Shrewsbury and Telford Hospital NHS Trust

Annual accounts for the year ended 31 March 2019

Statement of Comprehensive Income

	Note	2018/19	2017/18
		£000	£000
Operating income from patient care activities	3	340,533	331,474
Other operating income	4	28,653	27,567
Operating expenses	7, 9	(387,050)	(378,637)
Operating deficit from continuing operations		**(17,864)**	**(19,596)**
Finance income	12	86	31
Finance expenses	13	(713)	(521)
PDC dividends payable		(2,817)	(3,713)
Net finance costs		**(3,444)**	**(4,203)**
Other gains / (losses)	14	(127)	(82)
Deficit for the year from continuing operations		**(21,435)**	**(23,881)**
Surplus / (deficit) on discontinued operations and the gain / (loss) on disposal of discontinued operations		-	-
Deficit for the year		**(21,435)**	**(23,881)**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	8	(2,738)	(6,163)
Revaluations	19	1,029	1,132
Total comprehensive income / (expense) for the period		**(23,144)**	**(28,912)**
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		(21,435)	(23,881)
Remove net impairments not scoring to the Departmental expenditure limit		2,651	6,586
Remove I&E impact of donated asset reserve elimination		41	(105)
Adjusted financial performance deficit		**(18,743)**	**(17,400)**

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.

Statement of Financial Position

	Note	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Intangible assets	16	2,619	3,118
Property, plant and equipment	17	154,569	154,334
Investment property	20	-	-
Investments in associates and joint ventures	21	-	-
Other investments / financial assets	22	-	-
Receivables	25	1,534	1,370
Other assets	26	-	-
Total non-current assets		**158,722**	**158,822**
Current assets			
Inventories	24	9,392	7,769
Receivables	25	17,335	18,610
Other investments / financial assets	22	-	-
Other assets	26	-	-
Non-current assets held for sale / assets in disposal groups	27	-	-
Cash and cash equivalents	28	1,700	1,700
Total current assets		**28,427**	**28,079**
Current liabilities			
Trade and other payables	29	(24,313)	(28,183)
Borrowings	32	(20,840)	(15,200)
Other financial liabilities	30	-	-
Provisions	34	(546)	(532)
Other liabilities	31	(1,265)	(1,166)
Liabilities in disposal groups	27	-	-
Total current liabilities		**(46,964)**	**(45,081)**
Total assets less current liabilities		**140,185**	**141,820**
Non-current liabilities			
Trade and other payables	29	-	-
Borrowings	32	(41,655)	(24,209)
Other financial liabilities	30	-	-
Provisions	34	(148)	(159)
Other liabilities	31	-	-
Total non-current liabilities		**(41,803)**	**(24,368)**
Total assets employed		**98,382**	**117,452**
Financed by			
Public dividend capital		205,446	201,372
Revaluation reserve		26,014	27,723
Financial assets reserve		-	-
Other reserves		-	-
Merger reserve		-	-
Income and expenditure reserve		(133,078)	(111,643)
Total taxpayers' equity		**98,382**	**117,452**

The notes on pages 7 to 50 form part of these accounts.

Signed	
Name	Simon Wright
Position	Chief Executive
Date	24 May 2019

Statement of Changes in Equity for the year ended 31 March 2019

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2018 - brought forward	**201,372**	**27,723**	**(111,643)**	**117,452**
Impact of implementing IFRS 15 on 1 April 2018	-	-	-	**-**
Impact of implementing IFRS 9 on 1 April 2018	-	-	-	**-**
Surplus/(deficit) for the year	-	-	(21,435)	**(21,435)**
Transfers by absorption: transfers between reserves	-	-	-	**-**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	-	-	**-**
Other transfers between reserves	-	-	-	**-**
Impairments	-	(2,738)	-	**(2,738)**
Revaluations	-	1,029	-	**1,029**
Transfer to retained earnings on disposal of assets	-	-	-	**-**
Share of comprehensive income from associates and joint ventures	-	-	-	**-**
Fair value gains/(losses) on financial assets mandated at fair value through OCI	-	-	-	**-**
Fair value gains/(losses) on equity instruments designated at fair value through OCI	-	-	-	**-**
Recycling gains/(losses) on disposal of financial assets mandated at fair value through OCI	-	-	-	**-**
Foreign exchange gains/(losses) recognised directly in OCI	-	-	-	**-**
Other recognised gains and losses	-	-	-	**-**
Remeasurements of the defined net benefit pension scheme liability/asset	-	-	-	**-**
Public dividend capital received	4,074	-	-	**4,074**
Public dividend capital repaid	-	-	-	**-**
Public dividend capital written off	-	-	-	**-**
Other movements in public dividend capital in year	-	-	-	**-**
Other reserve movements	-	-	-	**-**
Taxpayers' equity at 31 March 2019	**205,446**	**26,014**	**(133,078)**	**98,382**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2017 - brought forward	**199,606**	**32,754**	**(87,762)**	**144,598**
Prior period adjustment	-	-	-	**-**
Taxpayers' equity at 1 April 2017 - restated	**199,606**	**32,754**	**(87,762)**	**144,598**
Surplus/(deficit) for the year	-	-	(23,881)	**(23,881)**
Transfers by absorption: transfers between reserves	-	-	-	**-**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	-	-	**-**
Other transfers between reserves	-	-	-	**-**
Impairments	-	(6,163)	-	**(6,163)**
Revaluations	-	1,132	-	**1,132**
Transfer to retained earnings on disposal of assets	-	-	-	**-**
Share of comprehensive income from associates and joint ventures	-	-	-	**-**
Fair value gains/(losses) on available-for-sale financial investments	-	-	-	**-**
Recycling gains/(losses) on available-for-sale financial investments	-	-	-	**-**
Foreign exchange gains/(losses) recognised directly in OCI	-	-	-	**-**
Other recognised gains and losses	-	-	-	**-**
Remeasurements of the defined net benefit pension scheme liability/asset	-	-	-	**-**
Public dividend capital received	1,766	-	-	**1,766**
Public dividend capital repaid	-	-	-	**-**
Public dividend capital written off	-	-	-	**-**
Other movements in public dividend capital in year	-	-	-	**-**
Other reserve movements	-	-	-	**-**
Taxpayers' equity at 31 March 2018	**201,372**	**27,723**	**(111,643)**	**117,452**

Information on reserves

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

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

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

Statement of Cash Flows

	Note	2018/19 £000	2017/18 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(17,864)	(19,596)
Non-cash income and expense:			
Depreciation and amortisation	7.1	10,897	10,795
Net impairments	8	2,651	6,586
Income recognised in respect of capital donations	4	(977)	(1,016)
(Increase) / decrease in receivables and other assets		981	(3,730)
(Increase) / decrease in inventories		(1,623)	91
Increase / (decrease) in payables and other liabilties		(1,557)	3,759
Increase / (decrease) in provisions		(30)	(159)
Tax (paid) / received		-	-
Operating cash flows from discontinued operations		-	-
Other movements in operating cash flows		-	-
Net cash generated from / (used in) operating activities		**(7,522)**	**(3,270)**
Cash flows from investing activities			
Interest received		82	30
Purchase and sale of financial assets / investments		-	-
Purchase of intangible assets		(484)	(1,242)
Sales of intangible assets		-	-
Purchase of property, plant, equipment and investment property		(16,760)	(12,978)
Sales of property, plant, equipment and investment property		-	102
Receipt of cash donations to purchase capital assets		977	1,016
Investing cash flows of discontinued operations		-	-
Cash movement from acquisitions / disposals of subsidiaries		-	-
Net cash generated from / (used in) investing activities		**(16,185)**	**(13,072)**
Cash flows from financing activities			
Public dividend capital received		4,074	1,766
Public dividend capital repaid		-	-
Movement on loans from the Department of Health and Social Care		22,950	14,902
Movement on other loans		-	-
Other capital receipts		-	-
Capital element of finance lease rental payments		-	-
Interest on loans		(634)	(392)
Other interest		-	-
Interest paid on finance lease liabilities		-	-
PDC dividend (paid) / refunded		(2,683)	(3,916)
Financing cash flows of discontinued operations		-	-
Cash flows from (used in) other financing activities		-	-
Net cash generated from / (used in) financing activities		**23,707**	**12,360**
Increase / (decrease) in cash and cash equivalents		**-**	**(3,982)**
Cash and cash equivalents at 1 April - brought forward		**1,700**	**5,682**
Prior period adjustments			-
Cash and cash equivalents at 1 April - restated		**1,700**	**5,682**
Cash and cash equivalents transferred under absorption accounting	44	-	-
Unrealised gains / (losses) on foreign exchange		-	-
Cash and cash equivalents at 31 March	28.1	**1,700**	**1,700**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2018/19 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Note 1.1.1 Accounting convention

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

Note 1.1.2 Going Concern

Going Concern

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

In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1. The Board has also based its assessment on guidance from NHS Improvement about what is required to undertake a Trust's Going Concern assessment.

Continuity of service

At the end of the 2018/19 financial year the Trust is reporting a pre provider sustainability fund (PSF) deficit of £23.927m, £5.488m worse than plan. The Trust however, agreed a revised outturn figure with NHSI in November 2018 of a £23.982m deficit, against this profile the Trust is £0.055m better than plan. The Trust received a bonus PSF payment in the month of March 2019 of £4.152m, this coupled with the £1.032m received in quarter 1 for hitting the financial control total leads to the Trust presenting a post PSF deficit of £18.743m, £10.128m worse than plan.

The clinical income assumptions included in the 2019/20 plan are supported by signed contracts with Commissioners. The plan also recognises risks to its delivery such as bed capacity, potential income mitigations from Commissioners, cost pressures within Shropshire and Telford and Wrekin.

The NHS Long Term Plan includes financial settlement which puts the NHS on a sustainable footing by moving away from a system where provider deficits are the norm. This commitment is supported by allocating additional cash-backed resources of £17.351m to the Trust in the form of PSF, Financial Recovery Fund (FRF) and marginal rate emergency tariff (MRET).

With full knowledge of the above, as the Trust has not received any notice of discontinuation or notice of transfer of its services to another entity, it intends to prepare its accounts on a going concern basis.

Note 1.1.3 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.

Charitable Funds: Following Treasury's agreement to apply IAS 27 (Consolidation and Separate Financial Statements) to NHS Charities from 1 April 2013, the Shrewsbury and Telford Hospital NHS Trust has established that as the trust is the Corporate Trustee of the linked NHS Charity, it effectively has the power to exercise control so as to obtain economic benefits so therefore may have needed to consolidate its NHS Charity Accounts into its NHS Trust Accounts. The trust has considered the income, expenditure, assets and liabilities of the NHS Charity to be immaterial in the context of the accounts of the NHS Trust and have not consolidated these into the trust's accounts.

Note 1.1.4 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.

Accruals: The trust has estimated income and expenditure where amounts are unaccounted for yet still owed/owing at the end of the accounting period so as to record revenue and expenses in the period in which they incurred.

Provisions: Provisions have been made for probable legal and constructive obligations of uncertain timings and amount as at the reporting date. These are based on estimates using relevant and reliable information as is available at the time the financial statements are prepared, These provisions are estimates of the actual costs of future cash flows and are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Income: The trust has estimated income by calculating over and under performance of contracts with NHS commissioners based on forecast outturns with relevant income adjustments made. Discussions are held with commissioners on a regular basis regarding activity levels against their contracts, particularly towards and immediately after the year-end.

Revaluation: The trust commissioned Deloitte Real Estate to undertake revaluation of the trust's estate as at 31 March 2019. Residential Land and Dwellings are valued at Market Value in existing use. Specialised buildings are valued at Depreciated Replacement Cost defined as Modern Equivalent Asset. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

Note 1.1.5 Interests in other entities

Associates
There are no associate entities those over which the trust has the power to exercise a significant influence.

Joint ventures
There are no joint ventures in which the trust participates in with one or more other parties.

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

Note 1.2.1 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS). As directed by the GAM, the transition to IFRS 15 in 2018/19 has been completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust’s entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners in respect of health care services. Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where a patient care spell is incomplete at the year end, revenue relating to the partially complete spell is accrued in the same manner as other revenue.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at the year end this portion of revenue is deferred as a contract liability.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

As per paragraph 121 of the Standard the Trust does not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less. The GAM does not require the Trust to disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date. The GAM has mandated the exercise of the practical expedient offered in C7A of the Standard that requires the Trust to reflect the aggregate effect of all contracts modified before the date of initial application.

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust’s interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract.

NHS injury cost recovery scheme

The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Note 1.2.2 Revenue grants and other contributions to expenditure

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Note 1.2.3 Other income

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Note 1.3 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

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

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

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

Note 1.4 Expenditure on other goods and services

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

Note 1.5 Property, plant and equipment

Note 1.5.1 Recognition

Property, plant and equipment is capitalised where:

• it is held for use in delivering services or for administrative purposes
• it is probable that future economic benefits will flow to, or service potential be provided to, the trust
• it is expected to be used for more than one financial year
• the cost of the item can be measured reliably
• the item has cost of at least £5,000, or
• collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

Note 1.5.2 Measurement

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

All assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values 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 on a modern equivalent asset basis.

Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements of the services being provided.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees. Assets are revalued and depreciation commences when the assets 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 lives or low values or both, as this is not considered to be materially different from current value in existing use.

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

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

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

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

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

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

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

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

Note 1.5.3 De-recognition

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

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable ie:

  - management are committed to a plan to sell the asset
  - an active programme has begun to find a buyer and complete the sale
  - the asset is being actively marketed at a reasonable price
  - the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

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

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

Note 1.5.4 Donated and grant funded assets

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

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

Note 1.5.5 Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions
The trust has no PFI or LIFT agreements.

Note 1.5.6 Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	1	75
Dwellings	25	31
Plant & machinery	5	29
Transport equipment	10	10
Information technology	3	10
Furniture & fittings	5	23

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

Note 1.6 Intangible assets

Note 1.6.1 Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised.

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

Software

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

Note 1.6.2 Measurement

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

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

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

Amortisation

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

Note 1.6.3 Useful economic life of intangible assets

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

	Min life Years	Max life Years
Information technology	5	12
Development expenditure	-	-
Websites	-	-
Software licences	3	7
Licences & trademarks	-	-
Patents	-	-
Other (purchased)	-	-
Goodwill	-	-

Note 1.7 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.

Note 1.8 Investment properties
The trust does not hold any assets which are held solely to generate a commercial return.

Note 1.9 Cash and cash equivalents

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

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

Note 1.10 Carbon Reduction Commitment scheme (CRC)

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

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

Allowances acquired under the scheme are recognised as intangible assets.

Note 1.11 Financial assets and financial liabilities

Note 1.11.1 Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Note 1.11.2 Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

Financial assets are subsequently measured at fair value through income and expenditure.

Financial liabilities are subsequently measured at fair value through income and expenditure.

Financial assets and financial liabilities at amortised cost
Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to income and expenditure, except where the Trust elected to measure an equity instrument in this category on initial recognition.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income.

Impairment of financial assets

For all financial assets including lease receivables, contract receivables measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

The Trust adopts a simplified approach to impairment for contract and other receivables, contract assets and lease receivables. All debts more than three months old are set up as potential credit losses except those that could be offset against any salary payments. All overseas accounts are set up as potential credit losses on a monthly basis.The trust does not normally recognise expected credit losses in relation to other NHS bodies.

Income received under the NHS injury cost recovery scheme is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset. Each year, the Compensation Recovery Unit (CRU) advises a percentage probability of not receiving the income. For 2018-19 this figure is 21.89% which is included in Note 25.2.

The trust does not have any other financial assets that require impairment.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Note 1.11.3 Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.12 Leases

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

Note 1.12.1 The trust as lessee

Finance leases

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

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

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

Operating leases

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

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

Leases of land and buildings

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

Note 1.12.2 The trust as lessor

Finance leases

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

Operating leases

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

Note 1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Early retirement provisions are discounted using HM Treasury’s pension discount rate of positive 0.29% (2017-18: positive 0.10%) in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 34 but is not recognised in the Trust’s accounts.

Non-clinical risk pooling

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

Note 1.14 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 35 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 35, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

Note 1.15 Public dividend capital

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

At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated assets (including lottery funded assets),
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

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

Note 1.16 Value added tax

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

Note 1.17 Corporation tax

The trust has no corporation tax liability.

Note 1.18 Foreign exchange

The functional and presentational currency of the trust is sterling.

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

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

- monetary items are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

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

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

Note 1.19 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM* .

Note 1.20 Losses and special payments

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

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

Note 1.21 Gifts

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

Note 1.22 Transfers of functions to / from other NHS bodies / local government bodies

There have been no functions that have been transferred to/from the trust from/to other NHS/local government bodies.

Note 1.23 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2018/19.

Note 1.24 Standards, amendments and interpretations in issue but not yet effective or adopted

The DHSC GAM does not require the following IFRS Standards and Interpretations to be applied in 2018-19. These Standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2019- 20, and the government implementation date for IFRS 17 still subject to HM Treasury consideration.

● IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

● IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

● IFRIC 23 Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019.

Note 2 Operating Segments

The trust operates in one material segment which is the provision of heathcare services with the Trust Board as it's chief operating decision maker deciding how to allocate resources and assessing performance.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.2.1.

Note 3.1 Income from patient care activities (by nature)	**2018/19**	**2017/18**
	£000	**£000**
Acute services		
Elective income	48,029	46,748
Non elective income	125,201	118,034
First outpatient income	26,196	25,446
Follow up outpatient income	22,738	22,787
A & E income	16,432	14,551
High cost drugs income from commissioners (excluding pass-through costs)	30,405	31,283
Other NHS clinical income	64,877	69,709
Community services		
Income from other sources (e.g. local authorities)	-	87
All services		
Private patient income	1,042	1,235
Agenda for Change pay award central funding	3,949	-
Other clinical income	1,664	1,594
Total income from activities	**340,533**	**331,474**

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	**2018/19**	**2017/18**
	£000	**£000**
NHS England	54,363	56,811
Clinical commissioning groups	249,166	242,067
Department of Health and Social Care	3,949	-
Other NHS providers	1,116	1,192
NHS other	129	129
Local authorities	-	86
Non-NHS: private patients	1,042	1,237
Non-NHS: overseas patients (chargeable to patient)	130	190
Injury cost recovery scheme*	1,534	1,370
Non NHS: other**	29,104	28,392
Total income from activities	**340,533**	**331,474**
Of which:		
Related to continuing operations	340,533	331,474
Related to discontinued operations	-	-

* Injury cost recovery income is subject to a provision for impairment of receivables of 21.89% for 2018-19 (previously 22.84%) to reflect expected rates of collection.

** Non-NHS-Other includes income of £29.02m from Welsh bodies (2017-18: £28.3m).

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

	2018/19	2017/18
	£000	£000
Income recognised this year	130	190
Cash payments received in-year	92	130
Amounts added to provision for impairment of receivables	26	62
Amounts written off in-year	5	-

Note 4 Other operating income

	2018/19	2017/18
	£000	£000
Other operating income from contracts with customers:		
Research and development (contract)	224	193
Education and training (excluding notional apprenticeship levy income)	12,371	12,342
Non-patient care services to other bodies	1,926	1,908
Provider sustainability/sustainability and transformation fund income (PSF/STF)	5,184	3,932
Income in respect of employee benefits accounted on a gross basis	-	-
Other contract income*	7,971	8,176
Other non-contract operating income		
Research and development (non-contract)	-	-
Education and training - notional income from apprenticeship fund	-	-
Receipt of capital grants and donations	977	1,016
Charitable and other contributions to expenditure	-	-
Support from the Department of Health and Social Care for mergers	-	-
Rental revenue from finance leases	-	-
Rental revenue from operating leases	-	-
Other non-contract income	-	-
Total other operating income	**28,653**	**27,567**
Of which:		
Related to continuing operations	28,653	27,567
Related to discontinued operations	-	-

*The majority of 'Other Income' is for car parking, radiology, cardiorespiratory, dietetics, speech therapists and maternity pathways.

Note 5.1 Additional information on revenue from contracts with customers recognised in the period

	2018/19
	£000
Revenue recognised in the reporting period that was included within contract liabilities at the previous period end	1,166
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-

Note 5.2 Transaction price allocated to remaining performance obligations

Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	31 March 2019 £000
within one year	-
after one year, not later than five years	-
after five years	-
Total revenue allocated to remaining performance obligations	**-**

The trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the trust recognises revenue directly corresponding to work done to date is not disclosed.

Note 6 Fees and charges

The Trust undertakes income generation schemes 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.

Note 7.1 Operating expenses

	2018/19	2017/18
	£000	£000
Purchase of healthcare from non-NHS and non-DHSC bodies	414	826
Staff and executive directors costs	257,376	244,971
Remuneration of non-executive directors	80	78
Supplies and services - clinical (excluding drugs costs)	27,219	28,754
Supplies and services - general	5,596	5,506
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	39,484	38,061
Inventories written down	198	152
Consultancy costs	579	897
Establishment	5,038	4,017
Premises	14,820	14,631
Transport (including patient travel)	721	668
Depreciation on property, plant and equipment	9,931	9,944
Amortisation on intangible assets	966	851
Net impairments	2,651	6,586
Movement in credit loss allowance: contract receivables / contract assets	395	
Movement in credit loss allowance: all other receivables and investments	-	344
Increase/(decrease) in other provisions	400	357
Change in provisions discount rate(s)	2	1
Audit fees payable to the external auditor		
audit services- statutory audit*	84	79
other auditor remuneration (external auditor only)**	10	10
Internal audit costs	132	148
Clinical negligence	12,975	13,864
Legal fees	266	420
Insurance	22	4
Education and training	882	924
Rentals under operating leases	5,856	5,026
Car parking & security	419	361
Losses, ex gratia & special payments	31	466
Other	503	691
Total	**387,050**	**378,637**
Of which:		
Related to continuing operations	387,050	378,637
Related to discontinued operations	-	-

*audit services- statutory audit of £70,180 plus £14,036 of VAT

**other auditor remuneration (external auditor only) of £8,520 plus £1,704 of VAT

Note 7.2 Other auditor remuneration

	2018/19	2017/18
	£000	£000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services	10	10
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	-	-
Total	**10**	**10**

Note 7.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £5m (2017/18: £5m).

Note 8 Impairment of assets

	2018/19	2017/18
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	2,651	6,553
Other	-	33
Total net impairments charged to operating surplus / deficit	**2,651**	**6,586**
Impairments charged to the revaluation reserve	2,738	6,163
Total net impairments	**5,389**	**12,749**

The trust commissioned Deloitte Real Estate to undertake revaluations of the Trust's Estate as at 31 March 2019. The valuation has been prepared by David Cooney, MA. MRICS, under the supervision of Edwin Bray MRICS, a Partner at Deloittte LLP. The valuations have been undertaken following the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2017 (the Global Standards) including the UK national supplement (Red Book). The valuations are compliant with the International Valuation Standards (IVS) 2017, which is incorporated within the Global Standards as relevant to the valuation date. As a result of these revaluations the Net Book Value of the Estate was valued downwards by £4,359,141 as follows:
Revaluation Reserve – total £1,708,302 charged, representing a Revaluation upwards of £1,028,690 and net decrease of £2,736,993. The decrease results from Impairments charged of £2,957,628 and Reversal of Impairments of £220,636.
Impairments charged to SoCI of £2,650,839.
The downward revaluation did not arise due to a clear consumption of economic benefits for service potential.

Note 9 Employee benefits

	2018/19 Total £000	2017/18 Total £000
Salaries and wages	180,358	172,042
Social security costs	18,616	17,436
Apprenticeship levy	971	929
Employer's contributions to NHS pensions	23,323	22,201
Pension cost - other	-	-
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	-	-
Temporary staff (bank)	18,470	14,645
Temporary staff (agency)	16,746	18,742
Total gross staff costs	**258,484**	**245,995**
Recoveries in respect of seconded staff	**-**	-
Total staff costs	**258,484**	**245,995**
Of which		
Costs capitalised as part of assets	1,108	1,024

Note 9.1 Retirements due to ill-health

During 2018/19 there were 3 early retirements from the trust agreed on the grounds of ill-health (3 in the year ended 31 March 2018). The estimated additional pension liabilities of these ill-health retirements is £95k (£182k in 2017/18).

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

Note 10 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. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

Note 11 Operating leases

Note 11.1 Shrewsbury and Telford Hospital NHS Trust as a lessor

There are no operating lease agreements where Shrewsbury and Telford Hospital NHS Trust is the lessor.

Note 11.2 Shrewsbury and Telford Hospital NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where the Shrewsbury and Telford Hospital NHS Trust is the lessee.

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 print managed service contract for both hospitals. The lease commenced 1 July 2017 for 5 years.

The trust has three property leases. 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. A lease for accommodation for the Fertility department commenced 13 June 2018 with a break clause after 5 years.

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.

	2018/19 £000	2017/18 £000
Operating lease expense		
Minimum lease payments	5,856	5,026
Contingent rents	-	
Less sublease payments received	-	-
Total	**5,856**	**5,026**

	31 March 2019 £000	31 March 2018 £000
Future minimum lease payments due:		
- not later than one year;	5,285	4,737
- later than one year and not later than five years;	17,469	16,885
- later than five years.	4,801	7,981
Total	**27,555**	**29,603**
Future minimum sublease payments to be received	-	-

Note 12 Finance income

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

	2018/19	2017/18
	£000	£000
Interest on bank accounts	86	31
Interest income on finance leases	-	-
Interest on other investments / financial assets	-	-
Other finance income	-	-
Total finance income	**86**	**31**

Note 13.1 Finance expenditure

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

	2018/19	2017/18
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	680	448
Other loans	-	-
Overdrafts	-	-
Finance leases	-	-
Interest on late payment of commercial debt	-	38
Total interest expense	**680**	**486**
Unwinding of discount on provisions	33	35
Other finance costs	-	-
Total finance costs	**713**	**521**

Note 13.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2018/19	2017/18
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	-	-
Amounts included within interest payable arising from claims under this legislation	-	38
Compensation paid to cover debt recovery costs under this legislation	-	-

Note 14 Other gains / (losses)

	2018/19	2017/18
	£000	£000
Gains on disposal of assets	-	102
Losses on disposal of assets	(127)	(184)
Total gains / (losses) on disposal of assets	**(127)**	**(82)**
Gains / (losses) on foreign exchange	-	-
Fair value gains / (losses) on investment properties	-	-
Fair value gains / (losses) on financial assets / investments	-	-
Fair value gains / (losses) on financial liabilities	-	-
Total other gains / (losses)	**(127)**	**(82)**

Note 15 Discontinued operations

There are no discontinued operations.

Note 16.1 Intangible assets - 2018/19

	Software licences	Licences & trademarks	Patents	Internally generated information technology	Development expenditure	Goodwill	Websites	Intangible assets under construction	Other (purchased)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - brought forward	**410**	**-**	**-**	**6,383**	**-**	**-**	**-**	**47**	**-**	**6,840**
Transfers by absorption	-	-	-	-	-	-	-	-	-	**-**
Additions	14	-	-	220	-	-	-	48	-	**282**
Impairments	-	-	-	-	-	-	-	-	-	**-**
Reversals of impairments	-	-	-	-	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	-	-	-	-	**-**
Reclassifications	(23)	-	-	421	-	-	-	-	-	**398**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	(122)	-	-	(52)	-	-	-	-	-	**(174)**
Valuation / gross cost at 31 March 2019	**279**	**-**	**-**	**6,972**	**-**	**-**	**-**	**95**	**-**	**7,346**
Amortisation at 1 April 2018 - brought forward	**276**	**-**	**-**	**3,446**	**-**	**-**	**-**	**-**	**-**	**3,722**
Transfers by absorption	-	-	-	-	-	-	-	-	-	**-**
Provided during the year	60	-	-	906	-	-	-	-	-	**966**
Impairments	-	-	-	-	-	-	-	-	-	**-**
Reversals of impairments	-	-	-	-	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	-	-	-	-	**-**
Reclassifications	(16)	-	-	229	-	-	-	-	-	**213**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	(122)	-	-	(52)	-	-	-	-	-	**(174)**
Amortisation at 31 March 2019	**198**	**-**	**-**	**4,529**	**-**	**-**	**-**	**-**	**-**	**4,727**
Net book value at 31 March 2019	**81**	**-**	**-**	**2,443**	**-**	**-**	**-**	**95**	**-**	**2,619**
Net book value at 1 April 2018	**134**	**-**	**-**	**2,937**	**-**	**-**	**-**	**47**	**-**	**3,118**

Note 16.2 Intangible assets - 2017/18

	Software licences £000	Licences & trademarks £000	Patents £000	Internally generated information technology £000	Development expenditure £000	Goodwill £000	Websites £000	Intangible assets under construction £000	Other (purchased) £000	Total £000
Valuation / gross cost at 1 April 2017 - as previously stated	**410**	**-**	**-**	**5,438**	**-**	**-**	**-**	**-**	**-**	**5,848**
Prior period adjustments	-	-	-	-	-	-	-	-	-	**-**
Valuation / gross cost at 1 April 2017 - restated	**410**	**-**	**-**	**5,438**	**-**	**-**	**-**	**-**	**-**	**5,848**
Transfers by absorption	-	-	-	-	-	-	-	-	-	**-**
Additions	-	-	-	861	-	-	-	45	-	**906**
Impairments	-	-	-	-	-	-	-	-	-	**-**
Reversals of impairments	-	-	-	-	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	-	-	-	-	**-**
Reclassifications	-	-	-	84	-	-	-	2	-	**86**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	-	-	-	-	-	**-**
Valuation / gross cost at 31 March 2018	**410**	**-**	**-**	**6,383**	**-**	**-**	**-**	**47**	**-**	**6,840**
Amortisation at 1 April 2017 - as previously stated	**210**	**-**	**-**	**2,661**	**-**	**-**	**-**	**-**	**-**	**2,871**
Prior period adjustments	-	-	-	-	-	-	-	-	-	**-**
Amortisation at 1 April 2017 - restated	**210**	**-**	**-**	**2,661**	**-**	**-**	**-**	**-**	**-**	**2,871**
Transfers by absorption	-	-	-	-	-	-	-	-	-	**-**
Provided during the year	66	-	-	785	-	-	-	-	-	**851**
Impairments	-	-	-	-	-	-	-	-	-	**-**
Reversals of impairments	-	-	-	-	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	-	-	-	-	**-**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	-	-	-	-	-	**-**
Amortisation at 31 March 2018	**276**	**-**	**-**	**3,446**	**-**	**-**	**-**	**-**	**-**	**3,722**
Net book value at 31 March 2018	**134**	**-**	**-**	**2,937**	**-**	**-**	**-**	**47**	**-**	**3,118**
Net book value at 1 April 2017	**200**	**-**	**-**	**2,777**	**-**	**-**	**-**	**-**	**-**	**2,977**

Note 17.1 Property, plant and equipment - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2018 - brought forward	**13,157**	**108,438**	**486**	**5,041**	**46,125**	**375**	**11,200**	**2,316**	**187,138**
Transfers by absorption	-	-	-	-	-	-	-	-	**-**
Additions	-	5,617	-	4,725	3,118	13	1,028	337	**14,838**
Impairments	(58)	(12,141)	-	-	-	-	-	-	**(12,199)**
Reversals of impairments	1,433	(33)	652	-	-	-	-	-	**2,052**
Revaluations	-	-	1,014	-	-	-	-	-	**1,014**
Reclassifications	(1)	2,454	(1)	(3,652)	1,109	-	(313)	6	**(398)**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(456)	-	-	-	**(456)**
Valuation/gross cost at 31 March 2019	**14,531**	**104,335**	**2,151**	**6,114**	**49,896**	**388**	**11,915**	**2,659**	**191,989**
Accumulated depreciation at 1 April 2018 - brought forward	**-**	**170**	**-**	**-**	**25,137**	**235**	**5,713**	**1,549**	**32,804**
Transfers by absorption	-	-	-	-	-	-	-	-	**-**
Provided during the year	-	4,809	16	-	3,606	37	1,323	140	**9,931**
Impairments	-	(4,481)	-	-	-	-	-	-	**(4,481)**
Reversals of impairments	-	(277)	-	-	-	-	-	-	**(277)**
Revaluations	-	-	(15)	-	-	-	-	-	**(15)**
Reclassifications	-	-	(1)	-	-	-	(213)	1	**(213)**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(329)	-	-	-	**(329)**
Accumulated depreciation at 31 March 2019	**-**	**221**	**-**	**-**	**28,414**	**272**	**6,823**	**1,690**	**37,420**
Net book value at 31 March 2019	**14,531**	**104,114**	**2,151**	**6,114**	**21,482**	**116**	**5,092**	**969**	**154,569**
Net book value at 1 April 2018	**13,157**	**108,268**	**486**	**5,041**	**20,988**	**140**	**5,487**	**767**	**154,334**

Note 17.2 Property, plant and equipment - 2017/18

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2017 - as previously stated	**13,157**	**118,056**	**491**	**5,113**	**45,829**	**375**	**15,750**	**5,726**	**204,497**
Prior period adjustments	-	-	-	-	-	-	-	-	**-**
Valuation / gross cost at 1 April 2017 - restated	**13,157**	**118,056**	**491**	**5,113**	**45,829**	**375**	**15,750**	**5,726**	**204,497**
Transfers by absorption	-	-	-	-	-	-	-	-	**-**
Additions	-	5,479	-	4,191	1,026	26	1,125	99	**11,946**
Impairments	-	(19,613)	-	-	-	-	-	-	**(19,613)**
Reversals of impairments	-	2,373	(5)	-	(120)	-	-	-	**2,248**
Revaluations	-	646	-	-	-	-	-	-	**646**
Reclassifications	-	1,497	-	(4,263)	6,143	(1)	46	(3,509)	**(87)**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(6,753)	(25)	(5,721)	-	**(12,499)**
Valuation/gross cost at 31 March 2018	**13,157**	**108,438**	**486**	**5,041**	**46,125**	**375**	**11,200**	**2,316**	**187,138**
Accumulated depreciation at 1 April 2017 - as previously stated	**-**	**121**	**-**	**-**	**26,247**	**226**	**10,159**	**3,525**	**40,278**
Prior period adjustments	-	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 1 April 2017 - restated	**-**	**121**	**-**	**-**	**26,247**	**226**	**10,159**	**3,525**	**40,278**
Transfers by absorption	-	-	-	-	-	-	-	-	**-**
Provided during the year	-	5,051	16	-	3,333	35	1,275	234	**9,944**
Impairments	-	(4,097)	-	-	-	-	-	-	**(4,097)**
Reversals of impairments	-	(417)	(16)	-	(86)	-	-	-	**(519)**
Revaluations	-	(486)	-	-	-	-	-	-	**(486)**
Reclassifications	-	(2)	-	-	2,212	(1)	-	(2,210)	**(1)**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(6,569)	(25)	(5,721)	-	**(12,315)**
Accumulated depreciation at 31 March 2018	**-**	**170**	**-**	**-**	**25,137**	**235**	**5,713**	**1,549**	**32,804**
Net book value at 31 March 2018	**13,157**	**108,268**	**486**	**5,041**	**20,988**	**140**	**5,487**	**767**	**154,334**
Net book value at 1 April 2017	**13,157**	**117,935**	**491**	**5,113**	**19,582**	**149**	**5,591**	**2,201**	**164,219**

Note 17.3 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	14,531	100,531	2,151	6,018	16,970	116	5,046	876	**146,239**
Finance leased	-	-	-	-	-	-	-	-	**-**
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	**-**
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	**-**
Owned - government granted	-	-	-	-	-	-	-	-	**-**
Owned - donated	-	3,583	-	96	4,512	-	46	93	**8,330**
NBV total at 31 March 2019	**14,531**	**104,114**	**2,151**	**6,114**	**21,482**	**116**	**5,092**	**969**	**154,569**

Note 17.4 Property, plant and equipment financing - 2017/18

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2018									
Owned - purchased	13,157	104,472	486	4,165	17,097	140	5,420	652	**145,589**
Finance leased	-	-	-	-	-	-	-	-	**-**
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	**-**
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	**-**
Owned - government granted	-	-	-	-	-	-	-	-	**-**
Owned - donated	-	3,796	-	876	3,891	-	67	115	**8,745**
NBV total at 31 March 2018	**13,157**	**108,268**	**486**	**5,041**	**20,988**	**140**	**5,487**	**767**	**154,334**

Note 18 Donations of property, plant and equipment

During 2018/19 various pieces of medical equipment have been donated by Royal Shrewsbury Hospital League of Friends; Friends of Princess Royal Hospital; The Shrewsbury and Telford Hospital NHS Trust Charitable Funds and Lingen Davies Cancer Fund.

Note 19 Revaluations of property, plant and equipment

The trust commissioned Deloitte Real Estate to undertake revaluations of the Trust's Estate as at 31 March 2019. The valuation has been prepared by David Cooney, MA. MRICS, under the supervision of Edwin Bray MRICS, a Partner at Deloittte LLP. The valuations have been undertaken following the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2017 (the Global Standards) including the UK national supplement (Red Book). The valuations are compliant with the International Valuation Standards (IVS) 2017, which is incorporated within the Global Standards as relevant to the valuation date. As a result of these revaluations the Net Book Value of the Estate was valued downwards by £4,359,141 as follows:
Revaluation Reserve – total £1,708,302 charged, representing a Revaluation upwards of £1,028,690 and net decrease of £2,736,993. The decrease results from Impairments charged of £2,957,628 and Reversal of Impairments of £220,636.
Impairments charged to SoCI of £2,650,839.
The downward revaluation did not arise due to a clear consumption of economic benefits for service potential.

The remaining residential blocks at Royal Shrewsbury Hospital are currently not in active use, however, they are not classifed as held for sale due to the future reconfiguration of hospital services.

Note 20 Investment Property

The trust has no investment property that requires disclosure within this note.

Note 21 Investments in associates and joint ventures

The trust has no investments in associates or joint ventures.

Note 22 Other investments / financial assets (current and non-current)

The trust has no other current or non-current investments or financial assets.

Note 23 Disclosure of interests in other entities

The trust has no interests in unconsolidated subsidiaries, joint ventures, associates or unconsolidated structured entities that require disclosures within this note.

Note 24 Inventories

	31 March 2019	31 March 2018
	£000	£000
Drugs	2,319	1,929
Work In progress	-	-
Consumables	6,895	5,687
Energy	178	153
Other	-	-
Total inventories	**9,392**	**7,769**

Inventories recognised in expenses for the year were £70,322k (2017/18: £69,807k). Write-down of inventories recognised as expenses for the year were £198k (2017/18: £152k).

Note 25.1 Trade receivables and other receivables

	31 March 2019 £000	31 March 2018 £000
Current		
Contract receivables*	13,787	-
Contract assets*	-	-
Trade receivables*	-	9,777
Capital receivables	-	-
Accrued income*	-	6,054
Allowance for impaired contract receivables / assets*	(774)	
Allowance for other impaired receivables	-	(739)
Deposits and advances	-	-
Prepayments (non-PFI)	2,394	1,776
Interest receivable	7	3
Finance lease receivables	-	-
PDC dividend receivable	101	235
VAT receivable	831	517
Other receivables	989	987
Total current trade and other receivables	**17,335**	**18,610**
Non-current		
Contract receivables*	1,534	
Contract assets*	-	
Trade receivables*		-
Capital receivables	-	-
Accrued income*		-
Allowance for impaired contract receivables / assets*	-	
Allowance for other impaired receivables	-	-
Deposits and advances	-	-
Prepayments (non-PFI)	-	-
Interest receivable	-	-
Finance lease receivables	-	-
VAT receivable	-	-
Other receivables	-	1,370
Total non-current trade and other receivables	**1,534**	**1,370**
Of which receivables from NHS and DHSC group bodies:		
Current	10,227	11,421
Non-current	-	-

*Following the application of IFRS 15 from 1 April 2018, the trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income. IFRS 15 is applied without restatement therefore the comparative analysis of receivables has not been restated under IFRS 15.

Note 25.2 Allowances for credit losses - 2018/19

	Contract receivables and contract assets £000	All other receivables £000
Allowances as at 1 Apr 2018 - brought forward		739
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	739	(739)
Transfers by absorption	-	-
New allowances arising	453	-
Changes in existing allowances	-	-
Reversals of allowances	(58)	-
Utilisation of allowances (write offs)	(360)	-
Changes arising following modification of contractual cash flows	-	-
Foreign exchange and other changes	-	-
Allowances as at 31 Mar 2019	**774**	**-**

Injury cost recovery income is subject to a provision for impairment of receivables of 21.89% for 2018-19 (previously 22.84%) 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.

Note 25.3 Allowances for credit losses - 2017/18

IFRS 9 and IFRS 15 are adopted without restatement therefore this analysis is prepared in line with the requirements of IFRS 7 prior to IFRS 9 adoption. As a result it differs in format to the current period disclosure.

	All receivables £000
Allowances as at 1 Apr 2017 - as previously stated	**661**
Prior period adjustments	
Allowances as at 1 Apr 2017 - restated	**661**
Transfers by absorption	
Increase in provision	431
Amounts utilised	(266)
Unused amounts reversed	(87)
Allowances as at 31 Mar 2018	**739**

Note 25.4 Exposure to credit risk

The majority of the trust's revenue comes from contracts with other public sector bodies therefore the trust has low exposure to credit risk. The maximum exposures as at 31 March 2019 are in receivables from customers, as disclosed in the trade and other receivables note.

Note 26 Other assets

The trust has no other assets that require disclosure within this note.

Note 27 Liabilities in disposal groups

The trust has no liabilities in disposal groups that require disclosure within this note.

Note 28.1 Cash and cash equivalents movements

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

	2018/19	2017/18
	£000	£000
At 1 April	**1,700**	**5,682**
Net change in year	-	(3,982)
At 31 March	**1,700**	**1,700**
Broken down into:		
Cash at commercial banks and in hand	30	30
Cash with the Government Banking Service	1,670	1,670
Deposits with the National Loan Fund	-	-
Other current investments	-	-
Total cash and cash equivalents as in SoFP	**1,700**	**1,700**
Bank overdrafts (GBS and commercial banks)	-	-
Drawdown in committed facility	-	-
Total cash and cash equivalents as in SoCF	**1,700**	**1,700**

Note 28.2 Third party assets held by the trust

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.

	31 March 2019	31 March 2018
	£000	£000
Bank balances	6	4
Monies on deposit	-	-
Total third party assets	**6**	**4**

Note 29 Trade and other payables

	31 March 2019 £000	31 March 2018 £000
Current		
Trade payables	8,003	7,443
Capital payables	4,298	6,422
Accruals	11,925	11,050
Receipts in advance (including payments on account)	1	8
Social security costs	-	-
VAT payables	-	-
Other taxes payable	1	77
PDC dividend payable	-	-
Accrued interest on loans*		90
Other payables	85	3,093
Total current trade and other payables	**24,313**	**28,183**
Non-current		
Trade payables	-	-
Capital payables	-	-
Accruals	-	-
Receipts in advance (including payments on account)	-	-
VAT payables	-	-
Other taxes payable	-	-
Other payables	-	-
Total non-current trade and other payables	**-**	**-**
Of which payables from NHS and DHSC group bodies:		
Current	2,400	2,369
Non-current	-	-

*Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note . IFRS 9 is applied without restatement therefore comparatives have not been restated.

'Other payables' include outstanding pension contributions £6k (2017/18: £3,014k).

Note 30 Other financial liabilities

The trust has no other financial liabilities that require disclosure within this note.

Note 31 Other liabilities

	31 March 2019 £000	31 March 2018 £000
Current		
Deferred income: contract liabilities	1,265	1,166
Deferred grants	-	-
Lease incentives	-	-
Other deferred income	-	
Total other current liabilities	**1,265**	**1,166**
Non-current		
Deferred income: contract liabilities	-	-
Deferred grants	-	-
Lease incentives	-	-
Other deferred income	-	-
Net pension scheme liability	-	-
Total other non-current liabilities	**-**	**-**

Note 32 Borrowings

	31 March 2019 £000	31 March 2018 £000
Current		
Bank overdrafts	-	-
Drawdown in committed facility	-	-
Loans from the Department of Health and Social Care*	20,840	15,200
Other loans	-	-
Obligations under finance leases	-	-
Total current borrowings	**20,840**	**15,200**
Non-current		
Loans from the Department of Health and Social Care	41,655	24,209
Other loans	-	-
Obligations under finance leases	-	-
Total non-current borrowings	**41,655**	**24,209**

*Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. Any accrued interest is now included in the carrying value of the loan within note . IFRS 9 is applied without restatement therefore comparatives have not been restated.

Note 32.1 Reconciliation of liabilities arising from financing activities

	Loans from DHSC £000	Other loans £000	Finance leases £000	Total £000
Carrying value at 1 April 2018	**39,409**	**-**	**-**	**39,409**
Cash movements:				
Financing cash flows - payments and receipts of principal	22,950	-	-	**22,950**
Financing cash flows - payments of interest	(634)	-	-	**(634)**
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	90	-	-	**90**
Transfers by absorption	-	-	-	**-**
Additions	-	-	-	**-**
Application of effective interest rate	680	-	-	**680**
Change in effective interest rate	-	-	-	**-**
Changes in fair value	-	-	-	**-**
Other changes	-	-	-	**-**
Carrying value at 31 March 2019	**62,495**	**-**	**-**	**62,495**

Note 33 Finance leases

The Shrewsbury and Telford Hospital NHS Trust have no finance leases where the trust is the lesser or lessor.

Note 34.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits*	Legal claims	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2018	**43**	**239**	**149**	**260**	**691**
Transfers by absorption	-	-	-	-	**-**
Change in the discount rate	-	2	-	-	**2**
Arising during the year	41	6	109	266	**422**
Utilised during the year	(42)	(65)	(85)	(240)	**(432)**
Reclassified to liabilities held in disposal groups	-	-	-	-	**-**
Reversed unused	-	-	(22)	-	**(22)**
Unwinding of discount	-	33	-	-	**33**
At 31 March 2019	**42**	**215**	**151**	**286**	**694**
Expected timing of cash flows:					
- not later than one year;	42	67	151	286	**546**
- later than one year and not later than five years;	-	64	-	-	**64**
- later than five years.	-	84	-	-	**84**
Total	**42**	**215**	**151**	**286**	**694**

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 NHS Resolution non clinical cases with employees and members of the general public.

'Other' provision relates to the CRC scheme.

* In 2018/19 the analysis of provisions has been revised to separately identify provisions for injury benefit liabilities. In previous periods, these provisions were included within 'Other' provisions.

Note 34.2 Clinical negligence liabilities

At 31 March 2019, £343,644k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Shrewsbury and Telford Hospital NHS Trust (31 March 2018: £286,307k).

Note 35 Contingent assets and liabilities

	31 March 2019 £000	31 March 2018 £000
Value of contingent liabilities		
NHS Resolution legal claims	(73)	(91)
Employment tribunal and other employee related litigation	-	-
Redundancy	-	-
Other	-	-
Gross value of contingent liabilities	**(73)**	**(91)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(73)**	**(91)**
Net value of contingent assets	**-**	**-**

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 offence and may face a financial penalty as a result. The outcome and value of the potential fine is not yet known.

Note 36 Contractual capital commitments

	31 March 2019 £000	31 March 2018 £000
Property, plant and equipment	108	71
Intangible assets	-	-
Total	**108**	**71**

Note 37 Other financial commitments

The trust is not committed to making any payments under non-cancellable contracts which are not leases, PFI contracts or other service concession arrangements.

Note 38 Defined benefit pension schemes

The trust has no defined benefit pension schemes.

Note 39 Financial instruments

Note 39.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

The trust borrows from government for capital expenditure, subject to affordability as confirmed by 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 and Social Care (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 2019 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.

Note 39.2 Carrying values of financial assets

IFRS 9 Financial Instruments is applied restrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analysis.

Carrying values of financial assets as at 31 March 2019 under IFRS 9	Held at amortised cost £000	Held at fair value through I&E £000	Held at fair value through OCI £000	Total book value £000
Trade and other receivables excluding non financial assets	15,542	-	-	**15,542**
Other investments / financial assets	-	-	-	**-**
Cash and cash equivalents at bank and in hand	1,700	-	-	**1,700**
Total at 31 March 2019	**17,242**	**-**	**-**	**17,242**

Carrying values of financial assets as at 31 March 2018 under IAS 39	Loans and receivables £000	Assets at fair value through the I&E £000	Held to maturity £000	Available-for-sale £000	Total book value £000
Trade and other receivables excluding non financial assets	18,710	-	-	-	**18,710**
Other investments / financial assets	-	-	-	-	**-**
Cash and cash equivalents at bank and in hand	1,700	-	-	-	**1,700**
Total at 31 March 2018	**20,410**	**-**	**-**	**-**	**20,410**

Note 39.3 Carrying value of financial liabilities

IFRS 9 Financial Instruments is applied restrospectively from 1 April 2018 without restatement of comparatives. As such, comparative disclosures have been prepared under IAS 39 and the measurement categories differ to those in the current year analysis.

	Held at amortised cost £000	Held at fair value through the I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2019 under IFRS 9			
Loans from the Department of Health and Social Care	62,495	-	**62,495**
Obligations under finance leases	-	-	**-**
Other borrowings	-	-	**-**
Trade and other payables excluding non financial liabilities	24,310	-	**24,310**
Other financial liabilities	-	-	**-**
Provisions under contract	151	-	**151**
Total at 31 March 2019	**86,956**	**-**	**86,956**

	Other financial liabilities £000	Held at fair value through the I&E £000	Total book value £000
Carrying values of financial liabilities as at 31 March 2018 under IAS 39			
Loans from the Department of Health and Social Care	39,409	-	**39,409**
Obligations under finance leases	-	-	**-**
Other borrowings	-	-	**-**
Trade and other payables excluding non financial liabilities	28,176	-	**28,176**
Other financial liabilities	-	-	**-**
Provisions under contract	149	-	**149**
Total at 31 March 2018	**67,734**	**-**	**67,734**

Note 39.4 Fair values of financial assets and liabilities

The book value (carrying value) is a reasonable approximation of fair value for the Trust's financial assets and liabilities.

Note 39.5 Maturity of financial liabilities

	31 March 2019 £000	31 March 2018 £000
In one year or less	45,301	43,525
In more than one year but not more than two years	18,705	3,690
In more than two years but not more than five years	22,950	20,519
In more than five years	-	-
Total	**86,956**	**67,734**

Note 40 Losses and special payments

	2018/19		2017/18	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	8	7	-	-
Fruitless payments	-	-	-	-
Bad debts and claims abandoned	346	353	565	264
Stores losses and damage to property	16	198	27	152
Total losses	**370**	**558**	**592**	**416**
Special payments				
Compensation under court order or legally binding arbitration award	2	10	1	460
Extra-contractual payments	-	-	-	-
Ex-gratia payments	71	209	53	151
Special severence payments	-	-	-	-
Extra-statutory and extra-regulatory payments	-	-	-	-
Total special payments	**73**	**219**	**54**	**611**
Total losses and special payments	**443**	**777**	**646**	**1,027**
Compensation payments received		-		-

Details of cases individually over £300k:

A falls claim from HSE for £460k was accrued in 2017/18 to 'Compensation under court order or legally binding arbitration award.

£85k of the ex-gratia payments are included in legal claims in Note 34 Provisions for liabilities and charges analysis rather than Note 7.1 Operating expenses.

Note 41 Gifts

The total value of gifts did not exceed £300,000 so no further disclosure is required.

Note 42.1 Initial application of IFRS 9

IFRS 9 Financial Instruments as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to reserves on 1 April 2018.

IFRS 9 replaces IAS 39 and introduces a revised approach to classification and measurement of financial assets and financial liabilities, a new forward-looking 'expected loss' impairment model and a revised approach to hedge accounting.

Under IFRS 9, borrowings from the Department of Health and Social Care, which were previously held at historic cost, are measured on an amortised cost basis. Consequently, on 1 April 2018 borrowings increased by £90k, and trade payables correspondingly reduced.

Reassessment of allowances for credit losses under the expected loss model resulted in no increase/decrease in the carrying value of receivables.

The GAM expands the definition of a contract in the context of financial instruments to include legislation and regulations, except where this gives rise to a tax. Implementation of this adaptation on 1 April 2018 has led to the classification of receivables relating to Injury Cost Recovery as a financial asset measured at amortised cost. The carrying value of these receivables at 1 April 2018 was £1,370k. The trust did not previously adjust ICR receivables out of the financial asset note therefore no adjustment is required.

Note 42.2 Initial application of IFRS 15

IFRS 15 Revenue from Contracts with Customers as interpreted and adapted by the GAM has been applied by the Trust from 1 April 2018. The standard is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the income and expenditure reserve on 1 April 2018.

IFRS 15 introduces a new model for the recognition of revenue from contracts with customers replacing the previous standards IAS 11, IAS 18 and related Interpretations. The core principle of IFRS 15 is that an entity recognises revenue when it satisfies performance obligations through the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

As directed by the GAM, the Trust has applied the practical expedient offered in C7A of the standard removing the need to retrospectively restate any contract modifications that occurred before the date of implementation (1 April 2018). This standard has had minimal impact on the trust.

Note 43 Related parties

The Department of Health and Social Care is regarded as the parent department. The main entities within the public sector that the trust has had dealings with during the year are:

NHS Shropshire CCG
NHS Telford and Wrekin CCG
NHS South East Staffs And Seisdon Peninsular CCG
NHS Stafford And Surrounds CCG
NHS England
Health Education England
NHS Resolution
The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS FT
Mid Cheshire Hospitals NHS FT
Shropshire Community Health NHS Trust
The Royal Wolverhampton NHS Trust
Powys Local Health Board
Betsi Cadwaladr University Local Health Board
Cwm Taf Local Health Board
NHS Improvement
NHS Pension Scheme
NHS Blood and Transplant
HM Revenue and Customs

The trust is linked to the Shrewsbury and Telford Hospital NHS Charity. The Annual Report and Accounts for the Shrewsbury and Telford Hospital NHS Charity are submitted separately to the Charity Commission and are not consolidated into the trust's Accounts.

The trust is also linked to Royal Shrewsbury Hospital League of Friends, Friends of Princess Royal Hospital and Lingen Davies Cancer Fund who donate various pieces of medical equipment to the trust.

Note 44 Transfers by absorption

There were no transfers by absorption in the year where the trust has been either the receiving or divesting party.

Note 45 Prior period adjustments

The trust has made no prior period adjustments where comparative information has been restated due to either a change in accounting policy or material prior period error.

Note 46 Events after the reporting date

There are no events after the reporting date that require disclosure within this note.

Note 47 Better Payment Practice code

	2018/19 Number	2018/19 £000	2017/18 Number	2017/18 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	116,217	138,737	109,064	132,940
Total non-NHS trade invoices paid within target	37,998	55,134	35,467	50,195
Percentage of non-NHS trade invoices paid within target	**32.7%**	**39.7%**	**32.5%**	**37.8%**
NHS Payables				
Total NHS trade invoices paid in the year	2,993	8,729	2,732	7,446
Total NHS trade invoices paid within target	2,433	7,234	2,340	5,763
Percentage of NHS trade invoices paid within target	**81.3%**	**82.9%**	**85.7%**	**77.4%**

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 valid invoice, whichever is later.

Note 48 External financing

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

	2018/19 £000	2017/18 £000
Cash flow financing	**27,024**	**20,650**
Finance leases taken out in year	-	-
Other capital receipts	-	-
External financing requirement	**27,024**	**20,650**
External financing limit (EFL)	27,024	20,650
Under / (over) spend against EFL	**0**	**0**

Note 49 Capital Resource Limit

	2018/19 £000	2017/18 £000
Gross capital expenditure	15,120	12,852
Less: Disposals	(127)	(184)
Less: Donated and granted capital additions	(977)	(1,016)
Plus: Loss on disposal from capital grants in kind	-	-
Charge against Capital Resource Limit	**14,016**	**11,652**
Capital Resource Limit	15,166	12,830
Under / (over) spend against CRL	**1,150**	**1,178**

The underspend mainly results from the trust's cash position not enabling it to invest in capital expenditure relating to internally generated capital from donated asset depreciation.

Note 50 Breakeven duty financial performance

	2018/19 £000
Adjusted financial performance surplus / (deficit) - control total basis	(18,743)
Remove impairments scoring to Departmental Expenditure Limit	-
Add back non-cash element of On-SoFP pension scheme charges	-
IFRIC 12 breakeven adjustment	-
Breakeven duty financial performance surplus / (deficit)	**(18,743)**

Note 51 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		712	26	59	81	65	(12,130)	(14,649)	(5,631)	(17,400)	(18,743)
Breakeven duty cumulative position	(22,891)	(22,179)	(22,153)	(22,094)	(22,013)	(21,948)	(34,078)	(48,727)	(54,358)	(71,758)	(90,501)
Operating income		262,882	277,980	299,850	309,362	314,106	316,794	326,477	350,244	359,041	369,186
Cumulative breakeven position as a percentage of operating income		(8.4%)	(8.0%)	(7.4%)	(7.1%)	(7.0%)	(10.8%)	(14.9%)	(15.5%)	(20.0%)	(24.5%)