

Report to: Trust Board – 6th June 2013

Enclosure 1

Title	Draft Annual Accounts 2012/13
Sponsoring Executive Director	Neil Nisbet, Finance Director
Author(s)	
Purpose	To approve the Annual Accounts 2012/13
Previously considered by	

Executive Summary

This paper presents the Annual Accounts 2012/13 for The Shrewsbury and Telford Hospital NHS Trust.

NHS Trusts are required to produce Annual Accounts in accordance with guidance set out in the NHS Finance Manual: Manual for Accounts.

The Annual Accounts 2012/13 is presented to the Trust Board for approval and subject to this the Directors' signatures and independent auditors' statement will be included in the printed document for presentation to the Annual General Meeting in September 2013.

Related SATH Objectives	SATH Sub-Objectives
Financial Strength: Building a sustainable future.	

Risk and Assurance Issues (including resilience risks)	
Equality and Diversity Issues	
Legal and Regulatory Issues	

Action required by the Trust Board

The Trust Board is asked to **APPROVE** the Annual Accounts 2012/13.

Data entered below will be used throughout the workbook:

Trust name	The Shrewsbury and Telford Hospital NHS Trust
This year	2012-13
Last year	2011-12
This year ended	31 March 2013
Last year ended	31 March 2012
This year commencing:	1 April 2012
Last year commencing:	1 April 2011

Manual for Accounts 2012-13

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

	NOTE	2012-13 £000	2011-12 £000
Employee benefits	10.1	(202,463)	(200,011)
Other costs	8	(98,332)	(95,892)
Revenue from patient care activities	5	275,812	271,131
Other Operating revenue	6	33,550	28,719
Operating surplus		8,567	3,947
Investment revenue	12	20	21
Other gains and (losses)	13	(5)	0
Finance costs	14	(30)	(13)
Surplus for the financial year		8,552	3,955
Public dividend capital dividends payable		(5,336)	(5,122)
Retained surplus/(deficit) for the year		3,216	(1,167)

Other Comprehensive Income

	2012-13 £000	2011-12 £000
Impairments and reversals	(3,829)	(1,032)
Net gain/(loss) on revaluation of property, plant & equipment	1,580	10,090
Total comprehensive income for the year	967	7,891

Financial performance for the year

Retained surplus/(deficit) for the year	3,216	(1,167)
Impairments	2,148	1,053
Adjustments iro donated asset elimination	(5,283)	173
Adjusted retained surplus	81	59

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 2013	<u>73</u>	
PDC dividend: balance payable at 1 April 2012		<u>(111)</u>

The notes on pages 6 to 42 form part of this account.

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

		31 March 2013	31 March 2012
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	15	173,270	167,833
Intangible assets	16	1,330	1,269
Investment property	18	0	0
Other financial assets	24	0	0
Trade and other receivables	22.1	1,709	1,443
Total non-current assets		176,309	170,545
Current assets:			
Inventories	21	5,741	5,349
Trade and other receivables	22.1	10,910	12,827
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	2,200	1,202
Total current assets		18,851	19,378
Non-current assets held for sale	27	0	0
Total current assets		18,851	19,378
Total assets		195,160	189,923
Current liabilities			
Trade and other payables	28	(26,153)	(29,846)
Other liabilities	29	0	0
Provisions	35	(631)	(556)
Borrowings	30	0	0
Other financial liabilities	31	0	0
Total current liabilities		(26,784)	(30,402)
Non-current assets less net current liabilities		168,376	159,521
Non-current liabilities			
Trade and other payables	28	0	0
Other Liabilities	31	0	0
Provisions	35	(329)	(390)
Borrowings	30	0	0
Other financial liabilities	31	0	0
Total non-current liabilities		(329)	(390)
Total Assets Employed:		168,047	159,131
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		153,571	145,622
Retained earnings		(27,486)	(30,702)
Revaluation reserve		41,962	44,211
Total Taxpayers' Equity:		168,047	159,131

The notes on pages 6 to 42 form part of this account.

The financial statements on pages 2 to 5 were approved by the Board on 6 June 2013 and signed on its behalf by

Chief Executive:

Date:

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

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
Balance at 1 April 2012	145,622	(30,702)	44,211	159,131
Changes in taxpayers' equity for 2012-13				
Retained surplus for the year	0	3,216	0	3,216
Net gain / (loss) on revaluation of property, plant, equipment	0	0	1,580	1,580
Net gain / (loss) on revaluation of intangible assets	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0
Impairments and reversals	0	0	(3,829)	(3,829)
Movements in other reserves	0	0	0	0
Transfers between reserves	0	0	0	0
Release of reserves to Statement of Comprehensive Income	0	0	0	0
Reclassification Adjustments				
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption	0	0	0	0
On Disposal of Available for Sale financial Assets	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0
Originating capital for Trust established in year	0	0	0	0
New PDC Received	7,949	0	0	7,949
PDC Repaid In Year	0	0	0	0
PDC Written Off	0	0	0	0
Other Movements in PDC In Year	0	0	0	0
Net recognised revenue/(expense) for the year	7,949	3,216	(2,249)	8,916
Balance at 31 March 2013	153,571	(27,486)	41,962	168,047
Balance at 1 April 2011	143,622	(29,535)	35,153	149,240
Changes in taxpayers' equity for the year ended 31 March 2012				
Retained deficit for the year	0	(1,167)	0	(1,167)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	10,090	10,090
Net gain / (loss) on revaluation of intangible assets	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0
Impairments and reversals	0	0	(1,032)	(1,032)
Movements in other reserves	0	0	0	0
Transfers between reserves	0	0	0	0
Release of reserves to Statement of Comprehensive Income	0	0	0	0
Reclassification Adjustments				
On Disposal of Available for Sale financial Assets	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0
Originating capital for Trust established in year	0	0	0	0
New PDC Received	2,000	0	0	2,000
PDC Repaid In Year	0	0	0	0
PDC Written Off	0	0	0	0
Other Movements in PDC In Year	0	0	0	0
Net recognised revenue/(expense) for the year	2,000	(1,167)	9,058	9,891
Balance at 31 March 2012	145,622	(30,702)	44,211	159,131

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2013

	NOTE	2012-13 £000s	2011-12 £000s
Cash Flows from Operating Activities			
Operating Surplus/Deficit		8,567	3,947
Depreciation and Amortisation	8	9,332	9,450
Impairments and Reversals	8	2,148	1,053
Other Gains / (Losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		(6,109)	(882)
Government Granted Assets received credited to revenue but non-cash		0	0
Interest Paid		0	0
Dividend Paid		(5,520)	(5,014)
Release of PFI/deferred credit		0	0
Increase in Inventories		(392)	(697)
Decrease in Trade and Other Receivables		1,651	878
(Increase)/Decrease in Other Current Assets		0	0
Decrease in Trade and Other Payables		(2,132)	(2,798)
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions Utilised	35	(331)	(792)
Increase in Provisions	35	315	415
Net Cash Inflow from Operating Activities		7,529	5,560
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		20	19
Payments for Property, Plant and Equipment		(20,218)	(10,049)
Payments for Intangible Assets		(397)	(399)
Payments for Investments with DH		0	0
Payments for Other Financial Assets		0	0
Proceeds of disposal of assets held for sale (PPE)		6	0
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
Net Cash Outflow from Investing Activities		(20,589)	(10,429)
NET CASH OUTFLOW BEFORE FINANCING		(13,060)	(4,869)
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		7,949	2,000
Public Dividend Capital Repaid		0	0
Loans received from DH - New Capital Investment Loans		0	0
Loans received from DH - New Revenue Support Loans		0	0
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		0	0
Loans repaid to DH -Revenue Support Loans		0	0
Other Loans Repaid		0	0
Capital Element of Payments in Respect of Finance Leases		0	(4)
Capital grants and other capital receipts		6,109	3,842
Net Cash Inflow from Financing Activities		14,058	5,838
NET INCREASE IN CASH AND CASH EQUIVALENTS		998	969
Cash and Cash Equivalents at Beginning of the Period	26	1,202	233
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		0	0
Cash and Cash Equivalents at year end	26	2,200	1,202

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.3.1 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.

1.3.2 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 - 1. Accounting Policies (Continued)

1.4 Revenue

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

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

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

1.5 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 Trust commits itself to the retirement, regardless of the method of payment.

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

1.6 Other expenses

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

1.7 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 subsequent accumulated depreciation and impairment losses. 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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Within the year the Trust instructed the District Valuer to perform a brought into use valuation for the Cancer Centre. The effect of this was to recognise an impairment in the value of £1,436,763.

The Trust also instructed the District Valuer to perform an interim revaluation of assets at 31 March 2013. The effect of this was to recognise a decrease in the value of fixed assets by £4,470,858. In addition, and as part of this year end valuation, the Trust recognised an increase in the value of fixed assets by £1,511,095 resulting in an overall net decrease in the valuation of fixed assets of £2,959,763. In addition £69,481 has been reclassified from impairment charged to revaluation reserve to impairment charged to expenditure.

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

Subsequent expenditure

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

1.8 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.

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

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.

1.9 Depreciation, amortisation and impairments

Tangible fixed assets are depreciated 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 84 years.

Leaseholds - over the primary lease term.

Furniture and fittings - 5 to 15 years.

Transport Equipment - 7 to 10 years.

IT equipment - 5 to 10 years.

Plant and machinery - 5 to 20 years.

Intangible fixed assets are depreciated 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

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

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.10 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain. This accounting policy change has been applied retrospectively.

1.11 Government grants

The Trust does not hold any Government grants within the year or prior year. Therefore there is a nil impact following the accounting policy change outlined in the Treasury FREM for 2012-13.

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

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

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

1.14 Private Finance Initiative (PFI) transactions

The Trust has no PFI agreements.

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

1.15 Inventories

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

1.16 Cash and cash equivalents

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

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

1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (2.35% for employee early departure obligations).

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

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

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

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

1.18 Clinical negligence costs

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

1.19 Non-clinical risk pooling

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

1.20 EU Emissions Trading Scheme

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

1.21 Contingencies

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

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

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

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

1.22 Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

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.

Loans and receivables

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

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

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

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

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

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

1.23 Financial liabilities

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

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

Financial guarantee contract liabilities

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

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

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

Financial liabilities at fair value through profit and loss

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

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.

1.24 Value Added Tax

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

1.25 Foreign currencies

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

1.26 Third party assets

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

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

1.27 Public Dividend Capital (PDC) and PDC dividend

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

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

1.28 Losses and Special Payments

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

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

1.29 Subsidiaries

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

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

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

1.30 Associates

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

1.31 Joint ventures

There are no material entities in which the Trust has joint control with one or more other parties to obtain economic or other benefits.

1.32 Joint operations

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

1.33 Research and Development

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

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

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

IAS 27 Separate Financial Statements - subject to consultation

IAS 28 Investments in Associates and Joint Ventures - subject to consultation

IFRS 9 Financial Instruments - subject to consultation - subject to consultation

IFRS 10 Consolidated Financial Statements - subject to consultation

IFRS 11 Joint Arrangements - subject to consultation

IFRS 12 Disclosure of Interests in Other Entities - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Pooled budgets

The Trust has no pooled budget arrangements.

3. Operating segments

The Board as 'Chief Operating Decision Maker' has determined that the Trust operates in one material segment, which is the provision of healthcare services. The segmental reporting format reflects the Trust's management and internal reporting structure.

The provision of healthcare (including medical treatment, research and education) is within one main geographical segment, the United Kingdom, and materially funded by Departments of HM Government in England.

Income from activities (medical treatment of patients) is analysed by customer type in note 5 below. Other operating income is analysed in note 6 and materially consists of revenues from medical education and the provision of services to other NHS bodies. Total income from individual customers within the whole of HM Government is considered material, and is disclosed in the related parties transactions in note 41.

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	2012-13	2011-12
	£000s	£000s
NHS Trusts	0	271
Primary Care Trusts - tariff	173,302	167,231
Primary Care Trusts - non-tariff	67,856	70,976
Primary Care Trusts - market forces factor	4,549	4,508
NHS Foundation Trusts	843	698
Non-NHS:		
Private patients	2,279	2,289
Overseas patients (non-reciprocal)	36	94
Injury costs recovery*	1,709	1,443
Other**	25,238	23,621
Total Revenue from patient care activities	<u>275,812</u>	<u>271,131</u>

*Injury cost recovery income is subject to a provision for impairment of receivables of 12.6% (previously 10.5% to August 2012) to reflect expected rates of collection.

**Non-NHS-Other includes income of £24m from Welsh bodies (2011-12: £22m).

6. Other operating revenue	2012-13	2011-12
	£000s	£000s
Education, training and research	12,193	11,539
Receipt of donations for capital acquisitions	6,109	882
Non-patient care services to other bodies	3,572	3,618
Income generation	2,898	2,816
Other revenue*	8,778	9,864
Total Other Operating Revenue	<u>33,550</u>	<u>28,719</u>
Total operating revenue	<u>309,362</u>	<u>299,850</u>

* Other revenue includes £4.96m financial support from the SHA (2011-12: £6.5m).

7. Revenue	2012-13	2011-12
	£000	£000
From rendering of services	309,362	299,850

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

8. Operating expenses (excluding employee benefits)	2012-13 £000s	2011-12 £000s
Purchase of healthcare from non NHS bodies	234	1,240
Trust Chair and Non-executive Directors	54	66
Supplies and services - clinical	51,427	49,883
Supplies and services - general	4,639	4,440
Consultancy services	772	1,926
Establishment	4,647	4,364
Transport	3,701	3,331
Premises	12,860	12,276
Impairments and Reversals of Receivables	426	469
Inventories write down	0	61
Depreciation	8,995	9,201
Amortisation	337	249
Impairments and reversals of property, plant and equipment	2,148	1,053
Audit fees	135	205
Clinical negligence	6,318	6,001
Education and Training	745	705
Other	894	422
Total Operating expenses (excluding employee benefits)	98,332	95,892
Employee benefits		
Employee benefits excluding Board members	201,355	198,858
Board members	1,108	1,153
Total employee benefits	202,463	200,011
Total operating expenses	300,795	295,903

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 12 years and commenced 1 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 the provision of Biochemistry and Haematology service, comprising immunoassay, clinical chemistry, haematology, software and pre-analytics. The term of the contract is seven years and commenced 1 May 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 7 years and commenced on 17 March 2012.

The Trust has a lease for printing services for both hospitals. The term of the lease is 5 years and commenced 1 September 2009.

The Trust has two property leases for off site office accommodation and an off site sterile services facility with lease terms of 3 years and 20 years respectively both commencing 1 April 2010.

The Trust has entered into a lease, commencing 1 April 2011, for the provision of staff residential accommodation facilities at the Royal Shrewsbury Hospital.

The Trust also leases cars and adhoc medical equipment.

9.1 Trust as lessee	Buildings	Other	2012-13	2011-12
	£000s	£000s	Total	Total
			£000s	£000s
Payments recognised as an expense				
Minimum lease payments	549	3,306	3,855	3,983
Contingent rents	0	0	0	0
Sub-lease payments	0	0	0	0
Total	549	3,306	3,855	3,983
Payable:				
No later than one year	507	3,314	3,821	3,958
Between one and five years	1,343	8,174	9,517	11,030
After five years	2,784	5,665	8,449	11,151
Total	4,634	17,153	21,787	26,139

9.2 Trust as lessor

The Trust does not have any leasing arrangements where it acts as a lessor.

10 Employee benefits and staff numbers

10.1 Employee benefits

	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits 2012-13			
Salaries and wages	172,523	152,102	20,421
Social security costs	12,393	12,393	0
Employer Contributions to NHS BSA - Pensions Division	18,142	18,142	0
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	152	152	0
Total employee benefits including capitalised costs	203,210	182,789	20,421
Employee costs capitalised	747	635	112
Employee Benefits excluding capitalised costs	202,463	182,154	20,309

	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits 2011-12			
Salaries and wages	170,978	149,035	21,943
Social security costs	11,926	11,926	0
Employer Contributions to NHS BSA - Pensions Division	17,694	17,694	0
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	0	0	0
Total employee benefits including capitalised costs	200,598	178,655	21,943
Employee costs capitalised	587		
Employee Benefits excluding capitalised costs	200,011		

10.2 Staff Numbers

	Total Number	2012-13 Permanently employed Number	Other Number	2011-12 Total Number
Average Staff Numbers				
Medical and dental	656	607	49	606
Administration and estates	1,047	937	110	1,044
Healthcare assistants and other support staff	1,044	919	125	1,072
Nursing, midwifery and health visiting staff	1,480	1,380	100	1,437
Scientific, therapeutic and technical staff	661	644	17	677
TOTAL	4,888	4,487	401	4,836
Of the above - staff engaged on capital projects	15	13	2	14

10.3 Staff Sickness absence and ill health retirements

	2012-13 Number	2011-12 Number
Total Days Lost	45,599	44,175
Total Staff Years	4,496	4,380
Average working Days Lost	10.14	10.09

These figures are calendar year figures (January - December) not financial year figures.

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	3	4
Total additional pensions liabilities accrued in the year	£000s 154	£000s 448

10.4 Exit Packages

Exit package cost band (including any special payment element)	2012-13			2011-12		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	5	5	0	0	0
£10,001-£25,000	0	2	2	0	0	0
£25,001-£50,000	0	0	0	0	0	0
£50,001-£100,000	0	1	1	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost)	0	8	8	0	0	0
Total resource cost (£000s)	0	152	152	0	0	0

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Redundancy and other departure costs have been paid in accordance with the provisions of the MARS scheme.

10.5 Pension costs

Pensions Costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

11 Better Payment Practice Code

11.1 Measure of compliance

	2012-13 Number	2012-13 £000s	2011-12 Number	2011-12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	91,154	110,477	89,887	98,915
Total Non-NHS Trade Invoices Paid Within Target	54,877	74,531	75,177	78,743
Percentage of NHS Trade Invoices Paid Within Target	<u>60.20%</u>	<u>67.46%</u>	83.64%	79.61%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,494	15,878	2,170	19,505
Total NHS Trade Invoices Paid Within Target	1,736	10,866	1,921	17,716
Percentage of NHS Trade Invoices Paid Within Target	<u>69.61%</u>	<u>68.43%</u>	88.53%	90.83%

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

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

There were immaterial amounts paid under this act during this year or the prior year.

12 Investment Income

	2012-13 £000s	2011-12 £000s
Interest Income		
Bank interest	20	21
Total investment income	<u>20</u>	<u>21</u>

13 Other Gains and Losses

	2012-13 £000s	2011-12 £000s
Loss on disposal of assets other than by sale (PPE)	(5)	0
Total	<u>(5)</u>	<u>0</u>

14 Finance Costs

	2012-13 £000s	2011-12 £000s
Provisions - unwinding of discount	30	13
Total	<u>30</u>	<u>13</u>

15.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account £000's	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
2012-13	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2012	26,290	110,915	2,714	7,910	37,025	278	8,659	4,632	198,423
Additions of Assets Under Construction				8,635					8,635
Additions Purchased	166	3,318	0		2,503	130	1,012	237	7,366
Additions Donated	0	1,890	0	0	719	0	34	196	2,839
Additions Government Granted	0	0	0	0	0	0	0	0	0
Additions Leased	0	0	0	0	0	0	0	0	0
Reclassifications	0	3,537	0	(3,552)	(54)	0	13	56	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(3,125)	0	0	(29)	(3,154)
Upward revaluation/positive indexation	184	1,271	125	0	0	0	0	0	1,580
Impairments/negative indexation	0	(3,829)	0	0	0	0	0	0	(3,829)
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Disposals other than by sale-cumulative depreciation adjustment	0	(7,245)	(125)	0	0	0	0	0	(7,370)
At 31 March 2013	26,640	109,857	2,714	12,993	37,068	408	9,718	5,092	204,490
Depreciation									
At 1 April 2012	0	294	0	0	22,067	94	6,005	2,130	30,590
Reclassifications	0	0	0	0	(29)	0	21	8	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(3,114)	0	0	(28)	(3,142)
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	0	2,148	0	0	0	0	0	0	2,148
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	0	5,086	145	0	2,550	25	854	335	8,995
Disposals other than by sale-cumulative depreciation adjustment	0	(7,226)	(145)	0	0	0	0	0	(7,371)
At 31 March 2013	0	302	0	0	21,474	119	6,880	2,445	31,220
Net Book Value at 31 March 2013	26,640	109,555	2,714	12,993	15,594	289	2,838	2,647	173,270
Purchased	26,640	103,172	2,714	12,993	12,495	289	2,754	2,367	163,424
Donated	0	6,383	0	0	3,099	0	84	280	9,846
Government Granted	0	0	0	0	0	0	0	0	0
Total at 31 March 2013	26,640	109,555	2,714	12,993	15,594	289	2,838	2,647	173,270
Asset financing:									
Owned	26,640	109,555	2,714	12,993	15,594	289	2,838	2,647	173,270
Held on finance lease	0	0	0	0	0	0	0	0	0
Total at 31 March 2013	26,640	109,555	2,714	12,993	15,594	289	2,838	2,647	173,270

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account £000's	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	9,941	33,018	0	0	1,252	0	0	0	44,211
In year movements	184	(2,558)	125	0	0	0	0	0	(2,249)
At 31 March 2013	10,125	30,460	125	0	1,252	0	0	0	41,962

15.2 Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2011-12									
Cost or valuation:									
At 1 April 2011	26,305	128,636	2,744	369	35,773	278	7,673	4,547	206,325
Additions - purchased	0	1,097	0	4,376	2,329	0	1,003	48	8,853
Additions - donated	0	23	0	3,271	747	0	25	36	4,102
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	43	0	(106)	0	0	14	0	(49)
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,881)	0	(56)	0	(1,937)
Revaluation & indexation gains	0	9,796	294	0	0	0	0	0	10,090
Impairments	(15)	(1,017)	0	0	0	0	0	0	(1,032)
Reversals of impairments	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	(12,304)	(304)	0	0	0	0	0	(12,608)
At 31 March 2012	<u>26,290</u>	<u>126,274</u>	<u>2,734</u>	<u>7,910</u>	<u>36,968</u>	<u>278</u>	<u>8,659</u>	<u>4,631</u>	<u>213,744</u>
Depreciation									
At 1 April 2011	0	21,971	213		20,775	72	5,368	1,803	50,202
Reclassifications		0	0		0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(1,881)	0	(56)	0	(1,937)
Upward revaluation/positive indexation	0	0	0		0	0	0	0	0
Impairments	0	1,243	0	0	0	0	0	0	1,243
Reversal of Impairments	0	(190)	0	0	0	0	0	0	(190)
Charged During the Year	0	4,933	111	0	3,116	22	693	326	9,201
Cumulative dep netted off cost following revaluation	0	(12,304)	(304)	0	0	0	0	0	(12,608)
At 31 March 2012	<u>0</u>	<u>15,653</u>	<u>20</u>	<u>0</u>	<u>22,010</u>	<u>94</u>	<u>6,005</u>	<u>2,129</u>	<u>45,911</u>
Net book value at 31 March 2012	<u>26,290</u>	<u>110,621</u>	<u>2,714</u>	<u>7,910</u>	<u>14,958</u>	<u>184</u>	<u>2,654</u>	<u>2,502</u>	<u>167,833</u>
Purchased	26,290	108,048	2,714	4,639	12,057	184	2,581	2,393	158,906
Donated	0	2,573	0	3,271	2,901	0	73	109	8,927
Government Granted	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	<u>26,290</u>	<u>110,621</u>	<u>2,714</u>	<u>7,910</u>	<u>14,958</u>	<u>184</u>	<u>2,654</u>	<u>2,502</u>	<u>167,833</u>
Asset financing:									
Owned	26,290	110,621	2,714	7,910	14,958	184	2,654	2,502	167,833
Held on finance lease	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	<u>26,290</u>	<u>110,621</u>	<u>2,714</u>	<u>7,910</u>	<u>14,958</u>	<u>184</u>	<u>2,654</u>	<u>2,502</u>	<u>167,833</u>

15.3 (cont). Property, plant and equipment

Tangible fixed assets are depreciated 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 84 years.

Leaseholds - over the primary lease term.

Furniture and fittings - 5 to 15 years.

Transport Equipment - 7 to 10 years.

IT equipment - 5 to 10 years.

Plant and machinery - 5 to 20 years.

The majority of donated assets have been donated by the Friends of the Royal Shrewsbury Hospital; Friends of The Princess Royal Hospital Telford; The Shrewsbury and Telford Hospital NHS Trust Charitable Funds and the Lingen Davies Cancer Relief Fund.

16.1 Intangible non-current assets

	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000's	£000's	£000's	£000's	£000's	£000's
2012-13						
At 1 April 2012	13	1,658	0	0	0	1,671
Additions - purchased	0	358	0	0	0	358
Additions - internally generated	40	0	0	0	0	40
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions - leased	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation & indexation gains	0	0	0	0	0	0
Impairments charged to reserves	0	0	0	0	0	0
Reversal of impairments charged to reserves	0	0	0	0	0	0
At 31 March 2013	53	2,016	0	0	0	2,069
Amortisation						
At 1 April 2012	0	402	0	0	0	402
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	3	334	0	0	0	337
At 31 March 2013	3	736	0	0	0	739
Net Book Value at 31 March 2013	50	1,280	0	0	0	1,330
Net book value at 31 March 2013 comprises:						
Purchased	50	1,237	0	0	0	1,287
Donated	0	43	0	0	0	43
Government Granted	0	0	0	0	0	0
Total at 31 March 2013	50	1,280	0	0	0	1,330
Revaluation reserve balance for intangible non-current assets						
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	0	0	0	0	0	0
In year movements	0	0	0	0	0	0
At 31 March 2013	0	0	0	0	0	0

16.2 Intangible non-current assets prior year

	Software internally generated £000s	Software purchased £000s	Licences & trademarks £000s	Patents £000s	Development expenditure £000s	Total £000s
2011-12						
Cost or valuation:						
At 1 April 2011	0	1,223	0	0	0	1,223
Additions - purchased	0	336	0	0	0	336
Additions - internally generated	13	0	0	0	0	13
Additions - donated	0	50	0	0	0	50
Additions - government granted	0	0	0	0	0	0
Reclassifications	0	49	0	0	0	49
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation & indexation gains	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Less cumulative depreciation written down on revaluation	0	0	0	0	0	0
At 31 March 2012	<u>13</u>	<u>1,658</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,671</u>
Amortisation						
At 1 April 2011	0	153	0	0	0	153
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	249	0	0	0	249
Less cumulative depreciation written down on revaluation	0	0	0	0	0	0
At 31 March 2012	<u>0</u>	<u>402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>402</u>
Net book value at 31 March 2012	13	1,256	0	0	0	1,269
Net book value at 31 March 2012 comprises:						
Purchased	13	1,201	0	0	0	1,214
Donated	0	55	0	0	0	55
Government Granted	0	0	0	0	0	0
Total at 31 March 2012	<u>13</u>	<u>1,256</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,269</u>

16.3 Intangible non-current assets

The intangible assets held by the Trust relate to the purchase of software licenses and software that has been internally generated. These assets are written down over a useful economic life of 5 years.

There are no revaluation reserve balances for intangible assets.

17 Analysis of impairments and reversals recognised in 2012-13

	2012-13 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	1,437 *
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	<u>1,437</u>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	711 **
Total charged to Annually Managed Expenditure	<u>711</u>
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve	
Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	3,829 **
Total impairments for PPE charged to reserves	<u>3,829</u>
Total Impairments of Property, Plant and Equipment	<u>5,977</u>
Intangible assets impairments and reversals charged to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	<u>0</u>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	<u>0</u>
Intangible Assets impairments and reversals charged to the Revaluation Reserve	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total impairments for Intangible Assets charged to Reserves	<u>0</u>
Total Impairments of Intangibles	<u>0</u>
Financial Assets charged to SoCI	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	<u>0</u>
Loss as a result of catastrophe	0
Other	0
Total charged to Annually Managed Expenditure	<u>0</u>
Financial Assets impairments and reversals charged to the Revaluation Reserve	
Loss or damage resulting from normal operations	0
Loss as a result of catastrophe	0
Other	0
TOTAL impairments for Financial Assets charged to reserves	<u>0</u>
Total Impairments of Financial Assets	<u>0</u>
Non-current assets held for sale - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	<u>0</u>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	<u>0</u>
Total impairments of non-current assets held for sale	<u>0</u>
Inventories - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	<u>0</u>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	<u>0</u>
Total impairments of Inventories	<u>0</u>
Investment Property impairments charged to SoCI	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	<u>0</u>
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	<u>0</u>
Total Investment Property impairments charged to SoCI	<u>0</u>
Investment Property impairments and reversals charged to the revaluation reserve	
Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total impairments for Investment Property charged to reserves	<u>0</u>
Total Impairments of Investment Property	<u>0</u>
Total Impairments charged to Revaluation Reserve	<u>3,829</u>
Total Impairments charged to SoCI - DEL	<u>1,437</u>
Total Impairments charged to SoCI - AME	<u>711</u>
Overall Total Impairments	<u>5,977</u>

* This impairment relates to the brought into use revaluation of the new Cancer Centre.

** This impairment relates to the year end valuation of the Trust's assets as described in note 1.7 of page 9.

18 Investment property

The Trust has no investment property.

19 Commitments

19.1 Capital commitments

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

	31 March 2013	31 March 2012
	£000s	£000s
Property, plant and equipment	19,550	2,503
Intangible assets	5	0
Total	<u>19,555</u>	<u>2,503</u>

The increase in capital commitments relates to the Trust's contract with it's P21+ Partner for the delivery of the Future Configuration of Hospital Services Capital Scheme.

19.2 Other financial commitments

The Trust has not entered into any non-cancellable contracts in the current year (2011-12:none).

20 Intra-Government and other balances

	Current	Non-current	Current	Non-current
	receivables	receivables	payables	payables
	£000s	£000s	£000s	£000s
Balances with other Central Government Bodies	4,791	0	7,370	0
Balances with Local Authorities	9	0	27	0
Balances with NHS bodies outside the Departmental Group	0	0	26	0
Balances with NHS Trusts and Foundation Trusts	656	0	692	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	5,772	1,709	18,038	0
At 31 March 2013	<u>11,228</u>	<u>1,709</u>	<u>26,153</u>	<u>0</u>
Prior period:				
Balances with other Central Government Bodies	7,062	0	4,534	0
Balances with Local Authorities	5	0	36	0
Balances with NHS Trusts and Foundation Trusts	915	0	768	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	4,845	1,443	24,508	0
At 31 March 2012	<u>12,827</u>	<u>1,443</u>	<u>29,846</u>	<u>0</u>

21 Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Total £000s
Balance at 1 April 2012	2,007	3,075	267	5,349
Additions	0	557	0	557
Inventories recognised as an expense in the period	(22)	0	(9)	(31)
Write-down of inventories (including losses)	(120)	(14)	0	(134)
Balance at 31 March 2013	<u>1,865</u>	<u>3,618</u>	<u>258</u>	<u>5,741</u>

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
NHS receivables - revenue	2,987	5,848	0	0
NHS prepayments and accrued income	1,792	1,492	0	0
Non-NHS receivables - revenue	2,624	2,553	1,709	1,443
Non-NHS prepayments and accrued income	3,677	2,760	0	0
Provision for the impairment of receivables	(428)	(429)	0	0
VAT	256	601	0	0
Interest receivables	2	2	0	0
Total	<u>10,910</u>	<u>12,827</u>	<u>1,709</u>	<u>1,443</u>
Total current and non current	<u>12,619</u>	<u>14,270</u>		

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

22.2 Receivables past their due date but not impaired

	31 March 2013 £000s	31 March 2012 £000s
By up to three months	3,873	5,971
By three to six months	48	168
By more than six months	57	123
Total	<u>3,978</u>	<u>6,262</u>

22.3 Provision for impairment of receivables

	2012-13 £000s	2011-12 £000s
Balance at 1 April 2012	(429)	(426)
Amount written off during the year	427	466
Amount recovered during the year	8	66
Increase in receivables impaired	(434)	(535)
Balance at 31 March 2013	<u>(428)</u>	<u>(429)</u>

Injury cost recovery income is subject to a provision for impairment of receivables of 12.6% (previously 10.5% to August 2012) 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 NHS LIFT investments.

24 Other financial assets

There were no other financial assets in this year or the prior year.

25 Other current assets

There were no other current assets in this year or the prior year.

26 Cash and Cash Equivalents

	31 March 2013 £000s	31 March 2012 £000s
Opening balance	1,202	233
Net change in year	998	969
Closing balance	2,200	1,202
Made up of		
Cash with Government Banking Service	2,188	1,191
Commercial banks	0	0
Cash in hand	12	11
Current investments	0	0
Cash and cash equivalents as in statement of financial position	2,200	1,202
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	2,200	1,202
Patients' money held by the Trust, not included above	1	1

27 Non-current assets held for sale

There were no non-current assets held for sale in this year or the prior year.

28 Trade and other payables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
NHS payables - revenue	571	479	0	0
NHS accruals and deferred income	1,041	608	0	0
Non-NHS payables - revenue	8,563	6,885	0	0
Non-NHS payables - capital	3,696	5,073	0	0
Non-NHS accruals and deferred income*	8,214	12,610	0	0
Social security costs	1,871	1,871		
Tax	2,171	2,279		
Payments received on account	26	41	0	0
Total	26,153	29,846	0	0
Total payables (current and non-current)	26,153	29,846		

* Non-NHS accruals and deferred income at 31 March 2012 included £2.99m of deferred income relating to donated income in respect of a donated asset that was under construction at 31 March 2012.

Included above:

outstanding Pension Contributions at the year end	2,378	0
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There were no pension contributions outstanding at 31 March 2012 as these were paid on 28 March 2012.

29 Other liabilities

There were no other liabilities in this year or the prior year.

30 Borrowings

There were no borrowings in this year or the prior year.

31 Other financial liabilities

There were no other financial liabilities in this year or the prior year.

32 Deferred income

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Opening balance at 1 April 2012	4,575	3,589	0	0
Deferred income addition*	754	4,575	0	0
Transfer of deferred income	(4,575)	(3,589)	0	0
Current deferred Income at 31 March 2013	754	4,575	0	0
Total deferred income (current and non-current)	754	4,575		

* Deferred income addition at 31 March 2012 includes £2.99m of deferred income relating to donated income in respect of a donated asset that was under construction at 31 March 2012.

33 Finance lease obligations as lessee

The Trust did not have any finance leases in this year or the prior year.

34 Finance lease receivables as lessor

The Trust did not have any leasing arrangements where it acted as a lessor in this year or the prior year.

35 Provisions

	Total	Pensions Relating to Other Staff	Legal Claims	Restructuring	Other
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	946	176	153	187	430
Arising During the Year	447	4	198	48	197
Utilised During the Year	(331)	(41)	(94)	(21)	(175)
Reversed Unused	(132)	0	(24)	(104)	(4)
Unwinding of Discount	30	13	0	0	17
Balance at 31 March 2013	960	152	233	110	465

Expected Timing of Cash Flows:

No Later than One Year	631	41	233	110	247
Later than One Year and not later than Five Years	294	102	0	0	192
Later than Five Years	35	9	0	0	26

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

As at 31 March 2013	52,636
As at 31 March 2012	42,665

Pensions relating to other staff is a provision for future payments payable to the NHS Pensions Agency in respect of former employees who took early retirement.

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

Restructurings provision relates to changes within the Trust's senior management team. The relevant individual has been consulted and the provision represents the expected direct expenditure arising from this change.

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 (£276,000) and the CRC scheme (£189,000).

36 Contingencies

	31 March 2013 £000s	31 March 2012 £000s
Contingent liabilities		
Contingent Liabilities - NHSLA	(133)	(81)
Net Value of Contingent Liabilities	(133)	(81)

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

The Trust has no PFI or LIFT commitments.

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 Trust has with primary care trusts and the way those primary care trusts 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. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2013 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

39.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Total £000s
Embedded derivatives	0		0
Receivables - NHS		0	0
Receivables - non-NHS		0	0
Cash at bank and in hand		2,200	2,200
Other financial assets	0	0	0
Total at 31 March 2013	0	2,200	2,200
Embedded derivatives	0		0
Receivables - NHS		0	0
Receivables - non-NHS		0	0
Cash at bank and in hand		1,202	1,202
Other financial assets	0	0	0
Total at 31 March 2012	0	1,202	1,202

39.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0		0
NHS payables		233	233
Non-NHS payables		0	0
Other borrowings		0	0
PFI & finance lease obligations		0	0
Other financial liabilities	0	0	0
Total at 31 March 2013	0	233	233
Embedded derivatives	0		0
NHS payables		153	153
Non-NHS payables		0	0
Other borrowings		0	0
PFI & finance lease obligations		0	0
Other financial liabilities	0	0	0
Total at 31 March 2012	0	153	153

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

40 Events after the end of the reporting period

There are no material events after the reporting period that require adjusting or disclosing within these financial statements.

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, have 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
	£000	£000	£000	£000
Shropshire County PCT	190	134,865	603	1,354
Telford and Wrekin PCT	273	95,065	0	1,653
NHS Litigation Authority	6,519	0	0	0
NHS Blood and Transplant	2,216	0	26	0
West Midlands Strategic Health Authority *	20	10,694	14	9
Birmingham East and North PCT	4	15,073	4	153
South Staffordshire PCT	0	2,713	0	141
North Staffordshire PCT	0	877	0	93
Worcester PCT	0	543	0	254
Dudley PCT	0	512	0	16
Robert Jones and Agnes Hunt Orthopaedic Hospital Foundation Trust	1,088	2,579	18	102
Mid Cheshire Hospitals NHS Foundation Trust	886	0	214	0
University Hospital of North Staffordshire NHS Trust	1,096	356	140	43
Shropshire Community Health NHS Trust	235	2,586	75	288

* The West Midlands Strategic Health Authority is part of the NHS Midlands and East SHA cluster.

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Shropshire Council and Telford and Wrekin Council for business rates.

The Trust had a number of material transactions with Welsh bodies for healthcare: Powys Local Health Board, Betsi Cadwaladr University Health Board and the Health Commission of Wales.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the Trust board. The 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 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	559,348	691
Special payments	98,152	57
Total losses and special payments	657,500	748

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

	Total Value of Cases £s	Total Number of Cases
Losses	529,754	364
Special payments	173,584	62
Total losses and special payments	703,338	426

There are no cases individually over £250,000.

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

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s
Turnover	189,152	205,748	227,241	247,233	262,882	277,980	299,850	309,362
Retained surplus/(deficit) for the year	(12,142)	(2,840)	4,102	4,127	(11,652)	(325)	(1,167)	3,216
Adjustment for:								
Timing/non-cash impacting distortions:								
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0							
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0						
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	(5,635)					
Adjustments for Impairments				30	12,364	351	1,053	2,148
Adjustments for impact of policy change re donated/government grants assets							173	(5,283)
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					0	0	0	0
Other agreed adjustments	0	0	0	0	0	0	0	0
Break-even in-year position	(12,142)	(2,840)	(1,533)	4,157	712	26	59	81
Break-even cumulative position	(22,675)	(25,515)	(27,048)	(22,891)	(22,179)	(22,153)	(22,094)	(22,013)

*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.

In line with the Trust's Long Term Financial Model the Trust is planning to deliver surpluses over the 5 year period that will reduce the overall cumulative deficit.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Materiality test (I.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover	-6.42	-1.38	-0.67	1.68	0.27	0.01	0.02	0.03
Break-even cumulative position as a percentage of turnover	-11.99	-12.40	-11.90	-9.26	-8.44	-7.97	-7.37	-7.12

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

43.2 Capital cost absorption rate

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

43.3 External financing

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

	2012-13 £000s	2011-12 £000s
External financing limit	15,299	1,029
Cash flow financing	13,060	4,869
Other capital receipts	(6,109)	(3,842)
External financing requirement	<u>6,951</u>	<u>1,027</u>
Undershoot	<u>8,348</u>	<u>2</u>

The undershoot in EFL is a result of a revised funding requirement for the delivery of Future Configuration of Hospital Services Capital Scheme.

43.4 Capital resource limit

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

	2012-13 £000s	2011-12 £000s
Gross capital expenditure	19,238	13,354
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(2,839)	(4,152)
Charge against the capital resource limit	<u>16,399</u>	<u>9,202</u>
Capital resource limit	<u>24,749</u>	<u>10,200</u>
Underspend against the capital resource limit	<u>8,350</u>	<u>998</u>

The underspend against CRL is a result of a revised funding requirement for the delivery of Future Configuration of Hospital Services Capital Scheme.

44 Third party assets

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

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

The Shrewsbury and Telford Hospital



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6th June 2013

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of The Shrewsbury and Telford Hospitals NHS Trust ("the Trust"), for the year ended 31 March 2013, for the purpose of expressing an opinion as to:

- i. whether these financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

These financial statements comprise the statement of financial position as at 31 March 2013, the statements of comprehensive income, changes in taxpayers' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Board has fulfilled its responsibilities, as set out in the Secretary of State's directions, for the preparation of financial statements that:
 - give a true and fair view of the state of the Trust's affairs as at 31 March 2013 and of its income and expenditure for the financial year then ended; and
 - have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Board has provided you with:
 - access to all information of which it is 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 the Board for the purpose of the audit; and
 - unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Board has disclosed to you all information in relation to:
 - (a) Fraud or suspected fraud that it is aware of and that affects the Trust and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - (b) allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.
9. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. Further, the Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent*

Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Board has disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Board understands them and as defined in IAS 24.

12. The Board confirms that all intra-NHS balances included in the Statement of Financial Position (SFP) at 31 March 2013 in excess of £250,000 have been disclosed to you and that the Trust has complied with the requirements of the Intra NHS Agreement of Balances Exercise as set out in Chapter 4 of the NHS Manual for Accounts 2012/13 and Supplementary Guidance issued by the Department of Health and Monitor in December 2012. The Board confirms that intra-NHS balances includes all balances with NHS counterparties, regardless of whether these balances are reported within those SFP classifications formally deemed to be included within the Agreement of Balances exercise.
13. The Board confirms that:
 - (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Trust's ability to meet its statutory breakeven duty.
 - (b) The uncertainties disclosed are material ones that may cast significant doubt on the Trust's ability to meet its statutory breakeven duty;

This letter was tabled and agreed at the meeting of the Board of Directors on 6th June 2013.

Yours faithfully,

Chief Executive

Finance Director

**Appendix A to the Board Representation Letter of *The Shrewsbury and Telford Hospital NHS Trust*:
Definitions**

Financial Statements

IAS 1.10 states that a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.