

<b>Reporting to:</b>	<b>Trust Board, 2 June 2016</b>
<b>Title</b>	Annual Accounts for 1 April 2015 to 31 March 2016
<b>Sponsoring Director</b>	Finance Director
<b>Author(s)</b>	Senior Financial Accountant
<b>Previously considered by</b>	Audit Committee
<b>Executive Summary</b>	<p>It is a mandatory requirement for all NHS organisations to produce Annual Accounts in line with accounting policies set out in the Department of Health Group Manual for Accounts.</p> <p>Attached are the Annual Accounts for the Shrewsbury and Telford Hospital NHS Trust for the period 1 April 2015 to 31 March 2016.</p> <p>These Annual Accounts have been audited by external auditors, Ernst &amp; Young.</p>
<b>Strategic Priorities</b>	
1. Quality and Safety	<input type="checkbox"/> Reduce harm, deliver best clinical outcomes and improve patient experience. <input type="checkbox"/> Address the existing capacity shortfall and process issues to consistently deliver national healthcare standards <input type="checkbox"/> Develop a clinical strategy that ensures the safety and short term sustainability of our clinical services pending the outcome of the Future Fit Programme <input type="checkbox"/> To undertake a review of all current services at specialty level to inform future service and business decisions <input type="checkbox"/> Develop a sustainable long term clinical services strategy for the Trust to deliver our vision of future healthcare services through our Future Fit Programme
2. People	<input type="checkbox"/> Through our People Strategy develop, support and engage with our workforce to make our organisation a great place to work
3. Innovation	<input type="checkbox"/> Support service transformation and increased productivity through technology and continuous improvement strategies
4. Community and Partnership	<input type="checkbox"/> Develop the principle of 'agency' in our community to support a prevention agenda and improve the health and well-being of the population <input type="checkbox"/> Embed a customer focussed approach and improve relationships through our stakeholder engagement strategies
5. Financial Strength: Sustainable Future	<input type="checkbox"/> Develop a transition plan that ensures financial sustainability and addresses liquidity issues pending the outcome of the Future Fit Programme
<b>Board Assurance Framework (BAF) Risks</b>	<input type="checkbox"/> If we do not deliver <b>safe care</b> then patients may suffer avoidable harm and poor clinical outcomes and experience <input type="checkbox"/> If we do not implement our <b>falls prevention</b> strategy then patients may suffer serious injury <input type="checkbox"/> If the local health and social care economy does not reduce the <b>Fit To Transfer (FTT)</b> waiting list from its current unacceptable levels then patients may suffer serious harm <input type="checkbox"/> Risk to <b>sustainability</b> of clinical services due to potential shortages of key clinical staff <input type="checkbox"/> If we do not achieve safe and efficient <b>patient flow</b> and improve our processes and capacity and demand planning then we will fail the national quality and performance standards <input type="checkbox"/> If we do not get good levels of <b>staff engagement</b> to get a culture of continuous improvement then staff morale and patient outcomes may not improve <input type="checkbox"/> If we do not have a clear <b>clinical service vision</b> then we may not deliver the best services to patients <input checked="" type="checkbox"/> If we are unable to resolve our (historic) shortfall in <b>liquidity</b> and the structural imbalance in the Trust's <b>Income &amp; Expenditure</b> position then we will not be able to fulfil our financial duties and address the modernisation of our ageing

	estate and equipment
<b>Care Quality Commission (CQC) Domains</b>	<input type="checkbox"/> Safe <input type="checkbox"/> Effective <input type="checkbox"/> Caring <input type="checkbox"/> Responsive <input type="checkbox"/> Well led
<input checked="" type="checkbox"/> <b>Receive</b> <input type="checkbox"/> <b>Review</b> <input type="checkbox"/> <b>Note</b> <input checked="" type="checkbox"/> <b>Approve</b>	<b>Recommendation</b> The Trust Board is recommended to APPROVE the Trust's Annual Accounts for the period 1 April 2015 to 31 March 2016.

Shrewsbury and Telford Hospital NHS Trust

Annual Accounts for the period

1 April 2015 to 31 March 2016

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

	NOTE	2015-16 £000s	2014-15 £000s
Gross employee benefits	10.1	(226,186)	(216,882)
Other operating costs	8	(125,712)	(114,355)
Revenue from patient care activities	5	304,032	295,696
Other operating revenue	6	22,445	21,098
<b>Operating deficit</b>		<b>(25,421)</b>	<b>(14,443)</b>
Investment revenue	12	28	25
Other gains and (losses)	13	(163)	(47)
Finance costs	14	(201)	(28)
<b>Deficit for the financial year</b>		<b>(25,757)</b>	<b>(14,493)</b>
Public dividend capital dividends payable		(5,271)	(6,140)
<b>Retained deficit for the year</b>		<b>(31,028)</b>	<b>(20,633)</b>

**Other Comprehensive Income**

	2015-16 £000s	2014-15 £000s
Impairments and reversals taken to the revaluation reserve	(39,752)	(9,767)
Net gain/(loss) on revaluation of property, plant & equipment	19,016	10,884
<b>Total Other Comprehensive Income</b>	<b>(20,736)</b>	<b>1,117</b>
<b>Total Comprehensive Income for the year</b>	<b>(51,764)</b>	<b>(19,516)</b>

**Financial performance for the year**

Retained deficit for the year	(31,028)	(20,633)
Impairments	16,572	8,363
Adjustments in respect of donated asset reserve elimination	(193)	140
<b>Adjusted retained deficit</b>	<b>(14,649)</b>	<b>(12,130)</b>

A Trust's Reported NHS financial performance position is derived from its retained surplus/(deficit) and adjusted for the following:-

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

Adjustments relating to donated asset reserves which have now been eliminated.

PDC dividends have been overpaid or underpaid in aggregate, the amounts due to or from the Trust are:

PDC dividend: balance receivable at 31 March 2016	627	
PDC dividend: balance receivable at 1 April 2015		63

The notes on pages 6 to 41 form part of this account.

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

		31 March 2016	31 March 2015
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	158,476	195,955
Intangible assets	16	2,267	1,685
Investment property	18	0	0
Other financial assets		0	0
Trade and other receivables	22.1	1,317	1,281
<b>Total non-current assets</b>		<b>162,060</b>	<b>198,921</b>
<b>Current assets:</b>			
Inventories	21	7,875	7,241
Trade and other receivables	22.1	8,829	15,147
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	1,700	1,001
<b>Sub-total current assets</b>		<b>18,404</b>	<b>23,389</b>
Non-current assets held for sale	27	0	0
<b>Total current assets</b>		<b>18,404</b>	<b>23,389</b>
<b>Total assets</b>		<b>180,464</b>	<b>222,310</b>
<b>Current liabilities</b>			
Trade and other payables	28	(22,992)	(23,175)
Other liabilities	29	0	0
Provisions	35	(561)	(570)
Borrowings	30	0	0
Other financial liabilities	31	0	0
DH revenue support loan	30	0	0
DH capital loan	30	0	0
<b>Total current liabilities</b>		<b>(23,553)</b>	<b>(23,745)</b>
<b>Net current assets/(liabilities)</b>		<b>(5,149)</b>	<b>(356)</b>
<b>Total assets less current liabilities</b>		<b>156,911</b>	<b>198,565</b>
<b>Non-current liabilities</b>			
Trade and other payables	28	0	0
Other liabilities	29	0	0
Provisions	35	(175)	(265)
Borrowings	30	0	0
Other financial liabilities	31	0	0
DH revenue support loan	30	(12,700)	0
DH capital loan	30	0	0
<b>Total non-current liabilities</b>		<b>(12,875)</b>	<b>(265)</b>
<b>Total assets employed:</b>		<b>144,036</b>	<b>198,300</b>
<b>FINANCED BY:</b>			
Public Dividend Capital		197,106	199,606
Retained earnings		(82,053)	(51,025)
Revaluation reserve		28,983	49,719
<b>Total Taxpayers' Equity:</b>		<b>144,036</b>	<b>198,300</b>

The notes on pages 6 to 41 form part of this account.

The financial statements on pages 2 to 5 were approved by the Board on 2 June 2016 and signed on its behalf by

**Chief Executive:**

Date:

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

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
<b>Balance at 1 April 2015</b>	<b>199,606</b>	<b>(51,025)</b>	<b>49,719</b>	<b>198,300</b>
<b>Changes in taxpayers' equity for 2015-16</b>				
Retained deficit for the year		(31,028)		(31,028)
Net gain / (loss) on revaluation of property, plant, equipment			19,016	19,016
Net gain / (loss) on revaluation of intangible assets			0	0
Net gain / (loss) on revaluation of financial assets			0	0
Net gain / (loss) on revaluation of available for sale financial			0	0
Impairments and reversals			(39,752)	(39,752)
Transfers between reserves		0	0	0
<b>Reclassification Adjustments</b>				
On disposal of available for sale financial assets			0	0
Permanent PDC received - cash	0			0
Permanent PDC repaid in year	(2,500)			(2,500)
PDC written off	0	0		0
<b>Net recognised revenue/(expense) for the year</b>	<b>(2,500)</b>	<b>(31,028)</b>	<b>(20,736)</b>	<b>(54,264)</b>
<b>Balance at 31 March 2016</b>	<b>197,106</b>	<b>(82,053)</b>	<b>28,983</b>	<b>144,036</b>
<b>Balance at 1 April 2014</b>	<b>174,801</b>	<b>(30,392)</b>	<b>48,602</b>	<b>193,011</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2015</b>				
Retained deficit for the year		(20,633)		(20,633)
Net gain / (loss) on revaluation of property, plant, equipment			10,884	10,884
Net gain / (loss) on revaluation of intangible assets			0	0
Net gain / (loss) on revaluation of financial assets			0	0
Net gain / (loss) on revaluation of assets held for sale			0	0
Impairments and reversals			(9,767)	(9,767)
Transfers between reserves		0	0	0
<b>Reclassification Adjustments</b>				
On disposal of available for sale financial assets			0	0
Originating capital for Trust established in year	0			0
New temporary and permanent PDC received - cash	41,405			41,405
New temporary and permanent PDC repaid in year	(16,600)			(16,600)
<b>Net recognised revenue/(expense) for the year</b>	<b>24,805</b>	<b>(20,633)</b>	<b>1,117</b>	<b>5,289</b>
<b>Balance at 31 March 2015</b>	<b>199,606</b>	<b>(51,025)</b>	<b>49,719</b>	<b>198,300</b>

**Statement of Cash Flows for the Year ended 31 March 2016**

	NOTI	2015-16 £000s	2014-15 £000s
<b>Cash Flows from Operating Activities</b>			
Operating deficit		(25,421)	(14,443)
Depreciation and amortisation	8	8,217	10,963
Impairments and reversals	17	16,572	8,363
Other gains/(losses) on foreign exchange	13	0	0
Donated Assets received credited to revenue but non-cash	6	0	0
Government Granted Assets received credited to revenue but non-cash		0	0
Interest paid		(168)	0
PDC Dividend paid		(5,835)	(6,135)
Increase in Inventories		(634)	(771)
(Increase)/Decrease in Trade and Other Receivables		6,846	(3,039)
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		4,016	(2,657)
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions utilised	35	(471)	(531)
Increase in movement in non cash provisions	35	362	357
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>3,484</b>	<b>(7,893)</b>
<b>Cash Flows from Investing Activities</b>			
Interest Received		28	25
Payments for Property, Plant and Equipment		(12,235)	(17,918)
Payments for Intangible Assets		(815)	(224)
Payments for Investments with DH		0	0
Payments for Other Financial Assets		0	0
Proceeds of disposal of assets held for sale (PPE)		37	6
Proceeds of disposal of assets held for sale (Intangible)		0	0
Proceeds from Disposal of Investment with DH		0	0
Proceeds from Disposal of Other Financial Assets		0	0
Rental Revenue		0	0
<b>Net Cash Outflow from Investing Activities</b>		<b>(12,985)</b>	<b>(18,111)</b>
<b>Net Cash Outflow before Financing</b>		<b>(9,501)</b>	<b>(26,004)</b>
<b>Cash Flows from Financing Activities</b>			
Gross Temporary (2014/15 only) and Permanent PDC Received		0	41,405
Gross Temporary (2014/15 only) and Permanent PDC Repaid		(2,500)	(16,600)
Loans received from DH - New Capital Investment Loans		0	0
Loans received from DH - New Revenue Support Loans		27,011	0
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		0	0
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		(14,311)	0
Other Loans Repaid		0	0
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		0	0
<b>Net Cash Inflow from Financing Activities</b>		<b>10,200</b>	<b>24,805</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>699</b>	<b>(1,199)</b>
<b>Cash and Cash Equivalents at Beginning of the Period</b>			
		1,001	2,200
Effect of exchange rate changes in the balance of cash held in foreign currencies		0	0
<b>Cash and Cash Equivalents at year end</b>	26	<b>1,700</b>	<b>1,001</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

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

The Board of Directors has concluded that the Trust is able to demonstrate that it is a going concern on the following basis:

- The Department of Health and the NHS Trust Development Authority (TDA – which is now NHS Improvement) will confirm to the Trust arrangements for accessing cash financing for organisations that have submitted a deficit plan for 2016/17. The NHS Improvement Accountability Framework sets out the process where an NHS Trust will be assisted to develop and agreement of a formal recovery plan to address deficit positions.
- The Trust has received a letter from the NHS TDA stating that it can confirm that it is reasonable for the Directors of The Shrewsbury and Telford Hospital NHS Trust to assume that NHS Trust Improvement will make sufficient cash financing available to the organisation over the next 12 month period such that the organisation is able to meet its current liabilities. On this basis they fully support the Trust's view that the NHS organisation Accounts are prepared on a Going Concern basis.
- Robust arrangements are in place for the delivery of cost improvement plans through Executive Director meetings.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Movement of assets within the DH Group

The Trust had no transfers of assets and liabilities from any organisation within the DH Group.

#### 1.4 Charitable Funds

Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. The Trust considers transactions, assets and liabilities of the NHS Charity are immaterial in 2015-16 but this is assessed annually depending on the NHS Trust's accounts as well as the NHS Charity's accounts.

#### 1.5 Pooled Budgets

The Trust has no pooled budget arrangements.

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

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

##### 1.6.1 Critical judgements in applying accounting policies

The management has had to make no critical judgements, apart from those involving estimations (see below) in the process of applying the Trust's accounting policies.

##### 1.6.2 Key sources of estimation uncertainty

Key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the relevant accounting policy note.



## NOTES TO THE ACCOUNTS

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

#### 1.7 Revenue

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

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

The 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.

#### 1.8 Employee Benefits

##### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

##### Retirement benefit costs

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

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

#### 1.9 Other expenses

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

## NOTES TO THE ACCOUNTS

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

#### 1.10 Property, plant and equipment

##### Recognition

Property, plant and equipment is capitalised if:

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

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

##### Valuation

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

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

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

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

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

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

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

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

Within the Trust's asset base there are 839 assets which have been fully written down. The gross value of these assets is £19,264,495.68.

##### Subsequent expenditure

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

## NOTES TO THE ACCOUNTS

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

#### 1.11 Intangible assets

##### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

##### Measurement

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

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

#### 1.12 Depreciation, amortisation and impairments

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

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

Assets are depreciated/amortised at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives:

Freehold buildings - over estimated useful life not exceeding 78 years.

Leaseholds - over the primary lease term.

Furniture and fittings - 5 to 23 years.

Transport Equipment - 7 to 10 years.

IT equipment - 3 to 10 years.

Plant and machinery - 5 to 21 years.

Software Licences - 5 years.

IT- in house & 3rd Party Software - 3 to 7 years.

The Trust undertook a major review of asset lives during 2015/16 to accurately reflect the actual years assets are used. This review has resulted in an increase in the remaining useful lives of many assets - Furniture and Fittings increased from 5 to 15 years to 5 to 23 years; IT equipment increased from 5 to 10 years to 3 to 10 years; Plant and machinery from 5 to 20 years to 5 to 21 years.

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

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

## NOTES TO THE ACCOUNTS

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

#### 1.13 Donated assets

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

#### 1.14 Government grants

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

#### 1.15 Non-current assets held for sale

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

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

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

#### 1.16 Leases

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

##### The trust as lessee

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

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

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

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

##### The NHS trust as lessor

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

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

## NOTES TO THE ACCOUNTS

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

#### 1.17 Private Finance Initiative (PFI) transactions

The Trust has no PFI agreements.

#### 1.18 Inventories

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

#### 1.19 Cash and cash equivalents

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

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

#### 1.20 Provisions

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

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

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

## NOTES TO THE ACCOUNTS

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

#### 1.21 Clinical negligence costs

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

#### 1.22 Non-clinical risk pooling

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

#### 1.23 Carbon Reduction Commitment Scheme (CRC)

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

#### 1.24 Contingencies

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

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

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

#### 1.25 Financial assets

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

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

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

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

##### Held to maturity investments

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

##### Available for sale financial assets

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

## NOTES TO THE ACCOUNTS

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

#### Loans and receivables

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

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

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

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

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

#### 1.26 Financial liabilities

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

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

#### Financial guarantee contract liabilities

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

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

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

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

#### Other financial liabilities

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

#### 1.27 Value Added Tax

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

#### 1.28 Foreign currencies

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

## NOTES TO THE ACCOUNTS

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

#### 1.29 Third party assets

Details of third party assets (such as money held on behalf of patients) are given in Note 44 to the accounts.

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

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

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

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

#### 1.31 Losses and Special Payments

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

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

#### 1.32 Subsidiaries

There are no material entities in which the Trust has the power to exercise control to obtain economic or other benefits.

The Trust will not be consolidating the results of the NHS Trust's Charity, over which it considers it has the power to exercise control in accordance with IAS27 requirements, due to materiality.

#### 1.33 Associates

There are no material entities in which the Trust has the power to exercise significant influence to obtain economic or other benefits.

#### 1.34 Joint arrangements

There are no joint arrangements in which the Trust participates in with one or more other parties.

#### 1.35 Research and Development

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

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

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

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



## 2. Pooled budget

The Trust has no transactions that require disclosure within this note.

## 3. Operating segments

The Trust operates in one material segment which is the provision of healthcare services.

## 4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The Trust has no income generation activities whose full cost exceeded £1m.

## 5. Revenue from patient care activities

	2015-16 £000s	2014-15 £000s
NHS Trusts	624	468
NHS England	51,936	48,019
Clinical Commissioning Groups*	219,664	219,930
Foundation Trusts	633	533
NHS Other (including Public Health England)	462	173
Additional income for delivery of healthcare services	2,500	0
Non-NHS:		
Local Authorities	87	83
Private patients	1,424	1,569
Overseas patients (non-reciprocal)	81	62
Injury costs recovery**	1,317	1,281
Other***	25,304	23,578
<b>Total Revenue from patient care activities</b>	<b>304,032</b>	<b>295,696</b>

\* Includes £1m transitional support from Shropshire CCG in 2014-15.

\*\* Injury cost recovery income is subject to a provision for impairment of receivables of 21.99% (previously 18.9% to September 2015) to reflect expected rates of collection.

\*\*\* Non-NHS-Other includes income of £25.2m from Welsh bodies (2014-15: £23.5m).

## 6. Other operating revenue

	2015-16 £000s	2014-15 £000s
Education, training and research	12,220	11,229
Receipt of donations for capital acquisitions - Charity	795	893
Non-patient care services to other bodies	2,419	2,402
Income generation	3,013	2,885
Other revenue	3,998	3,689
<b>Total Other Operating Revenue</b>	<b>22,445</b>	<b>21,098</b>
<b>Total operating revenue</b>	<b>326,477</b>	<b>316,794</b>

## 7. Overseas Visitors Disclosure

	2015-16 £000s	2014-15 £000s
Income recognised during 2015-16 (invoiced amounts and accruals)	81	62
Cash payments received in-year (re receivables at 31 March 2015)	3	7
Cash payments received in-year (iro invoices issued 2014-15)	31	26
Amounts added to provision for impairment of receivables (re receivables at 31 March 2014)	0	0
Amounts added to provision for impairment of receivables (iro invoices issued 2014-15)	51	22
Amounts written off in-year (irrespective of year of recognition)	23	1

**8. Operating expenses**

	<b>2015-16</b>	2014-15
	<b>£000s</b>	£000s
Purchase of healthcare from non-NHS bodies	212	780
Trust Chair and Non-executive Directors	71	76
Supplies and services - clinical	63,478	59,178
Supplies and services - general	5,270	5,145
Consultancy services	64	572
Establishment	4,457	4,552
Transport	884	2,627
Business rates paid to local authorities	1,750	962
Premises	12,109	12,428
Hospitality	4	3
Insurance	54	90
Legal Fees	367	76
Impairments and Reversals of Receivables	380	457
Inventories write down	118	77
Depreciation	7,633	10,506
Amortisation	584	457
Impairments and reversals of property, plant and equipment	16,572	8,363
Internal Audit Fees (2014-15: included in 'Other')	130	
Audit fees	92	146
Clinical negligence	10,065	6,494
Education and Training	925	762
Other	493	604
<b>Total Operating expenses (excluding employee benefits)</b>	<b>125,712</b>	<b>114,355</b>
<b>Employee Benefits</b>		
Employee benefits excluding Board members	224,938	215,518
Board members	1,248	1,364
<b>Total Employee Benefits</b>	<b>226,186</b>	<b>216,882</b>
<b>Total Operating Expenses</b>	<b>351,898</b>	<b>331,237</b>

## 9. Operating Leases

The Trust has two operating leases relating to investments in replacing the boiler plants. The term of the lease at the Princess Royal Hospital is 14 years 6 months and commenced in July 2003. The term of the lease at the Royal Shrewsbury Hospital is 15 years and commenced 1 April 2007.

The Trust has a contract for computerised digital imaging and archiving service contracts within Radiology. The term of the contract, which covers the Royal Shrewsbury Hospital and the Princess Royal Hospital, is 10 years and commenced on 1 January 2016.

The Trust has a lease for printing services for both hospitals. The lease commenced 1 September 2009 for 5 years but has been extended for a further two years.

The Trust has two property leases for off site office accommodation and an off site sterile services facility. A new lease for the off site office accommodation commenced on 21 July 2015 for 10 years. The lease for the off site sterile services facility is for 20 years commencing 1 April 2010.

The Trust has entered into leases for the provision of staff and office accommodation facilities at the Royal Shrewsbury Hospital.

The Trust has several managed service contracts for the provision of services within the Pathology department.

The Trust also leases cars and adhoc medical equipment.

### 9.1. Shrewsbury and Telford Hospital NHS Trust as lessee

	Buildings £000s	Other £000s	2015-16 Total £000s	2014-15 £000s
<b>Payments recognised as an expense</b>				
Minimum lease payments			5,209	5,339
Contingent rents			0	0
Sub-lease payments			0	0
<b>Total</b>			<b>5,209</b>	<b>5,339</b>
<b>Payable:</b>				
No later than one year	465	3,932	4,397	5,156
Between one and five years	1,860	8,266	10,126	11,684
After five years	4,172	4,359	8,531	5,661
<b>Total</b>	<b>6,497</b>	<b>16,557</b>	<b>23,054</b>	<b>22,501</b>

### 9.2 Shrewsbury and Telford Hospital NHS Trust as lessor

The Trust has no transactions that require disclosure within this note.

## 10. Employee benefits and staff numbers

### 10.1. Employee benefits

	2015-16		
	Total £000s	Permanently employed £000s	Other (Agency and bank costs) £000s
<b>Employee Benefits - Gross Expenditure</b>			
Salaries and wages	193,213	167,966	25,247
Social security costs	13,175	13,175	0
Employer Contributions to NHS BSA - Pensions Division	21,048	21,048	0
Other pension costs	0	0	0
Termination benefits	0	0	0
<b>Total employee benefits</b>	<b>227,436</b>	<b>202,189</b>	<b>25,247</b>
<b>Employee costs capitalised</b>	<b>1,250</b>	<b>921</b>	<b>329</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>226,186</b>	<b>201,268</b>	<b>24,918</b>

	2014-15		
	Total £000s	Permanently employed £000s	Other (Agency costs only) £000s
<b>Employee Benefits - Gross Expenditure 2014-15</b>			
Salaries and wages	185,346	170,783	14,563
Social security costs	12,913	12,913	0
Employer Contributions to NHS BSA - Pensions Division	19,970	19,970	0
Other pension costs	0	0	0
Termination benefits	0	0	0
<b>TOTAL - including capitalised costs</b>	<b>218,229</b>	<b>203,666</b>	<b>14,563</b>
<b>Employee costs capitalised</b>	<b>1,347</b>	<b>1,225</b>	<b>122</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>216,882</b>	<b>202,441</b>	<b>14,441</b>

### 10.2. Staff Numbers

	2015-16			2014-15
	Total Number	Permanently employed Number	Other (Agency and bank) Number	Total Number
<b>Average Staff Numbers</b>				
Medical and dental	594	554	40	611
Administration and estates	1,033	945	88	992
Healthcare assistants and other support staff	1,171	1,041	130	1,116
Nursing, midwifery and health visiting staff	1,593	1,418	175	1,555
Nursing, midwifery and health visiting learners	35	35	0	26
Scientific, therapeutic and technical staff	582	562	20	555
Healthcare Science Staff	277	277	0	269
<b>TOTAL</b>	<b>5,285</b>	<b>4,832</b>	<b>453</b>	<b>5,124</b>
Of the above - staff engaged on capital projects	32	25	7	27

### 10.3. Staff Sickness absence and ill health retirements

	2015-16 Number	2014-15 Number
Total Days Lost	44,523	44,730
Total Staff Years	4,791	4,652
<b>Average working Days Lost</b>	<b>9.29</b>	<b>9.62</b>

These figures are calendar year figures (January - December) not financial year figures as per DH guidelines. DH considers the resulting figures to be a reasonable proxy for financial year equivalents.

	2015-16 Number	2014-15 Number
Number of persons retired early on ill health grounds	8	6
Total additional pensions liabilities accrued in the year	£000s 369	£000s 179

**10.4. Exit Packages agreed in 2015-16**

2015-16								
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	0	0	0	0	0	0	0	0
£10,000-£25,000	0	0	0	0	0	0	0	0
£25,001-£50,000	0	0	0	0	0	0	0	0
£50,001-£100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

  

2014-15								
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	0	0	0	0	0	0	0	0
£10,000-£25,000	0	0	0	0	0	0	0	0
£25,001-£50,000	0	0	0	0	0	0	0	0
£50,001-£100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	102,566	1	102,566	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>102,566</b>	<b>1</b>	<b>102,566</b>	<b>0</b>	<b>0</b>

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

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

### 10.5. Exit packages - Other Departures analysis

	2015-16		2014-15	
	Agreements	Total value of agreements	Agreements	Total value of agreements
	Number	£000s	Number	£000s
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	0	0	0	0
Exit payments following Employment Tribunals or court orders	0	0	1	103
Non-contractual payments requiring HMT approval*	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>103</b>
Non-contractual payments made to individuals where the payment value was more than 12 months of their annual salary	0	0	0	0

\*includes any non-contractual severance payment made following judicial mediation, and amounts relating to non-contractual payments in lieu of notice.

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

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

No non-contractual payments were made to individuals where the payment value was more than 12 months' of their annual salary.

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

### 10.6. Pension costs

Past and present employees are covered by the provisions of the 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

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

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

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

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

## 11. Better Payment Practice Code

### 11.1. Measure of compliance

	2015-16 Number	2015-16 £000s	2014-15 Number	2014-15 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	99,260	119,913	98,562	117,609
Total Non-NHS Trade Invoices Paid Within Target	85,829	105,384	45,856	68,944
Percentage of NHS Trade Invoices Paid Within Target	<u>86.47%</u>	<u>87.88%</u>	46.53%	58.62%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	2,534	8,622	2,691	13,230
Total NHS Trade Invoices Paid Within Target	2,196	7,682	1,637	7,887
Percentage of NHS Trade Invoices Paid Within Target	<u>86.66%</u>	<u>89.10%</u>	60.83%	59.61%

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

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

The Trust has no transactions that require disclosure within this note.

## 12. Investment Revenue

	2015-16 £000s	2014-15 £000s
<b>Interest revenue</b>		
Bank interest	28	25
<b>Total investment revenue</b>	<u>28</u>	<u>25</u>

## 13. Other Gains and Losses

	2015-16 £000s	2014-15 £000s
Loss on disposal of assets other than by sale (PPE)	(163)	(47)
<b>Total</b>	<u>(163)</u>	<u>(47)</u>

## 14. Finance Costs

	2015-16 £000s	2014-15 £000s
<b>Interest</b>		
Interest on loans and overdrafts	191	0
<b>Total interest expense</b>	<u>191</u>	<u>0</u>
Other finance costs	0	0
Provisions - unwinding of discount	10	28
<b>Total</b>	<u>201</u>	<u>28</u>

**15.1. Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>2015-16</b>									
<b>Cost or valuation:</b>									
<b>At 1 April 2015</b>	27,244	136,659	941	3,769	46,865	408	12,780	5,298	<b>233,964</b>
Additions of Assets Under Construction				424					<b>424</b>
Additions Purchased	0	5,275	13		825	0	882	20	<b>7,015</b>
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	<b>0</b>
Additions - Purchases from Cash Donations & Government Grants	0	182	0	0	568	0	45	0	<b>795</b>
Reclassifications	(1)	1,384	0	(3,599)	1,007	0	637	0	<b>(572)</b>
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	<b>0</b>
Disposals other than for sale	0	0	0	0	(2,980)	(33)	0	0	<b>(3,013)</b>
Upward revaluation/positive indexation	937	16,753	(6)	0	0	0	0	0	<b>17,684</b>
Impairment/reversals charged to operating expenses	(4,209)	(13,655)	0	0	(243)	0	(274)	0	<b>(18,381)</b>
Impairments/reversals charged to reserves	(10,815)	(30,169)	(469)	0	0	0	0	0	<b>(41,453)</b>
<b>At 31 March 2016</b>	<b>13,156</b>	<b>116,429</b>	<b>479</b>	<b>594</b>	<b>46,042</b>	<b>375</b>	<b>14,070</b>	<b>5,318</b>	<b>196,463</b>
<b>Depreciation</b>									
<b>At 1 April 2015</b>	0	604	0		25,223	189	8,815	3,178	<b>38,009</b>
Reclassifications	0	0	0		0	0	0	0	<b>0</b>
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	<b>0</b>
Disposals other than for sale	0	0	0		(2,780)	(33)	0	0	<b>(2,813)</b>
Upward revaluation/positive indexation	0	(1,323)	(9)		0	0	0	0	<b>(1,332)</b>
Impairment/reversals charged to reserves	0	(1,701)	0		0	0	0	0	<b>(1,701)</b>
Impairments/reversals charged to operating expenses	0	(1,527)	0		(119)	0	(163)	0	<b>(1,809)</b>
Charged During the Year	0	4,993	9		2,106	35	415	75	<b>7,633</b>
<b>At 31 March 2016</b>	<b>0</b>	<b>1,046</b>	<b>0</b>	<b>0</b>	<b>24,430</b>	<b>191</b>	<b>9,067</b>	<b>3,253</b>	<b>37,987</b>
<b>Net Book Value at 31 March 2016</b>	<b>13,156</b>	<b>115,383</b>	<b>479</b>	<b>594</b>	<b>21,612</b>	<b>184</b>	<b>5,003</b>	<b>2,065</b>	<b>158,476</b>
<b>Asset financing:</b>									
Owned - Purchased	13,156	110,689	479	594	17,701	184	4,921	1,853	<b>149,577</b>
Owned - Donated	0	4,694	0	0	3,911	0	82	212	<b>8,899</b>
Owned - Government Granted	0	0	0	0	0	0	0	0	<b>0</b>
Held on finance lease	0	0	0	0	0	0	0	0	<b>0</b>
<b>Total at 31 March 2016</b>	<b>13,156</b>	<b>115,383</b>	<b>479</b>	<b>594</b>	<b>21,612</b>	<b>184</b>	<b>5,003</b>	<b>2,065</b>	<b>158,476</b>



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

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 1 April 2015</b>	10,729	37,180	558	0	1,252	0	0	0	<b>49,719</b>
In year movements	(9,793)	(10,780)	(163)	0	0	0	0	0	<b>(20,736)</b>
<b>At 31 March 2016</b>	<b>936</b>	<b>26,400</b>	<b>395</b>	<b>0</b>	<b>1,252</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,983</b>

**Additions to Assets Under Construction in 2015-16**

Land	0
Buildings excl Dwellings	302
Dwellings	0
Plant & Machinery	122
<b>Balance as at YTD</b>	<b>424</b>

**15.2. Property, plant and equipment prior-year**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>2014-15</b>									
<b>Cost or valuation:</b>									
At 1 April 2014	26,693	111,096	2,269	34,166	41,940	408	11,063	5,218	232,853
Additions of Assets Under Construction				3,491					3,491
Additions Purchased	0	5,843	0		4,352	0	1,486	52	11,733
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	0
Additions - Purchases from Cash Donations & Government Grants	0	166	0	0	724	0	3	0	893
Reclassifications	374	30,978	2	(33,888)	1,749	0	228	28	(529)
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	(374)	(13,111)	(209)	0	(1,900)	0	0	0	(15,594)
Revaluation	551	10,283	50	0	0	0	0	0	10,884
Impairments/negative indexation charged to reserves	0	(8,596)	(1,171)	0	0	0	0	0	(9,767)
Reversal of Impairments charged to reserves	0	0	0	0	0	0	0	0	0
At 31 March 2015	<b>27,244</b>	<b>136,659</b>	<b>941</b>	<b>3,769</b>	<b>46,865</b>	<b>408</b>	<b>12,780</b>	<b>5,298</b>	<b>233,964</b>
<b>Depreciation</b>									
At 1 April 2014	0	468	0	0	23,458	154	7,780	2,820	34,680
Reclassifications	0	0	0		0	0	1	0	1
Reclassifications as Held for Sale and Reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	(374)	(13,111)	(209)		(1,847)	0	0	0	(15,541)
Revaluation	0	0	0		0	0	0	0	0
Impairments/negative indexation charged to operating expenses	374	8,930	146	0	184	0	0	0	9,634
Reversal of Impairments charged to operating expenses	0	(1,271)	0	0	0	0	0	0	(1,271)
Charged During the Year	0	5,588	63		3,428	35	1,034	358	10,506
At 31 March 2015	<b>0</b>	<b>604</b>	<b>0</b>	<b>0</b>	<b>25,223</b>	<b>189</b>	<b>8,815</b>	<b>3,178</b>	<b>38,009</b>
<b>Net Book Value at 31 March 2015</b>	<b>27,244</b>	<b>136,055</b>	<b>941</b>	<b>3,769</b>	<b>21,642</b>	<b>219</b>	<b>3,965</b>	<b>2,120</b>	<b>195,955</b>
<b>Asset financing:</b>									
Owned - Purchased	27,244	129,412	941	3,769	17,969	219	3,924	1,909	185,387
Owned - Donated	0	6,643	0	0	3,673	0	41	211	10,568
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
Total at 31 March 2015	<b>27,244</b>	<b>136,055</b>	<b>941</b>	<b>3,769</b>	<b>21,642</b>	<b>219</b>	<b>3,965</b>	<b>2,120</b>	<b>195,955</b>

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

The majority of donated assets have been donated by Royal Shrewsbury Hospital League of Friends; Friends of The Princess Royal Hospital Telford and The Shrewsbury and Telford Hospital NHS Trust Charitable Funds.

The Trust commissioned Deloitte LLP to undertake a revaluation of the Trust's Estate as at 1 April 2015. The valuations have been undertaken having regard to International Financial Reporting Standards ("IFRS") as applied to the United Kingdom public sector and in accordance with HM Treasury Guidance, International Valuation Standards ("IVS") and the requirements of the RICS Valuation - Professional Standards - Global and UK Edition, January 2014 (the "Red Book"). The Estate was valued downwards by £35,996,645; £21,933,892 being charged to the Revaluation Reserve and £14,062,753 charged as an impairment to SoCl. An interim year end revaluation was undertaken at 31 March 2016 by Deloitte LLP with a further downward valuation of £1,075,630; resulting in an increase in Revaluation Reserves of £1,198,348 and £2,273,978 charged as an impairment to SoCl. In addition, impairments relating to equipment to the value of £235,125 has been charged, giving total impairment charged to SoCl of £16,571,856.

The Trust undertook a major review of asset lives during 2015/16 to accurately reflect the actual years assets are used. This review has resulted in a reduction in total depreciation charges in 2015/16 of £2,596,737 with a recurring benefit of £590,816.

**16. Intangible non-current assets****16.1. Intangible non-current assets**

2015-16

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 1 April 2015</b>	<b>3,253</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,296</b>
Additions Purchased	594	0	0	0	0	594
Additions Internally Generated	0	0	0	0	0	0
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
Reclassifications	236	336	0	0	0	572
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>4,083</b>	<b>379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,462</b>
<b>Amortisation</b>						
<b>At 1 April 2015</b>	<b>1,584</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,611</b>
Reclassifications	(99)	99	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairment/reversals charged to reserves	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0
Charged During the Year	574	10	0	0	0	584
<b>At 31 March 2016</b>	<b>2,059</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,195</b>
<b>Net Book Value at 31 March 2016</b>	<b>2,024</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,267</b>
<b>Asset Financing: Net book value at 31 March 2016 comprises:</b>						
Purchased	2,014	243	0	0	0	2,257
Donated	10	0	0	0	0	10
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
<b>Total at 31 March 2016</b>	<b>2,024</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,267</b>
<b>Revaluation reserve balance for intangible non-current assets</b>						<b>£000's</b>
<b>At 1 April 2015</b>	0	0	0	0	0	0
In year movements	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

2014-15	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:						
At 1 April 2014	99	2,288	0	0	0	2,387
Additions - purchased	380	0	0	0	0	380
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
Reclassifications	2,774	(2,245)	0	0	0	529
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2015	<u>3,253</u>	<u>43</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,296</u>
Amortisation						
At 1 April 2014	13	1,142	0	0	0	1,155
Reclassifications	1,123	(1,124)	0	0	0	(1)
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	448	9	0	0	0	457
At 31 March 2015	<u>1,584</u>	<u>27</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,611</u>
Net book value at 31 March 2015	<u>1,669</u>	<u>16</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,685</u>
Net book value at 31 March 2015 comprises:						
Purchased	1,649	16	0	0	0	1,665
Donated	20	0	0	0	0	20
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
Total at 31 March 2015	<u>1,669</u>	<u>16</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,685</u>

**16.3. Intangible non-current assets**

Intangible assets are amortised at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives:

Software Licences - 5 years.

IT- in house & 3rd Party Software - 5 years.

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

	<b>2015-16</b>
	<b>Total</b>
	<b>£000s</b>
<b>Property, Plant and Equipment impairments and reversals taken to SoCI</b>	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other (External Valuation)	16,572
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>16,572</b>
<b>Total Impairments of Property, Plant and Equipment charged to SoCI</b>	<b>16,572</b>
<b>Intangible assets impairments and reversals charged to SoCI</b>	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total Impairments of Intangibles charged to SoCI</b>	<b>0</b>
<b>Financial Assets charged to SoCI</b>	
Loss or damage resulting from normal operations	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Loss as a result of catastrophe	0
Other	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total Impairments of Financial Assets charged to SoCI</b>	<b>0</b>
<b>Non-current assets held for sale - impairments and reversals charged to SoCI</b>	
Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>
<b>Total impairments of non-current assets held for sale charged to SoCI</b>	<b>0</b>
<b>Total Impairments charged to SoCI - DEL</b>	<b>0</b>
<b>Total Impairments charged to SoCI - AME</b>	<b>16,572</b>
<b>Overall Total Impairments</b>	<b>16,572</b>
<b>Donated and Gov Granted Assets, included above</b>	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	1,518
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

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

	Property Plant and Equipment	Intangible Assets	Financial Assets	Non-Current Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s
<b>Impairments and reversals taken to SoCI</b>	0	0	0	0	0
Loss or damage resulting from normal operations	0	0	0	0	0
Over-specification of assets	0	0	0	0	0
Abandonment of assets in the course of construction	0	0	0	0	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Unforeseen obsolescence	0	0	0	0	0
Loss as a result of catastrophe	0	0	0	0	0
Other (External Valuation)	16,572	0	0	0	16,572
Changes in market price	0	0	0	0	0
<b>Total charged to Annually Managed Expenditure</b>	<b>16,572</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,572</b>
<b>Total Impairments of Property, Plant and Equipment changed to SoCI</b>	<b>16,572</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,572</b>

**Donated and Gov Granted Assets, included above**

PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	<b>£000s</b> <b>1,518</b>
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	<b>0</b>

The Trust commissioned Deloitte LLP to undertake a revaluation of the Trust's Estate as at 1 April 2015. The valuations have been undertaken having regard to International Financial Reporting Standards ("IFRS") as applied to the United Kingdom public sector and in accordance with HM Treasury Guidance, International Valuation Standards ("IVS") and the requirements of the RICS Valuation - Professional Standards - Global and UK Edition, January 2014 (the "Red Book"). The Estate was valued downwards by £35,996,645; £21,933,892 being charged to the Revaluation Reserve and £14,062,753 charged as an impairment to SoCI. An interim year end revaluation was undertaken at 31 March 2016 by Deloitte LLP with a further downward valuation of £1,075,630; resulting in an increase in Revaluation Reserves of £1,198,348 and £2,273,978 charged as an impairment to SoCI. In addition, impairments relating to equipment to the value of £235,125 has been charged, giving total impairment charged to SoCI of £16,571,856.

**18. Investment property**

The Trust has no transactions that require disclosure within this note.



## 19. Commitments

### 19.1. Capital commitments

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

	31 March 2016	31 March 2015
	£000s	£000s
Property, plant and equipment	224	1,651
Intangible assets	0	28
<b>Total</b>	<b>224</b>	<b>1,679</b>

### 19.2 Other financial commitments

The Trust has no transactions that require disclosure within this note.

## 20. Intra-Government and other balances

	Current receivables	Non-current receivables	Current payables	Non- current payables
	£000s	£000s	£000s	£000s
Balances with Other Central Government Bodies	22	0	4,814	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS bodies inside the Departmental Group	4,566	0	1,703	12,700
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	4,241	1,317	16,475	0
<b>At 31 March 2016</b>	<b>8,829</b>	<b>1,317</b>	<b>22,992</b>	<b>12,700</b>
<b>Prior period:</b>				
Balances with Other Central Government Bodies	1,442	0	249	0
Balances with Local Authorities	40	0	29	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS bodies inside the Departmental Group	8,869	0	1,335	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with Bodies External to Government	4,796	1,281	21,562	0
<b>At 31 March 2015</b>	<b>15,147</b>	<b>1,281</b>	<b>23,175</b>	<b>0</b>

**21. Inventories**

	Drugs £000s	Consumables £000s	Energy £000s	Total £000s	Of which held at NRV £000s
<b>Balance at 1 April 2015</b>	<b>2,184</b>	<b>4,825</b>	<b>232</b>	<b>7,241</b>	7,241
Additions	33,645	33,360	78	<b>67,083</b>	67,083
Inventories recognised as an expense in the period	(33,455)	(32,738)	(138)	<b>(66,331)</b>	(66,331)
Write-down of inventories (including losses)	(110)	(8)	0	<b>(118)</b>	(118)
<b>Balance at 31 March 2016</b>	<b>2,264</b>	<b>5,439</b>	<b>172</b>	<b>7,875</b>	<b>7,875</b>

**22.1. Trade and other receivables**

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
NHS receivables - revenue	1,750	6,741	0	0
NHS prepayments and accrued income	2,200	2,065	0	0
Non-NHS receivables - revenue	1,498	1,667	0	0
Non-NHS prepayments and accrued income	1,843	3,445	0	0
PDC Dividend prepaid to DH	627	63		
Provision for the impairment of receivables	(588)	(507)	0	0
VAT	582	680	0	0
Interest receivables	2	2	0	0
Other receivables	915	991	1,317	1,281
<b>Total</b>	<b>8,829</b>	<b>15,147</b>	<b>1,317</b>	<b>1,281</b>
<b>Total current and non current</b>	<b>10,146</b>	<b>16,428</b>		

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

**22.2. Receivables past their due date but not impaired**

	31 March 2016 £000s	31 March 2015 £000s
By up to three months	2,465	7,165
By three to six months	245	347
By more than six months	538	895
<b>Total</b>	<b>3,248</b>	<b>8,407</b>

**22.3. Provision for impairment of receivables**

	2015-16 £000s	2014-15 £000s
<b>Balance at 1 April 2015</b>	<b>(507)</b>	(468)
Amount written off during the year	299	418
Amount recovered during the year	4	8
Increase in receivables impaired	<b>(384)</b>	(465)
<b>Balance at 31 March 2016</b>	<b>(588)</b>	(507)

Injury cost recovery income is subject to a provision for impairment of receivables of 21.99% (previously 18.9% to September 2015) to reflect expected rates of collection.

Invoices raised to overseas visitors are provided for immediately as a high number of these invoices are not collected.

Specific provisions are made against any invoices that are outstanding and deemed to be non-collectable including those that have been sent to the Trust's debt collection agency.

**23. NHS LIFT investments**

The Trust has no transactions that require disclosure within this note.

**24.1 Other Financial Assets - Current**

The Trust has no transactions that require disclosure within this note.

**24.2 Other Financial Assets - Non Current**

The Trust has no transactions that require disclosure within this note.

**25. Other current assets**

The Trust has no transactions that require disclosure within this note.

**26. Cash and Cash Equivalents**

	31 March 2016 £000s	31 March 2015 £000s
<b>Opening balance</b>	<b>1,001</b>	2,200
Net change in year	699	(1,199)
<b>Closing balance</b>	<b>1,700</b>	1,001
<b>Made up of</b>		
Cash with Government Banking Service	1,668	969
Cash in hand	32	32
<b>Cash and cash equivalents as in statement of financial position</b>	<b>1,700</b>	1,001
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>1,700</b>	1,001
Third Party Assets - Patients cash held by the Trust (not included above)	14	2

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

The Trust has no transactions that require disclosure within this note.

**28. Trade and other payables**

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
NHS payables - revenue	1,135	576	0	0
NHS accruals and deferred income	568	759	0	0
Non-NHS payables - revenue	3,867	4,903	0	0
Non-NHS payables - capital	2,317	6,539	0	0
Non-NHS accruals and deferred income	10,136	10,112	0	0
Social security costs	1,904	60		
Accrued Interest on DH Loans	23			
Tax	0	86		
Payments received on account	10	16	0	0
Other	3,032	124	0	0
<b>Total</b>	<b>22,992</b>	<b>23,175</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>22,992</b>	<b>23,175</b>		

**Included in 'Other' above:**

outstanding Pension Contributions at the year end **2,910** 79

31 March 2015: The majority of outstanding social security costs and pension contributions were paid in March 2015.

**29. Other liabilities**

The Trust has no transactions that require disclosure within this note.

### 30. Borrowings

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
Loans from Department of Health	0	0	12,700	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>12,700</b>	<b>0</b>
<b>Total Borrowings (current and non-current)</b>	<b>12,700</b>	<b>0</b>		

#### Borrowings / Loans - repayment of principal falling due in:

	DH £000s	31 March 2016	
		Other £000s	Total £000s
0-1 Years	0	0	0
1 - 2 Years	12,700	0	12,700
2 - 5 Years	0	0	0
Over 5 Years	0	0	0
<b>TOTAL</b>	<b>12,700</b>	<b>0</b>	<b>12,700</b>

### 31. Other financial liabilities

The Trust has no transactions that require disclosure within this note.

### 32. Deferred income

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s
<b>Opening balance at 1 April 2015</b>	<b>1,085</b>	145	<b>0</b>	0
Deferred revenue addition	1,563	1,085	0	0
Transfer of deferred revenue	(1,085)	(145)	0	0
<b>Current deferred Income at 31 March 2016</b>	<b>1,563</b>	1,085	<b>0</b>	0
Total deferred income (current and non-current)	1,563	1,085		

### 33. Finance lease obligations as lessee

The Trust has no transactions that require disclosure within this note.

### 34. Finance lease receivables as lessor

The Trust has no transactions that require disclosure within this note.

### 35. Provisions

	Total	Comprising:		
		Early Departure Costs	Legal Claims	Other
	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2015</b>	<b>835</b>	96	193	546
Arising during the year	421	5	136	280
Utilised during the year	(471)	(44)	(82)	(345)
Reversed unused	(59)	0	(59)	0
Unwinding of discount	10	8	0	2
<b>Balance at 31 March 2016</b>	<b>736</b>	<b>65</b>	<b>188</b>	<b>483</b>

#### Expected Timing of Cash Flows:

No Later than One Year	561	44	188	329
Later than One Year and not later than Five Years	175	21	0	154
Later than Five Years	0	0	0	0

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

<b>As at 31 March 2016</b>	<b>133,721</b>
As at 31 March 2015	73,085

Early Departure Costs relate to a provision for future payments payable to the NHS Pensions Agency in respect of former employees who took early retirement.

Legal claims relate to NHSLA non clinical cases with employees and members of the general public.

Other provision relates to Injury Benefits relating to former staff and contains provisions payable to former employees forced to retire due to injury suffered in the workplace (£224k) and the CRC scheme (£259k).

### 36. Contingencies

	31 March 2016	31 March 2015
	£000s	£000s
<b>Contingent liabilities</b>		
NHS Litigation Authority legal claims	(86)	(122)
<b>Net value of contingent liabilities</b>	<b>(86)</b>	<b>(122)</b>

The contingent liabilities represent the difference between the expected values of provisions for legal claims carried at note 35 and the maximum potential liability that could arise from these claims.

**37. PFI and LIFT - additional information**

The Trust has no transactions that require disclosure within this note.

**38. Impact of IFRS treatment - current year**

The Trust has no transactions that require disclosure within this note.

**39. Financial Instruments**

**39.1. Financial risk management**

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

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. The Trust's 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 2016 are in receivables from customers, as disclosed in the trade and other receivables note.

**Liquidity risk**

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

### 39.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0			0
Receivables - NHS		3,950		3,950
Receivables - non-NHS		4,827		4,827
Cash at bank and in hand		1,700		1,700
Other financial assets	0	0	0	0
<b>Total at 31 March 2016</b>	<b>0</b>	<b>10,477</b>	<b>0</b>	<b>10,477</b>
Embedded derivatives	0			0
Receivables - NHS		8,806		8,806
Receivables - non-NHS		6,721		6,721
Cash at bank and in hand		1,001		1,001
Other financial assets	0	0	0	0
<b>Total at 31 March 2015</b>	<b>0</b>	<b>16,528</b>	<b>0</b>	<b>16,528</b>

### 39.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0		0
NHS payables		1,703	1,703
Non-NHS payables		19,493	19,493
Other borrowings		12,700	12,700
PFI & finance lease obligations		0	0
Other financial liabilities	0	212	212
<b>Total at 31 March 2016</b>	<b>0</b>	<b>34,108</b>	<b>34,108</b>
Embedded derivatives	0		0
NHS payables		1,335	1,335
Non-NHS payables		20,739	20,739
Other borrowings		0	0
PFI & finance lease obligations		0	0
Other financial liabilities	0	193	193
<b>Total at 31 March 2015</b>	<b>0</b>	<b>22,267</b>	<b>22,267</b>

The fair value of financial assets and financial liabilities are equal to the carrying amount.

### 40. Events after the end of the reporting period

The Trust has no transactions that require disclosure within this note.



#### 41. Related party transactions

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 Shrewsbury and Telford Hospital NHS Trust.

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

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000s	£000s	£000s	£000s
Shropshire CCG	54	124,912	54	991
Telford and Wrekin CCG	0	89,188	0	958
NHS England	11	52,056	500	0
Health Education England	0	12,131	0	9
NHS Litigation Authority	10,315	184	0	4
Robert Jones and Agnes Hunt Orthopaedic Hospital NHS FT	1,036	2,171	202	350
Mid Cheshire Hospitals NHS FT	1,004	1	170	2
Shropshire Community Health NHS Trust	896	2,527	347	218
The Royal Wolverhampton NHS Trust	553	1,018	273	96
University Hospital of North Midlands NHS Trust	625	484	289	78
Other Government departments:				
Betsi Cadwaladr University Local Health Board	0	1,320	0	60
Powys Local Health Board	0	23,032	781	0
National Health Service Pension Scheme	21,048	0	2,910	0
HM Revenue and Customs Trust Statement	13,175	0	1,904	582
Linked Charity:				
The Shrewsbury and Telford Hospital NHS Trust Charity	0	389	0	6

The Trust has received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the Trust Board. The audited accounts/the summary financial statements of the Funds Held on Trust will be published separately.

#### 42. Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	498,659	599
Special payments	161,851	56
<b>Total losses and special payments</b>	<b>660,510</b>	<b>655</b>

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

	Total Value of Cases £s	Total Number of Cases
Losses	534,620	588
Special payments	200,590	63
<b>Total losses and special payments</b>	<b>735,210</b>	<b>651</b>

There are no cases individually over £300,000.

**43. Financial performance targets**

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

**43.1. Breakeven performance**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Turnover	205,748	227,241	247,233	262,882	277,980	299,850	309,362	314,106	316,794	326,477
Retained surplus/(deficit) for the year	(2,840)	4,102	4,127	(11,652)	(325)	(1,167)	3,216	(2,906)	(20,633)	(31,028)
Adjustment for:										
Timing/non-cash impacting distortions:										
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	0									
2008/09 PPA (relating to 1997/98 to 2007/08)	0	(5,635)								
Adjustments for impairments			30	12,364	351	1,053	2,148	3,170	8,363	16,572
Adjustments for impact of policy change re donated/government grants assets						173	(5,283)	(199)	140	(193)
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				0	0	0	0	0	0	0
Absorption accounting adjustment							0	0	0	0
Other agreed adjustments	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	<b>(2,840)</b>	<b>(1,533)</b>	<b>4,157</b>	<b>712</b>	<b>26</b>	<b>59</b>	<b>81</b>	<b>65</b>	<b>(12,130)</b>	<b>(14,649)</b>
Break-even cumulative position	<b>(25,515)</b>	<b>(27,048)</b>	<b>(22,891)</b>	<b>(22,179)</b>	<b>(22,153)</b>	<b>(22,094)</b>	<b>(22,013)</b>	<b>(21,948)</b>	<b>(34,078)</b>	<b>(48,727)</b>

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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	%	%	%	%	%	%	%	%	%	%
Materiality test (i.e. is it equal to or less than 0.5%):										
Break-even in-year position as a percentage of turnover	-1.38	-0.67	1.68	0.27	0.01	0.02	0.03	0.02	-3.83	-4.49
Break-even cumulative position as a percentage of turnover	-12.40	-11.90	-9.26	-8.44	-7.97	-7.37	-7.12	-6.99	-10.76	-14.93

The amounts in the above tables in respect of financial years 2006/07 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

**43.2. Capital cost absorption rate**

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

**43.3. External financing**

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

	<b>2015-16</b>	2014-15
	<b>£000s</b>	£000s
External financing limit (EFL)	<b>9,501</b>	26,005
Cash flow financing	<b>9,501</b>	26,004
Finance leases taken out in the year	<b>0</b>	0
Other capital receipts	<b>0</b>	0
External financing requirement	<b>9,501</b>	26,004
<b>Under/(over) spend against EFL</b>	<b><u>0</u></b>	<b><u>1</u></b>

**43.4. Capital resource limit**

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

	<b>2015-16</b>	2014-15
	<b>£000s</b>	£000s
Gross capital expenditure	<b>8,828</b>	16,498
Less: book value of assets disposed of	<b>(200)</b>	0
Less: capital grants	<b>0</b>	0
Less: donations towards the acquisition of non-current assets	<b>(795)</b>	(893)
<b>Charge against the capital resource limit</b>	<b><u>7,833</u></b>	<b><u>15,605</u></b>
Capital resource limit	<b>8,033</b>	15,605
<b>(Over)/underspend against the capital resource limit</b>	<b><u>200</u></b>	<b><u>0</u></b>

Underspend against CRL is due to disposal of assets not for sale with NBV of £200,000.

**44. Third party assets**

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

	<b>31 March</b>	31 March
	<b>2016</b>	2015
	<b>£000s</b>	£000s
Third party assets held by the Trust - Patients' monies	<b><u>14</u></b>	<b><u>2</u></b>

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2<sup>nd</sup> June 2016

Dear Mr Rohimun

This letter of representations is provided in connection with your audit of the financial statements of Shrewsbury and Telford Hospitals NHS Trust ("the Trust") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of (or 'present fairly, in all material respects,') the financial position of Shrewsbury and Telford Hospitals NHS Trust as of 31 March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the NHS Manual for Accounts.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities as set out in the PSAA Terms of Appointment, for the preparation of the financial statements in accordance with the NHS Manual for Accounts.
2. We acknowledge, as members of management of the Trust, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Trust in accordance with the NHS Manual for Accounts and are free of material

misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Trust, we believe that the Trust has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the NHS Manual for Accounts that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the Trust, in constructing the financial statements, holds a different view over the correct application of the IAS 8 Accounting Standard and is assuming a consistent approach over the treatment of subsequent expenditure.

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Trusts internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Trust.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

#### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
  3. We have made available to you all minutes of the meetings of the Board, and relevant committees held through the year.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Trusts related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the 2015/16 end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We have disclosed to you, and the Trust has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 36 to the financial statements all guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G Agreement of Balances and key judgments**

1. We have disclosed to you details of all transactions and judgments we have made on income and expenditure, payable and receivable balances with counter-parties irrespective of whether or not they have been included in the 2015/16 Agreement of Balances Exercise
2. We have agreed balances, disputes and claims with all NHS bodies via the Agreement of Balances process and where not agreed, we have reported the matter to you.

3. We have disclosed to you all of the risks and judgments we have made in arriving at the Trust's reported financial outturn for financial year ended 31 March 2016.

### **H Segmental reporting**

1. We have reviewed the operating segments reported internally to the Board and We are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8:Operating Segments, they are similar in each of the following respects:
  - The nature of the products and services
  - The nature of the production processes
  - The type or class of customer for their products and services
  - The methods used to distribute their products

Yours sincerely,

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(Finance Director)

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(Chair of the Audit Committee)

**Schedule of unadjusted errors**

<b>Item of account</b>	<b>Statement of Financial Position</b>	<b>Statement of comprehensive income and expenditure</b>
	Debit/(Credit) £000	Debit/(Credit) £000
1. Depreciation	1,731	(1,731)
2. Note 5.1, PPE	544 (544)	
<b>Cumulative effect</b>	<b>1,731</b>	<b>(1,731)</b>



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

The Chief Executive of the NHS Trust Development Authority has designated that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Chief Executive of the NHS Trust Development Authority. These include ensuring that:

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

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

I confirm that, as far as I am aware, there is no relevant audit information of which the trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the trust's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Signed..... Chief Executive

Date.....

## **2015-16 Annual Accounts of the Shrewsbury and Telford Hospital NHS Trust**

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

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

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

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

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

By order of the Board

..... Date ..... Chief Executive

..... Date ..... Finance Director

**2015-16 Annual Accounts of the Shrewsbury and Telford Hospital NHS Trust**

Year ended 31 March 2016

**SUMMARISATION SCHEDULES (TRUs) FOR THE  
SHREWSBURY AND TELFORD HOSPITAL NHS TRUST**

Summarisation schedules numbered TRU01 to TRU98H plus Freetext are attached.

**Director of Finance Certificate**

I certify that the attached summarisation schedules have been compiled from and are in accordance with the financial records maintained by the trust and with the accounting standards and policies for the NHS approved by the Secretary of State.

..... Date ..... Director of Finance

**Chief Executive Certificate**

I acknowledge the attached summarisation schedules, which have been prepared and certified by the Director of Finance, as the summarisation schedules which the trust is required to submit to the Secretary of State

..... Date ..... Chief Executive

**(Note: This certificate is not required by the Department of Health)**

Shrewsbury and Telford Hospital NHS Trust

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Org Code: RXW

2015/16 Financial Monitoring and Accounts - Quarter 4

TRU Freetext - ROCR/OR/0190/002

Financial Monitoring and Accounts Forms

Form Name	Subcode / Maincode	Value	Text
TRU03_STE	sc180 / mc06	0	Other gains/losses
TRU03_STE	sc300 / mc06	0	Other Movements
TRU03_STE	sc280 / mc02	0	PDC Written Off
TRU05_REV	sc345 / mc01	3,998	OTHER CASH REVENUE
		984	Radiology & Pathology Income
		335	Procurement
		2,679	Other operating income
TRU05_REV	sc220 / mc01	25,304	Other Non NHS Revenue for Patient Care Activities
		25,013	Welsh commissioners
		240	Welsh, Scottish and Irish NCA income
		51	Prescription, DWP income
TRU05_REV	sc346 / mc01	0	Other Non-Cash Revenue
TRU05_REV	sc350 / mc01	3,998	Total Other Revenue (over 30% of Total Other Operating Revenue)
		984	Radiology & Pathology Income
		335	Procurement
		2,679	Other operating income
TRU06_EXP	sc320 / mc01	0	Other Auditors Remuneration
TRU06_EXP	sc356 / mc01	493	Other Cash Expenditure
		93	Patients Travel
		90	NHSLA and NHS Pension Provisions
		310	Miscellaneous
TRU06_EXP	sc357 / mc01	0	Other Non Cash Expenditure
TRU13_INT	sc438 / mc06	0	In Year Movements of Revaluation Reserve Intangible Assets
TRU14_IMP	sc160 / mc01	16,572	PPE Impairment SoCI Other
		14,063	Full Revaluation of Estate as at 1.4.15
		2,274	Year End Revaluation of Estate as at 31.3.16
		235	Impairment on Equipment
TRU14_IMP	sc340 / mc01	0	Intangible Assets SoCI Other
TRU14_IMP	sc490 / mc01	0	Financial Assets SoCI Other
TRU14_IMP	sc610 / mc01	0	NCA Held for Sale SoCI Other
TRU14_IMP	sc930 / mc01	16,572	Total Impairments more than £300k
		14,063	Full Revaluation of Estate as at 1.4.15
		2,274	Year End Revaluation of Estate as at 31.3.16
		235	Impairment on Equipment
TRU15_ICG	sc220 / mc01-mc02	(1,455)	Cap Commitments (Cur Yr) - (Pr Yr) over £35m different or 0 where (Pr Yr)>0
		(1,455)	Less Capital Commitments than 2014/15 (RSH Mortuary now completed)
TRU16_AST	sc320 / mc01	915	OTHER RECEIVABLES - CURRENT
		821	CRU receivables < 1 year
		33	Charitable funds
		61	Other Receivables inc payroll debtors
TRU16_AST	sc460 / mc01	1,317	OTHER RECEIVABLES - NON CURRENT
		1,317	CRU debtor over 1 year
TRU16_AST	sc810 / mc01	0	OTHER ASSETS - CURRENT
TRU17_LIA	sc220 / mc01	3,032	Other Current Trade and Other Payables
		2,910	Outstanding Pension contributions
		122	Other payables
TRU17_LIA	sc320 / mc01	0	Other Non Current Trade and Other Payables
TRU17_LIA	sc420 / mc01	0	Other Current Other Liabilities
TRU17_LIA	sc460 / mc01	0	Other Non Current Other Liabilities



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

		31 March 2016	31 March 2015
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	158,476	195,955
Intangible assets	16	2,267	1,685
Investment property	18	0	0
Other financial assets		0	0
Trade and other receivables	22.1	1,317	1,281
<b>Total non-current assets</b>		<b>162,060</b>	<b>198,921</b>
<b>Current assets:</b>			
Inventories	21	7,875	7,241
Trade and other receivables	22.1	8,829	15,147
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	1,700	1,001
<b>Sub-total current assets</b>		<b>18,404</b>	<b>23,389</b>
Non-current assets held for sale	27	0	0
<b>Total current assets</b>		<b>18,404</b>	<b>23,389</b>
<b>Total assets</b>		<b>180,464</b>	<b>222,310</b>
<b>Current liabilities</b>			
Trade and other payables	28	(22,992)	(23,175)
Other liabilities	29	0	0
Provisions	35	(561)	(570)
Borrowings	30	0	0
Other financial liabilities	31	0	0
DH revenue support loan	30	0	0
DH capital loan	30	0	0
<b>Total current liabilities</b>		<b>(23,553)</b>	<b>(23,745)</b>
<b>Net current assets/(liabilities)</b>		<b>(5,149)</b>	<b>(356)</b>
<b>Total assets less current liabilities</b>		<b>156,911</b>	<b>198,565</b>
<b>Non-current liabilities</b>			
Trade and other payables	28	0	0
Other liabilities	29	0	0
Provisions	35	(175)	(265)
Borrowings	30	0	0
Other financial liabilities	31	0	0
DH revenue support loan	30	(12,700)	0
DH capital loan	30	0	0
<b>Total non-current liabilities</b>		<b>(12,875)</b>	<b>(265)</b>
<b>Total assets employed:</b>		<b>144,036</b>	<b>198,300</b>
<b>FINANCED BY:</b>			
Public Dividend Capital		197,106	199,606
Retained earnings		(82,053)	(51,025)
Revaluation reserve		28,983	49,719
<b>Total Taxpayers' Equity:</b>		<b>144,036</b>	<b>198,300</b>

The notes on pages 6 to 41 form part of this account.

The financial statements on pages 2 to 5 were approved by the Board on 2 June 2016 and signed on its behalf by

**Chief Executive:**

Date: