b>871</b>            | <b>5,929</b>   | <b>6,800</b>   |

Legal claims represent provisions for personal injury and injury benefits. For these claims the Trust has taken legal advice regarding legal liability and cash flow settlement timings.

Other includes: provisions for the possible return of money received by the Trust for contractual income and provisions for payments to be made regarding HR issues.

### Note 27.2 Clinical negligence liabilities

At 31 March 2018, £186,171k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of The Royal Wolverhampton NHS Trust (31 March 2017: £135,838k).

## Note 28 Contingent assets and liabilities

|  | 31 March 2018<br>£000s | 31 March 2017<br>£000s |
|--|------------------------|------------------------|
| <b>Net value of contingent liabilities</b> | <b>0</b>               | 0                      |
| <b>Net value of contingent assets</b>      | <b>700</b>             | 700                    |

The Trust has submitted Fleming VAT reclaims totalling approximately £0.7m (2013-14 £0.7m) to H.M. Revenue and Customs under s.121 of the Finance Act 2008. The outcome and timing of these claims is uncertain at 31 March 2018.

## Note 29 Contractual capital commitments

|                               | 31 March 2018<br>£000s | 31 March 2017<br>£000s |
|-------------------------------|------------------------|------------------------|
| Property, plant and equipment | 3,943                  | 3,947                  |
| <b>Total</b>                  | <b>3,943</b>           | 3,947                  |

## Note 29 On-SoFP PFI, LIFT or other service concession

The Trust has one PFI scheme and this relates to the provision of Radiology services. The Trust and Wolverhampton Radiology Limited. Company No: 4235982 (formally trading as Impregilo Wolverhampton Limited) entered into a contract dated 20 March 2002 for the design, construction, financing and equipping of, and provision of certain services in connection with the provision of a new serviced radiology facility. The agreement allows for Variations to the project. For example there were contract variations in 2004 and again in 2010 in line with service requirement. Operational period of contract years is 30 years. The SPV is now Wolverhampton Radiology Limited (Company No: 4235982) of Third Floor Broad Quay House Prince Street Bristol BS1 4DJ. Service payments are made to the Operator monthly following the submission to the Trust of an invoice accompanied by a Payment Report and a Performance Monitoring Report which list any payment adjustments. Under IFRIC 12, the substance of the contract is that the Trust has a finance lease and payments comprise 2 elements - imputed finance lease charges and service charges. Details of the imputed finance lease charges are provided in the tables below.

### Note 29.1 Imputed finance lease obligations

The Royal Wolverhampton NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI and LIFT schemes:

|   | <b>31 March<br/>2018<br/>£000s</b> | 31 March 2017<br>£000s |
|---|------------------------------------|------------------------|
| <b>Gross PFI, LIFT or other service concession liabilities</b>          | <b>7,534</b>                       | 8,221                  |
| <b>Of which liabilities are due</b>                                     |                                    |                        |
| - not later than one year;  | 1,783                              | 1,920                  |
| - later than one year and not later than five years;                    | 3,880                              | 4,023                  |
| - later than five years.  | 1,871                              | 2,278                  |
| Finance charges allocated to future periods                             | <b>(1,949)</b>                     | (2,012)                |
| <b>Net PFI, LIFT or other service concession arrangement obligation</b> | <b>5,585</b>                       | 6,209                  |
| - not later than one year;  | 1,783                              | 1,920                  |
| - later than one year and not later than five years;                    | 2,855                              | 2,847                  |
| - later than five years.  | 947                                | 1,442                  |

### Note 29.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

Total future obligations under these on-SoFP schemes are as follows:

|  | <b>31 March<br/>2018<br/>£000s</b> | 31 March 2017<br>£000s |
|--|------------------------------------|------------------------|
| Total future payments committed in respect of the PFI, LIFT or other service concession arrangements | <b>95,934</b>                      | 101,750                |
| <b>Of which liabilities are due:</b>   |                                    |                        |
| - not later than one year;   | 6,023                              | 5,817                  |
| - later than one year and not later than five years;   | 25,254                             | 24,939                 |
| - later than five years.   | 64,657                             | 70,994                 |

### Note 29.3 Analysis of amounts payable to service concession

This note provides an analysis of the Trust's payments in 2017-18:

|  | <b>31 March<br/>2018<br/>£000s</b> | 31 March 2017<br>£000s |
|--|------------------------------------|------------------------|
| Unitary payment payable to service concession operator       | <b>5,817</b>                       | 5,620                  |
| <b>Consisting of:</b>  |                                    |                        |
| - Interest charge  | 404                                | 452                    |
| - Repayment of finance lease liability                       | 1,920                              | 1,871                  |
| - Service element and other charges to operating expenditure | 2,188                              | 2,136                  |
| - Contingent rent  | 1,305                              | 1,161                  |
| <b>Total amount paid to service concession operator</b>      | <b>5,817</b>                       | 5,620                  |

## **Note 30 Financial instruments**

### **Note 30.1 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 [organisation] has with [commissioners] and the way those [commissioners] are financed, the NHS [organisation] 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 [organisation] 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 [organisation] in undertaking its activities.

The trust's 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 revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2018 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.

**Note 30.2 Carrying values of financial assets**

|  | Loans and<br>receivables<br>£000s | Total book value<br>£000s |
|--|-----------------------------------|---------------------------|
| <b>Assets as per SoFP as at 31 March 2018</b>              |                                   |                           |
| Trade and other receivables excluding non financial assets | 23,283                            | 23,283                    |
| Cash and cash equivalents at bank and in hand              | 16,982                            | 16,982                    |
| <b>Total at 31 March 2018</b>                              | <b>40,265</b>                     | <b>40,265</b>             |

|  | Loans and<br>receivables<br>£000s | Total book value<br>£000s |
|--|-----------------------------------|---------------------------|
| <b>Assets as per SoFP as at 31 March 2017</b>              |                                   |                           |
| Trade and other receivables excluding non financial assets | 24,144                            | 24,144                    |
| Cash and cash equivalents at bank and in hand              | 14,180                            | 14,180                    |
| <b>Total at 31 March 2017</b>                              | <b>38,324</b>                     | <b>38,324</b>             |

**Note 30.3 Carrying value of financial liabilities**

|  | Other financial<br>liabilities<br>£000s | Total book value<br>£000s |
|--|---|---------------------------|
| <b>Liabilities as per SoFP as at 31 March 2018</b>                 |   |                           |
| Obligations under finance leases                                   | 1,693                                   | 1,693                     |
| Obligations under PFI, LIFT and other service concession contracts | 5,585                                   | 5,585                     |
| Trade and other payables excluding non financial liabilities       | 39,430                                  | 39,430                    |
| <b>Total at 31 March 2018</b>                                      | <b>46,708</b>                           | <b>46,708</b>             |

|  | Other financial<br>liabilities<br>£000s | Total book value<br>£000s |
|--|---|---------------------------|
| <b>Liabilities as per SoFP as at 31 March 2017</b>                 |   |                           |
| Obligations under finance leases                                   | 1,951                                   | 1,951                     |
| Obligations under PFI, LIFT and other service concession contracts | 6,209                                   | 6,209                     |
| Trade and other payables excluding non financial liabilities       | 48,487                                  | 48,487                    |
| <b>Total at 31 March 2017</b>                                      | <b>56,647</b>                           | <b>56,647</b>             |

**Note 30.4 Fair values of financial assets and liabilities**

Book value used as a reasonable approximation of fair value for financial assets and liabilities

**Note 30.5 Maturity of financial liabilities**

|   | 31 March 2018<br>£000s | 31 March 2017<br>£000s |
|---|------------------------|------------------------|
| In one year or less                                 | 41,409                 | 50,610                 |
| In more than one year but not more than two years   | 0                      | 1,424                  |
| In more than two years but not more than five years | 3,639                  | 2,297                  |
| In more than five years                             | 1,660                  | 2,316                  |
| <b>Total</b>  | <b>46,708</b>          | <b>56,647</b>          |

**Note 31 Losses and special payments**

|  | 2017-18                            |                                  | 2016-17                            |                               |
|--|------------------------------------|----------------------------------|------------------------------------|-------------------------------|
|  | Total number of<br>cases<br>Number | Total value of<br>cases<br>£000s | Total number of<br>cases<br>Number | Total value of cases<br>£000s |
| <b>Losses</b>                            |                                    |                                  |                                    |                               |
| Cash losses                              | 11                                 | 3                                | 1                                  | 0                             |
| Fruitless payments                       | 1                                  | 0                                | 0                                  | 0                             |
| Bad debts and claims abandoned           | 71                                 | 47                               | 24                                 | 155                           |
| <b>Total losses</b>                      | <b>83</b>                          | <b>50</b>                        | <b>25</b>                          | <b>156</b>                    |
| <b>Special payments</b>                  |                                    |                                  |                                    |                               |
| Ex-gratia payments                       | 43                                 | 118                              | 47                                 | 170                           |
| Special severance payments               | 1                                  | 5                                | 0                                  | 0                             |
| <b>Total special payments</b>            | <b>44</b>                          | <b>123</b>                       | <b>47</b>                          | <b>170</b>                    |
| <b>Total losses and special payments</b> | <b>127</b>                         | <b>173</b>                       | <b>72</b>                          | <b>326</b>                    |
| Compensation payments received           |                                    | 0                                |                                    | 0                             |

**Note 32 Related parties**

During the year none of the Department of Health Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with The Royal Wolverhampton NHS Trust.

The Department of Health is regarded as a related party. During the year 2017-18 the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below where income and/or expenditure has been in excess of £500,000.

|  | Payments to<br>Related<br>Party | Receipts from<br>Related Party | Amounts<br>owed to<br>Related<br>Party | Amounts due<br>from Related<br>Party |
|--|---------------------------------|--------------------------------|--|--------------------------------------|
|  | £000s's                         | £000s's                        | £000s's                                | £000s's                              |
| Birmingham Community Healthcare NHS Foundation Trust               | 243                             | 1,177                          | 24                                     | 441                                  |
| Birmingham Women's and Children's Hospital NHS Foundation Trust    | 2,092                           | 747                            | 294                                    | 322                                  |
| Black Country Partnership NHS Foundation Trust                     | 382                             | 598                            | 122                                    | 295                                  |
| Burton Hospitals NHS Foundation Trust                              | 824                             | 143                            | 295                                    | 44                                   |
| Community Health Partnerships                                      | 1,727                           | 0                              | 188                                    | 0                                    |
| Department of Health and Social Care                               | 0                               | 33,677                         | 0                                      | 500                                  |
| Health Education England   | 4                               | 15,294                         | 0                                      | 516                                  |
| Heart of England NHS Foundation Trust                              | 2,219                           | 73                             | 58                                     | 24                                   |
| HM Revenue & Customs - Other taxes and duties and NI contributions | 26,691                          | 0                              | 6,883                                  | 0                                    |
| HM Revenue & Customs - VAT   | 0                               | 0                              | 74                                     | 919                                  |
| NHS Birmingham Crosscity CCG                                       | 0                               | 1,164                          | 164                                    | 0                                    |
| NHS Blood and Transplant   | 1,911                           | 60                             | 0                                      | 198                                  |
| NHS Cannock Chase CCG  | 0                               | 46,288                         | 296                                    | 2,863                                |
| NHS Dudley CCG   | 40                              | 7,521                          | 0                                      | 18                                   |
| NHS England  | 14                              | 117,966                        | 33                                     | 5,620                                |
| NHS Improvement (Trust Development Authority)                      | 0                               | 653                            | 0                                      | 20                                   |
| NHS Pension Scheme   | 31,314                          | 0                              | 4,348                                  | 0                                    |
| NHS Resolution (formerly NHS Litigation Authority)                 | 10,068                          | 0                              | 1                                      | 0                                    |
| NHS Sandwell and West Birmingham CCG                               | 0                               | 2,428                          | 1                                      | 55                                   |
| NHS Shropshire CCG   | 0                               | 4,595                          | 2                                      | 379                                  |
| NHS South East Staffs and Seisdon Peninsular CCG                   | 0                               | 28,546                         | 89                                     | 167                                  |
| NHS Stafford and Surrounds CCG                                     | 0                               | 16,310                         | 1,067                                  | 0                                    |
| NHS Telford and Wrekin CCG   | 0                               | 2,707                          | 0                                      | 207                                  |
| NHS Walsall CCG  | 0                               | 30,121                         | 312                                    | 0                                    |
| NHS Wolverhampton CCG  | 0                               | 198,716                        | 1,271                                  | 10,478                               |
| Sandwell And West Birmingham Hospitals NHS Trust                   | 1,018                           | 621                            | 43                                     | 164                                  |
| Shrewsbury and Telford Hospital NHS Trust                          | 770                             | 565                            | 0                                      | 48                                   |
| South Staffordshire and Shropshire Healthcare NHS Foundation Trust | 529                             | 501                            | 16                                     | 57                                   |
| The Dudley Group NHS Foundation Trust                              | 2,689                           | 2,149                          | 442                                    | 375                                  |
| University Hospitals Birmingham NHS Foundation Trust               | 2,710                           | 107                            | 310                                    | 103                                  |
| University Hospitals Coventry And Warwickshire NHS Trust           | 1,889                           | 38                             | 636                                    | 1                                    |
| University Hospitals of North Midlands NHS Trust                   | 2,220                           | 1,094                          | 150                                    | 379                                  |
| Walsall Healthcare NHS Trust                                       | 370                             | 2,553                          | 267                                    | 1,533                                |
| Wolverhampton City Council   | 784                             | 8738                           | 43                                     | 243                                  |

The Trust has also received revenue and capital payments from a number of charitable funds for which the Trust acts as the Corporate Trustee, under the umbrella of Royal Wolverhampton NHS Trust Charitable Funds. Charitable funds held by the Trust are a related party as the Trust is Corporate Trustee for the funds.

**Note 33 Better Payment Practice code**

|   | 2017-18<br>Number | 2017-18<br>£000s | 2016-17<br>Number | 2016-17<br>£000s |
|---|-------------------|------------------|-------------------|------------------|
| <b>Non-NHS Payables</b>                                 |                   |                  |                   |                  |
| Total non-NHS trade invoices paid in the year           | 111,667           | 254,137          | 116,956           | 259,153          |
| Total non-NHS trade invoices paid within target         | 81,182            | 194,257          | 95,462            | 227,031          |
| Percentage of non-NHS trade invoices paid within target | <b>72.70%</b>     | <b>76.44%</b>    | 81.62%            | 87.61%           |
| <b>NHS Payables</b>                                     |                   |                  |                   |                  |
| Total NHS trade invoices paid in the year               | 3,150             | 58,566           | 3,560             | 56,032           |
| Total NHS trade invoices paid within target             | 2,124             | 50,165           | 2,801             | 48,509           |
| Percentage of NHS trade invoices paid within target     | <b>67.43%</b>     | <b>85.65%</b>    | 78.68%            | 86.57%           |

**Note 34 External financing**

The Trust is given an external financing limit against which it is permitted to underspend:

|                                  | 2017-18<br>£000s | 2016-17<br>£000s |
|----------------------------------|------------------|------------------|
| Cash flow financing              | 3,626            | 2,690            |
| Finance leases taken out in year | -                | 1,936            |
| External financing requirement   | <u>3,626</u>     | <u>4,626</u>     |
| External financing limit (EFL)   | <u>3,626</u>     | <u>4,638</u>     |
| Under / (over) spend against EFL | <u><u>0</u></u>  | <u><u>12</u></u> |

**Note 35 Capital Resource Limit**

|  | 2017-18<br>£000s     | 2016-17<br>£000s     |
|--|----------------------|----------------------|
| Gross capital expenditure                    | 19,983               | 22,809               |
| Less: Disposals                              | 0                    | (8)                  |
| Less: Donated and granted capital additions  | <u>(74)</u>          | <u>(984)</u>         |
| <b>Charge against Capital Resource Limit</b> | <u><u>19,909</u></u> | <u><u>21,817</u></u> |
| Capital Resource Limit                       | <u>20,068</u>        | <u>22,263</u>        |
| <b>Under / (over) spend against CRL</b>      | <u><u>159</u></u>    | <u><u>446</u></u>    |

**Note 36 Breakeven duty financial performance**

|   | 2017-18<br>£000s    |
|---|---------------------|
| Adjusted financial performance surplus / (deficit)<br>(control total basis) | 4,327               |
| Remove impairments scoring to Departmental<br>Expenditure Limit             | 0                   |
| Add back income for impact of 2016-17 post-accounts<br>STF reallocation     | 0                   |
| Add back non-cash element of On-SoFP pension<br>scheme charges              | 0                   |
| IFRIC 12 breakeven adjustment   | <u>0</u>            |
| Breakeven duty financial performance surplus /<br>(deficit)                 | <u><u>4,327</u></u> |

**Note 37 Breakeven duty rolling assessment**

|  | 2008/09 | 2009/10<br>£000s | 2010/11<br>£000s | 2011/12<br>£000s | 2012/13<br>£000s | 2013/14<br>£000s | 2014/15<br>£000s | 2015/16<br>£000s | 2016-17<br>£000s | 2017-18<br>£000s |
|--|---------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Breakeven duty in-year financial performance                         |         | 8,035            | 7,964            | 9,297            | 8,688            | 7,891            | 3,663            | 153              | 8,542            | 4,327            |
| Breakeven duty cumulative position                                   | (7,438) | 597              | 8,561            | 17,858           | 26,546           | 34,437           | 38,100           | 38,253           | 46,795           | 51,122           |
| Operating income   |         | <u>289,830</u>   | <u>306,023</u>   | <u>374,417</u>   | <u>384,917</u>   | <u>394,045</u>   | <u>461,810</u>   | <u>509,405</u>   | <u>536,028</u>   | <u>548,538</u>   |
| Cumulative breakeven position as a percentage of<br>operating income |         | <u>0.21%</u>     | <u>2.80%</u>     | <u>4.77%</u>     | <u>6.90%</u>     | <u>8.74%</u>     | <u>8.25%</u>     | <u>7.51%</u>     | <u>8.73%</u>     | <u>9.32%</u>     |

NHS Improvement has provided guidance that the first year for consideration for the breakeven duty should be 2009/10. The Royal Wolverhampton NHS Trust is subject to a three year period for recovery of any deficit incurred.

Breakeven duty financial performance is determined as guided by NHS Improvement, in a manner to be consistent with previous years in this note

### English

If you need information in another way like easy read or a different language please let us know.

If you need an interpreter or assistance please let us know.

### Lithuanian

Jeigu norėtumėte, kad informacija jums būtų pateikta kitu būdu, pavyzdžiui, supaprastinta forma ar kita kalba, prašome mums apie tai pranešti.

Jeigu jums reikia vertėjo ar kitos pagalbos, prašome mums apie tai pranešti.

### Polish

Jeżeli chcieliby Państwo otrzymać te informacje w innej postaci, na przykład w wersji łatwej do czytania lub w innym języku, prosimy powiedzieć nam o tym.

Prosimy poinformować nas również, jeżeli potrzebowaliby Państwo usługi tłumaczenia ustnego lub innej pomocy.

### Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਹ ਜਾਣਕਾਰੀ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ, ਜਿਵੇਂ ਪੜ੍ਹਨ ਵਿਚ ਆਸਾਨ ਰੂਪ ਜਾਂ ਕਿਸੇ ਦੂਜੀ ਭਾਸ਼ਾ ਵਿਚ, ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਸਾਨੂੰ ਦੱਸੋ।

ਜੇ ਤੁਹਾਨੂੰ ਦੁਭਾਸ਼ੀਏ ਦੀ ਜਾਂ ਸਹਾਇਤਾ ਦੀ ਲੋੜ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਸਾਨੂੰ ਦੱਸੋ।

### Romanian

Dacă aveți nevoie de informații în alt format, ca de exemplu caractere ușor de citit sau altă limbă, vă rugăm să ne informați.

Dacă aveți nevoie de un interpret sau de asistență, vă rugăm să ne informați.

### Traditional Chinese

如果您需要以其他方式了解信息，如易读或其他语种，请告诉我们。

如果您需要口译人员或帮助，请告诉我们。