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Data entered below will be used throughout the workbook:

Trust name	Shrewsbury and Telford Hospital NHS Trust
This year	2016-17
Last year	2015-16
This year ended	31 March 2017
Last year ended	31 March 2016
This year commencing:	1 April 2016
Last year commencing:	1 April 2015

### **Accounts 2016-17**

**Statement of Comprehensive Income for year ended  
31 March 2017**

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	9.1	(234,620)	(226,186)
Other operating costs	7	(116,786)	(125,712)
Revenue from patient care activities	4	314,664	304,032
Other operating revenue	5	35,580	22,445
<b>Operating deficit</b>		<b>(1,162)</b>	<b>(25,421)</b>
Investment revenue	11	22	28
Other gains and (losses)	12	0	(163)
Finance costs	13	(310)	(201)
<b>Deficit for the financial year</b>		<b>(1,450)</b>	<b>(25,757)</b>
Public dividend capital dividends payable		(4,259)	(5,271)
<b>Retained surplus/(deficit) for the year</b>		<b>(5,709)</b>	<b>(31,028)</b>

**Other Comprehensive Income**

		2016-17 £000s	2015-16 £000s
Impairments and reversals taken to the revaluation reserve		(1,711)	(39,752)
Net gain/(loss) on revaluation of property, plant & equipment		5,482	19,016
<b>Total Other Comprehensive Income for the year</b>		<b>3,771</b>	<b>(20,736)</b>
<b>Total comprehensive income for the year</b>		<b>(1,938)</b>	<b>(51,764)</b>

**Financial performance for the year**

Retained deficit for the year		(5,709)	(31,028)
Impairments (excluding IFRIC 12 impairments)	17	483	16,572
Adjustments in respect of donated asset reserve elimination		(405)	(193)
<b>Adjusted retained deficit</b>		<b>(5,631)</b>	<b>(14,649)</b>

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

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

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

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

PDC dividend: balance receivable at 31 March	<u>32</u>	<u>627</u>
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The notes on pages 7 to 38 form part of this account.

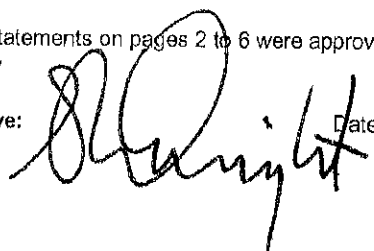
**Statement of Financial Position as at  
31 March 2017**

		31 March 2017	31 March 2016
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	15	164,219	158,476
Intangible assets	16	2,977	2,267
Investment property	18	0	0
Other financial assets		0	0
Trade and other receivables	21.1	1,464	1,317
<b>Total non-current assets</b>		<b>168,660</b>	<b>162,060</b>
<b>Current assets:</b>			
Inventories	20	7,860	7,875
Trade and other receivables	21.1	14,582	8,829
Other financial assets	23	0	0
Other current assets	24	0	0
Cash and cash equivalents	25	5,682	1,700
<b>Sub-total current assets</b>		<b>28,124</b>	<b>18,404</b>
Non-current assets held for sale	26	0	0
<b>Total current assets</b>		<b>28,124</b>	<b>18,404</b>
<b>Total assets</b>		<b>196,784</b>	<b>180,464</b>
<b>Current liabilities</b>			
Trade and other payables	27	(26,864)	(22,992)
Other liabilities	28	0	0
Provisions	34	(601)	(561)
Borrowings	29	0	0
Other financial liabilities	30	0	0
DH revenue support loan	29	0	0
DH capital loan	29	0	0
<b>Total current liabilities</b>		<b>(27,465)</b>	<b>(23,553)</b>
<b>Net current assets/(liabilities)</b>		<b>659</b>	<b>(5,149)</b>
<b>Total assets less current liabilities</b>		<b>169,319</b>	<b>156,911</b>
<b>Non-current liabilities</b>			
Trade and other payables	27	0	0
Other liabilities	28	0	0
Provisions	34	(214)	(175)
Borrowings	29	0	0
Other financial liabilities	30	0	0
DH revenue support loan	29	(24,507)	(12,700)
DH capital loan	29	0	0
<b>Total non-current liabilities</b>		<b>(24,721)</b>	<b>(12,875)</b>
<b>Total assets employed:</b>		<b>144,598</b>	<b>144,036</b>
<b>FINANCED BY:</b>			
Public Dividend Capital		199,606	197,106
Retained earnings		(87,762)	(82,053)
Revaluation reserve		32,754	28,983
<b>Total Taxpayers' Equity:</b>		<b>144,598</b>	<b>144,036</b>

The notes on pages 7 to 38 form part of this account.

The financial statements on pages 2 to 6 were approved by the Board on 1 June 2017 and signed on its behalf by

Chief Executive:

 Date: 30/5/17

**Statement of Changes in Taxpayers' Equity**  
**For the year ending 31 March 2017**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
<b>Balance at 1 April 2016</b>	<b>197,106</b>	<b>(82,053)</b>	<b>28,983</b>	<b>144,036</b>
<b>Changes in taxpayers' equity for 2016-17</b>				
Retained deficit for the year		(5,709)		(5,709)
Net gain / (loss) on revaluation of property, plant, equipment			5,482	5,482
Net gain / (loss) on revaluation of intangible assets			0	0
Net gain / (loss) on revaluation of financial assets			0	0
Net gain / (loss) on revaluation of available for sale financial assets			0	0
Impairments and reversals			(1,711)	(1,711)
Other gains/(loss)				0
Transfers between reserves		0	0	0
<b>Reclassification Adjustments</b>				
On disposal of available for sale financial assets			0	0
Reserves eliminated on dissolution		0	0	0
Originating capital for Trust established in year	0			0
Temporary and permanent PDC received - cash	2,500			2,500
Temporary and permanent PDC repaid in year	0			0
PDC written off	0	0		0
<b>Net recognised revenue/(expense) for the year</b>	<b>2,500</b>	<b>(5,709)</b>	<b>3,771</b>	<b>562</b>
<b>Balance at 31 March 2017</b>	<b>199,606</b>	<b>(87,762)</b>	<b>32,754</b>	<b>144,598</b>

<b>Balance at 1 April 2015</b>	<b>199,606</b>	<b>(51,025)</b>	<b>49,719</b>	<b>198,300</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2016</b>				
Retained deficit for the year		(31,028)		(31,028)
Net gain / (loss) on revaluation of property, plant, equipment			19,016	19,016
Net gain / (loss) on revaluation of intangible assets			0	0
Net gain / (loss) on revaluation of financial assets			0	0
Net gain / (loss) on revaluation of assets held for sale			0	0
Impairments and reversals			(39,752)	(39,752)
Other gains / (loss)				0
Transfers between reserves		0	0	0
<b>Reclassification Adjustments</b>				
On disposal of available for sale financial assets			0	0
New PDC received - cash	0			0
PDC repaid in year	(2,500)			(2,500)
<b>Net recognised revenue/(expense) for the year</b>	<b>(2,500)</b>	<b>(31,028)</b>	<b>(20,736)</b>	<b>(54,264)</b>
<b>Balance at 31 March 2016</b>	<b>197,106</b>	<b>(82,053)</b>	<b>28,983</b>	<b>144,036</b>

**Information on reserves**

**1 Public dividend capital**

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

**2 Income and expenditure reserve**

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

**3 Revaluation Reserve**

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

**Statement of Cash Flows for the Year ended 31 March 2017**

	NOTE	2016-17 £000s	2015-16 £000s
<b>Cash Flows from Operating Activities</b>			
Operating deficit		(1,162)	(25,421)
Depreciation and amortisation	7	10,497	8,217
Impairments and reversals	17	483	16,572
Other gains/(losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		0	0
Government Granted Assets received credited to revenue but non-cash		0	0
(Increase)/Decrease in Inventories		15	(634)
(Increase)/Decrease in Trade and Other Receivables		(6,495)	6,846
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		(1,611)	4,016
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions utilised		(437)	(471)
Increase in movement in non cash provisions		492	362
<b>Net Cash Inflow from Operating Activities</b>		<b>1,782</b>	<b>9,487</b>
<b>Cash Flows from Investing Activities</b>			
Interest Received		22	28
Payments for Property, Plant and Equipment		(7,489)	(12,235)
Payments for Intangible Assets		(700)	(815)
Payments for Investments with DH		0	0
Payments for Other Financial Assets		0	0
Proceeds of disposal of assets held for sale (PPE)		0	37
Proceeds of disposal of assets held for sale (Intangible)		0	0
Proceeds from Disposal of Investment with DH		0	0
Proceeds from Disposal of Other Financial Assets		0	0
Rental Revenue		0	0
<b>Net Cash Outflow from Investing Activities</b>		<b>(8,167)</b>	<b>(12,985)</b>
<b>Net Cash Outflow before Financing</b>		<b>(6,385)</b>	<b>(3,498)</b>
<b>Cash Flows from Financing Activities</b>			
Gross Temporary and Permanent PDC Received		2,500	0
Gross Temporary and Permanent PDC Repaid		0	(2,500)
Loans received from DH - New Capital Investment Loans		0	0
Loans received from DH - New Revenue Support Loans		17,996	27,011
Other Loans Received		0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		0	0
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		(6,189)	(14,311)
Other Loans Repaid		0	0
Interest paid		(276)	(168)
PDC Dividend (paid)/refunded		(3,664)	(5,835)
Capital grants and other capital receipts (excluding donated/government granted cash receipts)		0	0
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>10,367</b>	<b>4,197</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,982</b>	<b>699</b>
<b>Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period</b>		<b>1,700</b>	<b>1,001</b>
Effect of exchange rate changes in the balance of cash held in foreign currencies		0	0
<b>Cash and Cash Equivalents (and Bank Overdraft) at year end</b>	<b>25</b>	<b>5,682</b>	<b>1,700</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2016-17 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

##### Going Concern

These accounts have been prepared on a going concern basis. The Board of Directors has concluded that the Trust is able to demonstrate that it is a going concern on the following basis:

- The Department of Health and NHS Improvement have confirmed the Trust's arrangements for accessing cash financing for organisations that have submitted a deficit plan for 2017/18. The NHS Improvement Accountability Framework sets out the process where an NHS Trust will be assisted to develop and agreement of a formal recovery plan to address deficit positions.
- Arrangements are in place for the delivery of cost improvement plans through Executive Director meetings.
- The Trust is working with NHSI to obtain STF funding for the continued operations of The Trust.

#### 1.2 Acquisitions and discontinued operations

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

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

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

#### 1.4 Charitable Funds

Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. The Trust considers transactions, assets and liabilities of the NHS Charity are immaterial in 2016-17 but this is assessed annually depending on the NHS Trust's accounts as well as the NHS Charity's accounts.

#### 1.5 Pooled Budgets

The Trust has no pooled budget arrangements.

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

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

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

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

##### 1.6.2 Key sources of estimation uncertainty

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

## NOTES TO THE ACCOUNTS

### 1.7 Revenue

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

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

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

### 1.8 Employee Benefits

#### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

#### Retirement benefit costs

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

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

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

### 1.9 Other expenses

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



## NOTES TO THE ACCOUNTS

### 1.10 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

- It is held for use in delivering services or for administrative purposes;
- It is probable that future economic benefits will flow to, or service potential will be supplied to the NHS trust;
- It is expected to be used for more than one financial year;
- The cost of the item can be measured reliably; and either
- The item cost at least £5,000; or
- Collectively, a number of items have a total 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.

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. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

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

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

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

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

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

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

### 1.11 Intangible assets

#### Recognition

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

Intangible assets acquired separately are initially recognised at cost. Software that is integral to the operation 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;

## NOTES TO THE ACCOUNTS

- 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; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Measurement

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

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### 1.12 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, and assets held for sale are not depreciated/amortised.

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

At each financial year-end, the NHS trust checks whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of such an impairment, 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 at the financial year end.

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 are 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.

### 1.13 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at 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 treated in the same way as for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

### 1.14 Government grants

Government grant funded assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

### 1.15 Non-current assets held for sale

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

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

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

### 1.16 Leases

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

## NOTES TO THE ACCOUNTS

### The trust as lessee

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

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

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

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

### The NHS trust as lessor

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

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

### 1.17 Private Finance Initiative (PFI) transactions

The Trust has no PFI agreements.

### 1.18 Inventories

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

### 1.19 Cash and cash equivalents

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

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

### 1.20 Provisions

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

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.24% (2015-16: positive 1.37%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:

- A short term rate of negative 2.70% (2015-16: negative 1.55%) for expected cash flows up to and including 5 years
- A medium term rate of negative 1.95% (2015-16: negative 1.00%) for expected cash flows over 5 years up to and including 10 years
- A long term rate of negative 0.80% (2015-16: negative 0.80%) for expected cash flows over 10 years.

All percentages are in real terms.

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

A restructuring provision is recognised when the NHS 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

### 1.21 Clinical negligence costs

The NHS Litigation Authority (NHS LA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHS LA, which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHS LA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS trust. The total value of clinical negligence provisions carried by the NHS LA on behalf of the trust is disclosed at Note 34.

### 1.22 Non-clinical risk pooling

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

### 1.23 Carbon Reduction Commitment Scheme (CRC)

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

### 1.24 Contingencies

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

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

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

### 1.25 Financial assets

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

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

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

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

#### Held to maturity investments

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

#### Available for sale financial assets

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

## NOTES TO THE ACCOUNTS

### 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.

Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

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

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

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

### 1.26 Financial liabilities

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

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

#### Financial guarantee contract liabilities

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

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

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

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

#### Other financial liabilities

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

### 1.27 Value Added Tax

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

### 1.28 Foreign currencies

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

## NOTES TO THE ACCOUNTS

### 1.29 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 43 to the accounts.

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

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

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

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

### 1.31 Losses and Special Payments

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

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

### 1.32 Subsidiaries

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

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

### 1.33 Associates

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

### 1.34 Joint arrangements

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

### 1.35 Research and Development

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

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

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

### 1.37 Gifts

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

## 2. Operating segments

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

## 3. 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.

## 4. Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	818	624
NHS England	53,103	51,936
Clinical Commissioning Groups	229,245	219,664
Foundation Trusts	626	633
NHS Other (including Public Health England and Prop Co)	68	462
Additional income for delivery of healthcare services	0	2,500
Non-NHS:		
Local Authorities	88	87
Private patients	1,331	1,424
Overseas patients (non-reciprocal)	69	81
Injury costs recovery*	1,464	1,317
Other Non-NHS patient care income**	27,852	25,304
<b>Total Revenue from patient care activities</b>	<b>314,664</b>	<b>304,032</b>

\* Injury cost recovery income is subject to a provision for impairment of receivables of 22.94% (previously 21.99% to October 2016) to reflect expected rates of collection.

\*\* Non-NHS-Other includes income of £27.8m from Welsh bodies (2015-16: £25.2m).

## 5. Other operating revenue

	2016-17 £000s	2015-16 £000s
Education, training and research	12,879	12,220
Receipt of charitable donations for capital acquisitions	1,397	795
Non-patient care services to other bodies	2,604	2,419
Sustainability & Transformation Fund Income	10,767	
Income generation	2,946	3,013
Other revenue*	4,987	3,998
<b>Total Other Operating Revenue</b>	<b>35,580</b>	<b>22,445</b>
<b>Total operating revenue</b>	<b>350,244</b>	<b>326,477</b>

\*The majority of 'Other revenue' is for radiology, cardiorespiratory, dietetics, speech therapists and maternity pathways and the full year effect in 2016/17 of staffing and room rental for the TEMS service.

## 6. Overseas Visitors Disclosure

	2016-17 £000s	2015-16 £000s
Income recognised during 2016-17 (invoiced amounts and accruals)	69	81
Cash payments received in-year (re receivables at 31 March 2016)	0	3
Cash payments received in-year (iro invoices issued 2016-17)	32	31
Amounts added to provision for impairment of receivables (re receivables at 31 March 2016)	0	0
Amounts added to provision for impairment of receivables (iro invoices issued 2016-17)	22	51
Amounts written off in-year (irrespective of year of recognition)	0	23

## 7. Operating expenses

	2016-17 £000s	2015-16 £000s
Purchase of healthcare from non-NHS bodies	533	212
Trust Chair and Non-executive Directors	73	71
Supplies and services - clinical	66,317	63,478
Supplies and services - general	5,006	5,270
Consultancy services	146	64
Establishment	4,556	4,457
Transport	797	884
Business rates paid to local authorities	1,761	1,750
Premises	11,172	12,109
Hospitality	1	4
Insurance	5	54
Legal Fees	263	367
Impairments and Reversals of Receivables	463	380
Inventories write down	280	118
Depreciation	9,821	7,633
Amortisation	676	584
Impairments and reversals of property, plant and equipment	483	16,572
Internal Audit Fees	125	130
Audit fees	92	92
Other auditor's remuneration (see note 14.1)	13	0
Clinical negligence	12,604	10,065
Education and Training	1,013	925
Change in Discount Rate	18	0
Other	568	493
<b>Total Operating expenses (excluding employee benefits)</b>	<b>116,786</b>	<b>125,712</b>
<b>Employee Benefits</b>		
Employee benefits excluding Board members	233,408	224,938
Board members	1,212	1,248
<b>Total Employee Benefits</b>	<b>234,620</b>	<b>226,186</b>
<b>Total Operating Expenses</b>	<b>351,406</b>	<b>351,898</b>



## 8. Operating Leases

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

The Trust has an operating lease relating to an investment in replacing the boiler plant at the Royal Shrewsbury Hospital, the term of the lease is 15 years and commenced 1 April 2007.

The Trust has a lease for printing services for both hospitals. The lease commenced 1 September 2009 for 5 years but has been extended and a new lease is currently being negotiated.

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

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

The Trust has several managed service contracts for the provision of services within the Pathology and Radiology departments.

The Trust also leases cars and adhoc medical equipment.

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

	Buildings	Other	2016-17 Total	2015-16
	£000s	£000s	£000s	£000s
<b>Payments recognised as an expense</b>				
Minimum lease payments			4,894	5,209
Contingent rents			0	0
Sub-lease payments			0	0
<b>Total</b>			<b>4,894</b>	<b>5,209</b>
<b>Payable:</b>				
No later than one year	436	4,399	4,835	4,397
Between one and five years	1,745	15,007	16,752	10,126
After five years	3,597	6,798	10,395	8,531
<b>Total</b>	<b>5,778</b>	<b>26,204</b>	<b>31,982</b>	<b>23,054</b>

### 8.2. Shrewsbury and Telford Hospital NHS Trust as lessor

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

## 9. Employee benefits

### 9.1. Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
<b>Employee Benefits - Gross Expenditure</b>		
Salaries and wages	197,172	193,213
Social security costs	16,839	13,175
Employer Contributions to NHS BSA - Pensions Division	21,719	21,048
<b>Total employee benefits</b>	<b>235,730</b>	<b>227,436</b>
<b>Employee costs capitalised</b>	<b>1,110</b>	<b>1,250</b>
<b>Gross Employee Benefits excluding capitalised costs</b>	<b>234,620</b>	<b>226,186</b>

### 9.2. Retirements due to ill-health

	2016-17 Number	2015-16 Number
Number of persons retired early on ill health grounds	10	8
	£000s	£000s
Total additional pensions liabilities accrued in the year	545	369

### 9.3. Pension costs

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

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

#### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

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

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

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

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

The Trust offers an additional defined contribution workplace pension scheme, the National Employment Savings Scheme (NEST).

# 10. Better Payment Practice Code

## 10.1. Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	93,881	113,516	99,260	119,913
Total Non-NHS Trade Invoices Paid Within Target	46,940	68,821	85,829	105,384
Percentage of Non-NHS Trade Invoices Paid Within Target	50.00%	60.63%	86.47%	87.88%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	2,822	7,345	2,534	8,622
Total NHS Trade Invoices Paid Within Target	1,837	4,390	2,196	7,682
Percentage of NHS Trade Invoices Paid Within Target	65.10%	59.77%	86.66%	89.10%

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

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

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

# 11. Investment Revenue

	2016-17 £000s	2015-16 £000s
<b>Interest revenue</b>		
Bank interest	22	28
<b>Total investment revenue</b>	22	28

# 12. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Loss on disposal of assets other than by sale (PPE)	0	(163)
<b>Total</b>	0	(163)

### 13. Finance Costs

	2016-17 £000s	2015-16 £000s
<b>Interest</b>		
Interest on loans and overdrafts	286	191
<b>Total interest expense</b>	<b>286</b>	<b>191</b>
Other finance costs	0	0
Provisions - unwinding of discount	24	10
<b>Total</b>	<b>310</b>	<b>201</b>

### 14. Auditor Disclosures

#### 14.1. Other auditor remuneration

	2016-17 £000s	2015-16 £000s
<b>Other auditor remuneration paid to the external auditor:</b>	<b>0</b>	<b>0</b>
1. Audit of accounts of any associate of the trust	0	0
2. Audit-related assurance services	13	0
3. Taxation compliance services	0	0
4. All taxation advisory services not falling within item 3 above	0	0
5. Internal audit services	0	0
6. All assurance services not falling within items 1 to 5	0	0
7. Corporate finance transaction services not falling within items 1 to 6 above	0	0
8. Other non-audit services not falling within items 2 to 7 above	0	0
<b>Total</b>	<b>13</b>	<b>0</b>

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

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2016	936	26,400	395	0	1,252	0	0	0	28,983
Movements	0	4,132	20	0	(381)	0	0	0	3,771
At 31 March 2017	<b>936</b>	<b>30,532</b>	<b>415</b>	<b>0</b>	<b>871</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,754</b>

**Additions to Assets Under Construction in 2016-17**

Land	0
Buildings excl Dwellings	2,045
Dwellings	0
Plant & Machinery	1,846
<b>Balance as at YTD</b>	<b>3,891</b>

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

## 2015-16

## Cost or valuation:

At 1 April 2015	27,244	136,659	941	3,769	46,865	408	12,780	5,298	233,964
Additions of Assets Under Construction				424					424
Additions Purchased	0	5,275	13		825	0	882	20	7,015
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	0	0	0	0	0	0
Additions - Purchases from Cash Donations & Government Grants	0	182	0	0	588	0	45	0	795
Reclassifications	(1)	1,384	0	(3,599)	1,007	0	637	0	(572)
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(2,980)	(33)	0	0	(3,013)
Revaluation	937	16,753	(6)	0	0	0	0	0	(3,013)
Impairment/reversals charged to reserves	(4,209)	(13,655)	0	0	(243)	0	0	0	17,684
Impairments/reversals charged to operating expenses	(10,815)	(30,169)	(469)	0	0	0	(274)	0	(18,381)
At 31 March 2016	13,156	116,429	479	594	46,042	375	14,070	5,318	(41,453)
									196,463

## Depreciation

	0	604	0		25,223	189	8,815	3,178	38,009
At 1 April 2015									
Reclassifications	0	0	0		0	0	0	0	0
Reclassifications as Held for Sale and Reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(2,780)	(33)	0	0	(2,813)
Revaluation	0	(1,323)	(9)		0	0	0	0	(1,332)
Impairment/reversals charged to reserves	0	(1,701)	0		(119)	0	0	0	(1,701)
Impairments/reversals charged to operating expenses	0	(1,527)	0		(163)	0	(163)	0	(1,809)
Charged During the Year	0	4,993	9		2,106	35	415	75	7,633
At 31 March 2016	0	1,046	0	0	24,430	191	9,067	3,253	37,987
Net Book Value at 31 March 2016	13,156	115,383	479	594	21,612	184	5,003	2,065	158,476

## Asset financing:

Owned - Purchased	13,156	110,689	479	594	17,701	184	4,921	1,853	149,577
Owned - Donated	0	4,694	0	0	3,911	0	82	212	8,899
Owned - Government Granted	0	0	0	0	0	0	0	0	0
Held on finance lease	0	0	0	0	0	0	0	0	0
Total at 31 March 2016	13,156	115,383	479	594	21,612	184	5,003	2,065	158,476

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

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

The Trust commissioned Deloitte LLP to undertake a revaluation of the Trust's Estate as at 31 March 2017. The valuation has been undertaken having regard to International Financial Reporting Standards ("IFRS") as applied to the United Kingdom public sector and in accordance with HM Treasury Guidance, International Valuation Standards ("IVS") and the requirements of the RICS Valuation - Professional Standards - Global and UK Edition, January 2014 (the "Red Book") as revised in April 2015. The Estate was valued upwards by £3,668,984; an increase of £4,151,736 to Revaluation Reserve and a charge of £482,753 as an impairment to SoCI. In addition, impairments in respect of equipment to the value of £381,259 have been charged to Revaluation Reserve.

Freehold buildings - over estimated useful life not exceeding 81 years.

Leaseholds - over the primary lease term.

Furniture and fittings - 5 to 23 years.

Transport Equipment - 7 to 10 years.

IT equipment - 3 to 10 years.

Plant and machinery - 5 to 30 years.



16. Intangible non-current assets

16.1. Intangible non-current assets

2016-17	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Intangible Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 1 April 2016</b>	<b>4,083</b>	<b>379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,462</b>
Additions of Assets Under Construction	906	31	0	0	0	0	937
Additions Purchased	339	0	0	0	0	0	339
Additions Internally Generated	0	0	0	0	0	0	0
Additions - Non Cash Donations (i.e. physical assets)	88	0	0	0	0	0	88
Additions - Purchases from Cash Donations and Government Grants	22	0	0	0	0	0	22
Reclassifications	0	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	<b>5,438</b>	<b>410</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,848</b>
<b>Amortisation</b>							
<b>At 1 April 2016</b>	<b>2,059</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,195</b>
Reclassifications	0	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0	0
Impairment/reversals charged to reserves	0	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0	0
Charged During the Year	602	74	0	0	0	0	676
<b>At 31 March 2017</b>	<b>2,661</b>	<b>210</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,871</b>
<b>Net Book Value at 31 March 2017</b>	<b>2,777</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,977</b>
<b>Asset Financing: Net book value at 31 March 2017 comprises:</b>							
Purchased	2,699	200	0	0	0	0	2,899
Donated	78	0	0	0	0	0	78
Government Granted	0	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0	0
<b>Total at 31 March 2017</b>	<b>2,777</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,977</b>
<b>Revaluation reserve balance for intangible non-current assets</b>							
<b>At 1 April 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movements</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Licenses and Trademarks £000's	Patents £000's	Development Expenditure - Internally Generated £000's	Total £000's
2015-16						
Cost or valuation:						
At 1 April 2015	3,253	43	0	0	0	3,296
Additions - purchased	594	0	0	0	0	594
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Reclassifications	236	336	0	0	0	572
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0
At 31 March 2016	4,083	379	0	0	0	4,462
Amortisation						
At 1 April 2015	1,584	27	0	0	0	1,611
Reclassifications	(99)	99	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
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments/reversals charged to operating expenses	0	0	0	0	0	0
Impairments/reversals charged to reserves	0	0	0	0	0	0
Charged during the year	574	10	0	0	0	584
At 31 March 2016	2,059	136	0	0	0	2,195
Net book value at 31 March 2016	2,024	243	0	0	0	2,267
Net book value at 31 March 2016 comprises:						
Purchased	2,014	243	0	0	0	2,257
Donated	10	0	0	0	0	10
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
Total at 31 March 2016	2,024	243	0	0	0	2,267

**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 between 3 and 7 years.

**17. Analysis of impairments and reversals recognised in 2016-17****2016-17****Total****£000s****Property, Plant and Equipment impairments and reversals taken to SoCI**

Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>

Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	483
<b>Total charged to Annually Managed Expenditure</b>	<b>483</b>

<b>Total Impairments of Property, Plant and Equipment charged to SoCI</b>	<b>483</b>
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**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
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>

Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>

<b>Total impairments of Intangibles charged to SoCI</b>	<b>0</b>
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**Financial Assets charged to SoCI**

Loss or damage resulting from normal operations	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>

Loss as a result of catastrophe	0
Other	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>

<b>Total Impairments of Financial Assets charged to SoCI</b>	<b>0</b>
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**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
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>

Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
<b>Total charged to Annually Managed Expenditure</b>	<b>0</b>

<b>Total impairments of non-current assets held for sale charged to SoCI</b>	<b>0</b>
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<b>Total Impairments charged to SoCI - DEL</b>	<b>0</b>
<b>Total Impairments charged to SoCI - AME</b>	<b>483</b>
<b>Overall Total Impairments</b>	<b>483</b>

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

PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	(60)
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

**17. Analysis of impairments and reversals recognised in 2016-17**

	Property Plant and Equipment	Intangible Assets	Financial Assets	Non- Current Assets Held for Sale	Total £000s
<b>Impairments and reversals taken to SoCI</b>					
Loss or damage resulting from normal operations	0	0	0	0	0
Over-specification of assets	0	0	0	0	0
Abandonment of assets in the course of construction	0	0	0	0	0
<b>Total charged to Departmental Expenditure Limit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Unforeseen obsolescence	0	0	0	0	0
Loss as a result of catastrophe	0	0	0	0	0
Other	0	0	0	0	0
Changes in market price	483	0	0	0	483
<b>Total charged to Annually Managed Expenditure</b>	<b>483</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>483</b>
<b>Total Impairments of Property, Plant and Equipment</b>	<b>483</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>483</b>

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

£000s

PPE - Donated and Government Granted Asset Impairments: amount charged to SoCI - DEL

(60)

Intangibles - Donated and Government Granted Asset Impairments: amount charged to SoCI - DEL

0

The Trust commissioned Deloitte LLP to undertake a revaluation of the Trust's Estate as at 31 March 2017. The valuation has been undertaken having regard to International Financial Reporting Standards ("IFRS") as applied to the United Kingdom public sector and in accordance with HM Treasury Guidance, International Valuation Standards ("IVS") and the requirements of the RICS Valuation - Professional Standards - Global and UK Edition, January 2014 (the "Red Book") as revised in April 2015. The Estate was valued upwards by £3,668,984; an increase of £4,151,736 to Revaluation Reserve and a charge of £482,753 as an impairment to SoCI. In addition, impairments in respect of equipment to the value of £381,259 have been charged to Revaluation Reserve.

**18. Investment property**

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

**19. Commitments****19.1. Capital commitments**

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

	31 March 2017 £000s	31 March 2016 £000s
Property, plant and equipment	1,189	224
Intangible assets	0	0
<b>Total</b>	<b>1,189</b>	<b>224</b>

**19.2. Other financial commitments**

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

**20. Inventories**

	Drugs	Consumables	Energy	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2016	2,264	5,439	172	7,875	7,875
Additions	35,636	28,559	1,193	65,388	65,388
Inventories recognised as an expense in the period	(35,596)	(28,319)	(1,208)	(65,123)	(65,123)
Write-down of inventories (including losses)	(271)	(9)	0	(280)	(280)
Balance at 31 March 2017	<u>2,033</u>	<u>5,670</u>	<u>157</u>	<u>7,860</u>	<u>7,860</u>

**21.1. Trade and other receivables**

	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000s	£000s	£000s	£000s
NHS receivables - revenue	2,782	1,750	0	0
NHS prepayments and accrued income	6,433	2,200	0	0
Non-NHS receivables - revenue	1,166	1,498	0	0
Non-NHS prepayments and accrued income	3,283	1,843	0	0
PDC Dividend prepaid to DH	32	627	0	0
Provision for the impairment of receivables	(661)	(588)	0	0
VAT	668	582	0	0
Interest receivables	2	2	0	0
Other receivables	877	915	1,464	1,317
Total	<u>14,582</u>	<u>8,829</u>	<u>1,464</u>	<u>1,317</u>
Total current and non current	<u>16,046</u>	<u>10,146</u>		

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

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

	31 March 2017	31 March 2016
	£000s	£000s
By up to three months	3,036	2,465
By three to six months	555	245
By more than six months	357	538
Total	<u>3,948</u>	<u>3,248</u>

### 21.3. Provision for impairment of receivables

	2016-17 £000s	2015-16 £000s
Balance at 1 April 2016	(588)	(507)
Amount written off during the year	390	299
Amount recovered during the year	35	4
Increase in receivables impaired	(498)	(384)
Balance at 31 March 2017	<u>(661)</u>	<u>(588)</u>

Injury cost recovery income is subject to a provision for impairment of receivables of 22.94% (previously 21.99% to October 2016) 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.

### 22. NHS LIFT investments

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

### 23.1. Other Financial Assets - Current

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

### 23.2. Other Financial Assets - Non Current

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

### 24. Other current assets

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

### 25. Cash and Cash Equivalents

	31 March 2017 £000s	31 March 2016 £000s
Opening balance	1,700	1,001
Net change in year	3,982	699
Closing balance	<u>5,682</u>	<u>1,700</u>
<b>Made up of</b>		
Cash with Government Banking Service	5,650	1,668
Cash in hand	32	32
Cash and cash equivalents as in statement of financial position	<u>5,682</u>	<u>1,700</u>
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	<u>5,682</u>	<u>1,700</u>

Third Party Assets - Patients cash held by the Trust (not included above)	4	14
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### 26. Non-current assets held for sale

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

## 27. Trade and other payables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
NHS payables - revenue	1,240	1,135	0	0
NHS accruals and deferred income	136	568	0	0
Non-NHS payables - revenue	6,946	3,867	0	0
Non-NHS payables - capital	7,790	2,317	0	0
Non-NHS accruals and deferred income	7,650	10,136	0	0
Social security costs	4	1,904		
Accrued Interest on DH Loans	33	23		
Payments received on account	14	10	0	0
Other	3,051	3,032	0	0
<b>Total</b>	<b>26,864</b>	<b>22,992</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>26,864</b>	<b>22,992</b>		
<b>Included in 'Other' above:</b>				
Outstanding Pension Contributions at the year end	2,974	2,910		

## 28. Other liabilities

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

## 29. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Loans from Department of Health	0	0	24,507	12,700
<b>Total</b>	<b>0</b>	<b>0</b>	<b>24,507</b>	<b>12,700</b>
<b>Total other liabilities (current and non-current)</b>	<b>24,507</b>	<b>12,700</b>		

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

	DH £000s	31 March 2017 Other £000s	Total £000s
0-1 Years	0	0	0
1 - 2 Years	24,507	0	24,507
2 - 5 Years	0	0	0
Over 5 Years	0	0	0
<b>TOTAL</b>	<b>24,507</b>	<b>0</b>	<b>24,507</b>

## 30. Other financial liabilities

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

## 31. Deferred income

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Opening balance at 1 April 2016	1,563	1,085	0	0
Deferred revenue addition	1,169	1,563	0	0
Transfer of deferred revenue	(1,563)	(1,085)	0	0
<b>Current deferred Income at 31 March 2017</b>	<b>1,169</b>	<b>1,563</b>	<b>0</b>	<b>0</b>
<b>Total deferred income (current and non-current)</b>	<b>1,169</b>	<b>1,563</b>		

## 32. Finance lease obligations as lessee

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

## 33. Finance lease receivables as lessor

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



**34. Provisions**

	Comprising:			
	Total	Early Departure Costs	Legal Claims	Other
	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2016</b>	<b>736</b>	<b>65</b>	<b>188</b>	<b>483</b>
Arising during the year	514	24	128	362
Utilised during the year	(437)	(43)	(58)	(336)
Reversed unused	(40)	0	(40)	0
Unwinding of discount	24	3	0	21
Change in discount rate	18	3	0	15
<b>Balance at 31 March 2017</b>	<b>815</b>	<b>52</b>	<b>218</b>	<b>545</b>
<b>Expected Timing of Cash Flows:</b>				
No Later than One Year	601	42	218	341
Later than One Year and not later than Five Years	105	10	0	95
Later than Five Years	109	0	0	109

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

<b>As at 31 March 2017</b>	<b>174,609</b>
As at 31 March 2016	133,721

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

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

Other provision relates to Injury Benefits relating to former staff and contains provisions payable to former employees forced to retire due to injury suffered in the workplace (£283k) and the CRC scheme (£262k).

**35. Contingencies**

	31 March 2017 £000s	31 March 2016 £000s
<b>Contingent liabilities</b>		
NHS Litigation Authority legal claims	(113)	(86)
<b>Net value of contingent liabilities</b>	<b>(113)</b>	<b>(86)</b>

The contingent liabilities represent the difference between the expected values of provisions for legal claims carried at note 34 and the maximum potential liability that could arise from these claims.

The Trust is subject to investigation regarding Health and Safety offences and may face a financial penalty as a result. The outcome and value of the potential fine is not yet known.

**36. Analysis of charitable fund reserves**

	31 March 2017 £000s	31 March 2016 £000s
Restricted / Endowment Funds	1,507	1,463
Non-Restricted Funds	384	321
	<b>1,891</b>	<b>1,784</b>

Non-restricted funds are accumulated income funds that are expendable at the discretion of the trustees in furtherance of the charity's objects. Unrestricted funds may be earmarked or designated for specific future purposes which reduces the amount that is readily available to the charity.

Restricted funds are accumulated income funds which are expendable at the trustee's discretion only in furtherance of the specified conditions of the donor and the objects of the charity.

### 37. Impact of IFRS treatment - current year

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

## 38. Financial Instruments

### 38.1. Financial risk management

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

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

#### Currency risk

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

#### Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. 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.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

#### Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in the trade and other receivables note.

#### Liquidity risk

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

**38.2. Financial Assets**

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0			0
Receivables - NHS		8,291		8,291
Receivables - non-NHS		5,473		5,473
Cash at bank and in hand		5,682		5,682
Other financial assets	0	0	0	0
<b>Total at 31 March 2017</b>	<b>0</b>	<b>19,446</b>	<b>0</b>	<b>19,446</b>
Embedded derivatives	0			0
Receivables - NHS		3,950		3,950
Receivables - non-NHS		4,827		4,827
Cash at bank and in hand		1,700		1,700
Other financial assets	0	0	0	0
<b>Total at 31 March 2016</b>	<b>0</b>	<b>10,477</b>	<b>0</b>	<b>10,477</b>

**38.3. Financial Liabilities**

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0		0
NHS payables		1,376	1,376
Non-NHS payables		24,271	24,271
Other borrowings		24,507	24,507
PFI & finance lease obligations		0	0
Other financial liabilities	0	251	251
<b>Total at 31 March 2017</b>	<b>0</b>	<b>50,405</b>	<b>50,405</b>
Embedded derivatives	0		0
NHS payables		1,703	1,703
Non-NHS payables		19,493	19,493
Other borrowings		12,700	12,700
PFI & finance lease obligations		0	0
Other financial liabilities	0	212	212
<b>Total at 31 March 2016</b>	<b>0</b>	<b>34,108</b>	<b>34,108</b>

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

**39. Events after the end of the reporting period**

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

#### 40. Related party transactions

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

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

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000s	£000s	£000s	£000s
Shropshire CCG	0	132,973	31	1,208
Telford and Wrekin CCG	0	90,611	4	1,124
South East Staffs And Seisdon Peninsular CCG	0	887	0	15
Stafford And Surrounds CCG	0	782	100	0
NHS England	10	63,999	1	5,623
Health Education England	0	12,313	0	18
NHS Litigation Authority	12,842	0	10	0
Robert Jones and Agnes Hunt Orthopaedic Hospital NHS FT	1,012	2,142	23	241
Mid Cheshire Hospitals NHS FT	902	7	236	5
Shropshire Community Health NHS Trust	760	3,149	314	450
The Royal Wolverhampton NHS Trust	596	916	103	40

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 the following entities:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000s	£000s	£000s	£000s
Betsi Cadwaladr University Local Health Board	0	1,293	0	98
Powys Local Health Board	0	25,784	0	173
Welsh Assembly Government	0	902	0	36
National Health Service Pension Scheme	21,719	0	2,974	0
HM Revenue and Customs Trust Statement	16,839	0	4	668

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

#### 41. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	742,424	363
Special payments	65,544	28
Gifts	0	0
<b>Total losses and special payments and gifts</b>	<b>807,968</b>	<b>391</b>

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

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

##### Details of cases individually over £300,000

There were no cases individually exceeding £300,000 either for the current year or prior year.

**42 Financial performance targets**

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

**42 Breakeven performance**

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	2015-16 £000s	2016-17 £000s
Turnover	205,748	227,241	247,233	262,882	277,980	299,850	309,362	314,106	316,794	326,477	350,244
Retained surplus/(deficit) for the year	(2,840)	4,102	4,127	(11,652)	(325)	(1,167)	3,216	(2,906)	(20,633)	(31,028)	(5,709)
Adjustment for:											
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	(5,635)	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	30	12,364	351	1,053	2,148	3,170	8,363	16,572	483
Adjustments for impact of policy change re donated/government grants assets							(5,283)	(199)	140	(193)	(405)
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				0	0	0	0	0	0	0	0
Absorption accounting adjustment							0	0	0	0	0
Other agreed adjustments							0	0	0	0	0
Break-even in-year position	0	0	0	0	0	0	0	0	0	0	0
Break-even cumulative position	(2,840)	(1,533)	4,157	712	26	59	81	65	(12,130)	(14,649)	(5,631)
	(25,515)	(27,048)	(22,891)	(22,179)	(22,153)	(22,094)	(22,013)	(21,948)	(34,078)	(48,727)	(54,358)

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

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Materiality test (i.e. is it equal to or less than 0.5%):											
Break-even in-year position as a percentage of turnover	-1.38	-0.67	1.68	0.27	0.01	0.02	0.03	0.02	-3.83	-4.49	-1.61
Break-even cumulative position as a percentage of turnover	-12.40	-11.90	-9.26	-8.44	-7.97	-7.37	-7.12	-6.99	-10.76	-14.93	-15.52

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.

**42.2. Capital cost absorption rate**

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

**42.3. External financing**

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

	<b>2016-17</b>	<b>2015-16</b>
	<b>£000s</b>	<b>£000s</b>
External financing limit (EFL)	10,325	9,501
Cash flow financing	10,325	9,501
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	<b>10,325</b>	<b>9,501</b>
<b>Under/(over) spend against EFL</b>	<b><u>0</u></b>	<b><u>0</u></b>

**42.4. Capital resource limit**

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

	<b>2016-17</b>	<b>2015-16</b>
	<b>£000s</b>	<b>£000s</b>
Gross capital expenditure	13,663	8,828
Less: book value of assets disposed of	0	(200)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	<b>(1,397)</b>	<b>(795)</b>
<b>Charge against the capital resource limit</b>	<b><u>12,266</u></b>	<b><u>7,833</u></b>
Capital resource limit	<b>13,228</b>	<b>8,033</b>
<b>Underspend against the capital resource limit</b>	<b><u>962</u></b>	<b><u>200</u></b>

The underspend was caused as the Trust's cash position does not enable it to invest in capital expenditure relating to internally generated capital resulting from donated asset depreciation.

**43. Third party assets**

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

	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Third party assets held by the Trust - Patients' monies	<b><u>4</u></b>	<b><u>14</u></b>

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SHREWSBURY AND TELFORD HOSPITAL NHS TRUST**

We have audited the financial statements of Shrewsbury and Telford Hospital NHS Trust for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Trust Statement of Comprehensive Income, the Trust Statement of Financial Position, the Trust and Statement of Changes in Taxpayers' Equity, the Trust Statement of Cash Flows and the related notes 1 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016-17 Government Financial Reporting Manual (the 2016-17 FReM) as contained in the Department of Health Group Accounting Manual 2016-17 and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to the National Health Service in England (the Accounts Direction).

We have also audited the information in the Remuneration and Staff Report that is subject to audit, being:

- the table of salaries and allowances of senior managers on page 37;
- the table of pension benefits of senior managers on page 38;
- the table of exit packages on page 43;
- the analysis of staff numbers and costs on page 39; and
- the table of pay multiples on page 37.

This report is made solely to the Board of Directors of Shrewsbury and Telford Hospital NHS Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Directors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors, the Accountable Officer and auditor**

As explained more fully in the Statement of Director's responsibilities in respect of the Accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources.

We are required under section 21(3)(c), as amended by schedule 13 paragraph 10(a), of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has

made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Section 21(5)(b) of the Local Audit and Accountability Act 2014 requires that our report must not contain our opinion if we are satisfied that proper arrangements are in place.

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Trust circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Opinion on the financial statements**

In our opinion the financial statements:



- give a true and fair view of the financial position of Shrewsbury and Telford NHS Trust as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the National Health Service Act 2006 and the Accounts Directions issued thereunder.

### **Opinion on other matters**

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the annual report and accounts is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the governance statement does not comply with the NHS Improvement's guidance; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

### **Exception Reports**

Auditors Responsibilities

Breach of Statutory Target

We have a duty under the Local Audit and Accountability Act 2014 to refer the matter to the Secretary of State without delay if we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

On 10 May 2017 we referred a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 in relation to the Trust reporting a deficit of £5.6 million in its financial statements and thus breaching its statutory duty to breakeven.

Proper arrangements to secure economy, efficiency and effectiveness

We report to you, if we are not satisfied that the Trust has put in place proper arrangements to secure economy efficiency and effectiveness in its use of resources.

### **Basis for qualified conclusion (Adverse) on reporting by exception**

The Trust reported a deficit of £5.6 million in its financial statements for the year ending 31 March 2017, thereby breaching its duty under paragraph 2 (1) of Schedule 5 the National Health Service Act 2006, to break even.

The Trust does not forecast a surplus until 2020/21 which is based on the delivery of the Sustainable Service Plan. The implementation of this plan has been significantly delayed and is not meeting its expected timescales to achieve these forecasts.

The Trust is reporting that: clinical services are fragile with staff shortages in key areas; that it has continued to underperform against RTT and A&E targets; and that it has been unable to implement plans to address its clinical service vision. The Trust does not have embedded business continuity plans and is reporting significant risks in respect of backlog maintenance of IT infrastructure, necessary medical equipment as well as building maintenance

These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

#### **Qualified conclusion (Adverse) on reporting by exception**

On the basis of our work, having regard to the guidance issued by the *Comptroller and Auditor General* in November 2016, we are not satisfied that, in all significant respects, Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

#### **Certificate**

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



Hassan Rohimun  
for and on behalf of Ernst & Young LLP  
Manchester

Date: 31/5/2017

The maintenance and integrity of the Shrewsbury and Telford NHS Trust web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**2016-17 Annual Accounts of the Shrewsbury and Telford Hospital NHS Trust**

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

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

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

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

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

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

Signed..........Chief Executive

Date.....30/5/17.....

## 2016-17 Annual Accounts of the Shrewsbury and Telford Hospital NHS Trust

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

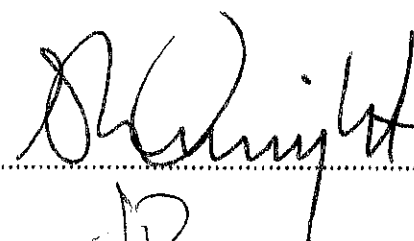
The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure, recognised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

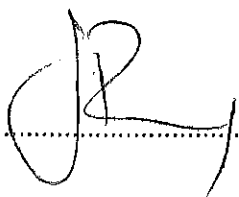
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

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

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

By order of the Board

30/5/17 Date  Chief Executive

30/5/17 Date  Finance Director

Form Name	Subcode / Maincode	Value	Text
TRU01_CNE	sc470 / mc01	0	Prior Period Adjustment
TRU03_STE	sc300 / mc01	0	Other Reserves Movements
TRU03_STE	sc180 / mc06	0	Other gains/losses
TRU03_STE	sc300 / mc06	0	Other Movements
TRU03_STE	sc280 / mc02	0	POC Written Off
TRU05_REV	sc345 / mc01	4,987	OTHER CASH REVENUE
		4,987	Other Operating Income - Various
TRU05_REV	sc220 / mc01	27,892	Other Non NHS Revenue for Patient Care Activities
		27,764	Welsh bodies
		88	Prescriptions and Scottish/Nt bodies
TRU05_REV	sc346 / mc01	0	Other Non-Cash Revenue
TRU05_REV	sc350 / mc01	4,987	Total Other Revenue (over 50% of Total Other Operating Revenue)
		4,987	Other Operating Income - Various
TRU06_EXP	sc320 / mc01	13	Other Auditors Remuneration
		13	Audit related assurance services
TRU06_EXP	sc357 / mc01	668	Other Cash Expenditure
		166	Injury Benefits/Early retirement Provisions
		78	Patients Travel
		324	Miscellaneous expenditure
TRU06_EXP	sc358 / mc01	0	Other Non Cash Expenditure
TRU13_INT	sc438 / mc07	0	In Year Movements of Revaluation Reserve Intangible Assets
TRU14_IMP	sc160 / mc01	0	PPE Impairment SoCI Other
TRU14_IMP	sc340 / mc01	0	Intangible Assets SoCI Other
TRU14_IMP	sc420 / mc01	0	INTANGIBLE ASSETS REVALUATION RESERVE: OTHER
TRU14_IMP	sc490 / mc01	0	Financial Assets SoCI Other
TRU14_IMP	sc530 / mc01	0	FINANCIAL ASSETS REVALUATION RESERVE: OTHER
TRU14_IMP	sc810 / mc01	0	NCA Held for Sale SoCI Other
TRU14_IMP	sc890 / mc01	0	INVENTORY IMPAIRMENT: OTHER
TRU14_IMP	sc930 / mc01	483	Total Impairments more than £300k
		483	Year End Revaluation of Estate as at 31.3.17
TRU14_IMP	sc770 / mc01	0	INVESTMENT PROPERTY IMPAIRMENT SoCI OTHER
TRU15_ICG	sc220 / mc01-mc02	966	Cap Commitments (Cur Yr) - (Pr Yr) over £35m different or 0 where (Pr Yr)>0
		966	MRI Scanner Enabling Works and Ophthalmology Schemes not completed 16.17
TRU16_AST	sc320 / mc01	877	OTHER RECEIVABLES - CURRENT
		767	CRU Receivables < 1 year
		110	Other Receivables
TRU16_AST	sc460 / mc01	1,454	OTHER RECEIVABLES - NON CURRENT
		1,454	CRU Receivables > 1 year
TRU16_AST	sc810 / mc01	0	OTHER ASSETS - CURRENT

TRU17_LIA	sc220 / mc01	0	Other Current Trade and Other Payables
		2,974	NHS Pension contributions
		77	Other Payables
TRU17_LIA	sc320 / mc01	0	Other Non Current Trade and Other Payables
TRU17_LIA	sc420 / mc01	0	Other Current Other Liabilities
TRU17_LIA	sc460 / mc01	0	Other Non Current Other Liabilities
TRU17_LIA	sc580 / mc01	0	Other Current Borrowings
TRU17_LIA	sc580 / mc01	0	Other Non Current Borrowings
TRU19_PRV	sc300 / mc01	0	Other Contingencies
TRU19_PRV	sc330 / mc01	0	Contingent Assets
TRU21_FAL	sc400 / mc01	0	Value Income/(Expenditure) - Events after Reporting Period
TRU22_LSP	sc310 to sc304		
	Cases		
1. Losses of C	0	0	
2. Fruitless Pa	0	0	
3. Bad Debts a	0	0	
4. Damage to	0	0	
5. Administrati	0	0	
6. Constructive	0	0	
7. Book Keepin	0	0	
8. Compensati	0	0	
9. Extra Contr	0	0	
10. Ex Gratia	0	0	
11. Extra statu	0	0	
12. Special Se	0	0	
13. Gifts	0	0	
TRU24_CFN	sc240 / mc01	0	Other PPE additions
TRU24_CFN	sc280 / mc01	0	Other Intangibles additions
TRU26_CAS	sc290 / mc01	0	Other non cash movements In Statement of Financial Position Items
TRU26_CAS	sc430 / mc01	0	Other cash flow from operating activities
TRU26_CAS	sc490 / mc01	0	PFI prepayments - outward cash payments
TRU26_CAS	sc730 / mc01	0	Other investing cash flows
TRU26_CAS	sc790 / mc01	0	Other
TRU26_CAS	sc295 / mc01	0	Compensating adjustment Non cash movements In Statement of Financial Position Items for absorption accounting

Finance Director

Date

*JR*  
30<sup>th</sup> May 2017



**The Shrewsbury and  
Telford Hospital**  
NHS Trust

Paper 21

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30<sup>th</sup> May 2017

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of The Shrewsbury and Telford Hospital NHS Trust ("the Trust") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of (or 'present fairly, in all material respects,') the financial position of Shrewsbury and Telford NHS Hospital Trust as of 31 March 2017 of its financial performance (or operations) and its cash flows for the year then ended in accordance with the Secretary of State Directions and the Department of Health (DH) Group Accounting Manual (GAM).

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

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

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

1. We have fulfilled our responsibilities, under the relevant statutory authorities as set out in the PSAA Terms of Appointment for the preparation of the financial

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statements in accordance with the Secretary of State Directions and the Department of Health (DH) Group Accounting Manual (GAM).

2. We acknowledge, as members of management of the Trust, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Trust in accordance with Secretary of State Directions and the Department of Health (DH) Group Accounting Manual (GAM), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Trust, we believe that the Trust has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the Secretary of State Directions and the Department of Health (DH) Group Accounting Manual (GAM) that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### **B. Fraud**

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

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

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



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

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Board, and committees held through the year to the most recent meeting on the following date: 30<sup>th</sup> March 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Trust related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Trust has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 34 to the financial statements all guarantees that we have given to third parties.

## **F. Subsequent Events**

1. Other than described in Note 39 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

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

1. We have disclosed to you details of all transactions and judgments we have made on income and expenditure, payable and receivable balances with counter-parties irrespective of whether or not they have been included in the 2016/17 Agreement of Balances Exercise
2. We have agreed balances, disputes and claims with all NHS bodies via the Agreement of Balances process and where not agreed, we have reported the matter to you.
3. We have disclosed to you all of the risks and judgments we have made in arriving at the Trust's reported financial outturn for financial year ended 31 March 2017.

## **H. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of the Annual Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

## **I Segmental reporting**

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

## **J Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the property valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any

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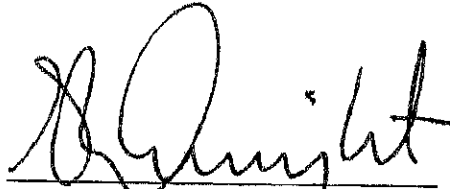
We Value Respect




Together We Achieve

matters that have had an effect on the independence or objectivity of the specialists.

Yours faithfully,

  
(Chief Executive)

  
(Finance Director)

### Schedule of Unadjusted Errors

Item of account	Statement of Financial Position	Statement of comprehensive Income and expenditure
	Debit/(Credit) £000	Debit/(Credit) £000
Depreciation	297	(297)
Total	297	(297)