Wye Valley NHS
NHS Trust

2015-16

Annual Report & Accounts

For health care today and tomorrow

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FOREWORD
from the Chairman and Chief Executive

In our last Annual Report we said 2014-2015 had been the most challenging year yet. This past year, 2015-2016, has proved every bit as challenging.

It has been a year of achievements for the Trust, coupled with deep disappointment that our overall rating remained 'inadequate' following the Care Quality Commission (CQC) re-inspection, and we stay in Special Measures.

There had been just 11 months between going into Special Measures and the re-inspection. The CQC report acknowledges an improving organisation, particularly in our Emergency Department and Acute Medicine and in clinical leadership and patient safety, all areas which had been criticised in 2014.

The care and compassion of our staff was once again highly praised, as were many of our community services. Our Adult Community Services were rated as outstanding for 'caring'.

Since the re-inspection we have continued to make steady progress on quality and safety, for example; our investigating and learning from serious incidents has matured significantly, we have improved management of patient safety on elective waiting lists and we have improved our safeguarding processes.

Our new Quality Improvement Programme sets out a clear pathway for achieving changes to move us out of Special Measures. We have a particular focus for the coming year on recruitment and retention of qualified nursing staff and consultant medical staff, on recording and demonstrating compliance and on bedding in a culture of learning.

We thank University Hospitals Birmingham NHS Foundation Trust for their mentoring and support from October 2014 to February 2016. From February 2016 our new buddy organisation is South Warwickshire NHS Foundation Trust.

The next CQC inspection is due in July 2016 and we are confident Inspectors will see further improvements.

On a very positive note, Phase One of a five-year Estates Strategy was completed during the year. The £5m spend was the highest estate investment by the Trust for well over a decade. It has delivered the first new bed capacity at Hereford County Hospital since it was opened in 2002, a second CT scanner, expansion of the Emergency Department and much more.

Demand for beds remains high, but our A & E performance has improved; we have focussed on improving patient flow and recruited two consultant physicians to lead on acute medicine - an emerging speciality in this Trust.

Like many acute health providers in the NHS, we face continuing financial pressures and deteriorating finances. We run the smallest District General Hospital in the country and therefore have to find innovative solutions to these challenges.

Once again, we extend a huge thank you to our staff, patients, local residents and fundraisers who have shown their support in so many different ways. We also look forward to continuing to work with our partners such as Healthwatch Hereford, the Trust's Stakeholder Group, the Clinical Commissioning Group (CCG) and 2gether NHS Foundation Trust. As an organisation, the number of compliments we receive from users continues to far outweigh the number of complaints and we remain an ambitious organisation.

Museji Ahmed Takolia CBE
Chairman

Richard Beeken
Chief Executive

1 PERFORMANCE REPORT

1. OVERVIEW

1a) Overview of Wye Valley NHS Trust

Wye Valley NHS Trust was established on 1 April 2011. The Trust provides community care and hospital care to a population of just over 180,000 people in Herefordshire and a population of more than 40,000 people in mid-Powys, Wales.

The Trust's catchment area is characterised by its rural nature and remoteness, with more than 80% of its population living more than five miles from Hereford city or a market town.

We are the only secondary care provider for an area where the average age of the population is older than the national average. This demographic is driving health and social care needs that are often more complex than in areas where the average age of patients is lower.

All dates referred to in this report are for the year 1 April 2015 - 31 March 2016, unless otherwise specified.

1b) Strategic Objectives

Our strategic objectives are to:

- improve the quality and safety of care to our patients, their carers and families
- improve the responsiveness of our services for the benefit of our patients and their families
- provide more productive better value care that improves the sustainability of our services
- develop a highly skilled, motivated and engaged workforce
- develop first class facilities and technology to support the care we provide
- transform health and wellbeing through working with our partners
- play our role as an important asset to the people of Herefordshire and the surrounding areas

1c) Developing our CARE Values

More than 200 staff from all levels of the Trust have been involved in helping develop our values. These are now being embedded in our recruitment, appraisal and reward processes.

They are:

Compassion - we will support patients and others, putting individuals at the heart of every decision and ensuring they are cared for with compassion, dignity and respect

Accountability - we will act with integrity, assuming responsibility for our actions and decisions

Respect - we will treat every individual in a non-judgemental manner, ensuring privacy, fairness and confidentiality

Excellence - we will challenge ourselves to do better and strive for excellence

1d) Management Structure

The Trust is clinically and operationally governed through three service units each of which is led by a Service Unit Director, Service Unit Manager and Head of Nursing.

A review of the management structure has been held and a new structure will be implemented from May 2016.

For the year under review, the management structure was as follows:

Integrated Family Health Services

- maternity and gynaecology – delivery suite, maternity, antenatal care, community midwifery, obstetrics and gynaecology, outpatients, women's health
- children's and families' services – Special Care Baby Unit, paediatrics, palliative care
- children's therapies – child development, child health, health visiting, school nursing, looked after children
- sexual health services

Urgent Care Closer to Home

- medical – acute and community settings
- emergency flow – Accident and Emergency (A & E), Clinical Assessment Unit, Minor Injury Units at Ross and Leominster Community Hospitals, Clinical Site Team, Complex Discharge
- neighbourhood teams – virtual wards, hospital at home and district nursing
- therapies – physiotherapy, occupational therapy, orthotics, dietetics, speech and language, podiatry, falls service, diabetics, multiple sclerosis, Parkinson's, continence, community stroke rehabilitation, acquired brain injury
- diagnostic and scientific services – radiology, mortuary, vascular laboratory, haematology, cardiology, respiratory, blood science, histopathology, microbiology

Elective Care

- surgical – pre-op, theatres, critical care, endoscopy, pain management, surgical specialities, cancer services, outpatient and audiology, lymphedema
- elective care – theatres, anaesthetics, critical care, Day Surgery Unit, endoscopy
- pharmacy and medicine management
- dental services
- Patient Access Centre

This structure was led by the Chief Operating Officer and supported by the back office departments, which include Trust headquarters, finance, information and procurement, estates, quality and safety and people and development. Professional accountability, leadership and support was provided through the Director of Nursing and Quality and the Medical Director.

2. PERFORMANCE ANALYSIS

2a) CQC Re-Inspection

Care Quality Commission (CQC) Inspectors made an announced inspection of Hereford County Hospital and of Community Services between 22-24 September and unannounced inspections on 25 September at Leominster Community Hospital and 1 October at Hereford County Hospital.

They held focus groups with a range of staff in the hospital, including nurses, junior doctors, consultants, midwives, student nurses, administrative and clerical staff, allied health professionals, domestic staff and porters. Inspectors also spoke with staff individually.

Their Report, published in January, highlights a number of improvements made since the original CQC inspection in June 2014 in acute provision, and praises much of our community service provision. However, the Report gave the Trust an overall rating of 'inadequate'. As a result the Trust remains in Special Measures.

The Care Quality Commission has confirmed it will be re-inspecting the Trust again on 5–7 July 2016. This will take the form of a full re-inspection of district general hospital services at Hereford County Hospital site. Community services will not be re-inspected.

The results from the Comprehensive Report on the Trust are summarised as follows. Full reports are available via the CQC web site ***www.cqc.org.uk*** *and via our own website* ***www.wyevalley.nhs.uk.***

2b) CQC Comprehensive Report for Wye Valley NHS Trust

Overall Rating	Inadequate	
Safe	Inadequate	
Effective	Requires improvement	
Caring	Good	
Responsive	Inadequate	
Well led	Requires improvement	

The Report acknowledges improvements in:

- how we report incidents when things go wrong
- the safety of patients on the urgent care pathway
- engagement and communication with staff

However, it highlighted key areas where we need to do more, including:

- staff training in relation to children and adult safeguarding
- evidence learning when mistakes have been made
- introduce better processes for managing patients on waiting lists
- increase medical staff numbers in the Emergency Department

Inspectors reported: *"There were some areas of improvement from the previous inspection particularly within community services and urgent and emergency service. However, there were areas where significant improvement was required."*

"Overall, we rated Wye Valley NHS Trust as inadequate... All community services were rated as good, with the exception of community inpatient services and community end-of-life care which were rated as requires improvement."

"Overall we have judged the services at the Trust as good for caring. Patients were treated with dignity and respect and were provided with appropriate emotional support. We found caring in community adult services to be outstanding."

2c) Patient Care Improvement Plan (PCIP)

Our Patient Care Improvement Plan (PCIP), approved by the NHS Trust Development Authority (TDA) in November 2014, set out more than 200 actions which we were required to take across every department and specialism.

Progress against the plan throughout the year was positive with a particular focus on hands-on patient care and safety in emergency and acute services.

Monthly briefings led by Chief Executive, Richard Beeken, were held across the Trust in acute and in community services to update staff on progress.

An 'Ask Richard' email account was established for staff to raise concerns about quality and safety directly with the Chief Executive and to receive a response within 10 days.

2d) Quality Improvement Programme (QIP)

In February, the PCIP was replaced by a new Quality Improvement Programme (QIP), approved by the Trust's Board. This clearly spells out 11 themes with clear outcomes against which departments are now reporting monthly to the Quality Committee. Regular staff briefings are also held.

The 11 themes are:

1. improving quality governance
2. reducing harm
3. organisational development
4. estates
5. patient experience
6. safeguarding vulnerable people
7. urgent care
8. stroke
9. clinical effectiveness
10. risk management
11. information governance

2e) Partnerships

University Hospitals Birmingham NHS Foundation Trust was appointed by the NHS Trust Development Authority (TDA) as our buddy/mentor organisation from October 2014 - February 2016. They took part in peer inspections, assisted in a mortality review process and trained all our Medical Secretaries in the management of best practice in referral to treatment times.

In February, South Warwickshire NHS Foundation Trust, which is similar in size and scope of services to Wye Valley NHS Trust, took over the role.

2f) Improvement Director

In December, as part of the Special Measures process, the NHS Trust Development Authority (TDA) appointed a part-time Improvement Director to work alongside our executive team to drive our improvement plan forward.

2g) Patient and Public Involvement

Patient Led Assessment of the Care Environment (PLACE)

Site Name	Site type	Cleanliness	Food and hydration	Privacy, dignity and wellbeing	Condition, A appearance and maintenance	Dementia friendly
Leominster Community Hospital	Community	97.72	92.27	75.51	93.50	77.31
Bromyard Community Hospital	Acute/ Specialist	96.39	94.98	83.33	97.88	72.40
Ross Community Hospital	Acute/ Specialist	99.61	86.24	91.92	96.24	90.09
Hillside Centre for intermediate care	Community	91.61	89.54	75.71	87.63	82.07
County Hospital	Acute/ Specialist	96.03	85.85	80.74	89.09	71.52
	National average	97.57	88.93	86.03	90.11	74.51
	Wye Valley Trust overall score	96.35	87.16	81.21	90.53	74.27

Local people gave Herefordshire's hospitals the thumbs up when they were invited to take part in Patient Led Assessment of the Care Environment (PLACE) inspections.

The unannounced inspections assess how the Trust's environment supports patient's privacy and dignity, dementia awareness, food, cleanliness and general building maintenance. Assessors use a nationally recognised scoring system.

Inspections this year took place at Hereford County Hospital, Bromyard, Ross and Leominster Community Hospitals, and Hillside Centre in Hereford. The results show that the Trust scored 87% for food served to patients in hospital – a 7% improvement on last year's results. A score of 96% was given for cleanliness, 90% for the environment and 80% for patient privacy and dignity.

The Trust also scored 74% for the new dementia assessment, in line with the national average; the scores of 90% for dementia awareness for Ross Community Hospital and 82% for Hillside Centre were both above the national average. It was the first time our hospitals had been assessed on dementia awareness.

Feedback from the PLACE inspections help ensure patients are cared for to the highest possible standards.

Young Ambassadors

Our Young Ambassadors are a group of young people aged 12-16 who have all had some kind of hospital experience.

The scheme, established in 2014 to launch the Voice of the Child in how we run our services, was highlighted as an example of Good Practice in the CQC's report this year on our children's services.

In November, Young Ambassadors participated in the Children's Commissioners Takeover Challenge, shadowing decision makers in the Trust.

They have also been instrumental in:

- introducing Wi-Fi on the children's ward, helping teenagers to stay in touch with friends while they are in hospital
- shaping the way Saturday clinic is run for teenagers
- designing leaflets
- attending presentations and network meetings
- meeting with other local services working with young people in health, such as physiotherapy
- interviewing young inpatients on the ward
- promoting Children's Mental Health Awareness week with display boards and videos

Ten new members joined the group after a recruitment day in December. The current group now consists of 18 young people, a mix of original ambassadors and new recruits. Noticeboards on the children's ward provide Voice of the Child information so any inpatients can contact the group if they want to be included.

Antonia Dixey of Participation People, a specialist participation company, awarded three members of staff, Stacy Edwards, Maggie Orchard and Fiona Blackwell, the Going the Extra Mile Innovation of the Year for starting up the group. She stated it was the best group in healthcare that she had seen in the UK.

Charitable funds

Wye Valley Hospitals Charity supports staff, patients, families and carers at hospitals and within the local community. The focus is on raising money where it is needed most in areas not covered or fully supported by NHS funding.

The principle function of the charity's team is to ensure that donations are processed, acknowledged and spent in their intended areas.

Overseeing the 35 funds, the Charity received donations and transactions of £269,000 in the last financial year. These donations were in addition to those highlighted below:

- installation of a second CT scanner in December 2015, ensuring patients have rapid and constant access to the CT scanning service. The charity was awarded £250,000 by the Clive and Sylvia Richards Foundation to purchase the machine
- purchase of a £66,000 state-of-the-art ultrasound machine thanks to local grant making trusts ROBOCAP and The Eveson Trust as well as donations from the urology and general purpose charitable funds. It means the Trust's urology team can now offer a one-stop assessment clinic for men with a raised Prostate Specific Antigen (PSA) - a blood test designed to screen patients for prostate cancer
- an £89,000 donation from local firm Special Metals Wiggin to purchase an ultrasound machine to benefit breast patients requiring both symptomatic and screening services; this has huge benefits to patients, allowing patients who may not necessarily have a life-limiting illness to be seen in a timely manner without the need to go into the oncology department. This process will also prevent patients having to travel to Bromsgrove should they need further assessment post mammogram

Plans for 2016-17 include the purchase of a Mobile Retinal Unit thanks to a generous donation from the Geoffrey Lewis Trust Fund.

2h) Estates Strategy

Phase One of a five-year Estates Strategy was completed on time. The £4.998m spend (against a £4.965m initial budget) was the largest investment in the Trust's estates since 2002.

Phase One delivered new bed capacity, improvements to outpatients and A & E, a new CT scanner and added theatre capacity, all detailed on this page.

We continue to rebuild, expand, and invest in more beds and in the latest diagnostic and other facilities.

The Outline Business Case for Phase 2 of the Estates Strategy, was approved by the Trust Board. This has been passed on to the NHS Trust Development Authority (TDA) along with the updated Strategic Outline Plan for approval in 2016.

2i) Service Developments:

• Gilwern Assessment Unit

This £2.776m new 16-bedded ward opened in December 2015 and marked the first real increase in bed capacity at the hospital since it was opened.

It has been built to rapidly assess and care for older, frail people, to support their care and recovery, and to speed their return home or to community care. Specific features include colour-co-ordinated bays to help patients feel secure in their surroundings and find their way back to their beds, furnishings which create a sense of homeliness, and a Memory Lane series of photographs of old Herefordshire to jog memories and create a sense of familiarity.

The unit was previously based on Frome Ward and the creation of the bespoke unit has released inpatient capacity on that ward.

• Emergency Department remodelling

The flow of patients through A & E has improved. A new rapid assessment area for patients arriving in as an emergency means they can be swiftly moved to appropriate wards.

The area went live in early February.

As part of the £383k project, additional patient assessment bays have been created, A & E walk-in waiting facilities have also been improved and a children's area designed using feedback of youngsters from the hospital's children's ward costing £17.5k.

• Arkwright Suite/Fred Bulmer Unit

A £491,000 refurbishment of the Fred Bulmer Unit has increased outpatient capacity.

It has created nine clinic/treatment rooms and support facilities for those undergoing clinical assessments.

The refurbished unit opened in February.

Whilst the refurbishment work was underway a number of outpatient speciality clinics were relocated to a temporary mobile unit, the Arkwright Suite.

• Temporary theatre

A £3.066m staffed Vanguard Temporary Theatre opened on 29 March.

It will be used for General Surgery, orthopaedics, urology and other operations and will increase the Trust's theatre capacity.

2j) INFORM - Electronic Patient Record (EPR)

The £14.8m programme to deliver electronic patient records received approval from the NHS Trust Development Authority, and the INFORM Programme was created to deliver this. In August, software specialist IMS MAXIMS were appointed to implement the EPR system.

Once operational, the EPR will replace existing Patient Administration Systems (PAS) and enable clinical information to be accessed via computers from all buildings from which the Trust operates, rather than clinicians having always to rely on paper records. This will provide further opportunity to enhance patient care.

Development, testing and training on the EPR system will continue throughout 2016 and it is expected to go live in 2017.

2k) Patient safety

Our Quality Account 2015-16, available from Medical Director Dr Susan Gilby, contains comprehensive information on quality and safety.

2l) Research

The Trust continues to undertake and assist in research.

During the year, Hereford County Hospital's stroke team was granted permission to participate in a pioneering stem cell trial to help aid recovery following a stroke - the PISCES Trial 2. This is the second phase of the world's first clinical trial on the use of brain stem cells to treat patients with limited movement of an arm following a stroke. Wye Valley stroke patients were invited to take part by the team.

A report in October by the National Institute for Health Research (NIHR) Clinical Research Network revealed an increase in clinical research activity at several Trusts in the West Midlands, including a 23% increase at Wye Valley NHS Trust on the previous year.

3. PERFORMANCE TABLES

3a) Acute hospital

The number of patients attending the Emergency Department throughout 2015-16 rose by 4.4% compared to 2014-15; emergency admissions to an inpatient bed rose by 1.5% during the same period. The increases in Emergency Department attendances and emergency admission built on a significant rise in 2014-15 of 4.4% and 11% respectively.

Continued pressure on both the Emergency Department and emergency inpatient capacity resulted in a corresponding pressure on elective services and a loss of elective inpatient capacity.

Activity	2014-15	2015-16	Increase/Decrease 2015-16 on 2014-15
Elective spells	3897	3895	-0.1%
Day case spells	16459	16625	1.0%
Emergency spells	21720	22056	1.5%
New outpatient attendances	71650	71415	-0.3%
Follow up outpatient attendances	167376	166233	-0.7%
A & E attendances	51717	53973	4.4%

Community hospitals

Activity	2014-15	2015-16	Increase/Decrease 2015-16 on 2014-15
Day case spells	1035	996	-3.8%
Community bed days	35354	32506	-8.1%
Contacts	262051	242710	-7.4%
New outpatient attendances	15762	15062	-4.4%
Follow up outpatient attendances	53543	49375	-7.8%
Minor Injury Unit attendances	3321	4072	22.6%

The 22.6 % increase in the Minor Injury Unit attendances was due to the Minor Injury Units being open for more days.

3b) Key Targets

Total time in A & E

The Trust did not meet the national target of 95% of patients being seen, admitted or discharged within four hours from time of arrival.

18 week referral to treatment - admitted

Pressure on inpatient capacity restricted the Trust's ability to deliver sufficient activity throughout much of 2015-16 and the Trust did not meet the required national standard.

18 week referral to treatment – non-admitted and incomplete pathways

The Trust was not able to report performance against these national standards due to historic data quality issues with the Trust's electronic systems. The problem has been resolved and reporting will start in the financial year 2016-2017.

Key targets - 18 week referral to treatment

Key Target - 18 weeks referral to treatment and A&E four hour wait or less	2012-13	2013-14	2014-15	2015-16
18 week referral to treatment - admitted patients*	97.8%	92.7%	78.3%	62.8%
18 week referral to treatment - non admitted patients**	99.8%	99.7%	97.9%	unavaila-ble
Total time in A&E: four hours or less***	94.8%	92.3%	85.6%	88.7%

** The key target for 18 week referral to treatment for admitted is 90% within 18 weeks*

*** The key target for 18 week referral to treatment for non-admitted is 95% within 18 weeks*

**** The key target for A&E is that 95% of A&E patients are seen, treated and discharged within four hours from arrival*

3c) Cancer performance

The continued rise in cancer referrals in 2015-16, 5.5% compared to 2014-15 and 23.9% in 2014-15 compared to 2013-14, placed significant pressure on cancer services and the Trust was not able to sustainably deliver all cancer targets across the year.

Key performance indicators	Key target 2015-16	2015-16
Cancer two week waits*	93%	94.1%
Two week waits (breast symptomatic)**	93%	83.1%
Cancer 31 days	96%	97.1%
Cancer 31 days subsequent treatments	98%	96.7%
Cancer 62 days	85%	81.3%
Cancer 62 days screening	90%	90.5%
Cancer 62 days upgrades (no national target set)		83.3%
Cancer 31 days rare cancers	85%	64.7%

** Cancer two week wait - GP suspects cancer and patient offered referral within two weeks*

*** Two week waits (breast symptomatic) - GP or other relevant health professional referred patient for breast symptoms but did not suspect cancer*

3d) Mortality reporting and governance

Review

University Hospitals Birmingham NHS Foundation Trust reviewed 60 mortality cases that had occurred between October - December.

The report was presented to the medical workforce alongside a learning workshop on reduction of avoidable mortality and an increased understanding of mortality indicators.

Governance

A comprehensive review of governance around mortality led to the establishment in June of a Hospital Reducing Mortality Group to improve and streamline compliance and learning around mortality. It replaces a number of committees, meets monthly, is chaired by Medical Director Susan Gilby and reports to the Quality Committee.

Members include multidisciplinary representation from each service unit, the leads for diagnostic groups such as sepsis and acute kidney injury and other groups concerned with avoidable mortality, such as fractured neck of femur and chronic obstructive pulmonary disease (COPD).

It commissions, reviews and monitors action plans from each diagnostic group and hears reports from the mortality governance meetings from within each service unit.

External stakeholders like the Clinical Commissioning Group for Hereford and Powys, Public Health and Social Care attend bimonthly and the committee has been observed by the NHS Trust Development Agency and the Care Quality Commission.

A mortality tracker was replaced in July with a multi specialist consultant-led weekly review of all deaths that occurred within the previous week. If there are concerns around any cases, they are subject to an additional review. Themes from these reviews also feed into the Hospital Reducing Mortality Group.

Ongoing work is around best practice in End of Life Care, advanced planning and avoidable admissions from the community, to enable more people to die in settings of their choice. There is also a review of best practice around death certification.

Performance

Hospital mortality rates are measured using the Summary Hospital Mortality Indicator (SHMI). The national benchmark for SHMI is 100.

The SHMI is reported six months in arrears and is for a 12-month rolling figure. The most recent figure of 116 relates to the six months to September.

4. KEY FINANCIAL INFORMATION

4a) Statutory basis

The Trust has fulfilled its responsibilities under the National Health Services Act 2006 for the preparation of the financial statements in accordance with the Manual for Accounts and the International Financial Reporting Standards.

4b) Financial break even

In 2015-16, the Trust delivered a deficit of £19.539m which was in line with the forecast position submitted to the Trust Development Authority. Unlike previous years when the Trust had received additional non-recurrent income funding from NHS England, no non-recurrent funding was received during 2015-16.

The table, right, indicates the overall value of the deficit once factors relating to the change in value of tangible assets and other technical adjustments are accounted for.

4c) Trust break even duty

I&E: retained (deficit)/surplus	2015-16	2014-15
Income and expenditure: retained (deficit)/surplus	(19,540)	(1,786)
IFRIC 12 adjustment	0	734
Impairment of assets	(462)	2,008
Net adjustment for donated asset additions/(depreciation)	(454)	(103)
Absorption accounting adjustment	0	(9)
Adjusted retained surplus	**(20,456)**	**844**

The Trust break even duty is calculated based on the retained surplus/(deficit) for the year adjusted for asset impairments and revaluations, the impact of donated assets and gains/losses from absorption accounting. It also takes account of the impact of IFRIC 12 which requires the Trust to account for PFI assets on the balance sheet.

The Trust has also delivered a Cost Improvement Programme (CIP) of £3.8m in 2015-16. The Trust's future financial position continues to be very challenging. The Trust's financial plan identifies continuing deficits in future years which will require the continuation of cash support from the Department of Health. In addition, the Trust is engaged in significant capital developments in relation to the Estates Strategy and the implementation of the Electronic Patient Record, which also requires significant centrally funded cash investments.

4d) Resources

The Trust generated income of £178.063m during 2015-16. The pie chart below identifies income received from different sources for health-related activity. The majority of income is derived from the Herefordshire Clinical Commissioning Group (CCG).

The second pie chart identifies annual expenditure during the year. Salaries and wages paid to permanent and temporary staff, including those employed through agencies, totalled £123.823m. Expenditure on goods and services amounted to £68.170km and finance costs (interest payable) totalled £5.608m.

Trust staffing costs have risen compared to 2014-15, due in part to an increase in activity but also reflecting high volumes of agency staff engaged which relates to issues the Trust faces in terms of securing permanent staff.

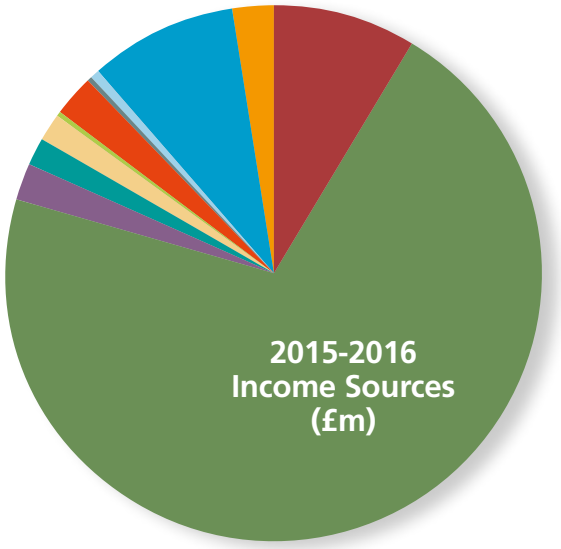

Fig 1. Income Analysis

15.4	NHS England
126.4	Clinical Commissioning Groups
3.6	Foundation Trusts
0.3	NHS other
2.9	Non Recurrent Income
2.7	Local Authorities
0.8	Private patients and cost recovery
4.3	Education, training and research
0.7	Donations for capital acquisitions
0.7	Income generation
16.1	Wales
4	Other

NHS bodies	0.9
Other	3
Staff	123.8
Supplies and Services	22.6
Establishment	2.2
Transport	1.6
PFI Service Costs	9.5
Premises	6
Depreciation	3.5
Insurance	2.3
Education and Training	0.4
Drugs	16.3
Interest payable	5.6

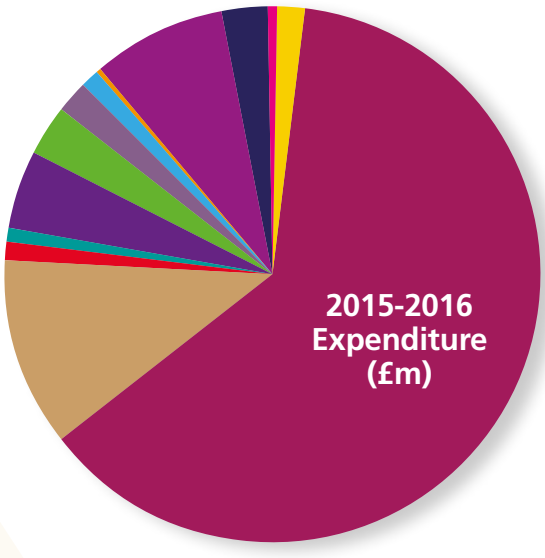

Fig 2. Analysis of Expenditure

4e) Cost Improvement Programme delivery and capital development

The Trust's Cost Improvement Programme (CIP) delivered savings of £3.8m during the year. The CIP comprised a number of separate projects relating to income generation, procurement savings, increased productivity and pay efficiencies.

The Trust has undertaken a £10m programme of capital investment in 2015-16. The table below provides a summary of expenditure on capital items. The schemes include the purchase of a second CT Scanner and other medical equipment. The programme also included the development of the new Gilwern Unit providing essential additional bed capacity. Finally, significant resources have been invested in the development of the Electronic Patient Record.

2015-16 capital expenditure

Expenditure type	Purchased	Charitable funding	Total £000s
Medical equipment	659	620	1,279
IT development	284		284
Construction schemes	1,018	47	1,065
Estates Strategy	4,947		4,947
Electronic Patient Record	2,480		2,480
Total	**9,388**	**667**	**10,055**

4f) Pension liabilities

Within the annual accounts, ongoing employer pension contribution costs are included within employee costs (see Note 10 of the full accounts for more detail).

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at ***www.nhsbsa.nhs.uk/Pensions.aspx***

4g) Going concern

International Accounting Standard 1 requires management 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 the transfer of its services to another entity.

The Directors consider the contracts it has agreed with commissioning bodies and a letter of support from the Trust Development Authority is sufficient evidence that the Trust will continue as a going concern for the foreseeable future. For this reason, the going concern basis has been adopted for preparing the accounts.

Further details on going concern can be found within the disclosure within the financial statements note 1.5.

4h) Better Payment Practice Code

Non-NHS Payables

Better Payment Practice Code	2015/16 (Number)	2015/16 (£000's)	2014/15 (Number)	2014/15 (£000's)
Total non NHS trade invoices paid in the year	50,732	95,257	53,995	78,886
Total non NHS trade invoices paid within target	27,588	67,557	41,124	65,573
Percentage of bills paid within target	54.4	70.9	76.2	83.1

NHS Payables

Better Payment Practice Code	2015/16 (Number)	2015/16 (£000's)	2014/15 (Number)	2014/15 (£000's)
Total NHS trade invoices paid in the year	1,081	5,553	1,279	6,382
Total NHS trade invoices paid within target	650	3,745	852	4,813
Percentage of bills paid within target	60.1	67.4	66.6	75.4

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 a valid invoice, whichever is later. The Trust is a signatory of the Government's Prompt Payment Code.

4i) Principles for Remedy

The Trust has adopted the Parliamentary and Health Service Ombudsman Principles for Remedy in full and they form part of the Trust's Management of Complaints, Concerns, Comments and Complements Policy.

4j) Fraud

We have a Fraud and Corruption Policy and investigate all allegations of staff fraud. There was one fraud referral during the year relating to charitable funds with no fraud proven.

5. SUSTAINABLE DEVELOPMENT

A Sustainability Development Plan for 2016-20 has been developed in line with the NHS Sustainability Strategy.

We:

- continued the 'Wye Go Green' sustainability awareness campaign
- included sustainability with the approved Estates Strategy
- increased efficiency/utilisation
- are developing flexible solutions to cope with changes over time
- are committed to reducing carbon, increasing sustainability
- investing to reduce energy and overheads
- using BREEAM assessments

The Trust is setting up a Sustainability Strategy Group to oversee the delivery of this plan. A copy of the plan can be obtained from Howard Oddy, Director of Finance and Information.

Accountable Officer: Mr Richard Beeken, Chief Executive

Organisation: Wye Valley NHS Trust

Signature: 

Date: 27 May 2016

6. STATEMENT OF DISCLOSURE TO AUDITORS

As far as the Directors are aware there is no relevant audit information of which the Trust's auditor is unaware. All steps have been taken by Directors in order to make themselves aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.

2 ACCOUNTABILITY REPORT

1. CORPORATE GOVERNANCE REPORT

1a) Directors' Report

During 2015-2016, the Trust Board comprised 12 Directors. In July, Christobel Hargraves was appointed a Non Executive Director (previously Associate Non Executive Director). In August, Deputy Chair Mark Waller was reappointed Non Executive Director for a further two years. Details of the Board composition and its activities are included in the Annual Governance Statement on page 25.

Our thanks to Simone Pennie who left the Board in June after more than four years as a Non Executive Director, including as Chair of the Audit Committee where we benefited from her strong background in governance.

We also said farewell to Michelle Clarke, Director of Nursing and Quality. Our thanks to her for more than four years' service. Denise Price has been welcomed as Interim Director of Nursing. Responsibility for the Quality agenda is now held by the Medical Director, Susan Gilby.

In February, the NHS Trust Development Authority confirmed the reappointment of Museji Ahmed Takolia CBE as Chairman of Wye Valley NHS Trust. He has chaired the organisation since June 2014 and is reappointed until May 2017.

1b) Board of Directors 1 April - 31 March 2016

Non-Executive Directors (NED)	
Museji Takolia CBE	Chairman
Appointed: June 2014	
Attended: 100% Board meetings	
Mark Waller	Deputy Chairman, Senior Independent Director and Chair of Finance and Performance Committee
Appointed: August 2011	
Re-appointed: August 2015	
Attended: 87% Board meetings	
Frank Myers MBE	Chairman of Quality Committee and Chairman of Charitable Funds Committee
Appointed: November 2011	
Re-appointed: April 2016	
Attended: 91% Board meetings	
Simone Pennie	Chair of the Audit Committee
Appointed: April 2011	
Left: June 2015	
Attended: 100% Board meetings	
Richard Humphries	Chair of Workforce and Development Committee
Appointed: November 2014	
Attended: 61% Board meetings	
Andrew Cottom	Chair of Audit Committee
Appointed: November 2014	
Attended: 87% Board meetings	
Reverend Christobel Hargraves	Non-Executive Director
Appointed Associate: November 2014	
Appointed Voting Non Executive Director: July 2015	
Attended: 91% Board meetings	

Board of Directors 1 April - 31 March 2016

Executive Directors	
Richard Beeken	Chief Executive
Appointed: June 2014	
Attended: 91% Board meetings	
Howard Oddy	Director of Finance and Information, Deputy Chief Executive
Appointed: July 2007	
Attended: 100% Board meetings	
Jon Barnes	Chief Operating Officer
Appointed: April 2015	
Attended: 91% Board meetings	
Michelle Clarke	Director of Nursing and Quality
Appointed: August 2011	
Left: December 2015	
Attended: 88% Board Meetings	
Dr Susan Gilby	Medical Director
Appointed: March 2015	
Attended: 91% Board meetings	
Denise Price	Interim Director of Nursing
Appointed: January 2016	
Attended: 100% Board meetings	
Maureen Bignell	Director of People and Development
Appointed: January 2014	
Attended: 91% Board meetings	

Board Members' Declaration of Interests as at 31 March 2016

Board Member	Position	Interest
M Takolia CBE	Chairman	None
R Beeken	Chief Executive	None
M Bignell	Director of People and Development	None
J Barnes	Chief Operating Officer	None
A Cottom	Non-Executive Director	Non-Executive Director Hoople Ltd
S Gilby	Medical Director	Father is Vice Chair of St Michael's Hospice
C Hargraves	Non-Executive Director	None
R Humphries	Non-Executive Director	None
F Myers MBE	Non-Executive Director	Ownership or part-ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS: • Myers Road Safety Ltd; joint Owner and Managing Director • MCP Systems Consultants Ltd; joint Owner and Director. • A position of authority in a charity or voluntary organisation in the field of health and social care • Queen Elizabeth's Foundation for Disabled People; Director and Trustee • MERU Director – one of the Queen Elizabeth's Foundation family of charities – designs and manufactures specialised equipment for children and young people with disabilities • President, Hereford and South Herefordshire Conservative Association (until March 2016). This provides links with Herefordshire Council • Chair, Herefordshire Business Board • Board Member, Marches Local Enterprise Partnership
H Oddy	Director of Finance and Information	None
D Price	Interim Director of Nursing	None
M Waller	Non-Executive Director	Chair of Herefordshire MIND

2. ANNUAL GOVERNANCE STATEMENT 2015-2016

1 Scope of Responsibility

The Governance Statement has been based upon the responsibilities of the Accountable Officer as set out in the Department of Health's Accountable Officer Memorandum.

As Accountable Officer and Chief Executive of Wye Valley NHS Trust, I have overall responsibility for a robust system of internal control which supports the achievement of the organisation's policies, aims and objectives whilst safeguarding public funds.

I ensure that the following functions are carried out to provide assurance to the Board on the proper stewardship of public money and assets:

- enter into and fulfil service agreements with commissioning bodies
- comply with statutory duties
- develop and maintain relationships with patients, service users, local partner organisations, the wider community and their commissioning agencies and suppliers
- be accountable to the Secretary of State and to Parliament for the performance of these functions and for meeting statutory financial duties

1a) Statutory accounts

Together with the Director of Finance and Information (Deputy Chief Executive), I am responsible for ensuring that the accounts of Wye Valley NHS Trust, which are presented to the Board for approval, are prepared under the principles and in a format directed by the Secretary of State. I ensure that the accounts disclose a true and fair view of the Trust's income and expenditure, cash flows, gains and losses, and of its state of affairs. I sign the accounts along with the Director of Finance and Information on behalf of the Board.

1b) Effective management systems

During the year, I have ensured that the Trust has management systems in place to safeguard public funds. I have assisted the Chairman of the Board to implement the requirements of Corporate Governance as stated in the Codes of Conduct and Accountability. I have endeavoured to ensure that managers:

- have objectives and are assessed and held to account in relation to the achievement of those objectives
- are clear about their responsibilities in relation to making best use of resources
- have the information, training and access to the expert advice they need to exercise their responsibilities effectively

I ensure that recommendations made by our external auditors, Grant Thornton, are implemented where appropriate and fully co-operate with them regarding enquiries made into the Trust's use of public funds. Arrangements for internal audit comply with those set out in the NHS Internal Audit Manual and action is taken in relation to any concerns which are raised by either external or internal audit.

My review is informed by the Head of Internal Audit who provides an opinion on the overall arrangements for gaining assurance through the Board Assurance Framework and on the controls reviewed as part of Internal Audit programme of work.

The Head of Internal Audit Opinion for 2015-2016 concluded that: ***"Partial assurance with improvements required"*** can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

This is based upon 10 internal audits which have been completed during the financial year. The results of three, (CQC follow up, job planning and Information Governance Toolkit), were issued with a ***"Partial assurance with improvements required"*** assurance rating which prevented auditors from giving a ***"Significant assurance with minor improvement opportunities"*** assurance rating. Further details can be found within Section 5, Review of Effectiveness of Risk Management and Internal Control.

With the Director of Finance and Information, I have a duty to ensure that effective and sound financial management and information functions are properly discharged. I have endeavoured to ensure the continued financial viability of the Trust by making sure that expenditure is contained within available levels of income. Assets have been properly safeguarded and value for money achieved from the resources available by avoiding waste and extravagance in delivering the organisation's activities.

1c) Regularity and propriety of expenditure

I have responsibility for ensuring that all expenditure by the Trust complies with regulatory requirements and is only used for the purposes authorised. Appropriate advice is provided to the Board on all matters of financial probity, regularity, efficiency and effectiveness. The Director of Finance and Information supports me in this role.

The Audit Committee has specific Terms of Reference and delegated powers to enquire into matters of probity and regularity.

The Codes of Conduct and Accountability are fundamental in exercising my responsibilities for regularity and probity and, as a Board Member, I have subscribed to the Codes and promote their observance.

2 The Governance Framework

2a) Wye Valley NHS Trust Board

During 2015-2016, the Trust Board comprising 12 Directors - the Chairman, five Non-Executive Directors and six Executive Directors - led the Trust.

Four of the six Executive Directors are statutory appointments, these are:

- Chief Executive
- Finance Director (Director of Finance and Information (Deputy Chief Executive))
- Medical Director
- Director of Nursing

The Chief Operating Officer is a voting Executive Director and the Director of Human Resources is a non-voting Executive Director. The Board is supported and advised by the Company Secretary.

The Trust Board has five committees to help it discharge its functions, these are:

- Audit Committee
- Workforce and Development Committee (Remuneration and Terms of Service Committee)
- Quality Committee
- Finance and Performance Committee
- Charitable Funds Committee

The Trust Board met formally on 13 occasions during the financial year and achieved an overall attendance rate of 90%. The Board has a work plan in place which is developed around the Trust's Strategic Objectives.

Board discussions have covered our seven strategic objectives:

1. Quality and safety of care to our patients, their carers and families

- approval of Strategic Objectives, April
- risks to achievement of Strategic Objectives, April and May
- patient stories, including the Virtual Ward, outpatients department, maternity experience, End-of-Life Care, short notice cancellation of an operation, incorrect contact details and a safeguarding alert, April-March
- approvals of: Trust CARE (Compassion, Accountability, Respect, Excellence) Values; Annual Plan 2015-2016, Infection Prevention and Control Annual Report 2014-15 and Safeguarding and Looked After Children Annual Report, all May
- Quality Accounts 2014-15 approval, June
- review of Patient Care Improvement Plan, April-July
- feedback from actions from pre Chief Inspector of Hospitals Review, August
- Chief Inspector of Hospital's high level feedback, September
- Serious Incident Process Review, October
- Health and Safety Annual Report approval, November
- response to CQC Section 29a Warning Notice, tactical action plan discussed, November and December
- new risks to achievement of strategic objectives and extreme operational risks, both November
- Chief Executive's update reports noted, January, December and February
- Quality Improvement Programme noted, December
- Quality Improvement Programme; Patient Story - mental capacity assessment, both noted, January
- Good Governance Institute summary action plan approved; Chief Executive's update report noted; Quality Improvement Programme noted, all March
- Quality Improvement Programme; Patient story – patient journey following a stroke, both noted, February

2. Responsiveness of our services for the benefit of our patients and their families

- NHS Trust Development Authority approval of self-certifications, April-December
- Key Performance Indicators (KPIs); Quality and Safety Overview Report; Operational Performance Report, Finance Report, and Workforce Report, all April-March
- Mortality Summary Report, April and May
- Referral to Treatment Review, May
- Complaints Annual Report approval, August
- Quality and Safety Overview Report, Operational Performance Report, Workforce Report and Finance Report, all noted; 62-day cancer recovery plan approved, December
- draft Operational Plan 2016-2017 noted, January
- Finance, Workforce, Quality and Safety Overview and Operational Performance Reports all noted January and March
- Operational Delivery Plan 2016-2017 approved, March
- 62-day cancer standard improvement plan approved, February
- operational restructure noted, February
- Quality and Safety Overview, Operational Performance, Finance and Workforce Reports all noted, February

3. Providing more productive and better value care that improves the sustainability of our services

- approval of interim Revolving Working Capital Facility and interim Capital Support Loan; Annual Accounts issues and final draft Financial Plan, all April
- long term Financial Model approved, May
- financial stretch target, July
- 2015-2016 Financial Improvement Plan, August
- nurse agency spend rules, September
- projected year end forecast 2015-2016, October
- draft Financial Plan 2016-2017 approved; NHS Planning Guidance 2016-17 – 2020-21 noted, both January
- Financial Plan 2016-2017 approved, March

4. Developing a highly skilled, motivated, healthy and engaged workforce

- Nurse Staffing Report, April–March
- six month reviews of nurse and midwifery capacity and capability, May and November
- nursing revalidation plans, June
- presentation from Post Graduate Certificate in Leadership and Healthcare candidate, June
- Revalidation Annual Report approval, August
- Bromyard Community Hospital safety and staffing, August and September
- equality and diversity update, September
- employment tribunal update noted, November
- monthly nurse staffing report noted, December, January, February and March
- junior doctors dispute noted; staff survey results received, both February

5. Developing first class facilities and technology to support the care we provide

- CT Scanner update, May
- 16-bed unit tender approval, June
- Midwifery Led Unit business case, June and September
- Gilwern Access Deed off line approval noted, July
- Capital Loan approval, August
- Electronic Patient Record (EPR) programme update, October–March
- Phase II Estates Strategy outline business case, October
- Business Case for additional theatre capacity approved; Electronic Patient Record Update noted; Estates Strategy, Strategic Outline Case approved, all December
- Electronic Patient Record update; Estates Strategy off line approval, both noted January
- Midwifery Led Unit noted; Transformation programme update, both February
- INFORM Electronic Patient Record programme noted, February and Highlight Report noted, March

6. Transforming health and wellbeing through working with our partners

- Transformation Programme Acute Hospital Review, May and November
- Wye Valley Trust and CCG Mediation noted, November

7. Our role as an important asset to the people of Herefordshire and the surrounding areas

- Accountable Lead Provider update, April
- approval of Working Together For Herefordshire draft memorandum of understanding, July and September
- future of Hoople Ltd (IT service providers to the Trust), July
- Emergency Preparedness Resilience Response, September
- One Herefordshire Alliance, October
- One Herefordshire proposal noted, December
- One Herefordshire (System Transformation Plan) noted, January and March
- Community collaborative update and Board minutes noted, February

In addition, Board discussions covered **Governance:**

- Chief Executive Update Report, April-March
- Committee summary reports: Finance and Performance Committee and the Quality and Safety Committee, April-March; Audit Committee, May, July, October; Charitable Funds Committee June and August; Workforce and Development Committee, June, July and September
- Trust Board appointments: Christobel Hargraves as Non Executive Director (previously Associate Non Executive Director), July; Mark Waller reappointed as Non Executive Director for a further two years, August; Frank Myers reappointed as Non Executive Director for a further year, March
- approvals of: Risk Management and Board Assurance Framework Strategy, Fit and Proper Persons Test Policy and the Quality Committee Terms of Reference, all August
- Board Assurance Framework, April-March
- draft Annual Report, April
- approvals of: Annual Accounts 2014-15, Annual Report and Annual Governance Statement, Audit Committee Annual Report, Board Capacity and Capability Review and the Governance Review Action Plan, all May
- appointments of Non-Executive Directors to committees approval, September
- Terms of Reference approval for Workforce and Development Committee, November
- Board and committee dates for 2016 approved, November
- Board Assurance Framework noted January, discussed in December and noted, March
- Board Workshops 2016 noted; Audit Committee Terms of Reference and NHS TDA self certification both approved; Quality, Finance and Performance and Audit Committees Summary Reports all noted, January
- confidential reports from Finance and Performance Committees noted, January
- confidential reports from Audit, Workforce and Development, Charitable Funds, Quality and Finance and Performance Committees noted, March
- Board Assurance Framework and quarterly review of extreme operational risks noted; summary reports from Quality, Finance and Performance Committees, all February

2b) Committees of the Board

The **Audit Committee** and **Workforce and Development Committee** are statutory committees of the Trust Board.

Audit Committee

The Audit Committee is a committee of Non-Executive Directors. The role of the Audit Committee is to provide an objective view of internal control and governance to the Trust Board in line with best practice and Department of Health Guidance. The Committee met on five occasions during the year and achieved an attendance rate of 100%. The Chairman of the Trust Board is not a member of the Audit Committee although may attend on the invitation of the Committee Chair. The Chief Executive and the Director of Finance and Information attended most meetings of the Audit Committee during the year. The Committee is supported by the Company Secretary. The Trust's Internal and External Auditors are also invited to attend the Audit Committee meetings. The Committee approved a work plan for the financial year 2015-2016, which covered the following key areas:

Governance and Risk

- learning from serious incidents; review of Annual Accounts prior to submission to the Trust Board for approval; Audit Committee Annual Report recommended for approval to the Trust Board; review of draft Annual Governance Statement and Annual Report process, all May
- future objectives of Audit Committee; reviews of: Risk Management and Board Assurance Framework (deep dive Finance); internal audit recommendation tracking; update on Human Resources Policies; Audit Committee self-evaluation results and 2014-15 Reference Costs, all July
- review of Register of Declarations of Interest, July and January
- losses and special payments report, September, January, March
- review of Code of Governance, January and March
- Audit Committee Terms of Reference; Audit Committee Work Plan; process for approval of accounts; review of Terms of Reference – Clinical Audit, all January
- reviews of Elective Care, Well Led Framework, draft Annual Governance Statement, and accounting policies; timetables for Annual Report, Quality Account, Finance Accounts, Review of accounting policies, all March

Internal Audit

- Annual Report 2014-2015 and Head of Internal Audit Opinion, May
- appointment of Internal Auditors, January
- Internal Audit Report – data quality, medical devices, July; Medical Equipment Audit and Support with CQC compliance, September; core financial systems, information governance, January; clinical audit and effectiveness, job planning, March
- Internal Audit progress report and technical update, July, September, January, March
- Internal Audit Plan 2016-17, January, approval March

External Audit

- auditing process and draft Value for Money Opinion; External Audit Fees Letter 2015-2016, both May
- 2014-15 payment and tariff assurance framework, July
- External Auditors Annual Audit letter 2015-16, September
- External Audit Plan, March

Counter Fraud

- Annual Report 2014-15, May
- Progress Report, July, September, January, March
- indicative local counter fraud specialist annual strategy, March

Workforce and Development Committee (Remuneration and Terms of Service Committee)

The Workforce and Development Committee is a committee of Non-Executive Directors. The role of the Workforce and Development Committee is two fold: (i) to determine an Executive Director Policy and reward structure; (ii) to take a strategic overview of Human Resources and Organisational Development issues. The committee met on five occasions during the financial year and achieved an attendance rate of 94%. The Chief Executive and Director of People and Development are invited to attend. The Committee is supported by the Company Secretary.

The Committee changed its name during the financial year and now has a broader remit to ensure that workforce and development issues have an appropriate focus and to provide further assurance to the Trust Board. The Committee approved a work plan for 2015-2016, which covered the following key areas:

Appointments and Salary Reviews

- timetable for appointment for substantive Chief Operating Officer, May
- approval of appointment of substantive Chief Operating Officer and agreement of salary, September
- review of Director of Nursing contract and approval of Interim Director of Nursing remuneration, both December
- approval of Terms of Appointment of substantive Director of Nursing and of a Director of People and Development; Agenda for Change, staff 1% national pay increase noted, all March

Objectives

- annual Performance and Objective review of Chief Executive and Executive Directors, May

Governance

- Self-Assessment Action Plan review, May
- review of Terms of Reference, September
- Trust Development Authority rules for severance pay, December
- Workforce and Development Committee Annual Report and Annual Plan 2016-17, March

Quality Committee

The Quality Committee comprises Non-Executive and Executive Directors within its membership. It met monthly on 12 occasions during the financial year and achieved an attendance rate of 85%. The Committee is supported by the Company Secretary.

The Quality Committee provides the Trust Board with assurance on quality and approved the draft Quality Account 2015-2016 in April prior to it being circulated to stakeholders for comment. The Stakeholders included:

- Overview and Scrutiny Committee
- Healthwatch Herefordshire
- Herefordshire Clinical Commissioning Group

The governance process associated with the production of the Quality Account 2015-16 was presented to the Audit Committee for review in March 2016, prior to presentation of the Quality Account to the Board on 26 May 2016.

During the year, the Committee also approved a work plan for 2015-2016, which covered the following key areas:

Monthly Reports

- from April-March: updates on current quality; issues from Integrated Delivery Meeting; Quality and Oversight Review Group; mortality; nurse staffing and quality and safety overview reports
- Patient Care Improvement Plan, April-September
- Cancer Action Plan, July-March
- Quality Improvement Programme; Serious Incident Report, both noted, January-March

Quarterly Reports

- Infection Prevention, April, July, October
- Medicines Optimisation, May, September, February
- Clinical Effectiveness and Audit, May, December
- Patient Safety, June, September, December, February
- Patient Experience, June, August, November
- Safeguarding and Looked after Children, September, November, February
- Revalidation, November

Annual Reports

- Infection Prevention and Safeguarding and Looked After Children, both May
- Safeguarding Adults, June
- Complaints, July
- Revalidation and Fire Safety, both August
- Clinical Effectiveness and Audit, September
- Infection Prevention Report and Health and Safety, October
- Claims, December

Governance and Risk

- lessons learnt from Serious Incidents Requiring Investigation (SIRI) - Ombudsman upheld complaint, April; delay in diagnosis of breast cancer, May;
- review of investigation report into Morecombe Bay maternity and neonatal services; Herefordshire Health and Wellbeing strategy, Clinical Coding, all April
- draft 2014-15 Quality Accounts; Job Evaluation Survey Tool and Medical Devices Internal Audit, all May
- outcomes of Peer Inspection Review; Breast Cancer SIRI Action Plan and lessons learnt from SIRIs change in approach, all June
- Internal Audit Report, support with CQC compliance; PLACE scores; Clinical Audit Programme 2015-2016; Quality Committee Terms of Reference recommended approval to Trust Board; Health and Safety Committee Terms of Reference, approval; Quality Impact Assessments and Clinical Coding, all August
- Six month evaluation of Frailty Assessment Unit, July
- Audit Findings Report on imaging; Kirkup Gap analysis report and Patient Moves, all September
- issues from Integrated Delivery Meeting; draft Serious Incident procedure review; CQC review of health services of children; Safeguarding and Looked After Children in Herefordshire; Health and Safety Overview Report; Open Referral Pathway; approval of Infection Prevention and Control Terms of Reference and Quality Impact Assessments, all October
- Caesarean Section Report; Health and Wellbeing Strategy; review of mortality outlier alert for chronic obstructive pulmonary disease (COPD) and bronchiectasis (BE); Serious Incident Report; approval of Medicines Safety Committee Terms of Reference and National Care of the Dying Patient Audit, all November
- review of mortality outlier Acute Kidney Injury (AKI); Tactical Action Plan in response to CQC Warning Notice; approval of Serious Incident Executive Panel Terms of Reference and Patient Safety Walkrounds feedback, all December
- Quality Summit issues post CQC inspection, noted January

Finance and Performance Committee

The Finance and Performance Committee comprises Non-Executive and Executive Directors. It met on 12 occasions during the financial year and achieved an attendance rate of 86%. The Committee is supported by the Company Secretary. It approved a work plan for 2015-2016, which covered:

Monthly Performance reporting reviews

- Key Performance Indicators
- Activity Report
- Finance Report
- Capital
- Workforce Report

Financial, business cases and strategy

- review of Financial Plan 2015-2016; Estates Strategy progress report and Electronic Patient Record Assurances noted, all April
- Long Term Financial Plan, May and January
- Mobile Unit – post business case evaluation, May
- reviews of: overseas nurse recruitment and Clinical Assessment Business Case evaluation, both June
- Financial Plan 2015-2016 stretch target; Hoople review, both July
- reviews of: draft Recovery Plan and Long Term Financial Model; Recruitment and Retention Strategy and approval of additional theatre scheme, all August
- Nurse agency spend rules, September

Governance

- Staff, Friends and Family Report noted; Finance and Performance Committee Meeting feedback received, both April
- focus subjects: 2015-2016 Financial Plan, May; Radiology and General Surgery, June; Refer To Treatment, November
- Terms of Reference review, August
- Estates Strategy review, September
- Electrical Safety Testing and planned preventative maintenance; Estates Strategy Phase II Outline Business Case review; Fit, Ready and Available – 18-week rule changes, all October
- Integrated Family Health Services Exception Reporting, November
- refer to treatment briefing; deep dive on agency staffing and projections of 'Apple agency', December
- draft Operational Plan 2016-17; IMT Service Provider, both January
- Board Assurance Framework - risk of: critical failure in hutted wards, January, and risk of continued failure of urgent care; Finance and Performance Committee work plan 2016, all February

Charitable Funds Committee

The Charitable Funds Committee supports the Trust Board to discharge its functions as the Corporate Trustee for Wye Valley NHS Trust Charitable Funds. The Committee met on three occasions during the year and achieved an attendance rate of 61%. The Charitable Funds Committee covered:

- 2014-15 Quarter 4 income and expenditure review, June
- Quarter 2015-16 Finance Report; draft Annual Report and Accounts; Audit Findings; amalgamation of funds update and new charitable funds update, all noted January
- Quarter 3 2015-16 Finance Report – noted; fundraising update; application to Charities Commission to spend endowment funds; approval to purchase optical retinal scanner, all March

2c) Board performance and effectiveness

Board Capacity and Capability Review

The Board undertook a Capacity and Capability Review which was led by Sir Ian Carruthers. Issues were fed back through the review. They were presented, with responses, to the Trust Board in May 2015.

Board Away Day

The Board held an Away Day on 26 November which was externally facilitated. The purpose was for the Board, following the CQC Inspection, to take the next steps in building the higher performing Board that could lead the Trust in the current circumstances. Six objectives were agreed. To:

1. continue to build a means of making the most of the whole unitary Board
2. discuss and agree the current priorities of the Board
3. structure the Trust and promote skills so that good leadership and management is facilitated
4. promote the benefits of the Transformation Programme for the people of Herefordshire against the critical success factors to which the Board must pay attention if the Transformation Programme is to be a success
5. build pace whilst managing risk in a structured way
6. achieve a more engaged Board that is better informed and equipped to lead the Trust effectively

2d) Review of Code of Governance

The Trust is not required to comply with the UK Corporate Governance Code. However, we reported on our corporate governance arrangements at the Audit Committee in January. We have drawn on best practice available, including those aspects of the Code of Governance that we consider to be relevant to the Trust.

The Trust has also undertaken a review of Monitor's *Well Led* Framework which was presented to the Audit Committee in March and Trust Board in March.

An action plan will be developed based upon the self assessment to ensure that the Trust's overall assessment will improve in the future.

3 Risk Assesment

3a) Approach

Wye Valley NHS Trust undertakes a consistent approach in the assessment of risks and follows a five-step process:

1. identify
2. analyse
3. evaluate
4. treat
5. monitor

The details for how this is achieved are set out in the Risk Management and Assurance procedure which reflects the approach of the management of all types of risks.

The Trust approved its Risk Management Strategy at its Board Meeting in August. The Trust Board reviewed its risk appetite against each of its seven strategic objectives at a Board workshop held in April 2016. The elements of risk which were considered were financial, compliance/regulatory, quality/innovation, reputational. The Board agreed the following risk appetite for each strategic objective:

- improve the quality and safety of care to our patients, their carers and families - **Open/High**
- improve the responsiveness of our services for the benefit of our patients and their families - **Cautious/Moderate**
- provide more productive better value care that improves the sustainability of our services - **Minimal/Low**
- develop a highly skilled, motivated and engaged workforce - **Open/High**
- develop first class facilities and technology to support the care we provide - **Open/High**
- transform health and well being through working with our partners - **Open/High**
- play our role as an important asset to the people of Herefordshire and the surrounding areas - **Minimal/Low**

3b) Strategic extreme risks

- non-achievement of the 18-week pathway within general surgery, urology, trauma and orthopaedics and ENT for admitted patients
- continued failure of the Urgent Care Pathway
- the financial sustainability of Wye Valley NHS Trust
- health, safety and welfare of service users due to ineffective quality governance systems and processes
- the Trust failing to achieve the NHS constitutional targets
- recruitment of new staff and retaining current staff
- the Trust's credibility and reputation due to remaining in Special Measures
- published high mortality indices are an alert of possible poor quality of care and therefore potentially avoidable deaths
- critical failure in hutted ward environment

3c) Newly identified risks

At 1 April 2015, the Trust had 119 risks on its risk register. During the year, new risks were identified and added to the register with 110 risks being closed after effective management and mitigation. At the 31 March 2016, the Trust had 139 risks on its risk register. The newly identified risks were categorised as follows:

Low = 17 Moderate = 37

High = 56 Extreme = 20

3d) Data security

Breach Type	Volume
Disclosed in Error	12
Lost In Transit	2
Total	14

There have been 14 data breaches reported during the financial year. Ten of these breaches were level 2 breaches which mean there is a requirement to report them to the Information Commissioners Office and the Department of Health.

A Root Cause Analysis (RCA) was undertaken for each breach and all identified actions were completed.

4 The Risk and Control Framework

4a) Risk Management and Board Assurance Strategy

The Trust has a Risk Management and Board Assurance Strategy in place. The strategy was developed to support the delivery of strategic objectives, comply with legal and statutory requirements, national guidance and National Health Service Litigation Authority requirements.

The purpose of the strategy is to provide clear instruction on the process for risk management, and to enable the Trust to actively monitor, manage and prioritise the management of all risks. The key elements of the strategy are:

- Statement of Intent
- definitions
- duties of staff
- risk management organisational structure
- risk management process
- communication
- training
- Key Performance Indicators
- Equality Impact Assessments

The Risk Management and Board Assurance Strategy describes management responsibility for accepting actual and potential risks. The score of a risk will determine at what level decisions on acceptability of the risk are made and where it should be escalated to. It also states the key individuals in the Trust who are kept informed about new risks or changes to existing risks.

4b) Risk management, control and mechanisms for assurance

The Trust Board is responsible and accountable for owning the risk and control framework, and for ensuring that any risks that could affect the achievement of the Trust's strategic objectives are adequately controlled via the Board Assurance Framework. The Board also reviews the effectiveness of internal controls and monitors the work of the committees with delegated responsibility for risk management.

Board members are responsible for:

- approving the Risk Management and Assurance Strategy
- ensuring risk information is available to them to support the decision making process
- participating in the identification and evaluation of risks appropriate to the decisions they are making

The Audit Committee, through assurance processes including Internal and External Audit, provides an independent objective opinion to the Board on whether the risk management arrangements in place are effective.

The Quality Committee provides the Board with an independent and objective review of all aspects of quality and safety relating to the provision of care and services.

An Executive Risk Committee was established in June 2015. We use a national risk scoring matrix. The Executive Risk Committee has met on six occasions and reviewed the following risks:

- those rated 12 and above (excluding Board Assurance Framework risks)
- new risks opened during the previous month (rated over 12)
- risks closed during the previous month
- risks with a rating that increased during the previous month
- risks requiring escalation to Executive Directors

The Service Unit Governance Meetings provide assurance to the Trust Executive Management on operational performance and any mitigating actions required in relation to activity, finance and quality. The Governance Meetings ensure the control, co-ordination and monitoring of risk management across the Service Units.

The Health and Safety Group ensures the Trust discharges its health and safety duties by setting strategy, monitoring health and safety performance, reviewing audit findings and agreeing plans. The Group reports to the Trust Executive Management through the Director of Human Resources.

In addition to the formal committee structure, the Trust has a number of groups which have a specific risk focus and which review data from incident reports. The Fire Safety Committee monitors and reports on progress with fire safety processes.

Key individuals are also responsible for advising and co-ordinating specific risk issues.

4c) Board Assurance Framework

For 2015-2016, the Trust Board maintained its review of extreme strategic and operational risks through the Board Assurance Framework. The Board Assurance Framework follows Department of Health guidance and includes the following elements:

- the Trust's strategic objectives
- Executive Director Lead
- principal risks that may threaten the achievement of the objectives
- key controls to manage the risks
- arrangements for obtaining assurance on the key controls
- gaps in control
- plans to take corrective action where gaps are identified

The Board Assurance Framework supports the organisation in delivering a sound system of internal control and provides evidence to support the Governance Statement. The Trust's approach to the Board Assurance Framework was reviewed at a Trust Board workshop in January. A new-style Board Assurance Framework was introduced during 2015 and provides the Board with a useful tool in establishing the key risks which could impact upon the delivery of the Trust's Strategic Objectives.

The Board Assurance Framework if reviewed by the Executive Directors and the Trust Board on a monthly basis. This ensures that the actions which are in place to help mitigate the Trust's Strategic Risks are implemented.

5 Review of effectiveness of risk management and internal control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and in doing so have reviewed the effectiveness of risk management arrangements.

This is based upon the 10 internal audits completed during the financial year. The results of three audits (CQC follow up, job planning and Information Governance Toolkit) were given a 'partial assurance with improvements required' assurance rating which prevented auditors from giving a 'significant assurance with minor improvements required' assurance rating.

In addition to reviewing the Head of Internal Audit Opinion (see effective management systems under Scope of Responsibility), I have taken into account the following when coming to my conclusion:

- the Board Assurance Framework provides me with evidence on the effectiveness of controls that mitigate risks to the organisation. The Trust's Internal Auditors, External Auditors, Care Quality Commission and Clinical Audit also inform my review
- the Trust Board has ensured that risk management processes are in place and has assured itself that the organisation has properly identified the significant risks it faces in delivering its Strategic Objectives and that controls are in place to mitigate those risks and the impact they have on the organisation and its stakeholders
- the Audit Committee has reviewed arrangements for risk management and the Board Assurance Framework by undertaking a series of 'deep dives' and advised the Board on the adequacy of those arrangements throughout the Trust
- the Finance and Performance Committee (from January 2016) has undertaken reviews of the 'extreme' risks on the Board Assurance Framework which relate to this Committee
- the Trust Executive Directors have reviewed the Board Assurance Framework on a monthly basis, ensuring risks which affect the achievement of the Trust's corporate objectives are effectively managed or mitigated and reported as appropriate to the Trust Board
- the Executive Risk Committee (established June 2015) reviews all risks which are rated 12 and above
- External Audit undertakes an annual review on specific areas to support the opinion on the accounts and the statutory Value for Money Conclusion
- the Trust has a Local Anti-Fraud Service provided KPMG. The Work Plan for 2015-16 was agreed with the Director of Finance and Information and approved by the Audit Committee in May

My review confirms that Wye Valley NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

6 Significant issues facing the Trust during 2016-17

The Trust has defined within its Operational Delivery Plan high level plans that bring together the key operational developments that the Trust expects to deliver in 2016-17. The three key elements of the plan are:

1. quality and safety (Quality Improvement Plan and Quality Strategy)
2. operational delivery (Activity Plan, service developments and workforce changes)
3. finance (Financial Plan and Cost Improvement Plan)

The plan is designed to set out and link all of these key plans for the coming year with the intention of providing a coherent single plan for the organisation that can be shared widely. Once finalised and agreed, the plan will be used for objective setting purposes and will form the basis for monitoring the performance of the Trust, teams and individuals through performance reviews and appraisals.

However, set against this the Trust faces significant issues which include:

- significant quality challenges *(see page 6 Performance & CQC Inspection)*
- increasing financial deficit *(see page 15 – Key Financial Performance)*
- an activity plan that doesn't deliver all of the NHS Constitution Standards *(see page 12 & 13 – Performance tables)*
- workforce issues in the form of recruitment and retention of staff which if resolved would help deliver the other three issues detailed (see page 42, Staff Policies)

Accountable Officer: Mr Richard Beeken, Chief Executive

Organisation: Wye Valley NHS Trust

Signature: 

Date: 27 May 2016

3 REMUNERATION AND STAFF REPORT

1. REMUNERATION REPORT

1a) Workforce and Development Committee

The Remuneration and Terms of Service Committee changed its title to Workforce and Development Committee to reflect a broader remit.

It is a committee of Non-Executive Directors and it has two key purposes:

- to ensure Executive and Senior Management development and continuity within the Trust, including determining the policy and reward structure
- to take a strategic overview of human resource and workforce issues throughout the Trust

The Committee's membership during the year was as follows:

Richard Humphries	Committee Chairman
Museji Takolia CBE	Chairman of the Board
Simone Pennie	until June 2015
Christobel Hargraves	from July 2015
Mark Waller	from August 2015

The work covered by the committee is summarised in the Annual Governance Report on page 28.

1b) Statement on policy on remuneration

The policy of the Workforce and Development Committee has continued to be guided by five principles:

- ensuring the alignment of individual objectives with organisation objectives
- reward will attract and retain high quality people
- the rationale for setting salary/performance pay levels must be clear to all
- competitive levels of remuneration will be determined by reference to similar posts within comparable NHS Trusts
- rewards will reflect the market but not drive it

Executive Directors receive a fixed base salary. Benefits include pension provision. Directors are not paid a car allowance, nor are they provided with a Trust funded vehicle and they do not receive any private healthcare provision.

Contracts of Directors include a six-month notice period; senior managers have three months' notice.

During the year, the Trust engaged third parties for the services of Interim Director of Nursing. The contract for the Interim Director of Nursing commenced on 11 January 2016 and will end on 30 June 2016.

1c) Methods used to assess performance of Executive Directors

Executive Directors all have objectives set for the financial year by the Chief Executive with the Chief Executive's objectives being set by the Chairman in conjunction with the Chair of the Workforce and Development Committee. A review of achievement of objectives is undertaken mid-way through the year and at the end of the year.

2. REMUNERATION

2 Remuneration of Chairman and Non-Executive Directors

The Secretary of State for Health sets and reviews the level of remuneration payable to the Chairman and Non-Executive Directors (excluding NHS Foundation Trusts who set their own rates). In 2015-16 there was not an increase to the remuneration of these roles. The rates were £6,096 for Non-Executive Directors and £18,437 for the Chairman of the Trust. The Chairman and the Non-Executive Directors do not receive a pension provision.

2a) Service contracts compensation

Executive Director	From	Contract	Notice period (months)	WVT liability in case of early termination
Chief Executive, **Richard Beeken**	1 June 2014	Substantive	6	
Director of Finance & Information, **Howard Oddy**	2 July 2007	Substantive	6	
Chief Operating Officer, **Jon Barnes**	31 March 2015	Substantive	6	
Medical Director, **Susan Gilby**	23 March 2015	Substantive	6	
Director of Nursing & Quality, **Michelle Clarke**	1 August 2011 - 16 December 2015	Substantive	6	
Interim Director of Nursing, **Denise Price**	18 January 2016	Fixed Term	1	
Director of People & Development, **Maureen Bignell**	20 January 2014	Substantive	3	

2b) Salaries and allowances (audited)

			2015-16					2014-15				
Name	Title	Duration £000	Salary *(bands of £5,000)* £000	Expense payments *(taxable) (nearest £100)* £000	Long term performance related bonus *(bands of £5,000)* £000	All pension related benefits *(bands of £2,500)* £000	Total *(bands of £5,000)* £000	Salary *(bands of £5,000)* £000	Expense payments (taxable) (nearest £100) £000	Long term performance related bonus *(bands of £5,000)* £000	All pension related benefits *(bands of £2,500)* £000	Total *(bands of £5,000)* £000
D Smith	Interim Chief Executive	Left May 14						35 - 40	25			35 - 40
N Doverty	Chief Operating Officer	Left Oct 14						60-65				60-65
M Bignell	Director of People and Development		95-100			17.5-20	115-120	95-100			50-52.5	145-150
H Oddy	Director of Finance		110-115			2.5-5	120-125	110-115			50-52.5	160-165
M Clarke	Director of Nursing	Left Dec 15	70-75			15-17.5	85-90	95-100			22.5-25	115-120
P Wilson	Medical Director	Left May 14						25-30			20-22.5	50-55
R Beeken	Chief Executive	From Jun 14	155-160			55-57.5	220-225	160-165			170 - 172.5	330-335
S Stucke	Interim Medical Director	Jun 14-Mar 15						140-145		0-5	22.5-25	170-175
L Hunt	Interim Chief Operating Officer	Oct 14-Mar 15						120-125				120-125
S Gilby	Medical Director	From Apr 15	190-195			105-107.5	305-310					
D Price	Interim Director of Nursing	From Jan 16	25-30				25-30					
J Barnes	Chief Operating Officer	From Apr 15	95-100			135-137.5	240-245					
M Curtis	Chairman	Left May 14						0-5				0-5
M Takolia CBE	Chairman	From Jun 14	15-20				15-20	15-20				15-20
S Pennie	Non Executive Director	Left May 15	0-5				0-5	5-10				5-10
F Myers MBE	Non Executive Director		5-10				5-10	5-10				5-10
M Waller	Non Executive Director		5-10				5-10	5-10				5-10
C MacLean	Non Executive Director	Left Jun 14						0-5				0-5
S Coleman	Non Executive Director	Left Jul 14						0-5				0-5
R Humphries	Non Executive Director	From Dec 14	5-10				5-10	0-5				0-5
A Cottom	Non Executive Director	From Dec 14	5-10				5-10	0-5				0-5
C Hargraves	Non Executive Director	From Dec 14	5-10				5-10	0-5				0-5

*See notes on salaries and allowances on the following page

2c) Fair Pay disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. For 2015-16 the median salary based on annualised full time equivalent hours was £24,063 pa (2014-15, £24,799 pa). The highest paid director at Wye Valley NHS Trust in 2015-16 was £190,000 (2014-15, £196,000). This was 7.9 times (2014-15, 7.9) the median salary of the workforce.

In 2015-16, five employees received remuneration in excess of the highest paid director. Remuneration was between £206,000 and £320,000. Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

2d) Pension benefits 2015-16 (audited)

Name	Title	Real increase in pension at 60 *(£2,500 bands)* £000	Real increase in lump sum at 60 *(£2,500 bands)* £000	Accrued pension at 60 as at 31-03-16. *(£5,000 bands)* £000	Accrued lump sum as at 31-03-16. *(£5,000 bands)* £000	Cash equivalent transfer value as at 01-04-15 £000	Real increase in cash equivalent transfer value £000	Cash equivalent transfer value as at 31-03-16 £000	Employer's contribution to stakeholder pension £000	Notes
R Beeken	Chief Executive	2.5-5	2.5-5	40-45	115-120	562	42	568	-	
M Bignell	Director of People and Development	1.25-1.5	2.5-5	20-25	65-70	505	0	0	-	1
H Oddy	Director of Finance	0-2.5	2.5-5	40-45	130-135	822	22	854	-	
M Clarke	Director of Nursing	0-2.5	0-2.5	30-35	95-100	524	16	545	-	2
S Gilby	Medical Director	5-7.5	17.5-20	40-45	130-135	712	132	853		
J Barnes	Chief Operating Officer	5-7.5	15-17.5	35-40	105-110	511	124	641		
D Price	Interim Director of Nursing									3

Notes

1. Board member is over the normal retirement age within the existing pension scheme and therefore a cash equivalent transfer value as at 31 March 2016 is not applicable.
2. Board member left on 31 December 2015 and the values quoted reflect the pension benefits as at the leaving date and not 31 March 2016.
3. Board member was engaged on a contract basis and did not accrue superannuation benefits during this period.

2e) Off Payroll engagements

For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last longer than six months:

Table 1	Number
Number of existing engagements as of 31 March 2016	12
Of which, the number that have existed:	
for less than one year at the time of reporting	3
for between one and two years at the time of reporting	2
for between 2 and 3 years at the time of reporting	1
for between 3 and 4 years at the time of reporting	2
for 4 or more years at the time of reporting	4

Existing off-payroll engagements have been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax. Assurance has been sought from engagements with regard to this.

For all new off-payroll engagements between 1 April 2015 and 31 March 2016, for more than £220 per day and last longer than six months:

Table 2	Number
Number of new engagements which include contractual clauses giving the Trust the right to request assurance in relation to income tax and National Insurance obligations	3
Number for whom assurance has been requested	3
Of which:	
assurance has been received	2
assurance has not been received	1
engagements terminated as a result of assurance not being received	0

An assurance was requested from all existing off-payroll engagements with regard to the payment of tax on earnings relating to the Trust. Confirmations were received from all engagements with the exception of one for which confirmation remains outstanding. However, this is being actively followed up to ensure confirmation will be received.

2f) Consultancy Expenditure

The Trust engaged external consultants on three separate projects during 2015-16 incurring total expenditure of £74,000.

Analysis of Consultancy Services Expenditure (+)	Expenditure		Forecast Outturn		
	Type	Supplier	Plan £000s	Forecast £000s	Variance £000s
PFI Project	Prop and Construction	Acorn to Oak Consultancy		18	
Special Measures	Org and Change Mgt	W H Marko		35	
Improving Theatres Scheduling	Org and Change Mgt	Alturos Limited		21	

2g) Exit Packages

The Trust reported two exit packages in 2015-16 for the values of £8,267 and £24,121 respectively. These have been detailed within the annual accounts.

2h) Compensation for Loss of Office

There has been no payment or compensation paid for early retirement or loss of office.

3. STAFF

3a) Staff survey

The annual NHS staff survey offers us the opportunity to understand the views of our staff and their experiences throughout their employment with us.

In the past we have been benchmarked against Acute Trusts, but, for the first time, the 2015 survey includes a benchmark group which includes combined Acute and Community Trusts.

The results of the survey are summarised below and show our results as a whole Trust, benchmarked against our group, and how our results have changed from last year.

This year, as in previous years, a random sample of 800 staff was surveyed. 48% of staff surveyed responded, a total of 381 individuals. This is average compared to the benchmark group and was an improvement from last year's response which was 43% and which was below average compared to the benchmarked acute trusts.

Overall we have some positive messages arising out of the staff survey.

	Wye Valley NHS Trust in 2014	Average (median) for combined Acute and Community Trusts	Wye Valley NHS Trust in 2015
"Care of patients / service users is my organisation's top priority."	64%	73%	76%
"My organisation acts on concerns raised by patients /service users."	65%	72%	73%
"I would recommend my organisation as a place to work."	55%	58%	60%
"If a friend or relative needed treatment, I would be happy with the standard of care provided by this organisation."	55%	67%	65%
Staff recommendation of the organisation as a place to work or receive treatment.	3.53	3.71	3.74

Some areas we need to improve

- the proportion of staff saying their immediate manager asks their opinion before making decisions has fallen from 54% last year to 49%
- the percentage of staff saying that they have experienced harassment, bullying and abuse (HBA) from service users has improved from 35% to 30%, but remains above average levels for the benchmark group
- coverage of statutory and mandatory training is above average, however the effectiveness of the training scores are lower
- uptake of appraisals is up from 74% last year to 82% although effectiveness of appraisal scores are mixed

Actions to secure improvements

A draft action plan to address issues across the Trust was discussed in partnership with staff side at the Partnership Forum in February.

The corporate action plan will be monitored quarterly at Partnership Forums and the Workforce and Development Committee; progress on divisional action plans will be monitored at performance unit meetings.

Engagement events with staff led by Executive Directors and facilitated in partnership with the staff side will help inform local/occupational group actions plans.

3b) Recruitment and Retention (R & R) Strategy

A Recruitment and Retention Strategy Working Group was set up in July 2015 and meets every six weeks. Members include the Deputy Director of Nursing, heads of Nursing and Human Resources, including Workforce Planning and Recruitment, Education, Communications and Finance. It is focussed on:

- short, medium and long term recruitment plans
- how to retain staff
- creating a new recruitment and retention strategy

3c) Nurse recruitment and retention

The Trust's overall vacancy rate was 8.49% (241 whole time equivalents) at the end of March 2016. Nursing and midwifery was the highest staff group, with vacancies of 173 full-time equivalent posts.

3d) Registered nurses: UK recruitment

The Golden Hello

A campaign aimed at existing Band 5 nurses was launched in September featuring a 'Golden Hello' Pathway. The scheme, which incorporates a £1000 incentive, received wide publicity.

Successful applicants receive £500 in their first salary and the remaining £500 after they have successfully completed their probationary period – with the proviso they stay within the Trust for a period of two years. By 31 March we had seen 17 nurses successfully recruited via the pathway and the scheme remains open.

Return to practice

We have been working to encourage those who have left nursing to take a career break, or for other reasons, to return. We have linked up with Worcester University to provide training for those returning to practice to enable them to meet specific competencies to re-register.

We have used Open Days, local media and local radio to publicise the scheme and as of 31 March, 10 return to practice nurses have been employed.

A further Open Day is planned for April 2016 targeting local nursing workforce, bordering counties and regional areas.

Non UK nurses already based in the local community

In February, we launched an Assisted Practitioner programme to encourage those who have already arrived in the UK and are working in care-related fields locally to consider working at the Trust.

The programme recognises that a number of people arrive in the UK to take up jobs they expect to lead towards registration, but which do not live up to that promise.

Our in-house Launch Programme for those moving to the Trust is a 12-week scheme which assesses abilities and identifies skills gaps, introduces generic training and develops personalised development plans. This enables nurses to achieve Band 4 and then work towards registration and Band 5 within a year. Feedback from those who have been on the programme has been positive.

While on the launch programme and working towards Band 4, nurses are helping relieve pressure on staffing on the wards.

3e) Worcester University nurse training

We are targeting third-year students as an employer of choice to come and work at the Trust when they qualify in September 2016.

We forged a partnership with Worcester University to offer third-year students training (practice hours) with the promise of permanent work and a Golden Hello when they qualify. As part of our package we have developed a unique additional training programme for student nurses which will allow them to gain additional skills and confidence, such as in cannulation and IV drug administration, while on their last student placement with the Trust.

We are also developing the partnership to include a cohort of specifically Herefordshire-based nurses in the programme during the coming year.

3f) Registered nurses: Overseas recruitment

Philippines: Recruitment was hampered by changes to Nursing and Midwifery Council (NMC) English qualification requirements (up to Degree level, reading, written and oral) and by immigration restrictions. Following the UK Government's recognition of nursing as a shortage occupation in November, we hope more will now follow in 2016.

A further recruitment trip in February to the Philippines resulted in job offers to 140 high quality nurses who, subject to meeting NMC English and visa requirements, will arrive from May-September 2016.

Europe: Since September we have been working in partnership with Health Education West Midlands to recruit EU nurses to the Trust. An induction programme includes a medical English course and a buddying system. As at 31 March, we had successfully recruited an additional 30 nurses from European countries, mainly Spain and Italy.

3g) Value Based recruitment

Retention is seen as one or the major challenges facing the Trust. As at 31 March our nurse turnover rate was 16%, which was higher than the national average.

Nurses leave the profession for a number of reasons. We have reviewed and updated our exit interviews so we can better understand reasons for leaving. We are also improving Team Leadership skills and are reviewing communications to better engage our nursing staff so they feel valued.

We aim to become a local Employer of Choice and have been researching what the county of Herefordshire has to provide and working with local businesses. We have created a new recruitment handbook promoting Trust values and are also developing the Trust webpage.

Value Based Recruitment (VBR) was piloted during the year and will be rolled out across the Trust during 2016, based around:

- employer of choice – cost of living, lifestyle
- benefits
- award scheme/service awards

3h) Leadership and development opportunities

There are now more than 60 supervisors and managers taking our in-house People Leaders programme as they improve their management skills.

The course includes mandatory training on managing staff sickness.

The programme is being rolled out. Four cohorts having now completed the course.

3i) Staff sickness

Staff sickness rates rose slightly in comparison with the previous year. The reasons given for this increase are mainly stress and anxiety.

Staff Sickness absence and ill health retirements

	2015-16	2014-15
Total days lost	25,251	22,869
Total staff years	2,502	2,396
Average working days lost per person	10.09	9.54
Number of persons retired early on ill health grounds	3	5

	£000s	£000s
Total additional pensions liabilities accrued in the year	72	304

3j) Workforce by ethnicity as at 31 March 2016

Ethnic origin	Headcount	%
White - British	2760	86.96
White - Irish	16	0.50
White - any other White background	62	1.95
White unspecified	1	0.03
White English	4	0.13
White Scottish	1	0.03
White Welsh	4	0.13
White Greek	1	0.03
White Italian	7	0.22
White Polish	6	0.19
White mixed	1	0.03
White other European	4	0.13
White & Black Caribbean	2	0.06
White & Black African	3	0.09
Mixed - White & Asian	5	0.16
Mixed - any other mixed background	4	0.13
Asian or Asian British - Indian	94	2.96
Asian or Asian British - Pakistani	14	0.44
Asian or Asian British - Bangladeshi	7	0.22
Asian or Asian British - any other Asian background	32	1.01
Asian Mixed	2	0.06
Asian Sri Lankan	1	0.03
Asian unspecified	1	0.03
Black or Black British - Caribbean	4	0.13
Black or Black British - African	19	0.60
Chinese	8	0.25
Any other ethnic group	27	0.85
Filipino	2	0.06
Other specified	2	0.06
Not stated	80	2.52
Grand total	3174	100.00

Gender split for general staff

Female	2696
Male	478
Grand total	3174

Gender split for Trust Board

Female	4
Male	8
Grand total	12

3k) Health and wellbeing

A targeted campaign saw the numbers of staff taking up flu vaccines rise to over 65.5%.

We also held an annual Health and Wellbeing Day with two resilience workshops to support those dealing with stress at work.

Average Staff Numbers (audited)	2015-16		2014-15	
	Total	Permanently employed	Other	Total
Medical and dental	270	151	119	260
Ambulance staff	0	0	0	0
Administration and estates	559	526	33	512
Healthcare assistants and other support staff	579	556	23	525
Nursing, midwifery and health visiting staff	800	781	19	805
Nursing, midwifery and health visiting learners	3	1	2	9
Scientific, therapeutic and technical staff	327	319	8	317
Social Care Staff	0	0	0	0
Healthcare Science Staff	0	0	0	0
Other	0	0	0	0
Total	2,538	2,334	204	2,427
Of the above - staff engaged on capital projects	0	0	0	0

3l) Recognising staff

Throughout the year our staff have continued to do some exceptional work.

A haematology/oncology nurse specialist was recognised by national cancer charity Myeloma UK for her dedication to a local support group for patients living with myeloma. The nurse has been organising the Hereford Myeloma UK Support Group for two years and it has gone from strength to strength.

In addition, staff were awarded Going the Extra Mile awards after being nominated by patients, service users and other members of staff for going over and above the call of duty.

Staff Policies

Equality and Diversity

The Trust ensures compliance with the Disability Discrimination in Employment Policy by adopting procedures that do not allow discrimination against future or current employees in all aspects of the recruitment process or their employment.

The Trust takes all reasonable steps to make adjustments and remove barriers that put disabled workers at a disadvantage, including ensuring that training, career development, and promotion opportunities are equally available to the Trust's disabled employees.

The Trust has an Equal Opportunities Policy that has been formally agreed.

The Trust has a key responsibility to ensure that promoting equality and valuing diversity is central to all Trust policy making, service delivery, employment practices and community involvement. All levels of staff are required to undertake training in Equality and Diversity, and thus understand the principles of this. Staff receive training on Equality and Diversity every three years.

Health and Safety

The Trust is supported by a Health and Safety Officer and a Fire Officer who provide professional advice, guidance and training to managers with the aim of ensuring that safe working practices are adopted and legal obligations met.

The main focus of this work is the development of practical risk assessments, policies and working procedures that ensure and maintain high standards.

Health and Safety performance is monitored by the Trust's Health and Safety Committee, which reports to the Quality Committee, a committee of the Board.

Health at Work

The Trust provides Occupational Health Services for all staff with an on-site Health at Work Department.

The Health at Work Department is concerned with all aspects of health related to work and the working environment and therefore undertakes assessments of how the work employees undertake affects their health as well as how their health may impact on their ability to work.

The Trust recognises its legal responsibilities to safeguard employees' health and safety at work; the Health at Work Department helps the Trust achieve this.

Counter Fraud and Corruption

The Trust has in place effective arrangements to ensure a strong counter fraud and corruption culture exists across the organisation and to enable any concerns to be raised and appropriately investigated. These arrangements are underpinned by a dedicated Local Counter Fraud Specialist and a programme of counter fraud education and promotion. The fitness for purpose of these arrangements is overseen by the Audit Committee which has confirmed them as being effective and proportionate to the assessed risk of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF WYE VALLEY NHS TRUST

We have audited the financial statements of Wye Valley NHS Trust (the "Trust") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM) as contained in the Department of Health Group Manual for Accounts 2015/16 (the 2015/16 MfA) and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to the National Health Service in England (the Accounts Direction).

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

- the table of salaries and allowances of senior managers on page 39;
- the table of pension benefits of senior managers on page 40;
- the table of exit packages on page 41;
- the analysis of staff numbers on page 46; and
- the table of pay multiples on page 40.

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

Respective responsibilities of Directors, the Accountable Officer and auditor

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

As explained in the statement of the Chief Executive's responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for the arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources. We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Act to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report our opinion as required by Section 21(4)(b) of the Act. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016, and to report by exception where we are not satisfied.

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wye Valley NHS Trust as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM as contained in the 2015/16 MfA and the Accounts Direction.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.5 to the financial statements concerning the Trust's ability to continue as a going concern. The Trust incurred a deficit of £20.5 million during the year ended 31 March 2016, and as at that date, the Trust had net current liabilities of £12.1 million and has received a short term working capital loan to the value of £14.3 million. The Trust has prepared a financial plan for 2016/17 which delivers a £31.5 million deficit and includes £34.5 million of cash support to maintain cash flows in 2016/17. These conditions, along with the other matters explained in note 1.5 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

Opinion on other matters

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM as contained in the 2015/16 MfA and the Accounts Direction; and
- the other information published together with the audited financial statements in the Annual Report & Accounts is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the governance statement does not comply with guidance issued by the NHS Trust Development Authority; or
- we refer a matter to the Secretary of State under section 30 of the Act because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Trust under section 24 of the Act.

We have nothing to report in these respects.

Basis for adverse value for money conclusion

Financial Sustainability

The Trust's outturn position for 2015/16 was a £20.5 million deficit, after £2.9 million of capital to revenue transfers, which was a deterioration compared to the Trust's original budget of a £18.4 million deficit. The Trust's medium term financial plan shows a further deterioration, with a forecast deficit of £31.5 million for 2016/17.

The Trust has been unable to set sustainable financial budgets for a number of reasons. The primary reasons are its current configuration and its failure to control the additional costs arising from the high use of agency staff in the provision of patient care.

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

Care Quality Commission (CQC) Rating

A CQC re-inspection of the quality of services at the Trust undertaken in September 2015 and reported on 20 January 2016 rated the Trust as 'inadequate' overall. The Trust has therefore continued in Special Measures.

The CQC report concluded that improvements were needed to ensure that the Trust's services were safe and responsive to patients' needs. Key findings included the Trust's high use of bank and agency staffing to cover vacancies, high mortality rates and inconsistent achievement of national targets.

These issues are evidence of weakness in arrangements for deploying the workforce effectively to deliver the Trust's strategic priorities.

Adverse value for money conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, because of the significance of the matters described in the Basis for adverse value for money conclusion paragraph, we are not satisfied that, in all significant respects, Wye Valley NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Wye Valley NHS Trust in accordance with the requirements of the Act and the Code of Audit Practice.

Grant Patterson,
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

27 May 2016

4 FINANCIAL STATEMENTS

WYE VALLEY NHS TRUST ANNUAL ACCOUNTS

For the period 1 April 2015 to 31 March 2016

Statement of Comprehensive Income for year ended 31 March 2016

	NOTE	2015-16 £000s	2014-15 £000s
Gross employee benefits	10.1	**(123,771)**	(115,406)
Other operating costs	8	**(68,225)**	(63,390)
Revenue from patient care activities	5	**159,080**	167,944
Other operating revenue	6	**18,966**	14,693
Operating surplus/(deficit)		**(13,950)**	3,841
Investment revenue	12	**18**	21
Other gains and (losses)	13	**0**	7
Finance costs	14	**(5,608)**	(5,228)
Surplus/(deficit) for the financial year		**(19,540)**	(1,359)
Public dividend capital dividends payable		**0**	(436)
Transfers by absorption - gains		**0**	9
Transfers by absorption - (losses)		**0**	0
Net Gain/(loss) on transfers by absorption		**0**	9
Retained surplus/(deficit) for the year		**(19,540)**	(1,786)

Other Comprehensive Income

		2015-16 £000s	2014-15 £000s
Impairments and reversals taken to the revaluation reserve		**(60)**	(815)
Net gain/(loss) on revaluation of property, plant & equipment	15.1	**7,220**	319
Net gain/(loss) on revaluation of intangibles		**0**	0
Net gain/(loss) on revaluation of financial assets		**0**	0
Other gain /(loss) (explain in footnote below)		**0**	0
Net gain/(loss) on revaluation of available for sale financial assets		**0**	0
Net actuarial gain/(loss) on pension schemes		**0**	0
Other pension remeasurements		**0**	0
Reclassification adjustments			
On disposal of available for sale financial assets		**0**	0
Total Other Comprehensive Income		**7,160**	(496)
Total comprehensive income for the year*		**(12,380)**	(2,282)

Financial performance for the year

Retained surplus/(deficit) for the year		**(19,540)**	(1,786)
Prior period adjustment to correct errors and other performance adjustments		**0**	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	29	**0**	734
Impairments (excluding IFRIC 12 impairments)		**(462)**	2,008
Adjustments in respect of donated gov't grant asset reserve elimination		**(454)**	(103)
Adjustment re absorption accounting		**0**	(9)
Adjusted retained surplus/(deficit)		**(20,456)**	844

IFRIC 12 adjustment
Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10 and the associated revenue cost of bringing PFI assets onto the balance sheet, an NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. Any additional cost is not considered part of the organisation's operating position. Subsequently, in January 2013, the DH intoduced new guidance on this adjustment which stated that, where IFRIC 12 costs were lower than those under UK GAAP (as is the case with Wye Valley NHS Trust), the shortfall will not be an additional charge included within reported financial performance.

Impairments to Fixed Assets
An impairment charge or reversal of any previous impairment made is not considered part of the organisation's operating position.

The notes on pages 57 to 94 form part of this account.

Statement of Financial Position as at 31 March 2016

	NOTE	31 March 2016 £000s	31 March 2015 £000s
Non-current assets:			
Property, plant and equipment	15	**89,114**	74,973
Intangible assets	16	**165**	176
Investment property		**0**	0
Other financial assets		**0**	0
Trade and other receivables	19.1	**0**	0
Total non-current assets		**89,279**	75,149
Current assets:			
Inventories	19	**2,935**	2,488
Trade and other receivables	20.1	**7,746**	5,937
Other financial assets		**0**	0
Other current assets		**0**	0
Cash and cash equivalents	21	**3,610**	3,900
Sub-total current assets		**14,291**	12,325
Non-current assets held for sale		**0**	0
Total current assets		**14,291**	12,325
Total assets		**103,570**	87,474
Current liabilities			
Trade and other payables	22	**(22,120)**	(13,641)
Other liabilities		**0**	0
Provisions	26	**(42)**	(41)
Borrowings	23	**(2,936)**	(2,902)
Other financial liabilities		**0**	0
DH revenue support loan	23	**0**	0
DH capital loan	23	**(1,285)**	(470)
Total current liabilities		**(26,383)**	(17,054)
Net current assets/(liabilities)		**(12,092)**	(4,729)
Total assets less current liablilities		**77,187**	70,420
Non-current liabilities			
Trade and other payables	22	**(134)**	(195)
Other liabilities		**0**	0
Provisions	26	**(696)**	(709)
Borrowings	23	**(51,635)**	(54,570)
Other financial liabilities		**0**	0
DH revenue support loan	23	**(14,333)**	0
DH capital loan	23	**(8,749)**	(1,995)
Total non-current liabilities		**(75,547)**	(57,469)
Total assets employed:		**1,640**	12,951
FINANCED BY:			
Public Dividend Capital		**21,040**	19,971
Retained earnings		**(39,999)**	(20,459)
Revaluation reserve		**20,599**	13,439
Other reserves		**0**	0
Total Taxpayers' Equity:		**1,640**	12,951

The notes on pages 57 to 94 form part of this account.

The financial statements on pages 56 to 59 were approved by the Board on 26th May and singed on its behalf

Chief Executive:  Date: 27.5.2016

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

	Public Dividend capital	Retained earnings	Revaluation reserve	Other reserves	Total reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	**19,971**	**(20,459)**	**13,439**	**0**	**12,951**
Changes in taxpayers' equity for 2015-16					
Retained surplus/(deficit) for the year		(19,540)			**(19,540)**
Net gain / (loss) on revaluation of property, plant, equipment			7,220		**7,220**
Net gain / (loss) on revaluation of intangible assets			0		**0**
Net gain / (loss) on revaluation of financial assets			0		**0**
Net gain / (loss) on revaluation of available for sale financial			0		**0**
Impairments and reversals			(60)		**(60)**
Other gains/(loss) (provide details below)				0	**0**
Transfers between reserves		0	0	0	**0**
Reclassification Adjustments					
Transfers between Reserves in respect of assets transferred under absorption	0	0	0	0	**0**
On disposal of available for sale financial assets			0		**0**
Reserves eliminated on dissolution		0	0	0	**0**
Originating capital for Trust established in year	0				**0**
Permanent PDC received - cash	1,069				**1,069**
Permanent PDC repaid in year	0				**0**
PDC written off	0	0			**0**
Transfer due to change of status from Trust to Foundation Trust	0	0	0	0	**0**
Other movements	0	0	0	0	**0**
Net actuarial gain/(loss) on pension				0	**0**
Other pensions remeasurement				0	**0**
Net recognised revenue/(expense) for the year	**1,069**	**(19,540)**	**7,160**	**0**	**(11,311)**
Balance at 31 March 2016	**21,040**	**(39,999)**	**20,599**	**0**	**1,640**
Balance at 1 April 2014	**19,971**	**(18,673)**	**13,935**	**0**	**15,233**
Changes in taxpayers' equity for the year ended 31 March 2015					
Retained surplus/(deficit) for the year		(1,786)			(1,786)
Net gain / (loss) on revaluation of property, plant, equipment			319		319
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of assets held for sale			0		0
Impairments and reversals			(815)		(815)
Other gains / (loss)				0	0
Transfers between reserves		0	0	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource	0	0	0	0	0
Transfers between revaluation reserve & retained earnings reserve in respect of assets transferred under absorption		0	0		0
On disposal of available for sale financial assets			0		0
Originating capital for Trust established in year	0				0
New temporary and permanent PDC received - cash	12,700				12,700
New temporary and permanent PDC repaid in year	(12,700)				(12,700)
Other movements	0	0	0	0	0
Net actuarial gain/(loss) on pension				0	0
Other pension remeasurement				0	0
Net recognised revenue/(expense) for the year	**0**	**(1,786)**	**(496)**	**0**	**(2,282)**
Balance at 31 March 2015	**19,971**	**(20,459)**	**13,439**	**0**	**12,951**

Statement of Cash Flows for the Year ended 31 March 2016

	NOTE	2015-16 £000s	2014-15 £000s
Cash Flows from Operating Activities			
Operating surplus/(deficit)		**(13,950)**	3,841
Depreciation and amortisation	8	**3,549**	3,548
Impairments and reversals	17	**(462)**	2,008
Other gains/(losses) on foreign exchange	13	**0**	0
Donated Assets received credited to revenue but non-cash	6	**0**	(274)
Government Granted Assets received credited to revenue but non-cash		**0**	(9)
Interest paid		**(5,608)**	(5,228)
PDC Dividend (paid)/refunded		**0**	(436)
Release of PFI/deferred credit		**0**	0
(Increase)/Decrease in Inventories		**(447)**	49
(Increase)/Decrease in Trade and Other Receivables		**(1,809)**	2,801
(Increase)/Decrease in Other Current Assets		**0**	0
Increase/(Decrease) in Trade and Other Payables		**7,326**	(703)
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions utilised		**(42)**	(41)
Increase/(Decrease) in movement in non cash provisions		**30**	(106)
Net Cash Inflow/(Outflow) from Operating Activities		**(11,413)**	5,450
Cash Flows from Investing Activities			
Interest Received		**18**	21
(Payments) for Property, Plant and Equipment		**(8,963)**	(3,272)
(Payments) for Intangible Assets		**0**	0
(Payments) for Investments with DH		**0**	0
(Payments) for Other Financial Assets		**0**	0
(Payments) for Financial Assets (LIFT)		**0**	0
Proceeds of disposal of assets held for sale (PPE)		**0**	7
Proceeds of disposal of assets held for sale (Intangible)		**0**	0
Proceeds from Disposal of Investment with DH		**0**	0
Proceeds from Disposal of Other Financial Assets		**0**	0
Proceeds from the disposal of Financial Assets (LIFT)		**0**	0
Loans Made in Respect of LIFT		**0**	0
Loans Repaid in Respect of LIFT		**0**	0
Rental Revenue		**0**	0
Net Cash Inflow/(Outflow) from Investing Activities		**(8,945)**	(3,244)
Net Cash Inform / (outflow) before Financing		**(20,358)**	2,206
Cash Flows from Financing Activities			
Gross Temporary and Permanent PDC Received		**1,069**	12,700
Gross Temporary and Permanent PDC Repaid		**0**	(12,700)
Loans received from DH - New Capital Investment Loans		**8,039**	0
Loans received from DH - New Revenue Support Loans		**31,552**	0
Other Loans Received		**0**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**(470)**	(470)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		**(17,219)**	0
Other Loans Repaid		**0**	(48)
Cash transferred to NHS Foundation Trusts or on dissolution		**0**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		**(2,903)**	(2,640)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		**0**	0
Net Cash Inflow/(Outflow) from Financing Activities		**20,068**	(3,158)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(290)**	(952)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**3,900**	4,852
Effect of exchange rate changes in the balance of cash held in foreign currencies		**0**	0
Cash and Cash Equivalents (and Bank Overdraft) at year end	21	**3,610**	3,900

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCI, and is disclosed separately from operating costs. Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

1.4 Charitable Funds

Under the provisions of IAS 27 Consolidated and Separate Financial Statements, those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 Presentation of Financial Statements, restated prior period accounts are presented where the adoption of the new policy has a material impact. However the value of charitable funds held by the Trust is not deemed to be material and has therefore not been consolidated in to the accounts in line with Note 1.33.

1.5 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 the transfer of its services to another entity within the public sector. In preparing the financial statements the Board of Directors have considered the Trust's overall financial position against the requirements of IAS1.

The Trust recorded a surplus of £0.84 million in 2014/15 only after the receipt of £12.7 million of non-recurrent funding. For 2015/16 the Trust is reporting a deficit of £20.5 million plus a capital to revenue transfer of £2.87 million. The Trust currently is in receipt of cash support as at 31st March 2016 has received Short Term Working Capital Loan to the value of £14.33 million. The Trust has submitted a financial plan for 2016/17 which delivers a £31.5 million deficit and also includes £34.5 million of cash support to maintain cash flows in 2016-17. The Trust anticipates that it may take some time before it can achieve financial balance on a sustainable basis. The Board of Directors has carefully considered the principle of "Going Concern" and the Directors have concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Trust which may cast significant doubt about the ability of the Trust to continue as a going concern.

Nevertheless, the Directors have concluded that assessing the Trust as a going concern basis remains appropriate. The Trust has agreed contracts with its local commissioners for 2016/17 and services are being commissioned in the same manner for 2016/17 as in previous years and there are no discontinued operations. Similarly no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust will have access to adequate resources in the form of financial support from the Department of Health (NHS Act 2006,s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

The Directors consider that this provides sufficient evidence that the Trust will continue as a going concern for the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the accounts and has not included the adjustments that would result if it was unable to continue as a going concern. The assessment accords with the statutory guidance contained in the NHS Trust Manual for Accounts.

NOTES TO THE ACCOUNTS

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

1.6 Critical accounting judgements and key sources of estimation uncertainty

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

1.6.1 Critical judgements in applying accounting policies

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

a) Shareholdings by the Trust in Hoople Ltd

Hoople Ltd is a separate entity that was established in April 2011 as a joint venture to incorporate the council and local health organisations (Herefordshire Council, Wye Valley NHS Trust and NHS Herefordshire CCG) At its inception, the council held all the shares, but on 1 November 2011, when the Trust joined the company, they were gifted 21% of the share capital of the company (initial value of 21 pence).

The Net Asset Value of Hoople as at 31 March 2016 is £1m. This equates to a value of £210k in relation to the Trust's financial interest in Hoople which is not considered to be material to the accounts.

The Trust has, therefore, accounted for the gifted shares as an immaterial gifted asset. However, under certain circumstances, the Trust may be liable for redundancy costs although none were identified as at the balance sheet date. All service charges from Hoople incurred by the Trust have been included within operating expenses for the year.

b) Radiotherapy unit

Gloucestershire Hospitals NHS Foundation Trust (GHNHSFT) has built a radiotherapy unit at the County Hospital site on land owned by the Trust. GHNHSFT have financed the build. Completion of the project was delivered in 2014/15 and on completion GHNHSFT now control the operation of the unit. The Trust receive a nominal rent for the land from GHNHSFT and the Trust will receive the unit at nil consideration at the end of the agreement in 25 years time. Any costs incurred by the Trust are being recovered from GHNHSFT. The Trust has determined that, as it does not control the use of the unit, it is not its asset and it will not be included on its balance sheet. The asset will be recognised when the asset is transferred to the Trust in 25 years time. The Trust is accruing a deferred debtor over the period of the contract to reflect the eventual value of the asset transfer.

1.6.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) 2015/16 PFI Lifecycle costs

The Trust accounts for lifecycle costs in line with the operators model. All lifecycle costs are expensed due to the uncertainty in the timing of the capital programme. The capital element expensed in the contract to date is £1,731K (2014/15 £637K). The future total commitments for lifecycle costs is disclosed in Note 29.

The current operator model does not include inflation although the future liabilities disclosed in Note 28 have been adjusted to reflect the impact of future years inflation assumptions.

b) March 2016 revenue from patient care activities - incomplete spells of care

The year end value of revenue from patient care activities under contracts with Clinical Commissioning Groups has been estimated using actual activity undertaken during the month at a specialty level and priced at average specialty costs as a proxy to income due under National Tariff arrangements. This methodology has been consistently applied during the in year monitoring process with a high degree of accuracy. The carrying amount of the estimate at 31 March 2016 was £970k compared with a value of £930k in the previous year.

c) Property, plant and equipment valuations and remaining useful lives

The Trust commissioned an independent valuation of its land and buildings to ensure that an accurate position is reflected within Non Current Assets. As a result, the carrying value of buildings held by the Trust has been increased by £7.622M with £0.462M charged to the retained earnings reserve and the balance charged to the revaluation reserve as per IAS 36. Equipment valuations are performed on a rolling basis through liaison with departmental managers during asset verification.

d) Income and Expenditure Accruals Materiality

The Trust applies a di-minimis of £1k below which individual income and expenditure accruals are not in general applied in the completion of the accounts.

NOTES TO THE ACCOUNTS

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

1.7 Revenue

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

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

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

For all other revenue involving sales, the Trust recognises the income on delivery of the service or goods. The income is measured at the agreed price for that item.

1.8 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

1.9 Other expenses

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

1.10 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

NOTES TO THE ACCOUNTS

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

Valuation
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at their current value for existing use.
Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the current value for existing use at the date of revaluation less any impairment.

Revaluations of tangible assets are carried out on an annual basis. Full valuations are undertaken every three to five years. The last full revaluation was in 2013/14 and therefore the trust commissioned a desktop revaluation as at the end of 2015/16 to consider any material movements in tangible asset values. Fair values were determined as follows:
● Land and non-specialised buildings – market value for existing use
● Specialised buildings – depreciated replacement cost
● Plant and Equipment - revaluation based upon the application of relevant inflation indices to gross cost and accumulated depreciation on an annual basis.

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

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

Fixtures and equipment are carried at depreciated historic cost which is also subject to annual indexation. The values identified are not considered to be materially different from their value for existing use..

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

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

1.11 Intangible assets

Recognition
Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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

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

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

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

NOTES TO THE ACCOUNTS

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

1.12 Depreciation, amortisation and impairments

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

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

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

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

1.13 Donated assets

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

1.14 Government grants

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

1.15 Non-current assets held for sale

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

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

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

1.16 Leases

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

The trust as lessee

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

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

1.17 Private Finance Initiative (PFI) transactions
HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received
The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

PFI Asset
The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust's approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability
A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement
Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

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

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

However, as the initial contract only quoted an overall value of such works per year and did not specify the individual elements of work to be undertaken, the Trust is unable to assess whether lifecycle works have been performed to the assumed timetable. Therefore, in accordance with the accounting methodology adopted in previous financial years, all costs have been charged to the year's operating expenses in line with the original contract.

Assets contributed by the NHS trust to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the NHS trust's Statement of Financial Position.

NOTES TO THE ACCOUNTS

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

1.18 Inventories

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

1.19 Cash and cash equivalents

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

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

1.20 Provisions

Provisions are recognised when the NHS trust has a present legal or constructive obligation as a result of a past event, it is probable that the NHS trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of -1.55% (for 0 to 5 years), -1.0% (for 6 to 10 years) and -0.8% (for periods in excess of 10 years). A standard rate of 1.37% is used for employee early departure obligations.

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

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

1.21 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the NHS trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at Note 26.

1.22 Non-clinical risk pooling

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

1.23 Carbon Reduction Commitment Scheme (CRC)

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

1.24 Contingencies

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

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

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

NOTES TO THE ACCOUNTS

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

1.25 Financial assets

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

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

Loans and receivables

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

Fair value is determined by valuation techniques.

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

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

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

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

1.26 Financial liabilities

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

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

1.27 Other financial liabilities

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

1.28 Value Added Tax

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

1.29 Foreign currencies

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

1.30 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 35 to the accounts.

NOTES TO THE ACCOUNTS

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

1.31 Public Dividend Capital (PDC) and PDC dividend

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

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

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

1.32 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).

1.33 Subsidiaries

Material entities over which the NHS trust has the power to exercise control are classified as subsidiaries and are consolidated. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the NHS trust or where the subsidiary's accounting date is not co-terminus.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

From 2013-14, the Trust was obliged to consider the consolidation of the results of Wye Valley NHS Trust Charitable Funds over which it considers it has the power to exercise control in accordance with IFRS10 requirements. However, the Trust has not consolidated Charitable Funds in to the accounts on the basis of materiality - see Note 1.4.

1.34 Associates

Material entities over which the NHS trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the NHS trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the NHS trust share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the NHS trust from the entity.

Associates that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

1.35 Joint arrangements

Not relevant for this Trust.

1.36 Research and Development

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

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

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

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

2. Pooled budgets

Not relevant for trust

3. Operating segments

The Trust reports its performance as a single business segment which relates to the provision of healthcare.
Under IFRS 8 (Operating Segments), the Trust has determined that, within its internal Business Unit management structure, one unit has similar charactaristics to another and can, therefore, be aggregated under the standard. This particularly relates to the similarities of services offered by each area and the patient population that they serve. Overall, each area's main objective is the delivery of acute health care to NHS patients.

The income from external sources for the Trust is £178,046k and further analysis is provided within Notes 5 (Revenue from Patient Care activities) and 6 (Other Operating Revenue).

Those customers who account for income of 10% or more of the Trust's total are as follows:

	2015/16 £000	2014/15 £000	**2015/16 % of total**	2014/15 % of total
Bodies covered by the NHS in England				
Herefordshire CCG	**112,855**	114,361	**63.4%**	62.6%

Healthcare bodies covered by the Welsh Assembly Government
None

4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Summary Table - aggregate of all schemes	**2015-16 £000s**	2014-15 £000s
Income	**0**	0
Full cost	**0**	0
Surplus/(deficit)	**0**	0

5. Revenue from patient care activities

	2015-16 £000s	2014-15 £000s
NHS Trusts	**0**	0
NHS England	**15,436**	14,151
Clinical Commissioning Groups	**121,383**	122,944
Foundation Trusts	**0**	78
Department of Health	**0**	0
NHS Other (including Public Health England and NHS Property Services)	**15,412**	106
Additional income for delivery of healthcare services	**2,867**	12,700
Non-NHS:		
Local Authorities	**2,741**	1,845
Private patients	**830**	284
Overseas patients (non-reciprocal)	**3**	0
Injury costs recovery	**0**	516
Other	**408**	15,320
Total Revenue from patient care activities	**159,080**	167,944

Injury cost recovery income is subject to a provision for impairment of receivables of 21.99% to reflect expected rates of recovery.

Additional income for delivery of healthcare services in 2015/16 relates to the receipt of revenue income from the DH in respect of an agreed capital to revenue allocation transfer. Income in 2014/15 refers to the receipt of non-recurrent income from the DH.

NHS Other income includes income from Welsh NHS bodies of £15,141k. In 2014/15 £14,614k of income from Welsh NHS bodies was reported against the Non-NHS Other line.

6. Other operating revenue

	2015-16 £000s	2014-15 £000s
Recoveries in respect of employee benefits	**0**	0
Patient transport services	**0**	0
Education, training and research	**4,339**	4,510
Charitable and other contributions to revenue expenditure - NHS	**0**	0
Charitable and other contributions to revenue expenditure -non- NHS	**0**	0
Receipt of donations for capital acquisitions - Charity	**667**	274
Support from DH for mergers	**0**	**0**
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**3,478**	0
Income generation (Other fees and charges)	**731**	173
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**0**	0
Other revenue	**9,751**	9,736
Total Other Operating Revenue	**18,966**	14,693
Total operating revenue	**178,046**	182,637

Non-patient care services to other bodies includes income from clinical recharges, prescription receipts and income from third party organisations. This income was previously recorded under Other Revenue in 2014/15.
Other income includes cross charges and drug recharges to NHS Herefordshire (£5,021k; 2014/15 £1,462k), Gloucestershire Hospitals NHS Foundation Trust for chemotherapy treatment (£3,184k; 2014/15 £2,761k), Powys LHB for clinics using the Trust's clinical staff (£999k; 2014/15 £913k), 2Gether Recharges, (£409k; 2014/15 £473k) and other recharges (£138k; 2014/15 £4,127k).

7. Overseas Visitors Disclosure

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

8. Operating expenses

	2015-16 £000s	2014-15 £000s
Services from other NHS Trusts	**234**	0
Services from CCGs/NHS England	**0**	0
Services from other NHS bodies	**200**	0
Services from NHS Foundation Trusts	**428**	0
Total Services from NHS bodies*	**862**	0
Purchase of healthcare from non-NHS bodies	**507**	409
Purchase of Social Care	**0**	
Trust Chair and Non-executive Directors	**52**	50
Supplies and services - clinical	**36,038**	31,500
Supplies and services - general	**2,752**	2,471
Consultancy services	**74**	668
Establishment	**2,221**	2,183
Transport	**445**	392
Service charges - ON-SOFP PFIs and other service concession arrangements	**9,453**	6,676
Service charges - On-SOFP LIFT contracts	**0**	0
Total charges - Off-SOFP PFIs and other service concession arrangements	**0**	0
Total charges - Off-SOFP LIFT contracts	**0**	0
Business rates paid to local authorities	**0**	611
Premises	**5,976**	5,070
Hospitality	**0**	0
Insurance	**0**	0
Legal Fees	**243**	233
Impairments and Reversals of Receivables	**56**	50
Inventories write down	**1**	0
Depreciation	**3,538**	3,519
Amortisation	**11**	29
Impairments and reversals of property, plant and equipment	**(462)**	2,008
Impairments and reversals of intangible assets	**0**	0
Impairments and reversals of financial assets [by class]	**0**	0
Impairments and reversals of non current assets held for sale	**0**	0
Internal Audit Fees	**0**	
Audit fees	**92**	98
Other auditor's remuneration [detail]	**0**	18
Clinical negligence	**2,285**	2,355
Research and development (excluding staff costs)	**0**	43
Education and Training	**444**	330
Change in Discount Rate	**30**	(91)
Other	**3,607**	4,768
Total Operating expenses (excluding employee benefits)	**68,225**	63,390
Employee Benefits		
Employee benefits excluding Board members	**122,787**	114,402
Board members	**984**	1,004
Total Employee Benefits	**123,771**	115,406
Total Operating Expenses	**191,996**	178,796

*Services from NHS bodies does not include expenditure which falls into a category below

9. Operating Leases

The Trust operates leasing arrangements relating to some items of medical equipment and vehicles.

The leases held include £455K in lease payments for a number of different items of medical equipment and £269K for the lease of vehicles.

Independent advice is taken prior to the agreement of all new leases to establish that the lease contract entered in to is an operating lease as defined by principles contained within IFRS. The contingent rental in respect of the leases is governed by the individual lease agreement which sets out the lease term, annual charge and arrangements at the end of the lease period.

9.1. Wye Valley NHS Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2015-16 £000s	2014-15 £000s
Payments recognised as an expense					
Minimum lease payments				724	665
Contingent rents				0	0
Sub-lease payments				0	0
Total				724	665
Payable:					
No later than one year	0	0	743	743	577
Between one and five years	0	0	1,177	1,177	1,790
After five years	0	0	0	0	0
Total	0	0	1,920	1,920	2,367
Total future sublease payments expected to be received:				0	0

9.2. Wye Valley NHS Trust as lessor

The Trust does not operate as a lessor

10. Employee benefits and staff numbers

10.1. Employee benefits

Employee Benefits - Gross Expenditure 2015-16	**Total £000s**	**Permanently employed £000s**	**Other £000s**
Salaries and wages	**105,687**	92,306	13,381
Social security costs	**7,230**	7,230	0
Employer Contributions to NHS BSA - Pensions Division	**10,854**	10,854	0
Other pension costs	**0**	0	0
Termination benefits	**0**	0	0
Total employee benefits	**123,771**	**110,390**	**13,381**
Employee costs capitalised	**0**	0	0
Gross Employee Benefits excluding capitalised costs	**123,771**	**110,390**	**13,381**

Employee Benefits - Gross Expenditure 2014-15	**Total £000s**	**Permanently employed £000s**	**Other £000s**
Salaries and wages	98,678	87,850	10,828
Social security costs	6,497	6,497	0
Employer Contributions to NHS BSA - Pensions Division	10,231	10,231	0
Other pension costs	0	0	0
Termination benefits	0	0	0
TOTAL - including capitalised costs	115,406	104,578	10,828
Employee costs capitalised	0	0	0
Gross Employee Benefits excluding capitalised costs	115,406	104,578	10,828

10.2. Staff Numbers

	2015-16			2014-15
	Total Number	**Permanently employed Number**	**Other Number**	Total Number
Average Staff Numbers				
Medical and dental	**270**	151	119	260
Ambulance staff	**0**	0	0	0
Administration and estates	**559**	526	33	512
Healthcare assistants and other support staff	**579**	556	23	525
Nursing, midwifery and health visiting staff	**800**	781	19	805
Nursing, midwifery and health visiting learners	**3**	1	2	9
Scientific, therapeutic and technical staff	**327**	319	8	317
Social Care Staff	**0**	0	0	0
Healthcare Science Staff	**0**	0	0	0
Other	**0**	0	0	0
TOTAL	**2,538**	**2,334**	204	2,427
Of the above - staff engaged on capital projects	**0**	0	0	0

10.3. Staff Sickness absence and ill health retirements

	2015-16 Number	2014-15 Number
Total Days Lost	25,251	22,869
Total Staff Years	2,502	2,396
Average working Days Lost	10.09	9.54

	2015-16 Number	2014-15 Number
Number of persons retired early on ill health grounds	**3**	5
	£000s	£000s
Total additional pensions liabilities accrued in the year	**72**	304

10.4. Exit Packages agreed in 2015-16

2015-16

Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	0	0	1	8,267	**1**	**8,267**	0	0
£10,000-£25,000	0	0	1	24,121	**1**	**24,121**	0	0
£25,001-£50,000	0	0	0	0	**0**	**0**	0	0
£50,001-£100,000	0	0	0	0	**0**	**0**	0	0
£100,001 - £150,000	0	0	0	0	**0**	**0**	0	0
£150,001 - £200,000	0	0	0	0	**0**	**0**	0	0
>£200,000	0	0	0	0	**0**	**0**	0	0
Total	**0**	**0**	**2**	**32,388**	**2**	**32,388**	**0**	**0**

2014-15

Exit package cost band (including any special payment element)	*Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed.	Total number of exit packages	Total cost of exit packages	Number of Departures where special payments have been made	Cost of special payment element included in exit packages
	Number	£s	Number	£s	Number	£s	Number	£
Less than £10,000	0	0	7	20,152	**7**	**20,152**	0	0
£10,000-£25,000	0	0	0	0	**0**	**0**	0	0
£25,001-£50,000	0	0	0	0	**0**	**0**	0	0
£50,001-£100,000	0	0	0	0	**0**	**0**	0	0
£100,001 - £150,000	0	0	0	0	**0**	**0**	0	0
£150,001 - £200,000	0	0	0	0	**0**	**0**	0	0
>£200,000	0	0	0	0	**0**	**0**	0	0
Total	**0**	**0**	**7**	**20,152**	**7**	**20,152**	**0**	**0**

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

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

10.5. Exit packages - Other Departures analysis

	2015-16		2014-15	
	Agree-ments	Total value of agree-ments	Agree-ments	Total value of agree-ments
	Number	£000s	Number	£000s
Voluntary redundancies including early retirement contractual costs	1	24	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	0	0
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	1	8	7	20
Exit payments following Employment Tribunals or court orders	0	0	0	0
Non-contractual payments requiring HMT approval	0	0	0	0
Total	2	32	7	20
Non-contractual payments made to individuals where the payment value was more than 12 months of their annual salary	0	0	0	0

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

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

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

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

10.6. Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. 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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

11. Better Payment Practice Code

11.1. Measure of compliance

	2015-16 Number	2015-16 £000s	2014-15 Number	2014-15 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**50,732**	**95,257**	53,995	78,886
Total Non-NHS Trade Invoices Paid Within Target	**27,588**	**67,557**	41,124	65,573
Percentage of NHS Trade Invoices Paid Within Target	**54.38%**	**70.92%**	76.16%	83.12%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**1,081**	**5,553**	1,279	**6,382**
Total NHS Trade Invoices Paid Within Target	**650**	**3,745**	852	**4,813**
Percentage of NHS Trade Invoices Paid Within Target	**60.13%**	**67.44%**	66.61%	75.42%

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

12. Investment Revenue

	2015-16 £000s	2014-15 £000s
Interest revenue		
Bank interest	**18**	21
Total investment revenue	**18**	21

13. Other Gains and Losses

	2015-16 £000s	2014-15 £000s
Gain (Loss) on disposal of assets held for sale	**0**	7
Total	**0**	7

14. Finance Costs

	2015-16 £000s	2014-15 £000s
Interest		
Interest on loans and overdrafts	**371**	82
Interest on obligations under finance leases	**0**	0
Interest on obligations under PFI contracts:		
- main finance cost	**1,948**	2,043
- contingent finance cost	**3,289**	3,103
Interest on obligations under LIFT contracts:		
- main finance cost	**0**	0
- contingent finance cost	**0**	0
Interest on late payment of commercial debt	**0**	0
Total interest expense	**5,608**	5,228
Other finance costs	**0**	0
Provisions - unwinding of discount	**0**	0
Total	**5,608**	5,228

15.1. Property, plant and equipment

2015-16	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2015	6,148	64,988	650	457	8,261	41	2,621	485	**83,651**
Additions of Assets Under Construction				4,113					**4,113**
Additions Purchased	0	4,157	0		976	0	144	0	**5,277**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations & Government Grants	0	93	0	0	574	0	0	0	**667**
Additions Leased (including PFI/LIFT)	0	0	0		0	0	0	0	**0**
Reclassifications	0	115	0	(115)	0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(990)	0	0	0	**(990)**
Upward revaluation/positive indexation	0	7,034	110	0	461	0	0	10	**7,615**
Impairment/reversals charged to operating expenses	0	535	0	(73)	0	0	0	0	**462**
Impairments/reversals charged to reserves	0	(60)	0	0	0	0	0	0	**(60)**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	0	0	**0**
Tfrs (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**6,148**	**76,862**	**760**	**4,382**	**9,282**	**41**	**2,765**	**495**	**100,735**
Depreciation									
At 1 April 2015	0	2,181	32		4,760	32	1,538	135	**8,678**
Reclassifications	0	0	0		0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	**0**
Disposals other than for sale	0	0	0		(990)	0	0	0	**(990)**
Upward revaluation/positive indexation	0	0	0		392	0	0	3	**395**
Impairment/reversals charged to reserves	0	0	0		0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0		0	0	0	0	**0**
Charged During the Year	0	2,170	33		875	9	400	51	**3,538**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0		0	0	0	0	**0**
Tfrs (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	0	0	0	**0**
At 31 March 2016	**0**	**4,351**	**65**	**0**	**5,037**	**41**	**1,938**	**189**	**11,621**
Net Book Value at 31 March 2016	**6,148**	**72,511**	**695**	**4,382**	**4,245**	**0**	**827**	**306**	**89,114**
Asset financing:									
Owned - Purchased	6,148	16,568	695	4,304	3,208	0	827	306	**32,056**
Owned - Donated	0	2,080	0	78	1,037	0	0	0	**3,195**
Owned - Government Granted	0	0	0	0	0	0	0	0	**0**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	53,863	0	0	0	0	0	0	**53,863**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2016	**6,148**	**72,511**	**695**	**4,382**	**4,245**	**0**	**827**	**306**	**89,114**

Buildings have been revalued by a net £7,619k in 2015/16. This was made up of revaluations of £9,154k offset by asset impairments of £1,535k. Of the asset revaluation, £2,010k is accounted for within income and expenditure with the balance going against reserves.

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	2,082	9,015	477	0	1,825	7	3	30	**13,439**
Movements relating to annual revaluation exercise and impairments	0	6,973	110	0	70	0	0	7	**7,160**
At 31 March 2016	**2,082**	**15,988**	**587**	**0**	**1,895**	**7**	**3**	**37**	**20,599**

Additions to Assets Under Construction in 2015-16

Land	0
Buildings excl Dwellings	1,633
Dwellings	0
Plant & Machinery	2,480
Balance as at YTD	**4,113**

The information contained above on the value of tangible assets was based on a desktop valuation exercise carried out on behalf of the Trust by the Valuation Office Agency. Where buildings had been subject to extensive modification in-year or were new buildings, the VoA carried out an on-site valuation.

15.2. Property, plant and equipment prior-year

2014-15	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2014	5,990	65,830	644	739	18,576	79	3,425	431	**95,714**
Additions of Assets Under Construction				384					**384**
Additions Purchased	0	1,223	0		600	0	210	63	**2,096**
Additions - Non Cash Donations (i.e. Physical Assets)	0	21	0	0	253	0	0	0	**274**
Additions - Purchases from Cash Donations & Government Grants	0	0	0	0	0	0	0	0	**0**
Additions Leased (including PFI/LIFT)	0	0	0		0	0	0	0	**0**
Reclassifications	0	666	0	(666)	0	0	0	0	**0**
Reclassifications as Held for Sale and Reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(11,246)	(49)	(1,014)	(15)	**(12,324)**
Revaluation	158	71	6	0	78	0	0	6	**319**
Impairments/negative indexation charged to reserves	0	(2,823)	0	0	0	0	0	0	**(2,823)**
Reversal of Impairments charged to reserves	0	0	0	0	0	0	0	0	**0**
Tfrs (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	11	0	0	**11**
At 31 March 2015	**6,148**	**64,988**	**650**	**457**	**8,261**	**41**	**2,621**	**485**	**83,651**
Depreciation									
At 1 April 2014	0	0	0	0	15,149	79	2,153	100	**17,481**
Reclassifications	0	0	0		0	0	0	0	**0**
Reclassifications as Held for Sale and Reversals	0	0	0		0	0	0	0	**0**
Disposals other than for sale	0	0	0		(11,246)	(49)	(1,014)	(15)	**(12,324)**
Revaluation	0	0	0		0	0	0	0	**0**
Impairments/negative indexation charged to operating expenses	0	2,008	0	0	0	0	0	0	**2,008**
Reversal of Impairments charged to operating expenses	0	(2,008)	0	0	0	0	0	0	**(2,008)**
Charged During the Year	0	2,181	32		857	0	399	50	**3,519**
Tfrs (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0		0	2	0	0	**2**
At 31 March 2015	**0**	**2,181**	**32**	**0**	**4,760**	**32**	**1,538**	**135**	**8,678**
Net Book Value at 31 March 2015	**6,148**	**62,807**	**618**	**457**	**3,501**	**9**	**1,083**	**350**	**74,973**
Asset financing:									
Owned - Purchased	6,148	13,142	618	457	2,902	9	1,083	350	**24,709**
Owned - Donated	0	1,847	0	0	599	0	0	0	**2,446**
Owned - Government Granted	0	0	0	0	0	0	0	0	**0**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	47,818	0	0	0	0	0	0	**47,818**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2015	**6,148**	**62,807**	**618**	**457**	**3,501**	**9**	**1,083**	**350**	**74,973**

15.3. (cont). Property, plant and equipment

Charitable donations during the year
During the year, donations of £619k were received for clinical equipment and £47k for building alterations from the Wye Valley NHS Trust Charitable Funds.

Land and Buildings
The Trust's estate was valued as at 31 March 2016 by Mr Neil Rayner BSc (Hons) MSc DIC MRICS, Principal Surveyor at the District Valuation Service (DVS).

The valuations took the form of an asset valuation report as at 31 March 2016. The valuation took the form of a desk top based update to the full valuation carried out as at 31 March 2014 for which an inspection of the properties and sites had been undertaken as part of the valuation process. The only exceptions related to the element of the estate which has been subject to significant development and update, (Gilwern Unit and Storage Facility). These have been subject to a full on-site valuation. The valuations have been undertaken having regard to International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and in accordance with HM Treasury guidance, International Valuation Standards and the requirements of the Royal Institution of Chartered Surveyors (RICS) Professional Standards 2014 UK edition.

The fair value of land and buildings is usually determined from market-based evidence by appraisal undertaken by professionally qualified valuers within DVS.

The Department of Health has indicated that, for operational NHS assets, it requires fair value to be based on the Market Value subject to the assumption that the property is sold as part of the continuing enterprise in occupation.

Impact of the 2016 estate valuation
As in previous years, an end of year valuation was provided at 31 March 2016 to establish the fair value of property assets at the balance sheet date.

The revaluation resulted in an increase in asset values associated with Trust buildings. Buildings value has been revalued by a net £7,619k in 2015/16. This was made up of revaluations of £9,154k offset by specific asset impairments of £1,535k. Of the £9,230k asset revaluation, £2,010k is accounted for within income and expenditure with the balance charged to the revaluation reserve.

Asset lives
The remaining lives on those assets that have not been fully written down are as outlined below:

Intangible Assets	
Software and Licences	2 to 2 Years (2014/15 3 to 8 years)
IT - in house & 3rd Party Software	2 to 2 Years (2014/15 N/A)
Property, Plant & Equipment	
Buildings (excl dwellings)	5 to 69 years (2014/15: 5 to 69 years)
Dwellings	21 to 21 years (2014/15: 21 to 21 years)
Plant & Machinery	0 to 11 years (2014/15: 1 to 15 years)
Transport equipment	0 to 1 years (2014/15: 1 to 1 year)
Information Technology	0 to 8 years (2014/15: 3 to 10 years)
Furniture & Fittings	0 to 23 years (2014/15: 1 to 25 years)

In general, following the valuation of the Trust's estate, asset lives have remained broadly consistent with those reported previously.

16. Intangible non-current assets

16.1. Intangible non-current assets

2015-16	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trade-marks	Patents	Develop-ment Expend-iture Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2015	**125**	**497**	**0**	**0**	**0**	**622**
Additions Purchased	0	0	0	0	0	**0**
Additions Internally Generated	0	0	0	0	0	**0**
Additions - Non Cash Donations (i.e. physical assets)	0	0	0	0	0	**0**
Additions - Purchases from Cash Donations and Government Grants	0	0	0	0	0	**0**
Additions Leased (including PFI/LIFT)	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	**0**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	**0**
Impairments/reversals charged to reserves	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	**0**
At 31 March 2016	**125**	**497**	**0**	**0**	**0**	**622**
Amortisation						
At 1 April 2015	**0**	**446**	**0**	**0**	**0**	**446**
Reclassifications	0	0	0	0	0	**0**
Reclassified as Held for Sale and Reversals	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	0	**0**
Upward revaluation/positive indexation	0	0	0	0	0	**0**
Impairment/reversals charged to reserves	0	0	0	0	0	**0**
Impairments/reversals charged to operating expenses	0	0	0	0	0	**0**
Charged During the Year	0	11	0	0	0	**11**
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	**0**
At 31 March 2016	**0**	**457**	**0**	**0**	**0**	**457**
Net Book Value at 31 March 2016	**125**	**40**	**0**	**0**	**0**	**165**
Asset Financing: Net book value at 31 March 2016 comprises:						
Purchased	125	40	0	0	0	**165**
Donated	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	**0**
Finance Leased	0	0	0	0	0	**0**
On-balance Sheet PFIs	0	0	0	0	0	**0**
Total at 31 March 2016	**125**	**40**	**0**	**0**	**0**	**165**

Revaluation reserve balance for intangible non-current assets						
						£000's
At 1 April 2015	0	0	0	0	0	**0**
Movements (specify)	0	0	0	0	0	**0**
At 31 March 2016	**0**	**0**	**0**	**0**	**0**	**0**

16.2. Intangible non-current assets prior year

2014-15	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Develop-ment Expend-iture Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:						
At 1 April 2014	125	1,416	0	0	0	1,541
Additions - purchased	0	0	0	0	0	0
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions Leased (including PFI/LIFT)	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(919)	0	0	0	(919)
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2015	125	497	0	0	0	622
Amortisation						
At 1 April 2014	0	1,336	0	0	0	1,336
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(919)	0	0	0	(919)
Upward revaluation/positive indexation	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	29	0	0	0	29
Transfer (to)/from Other Public Sector bodies under Absorption Accounting	0	0	0	0	0	0
At 31 March 2015	0	446	0	0	0	446
Net book value at 31 March 2015	125	51	0	0	0	176
Net book value at 31 March 2015 comprises:						
Purchased	125	51	0	0	0	176
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Finance Leased	0	0	0	0	0	0
On-balance Sheet PFIs	0	0	0	0	0	0
Total at 31 March 2015	125	51	0	0	0	176

16.3. Intangible non-current assets

The Trust only holds purchased software and licences plus in-house IT developments as intangible assets and has no such assets that have been internally generated.

All intangible assets are held at cost as a proxy for fair value and are not subject to annual indexation adjustments.

The remaining lives of those assets that have not already been fully written down are 2 years (2014/15:3-8 years); the asset being depreciated in a straight line over its useful life.

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

	2015-16 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	1,548
Changes in market price	(2,010)
Total charged to Annually Managed Expenditure	**(462)**
Total Impairments of Property, Plant and Equipment changed to SoCI	**(462)**
Intangible assets impairments and reversals charged to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
Total Impairments of Intangibles charged to SoCI	**0**
Financial Assets charged to SoCI	
Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	**0**
Loss as a result of catastrophe	0
Other	0
Total charged to Annually Managed Expenditure	**0**
Total Impairments of Financial Assets charged to SoCI	**0**
Non-current assets held for sale - impairments and reversals charged to SoCI.	
Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	**0**
Total impairments of non-current assets held for sale charged to SoCI	**0**
Total Impairments charged to SoCI - DEL	**0**
Total Impairments charged to SoCI - AME	**(462)**
Overall Total Impairments	**(462)**
Donated and Gov Granted Assets, included above	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

17. Analysis of impairments and reversals recognised in 2015-16 (Continued)

	Property Plant and Equip-ment	Intangible Assets	Financial Assets	Non-Current Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	**£000s**
Impairments and reversals taken to SoCI	0	0	0	0	
Loss or damage resulting from normal operations	0	0	0	0	**0**
Over-specification of assets	0	0	0	0	**0**
Abandonment of assets in the course of construction	0	0	0	0	**0**
Total charged to Departmental Expenditure Limit	**0**	**0**	**0**	**0**	**0**
Unforeseen obsolescence	0	0	0	0	**0**
Loss as a result of catastrophe	0	0	0	0	**0**
Other	1,548	0	0	0	**1,548**
Changes in market price	(2,010)	0	0	0	**(2,010)**
Total charged to Annually Managed Expenditure	**(462)**	**0**	**0**	**0**	**(462)**
Total Impairments of Property, Plant and Equipment changed to SoCI	**(462)**	**0**	**0**	**0**	**(462)**

Donated and Gov Granted Assets, included above	**£000s**
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	**0**

18. Commitments

Capital commitments

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

	31 March 2016	31 March 2015
	£000s	£000s
Property, plant and equipment	**1,678**	99
Intangible assets	**0**	0
Total	**1,678**	99

19. Inventories

	Drugs	Consum-ables	Work in Progress	Energy	Loan Equip-ment	Other	Total	Of which held at NRV
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2015	**789**	**1,669**	**0**	**30**	**0**	**0**	**2,488**	0
Additions	15,355	1,472	0	11	0	0	**16,838**	0
Inventories recognised as an expense in the period	(15,127)	(1,252)	0	(11)	0	0	**(16,390)**	0
Write-down of inventories (including losses)	0	0	0	(1)	0	0	**(1)**	0
Reversal of write-down previously taken to SOCI	0	0	0	0	0	0	**0**	0
Transfers to NHS Foundation Trust on authorisation as FT	0	0	0	0	0	0	**0**	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0	0	0	0	0	**0**	0
Balance at 31 March 2016	**1,017**	**1,889**	**0**	**29**	**0**	**0**	**2,935**	**0**

The Trust does not hold any non-current inventories.

20.1. Trade and other receivables

	Current		Non-current	
	31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**4,484**	3,348	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**1,005**	1,122	**0**	0
Non-NHS receivables - revenue	**613**	907	**0**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**1,139**	250	**0**	0
PDC Dividend prepaid to DH	**0**	0		
Provision for the impairment of receivables	**(284)**	(305)	**0**	0
VAT	**327**	160	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**0**	0
Interest receivables	**0**	2	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables	**462**	453	**0**	0
Total	**7,746**	5,937	**0**	0
Total current and non current	**7,746**	5,937		
Included in NHS receivables are prepaid pension contributions:	**0**			

The great majority of trade is with NHS clinical commissioning groups and NHS England. As NHS bodies are funded by Government to buy NHS patient care services no credit scoring of them is considered necessary.

The Trust has no material concern about the credit quality of other debtors.

20.2. Receivables past their due date but not impaired

	31 March 2016 £000s	31 March 2015 £000s
By up to three months	**688**	1,453
By three to six months	**472**	1,494
By more than six months	**572**	907
Total	**1,732**	3,854

The Trust does not hold any collateral against any of the above receivables balances.

20.3. Provision for impairment of receivables

	2015-16 £000s	2014-15 £000s
Balance at 1 April 2015	**(305)**	(273)
Amount written off during the year	**77**	18
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(56)**	(50)
Transfers to NHS Foundation Trust on authorisation as FT	**0**	
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	**0**	0
Balance at 31 March 2016	**(284)**	(305)

This applies to non-NHS debts only and also excludes Welsh NHS bodies.
Although the Trust employs the services of a debt collection agency, the impairment was calculated whilst being mindful of whether such outstanding amounts were uneconomic to recover. Furthermore, where extenuating circumstances existed which could impact on successful recovery, these were considered on a case by case basis.

21. Cash and Cash Equivalents

	31 March 2016 £000s	31 March 2015 £000s
Opening balance	**3,900**	4,852
Net change in year	**(290)**	952
Closing balance	**3,610**	3,900
Made up of		
Cash with Government Banking Service	**3,602**	3,872
Commercial banks	**2**	23
Cash in hand	**6**	5
Liquid deposits with NLF	**0**	0
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**3,610**	3,900
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**3,610**	3,900
Third Party Assets - Bank balance (not included above)	**0**	0
Third Party Assets - Monies on deposit	0	0

22. Trade and other payables

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
NHS payables - revenue	**1,687**	1,133	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**0**	0	**0**	0
Non-NHS payables - revenue	**8,384**	2,362	**0**	0
Non-NHS payables - capital	**1,710**	618	**0**	0
Non-NHS accruals and deferred income	**5,942**	5,046	**0**	0
Social security costs	**1,085**	995		
PDC Dividend payable to DH	**0**	0		
Accrued Interest on DH Loans	**100**			
VAT	**0**	3	**0**	0
Tax	**1,058**	1,083		
Payments received on account	**0**	106	**0**	0
Other	**2,154**	2,295	**134**	195
Total	**22,120**	13,641	**134**	195
Total payables (current and non-current)	**22,254**	**13,836**		
Included above:				
to Buy Out the Liability for Early Retirements Over 5 Years	**0**	0		
number of Cases Involved (number)	**0**	0		
outstanding Pension Contributions at the year end	**1,540**	0		

23. Borrowings

	Current		Non-current	
	31 March 2016 £000s	31 March 2015 £000s	**31 March 2016 £000s**	31 March 2015 £000s
Bank overdraft - Government Banking Service	**0**	0		
Bank overdraft - commercial banks	**0**	0		
Loans from Department of Health	**1,285**	470	**23,082**	1,995
Loans from other entities	**0**	0	**0**	0
PFI liabilities:				
Main liability	**2,936**	2,902	**51,635**	54,570
Lifecycle replacement received in advance	**0**	0	**0**	0
LIFT liabilities:				
Main liability	**0**	0	**0**	0
Lifecycle replacement received in advance	**0**	0	**0**	0
Finance lease liabilities	**0**	0	**0**	0
Other (describe)	**0**	0	**0**	0
Total	**4,221**	**3,372**	**74,717**	**56,565**
Total borrowings (current and non-current)	**78,938**	**59,937**		

Borrowings / Loans - repayment of principal falling due in:

	31 March 2016		
	DH £000s	**Other £000s**	**Total £000s**
0-1 Years	1,285	2,936	**4,221**
1 - 2 Years	1,285	3,116	**4,401**
2 - 5 Years	17,833	10,443	**28,276**
Over 5 Years	3,964	38,076	**42,040**
TOTAL	**24,367**	**54,571**	**78,938**

Loans from Department of Health (£24,367k outstanding at 31 March 2016)
The figure presented above consists of the following capital investments loans.

a) The first loan, taken in March 2009, was for capital investment and is repayable in equal instalments over a 10 year period.
The loan is at a fixed interest rate of 2.69% and will be fully repaid by March 2019.
At the balance sheet date, the principal outstanding was £240k (2014/15 £320k).

b) The second loan, taken in September 2010, was also for capital investment and is repayable in equal instalments over a 10 year period.
The loan is at a fixed interest rate of 2.02% and will be fully repaid by September 2020.
At the balance sheet date, the principal outstanding was £1,755k (2014/15 £2,145k).

c) The third loan, taken in August 2015, was also for capital investment and is repayable in equal instalments over a 15 year period.
The loan is at a fixed interest rate of 1.91% and will be fully repaid by May 2030.
At the balance sheet date, the principal outstanding was £4,965k.

d) The fourth loan, taken in November 2015, was also for capital investment and is repayable in equal instalments over a 7 year period.
The loan is at a fixed interest rate of 1.04% and will be fully repaid by August 2022.
At the balance sheet date, the principal outstanding was £3,074k.

e) The fifth loan, taken in December 2015 was for revenue support purposes and is repayable in full on loan termination in 3 years.
The loan is at a fixed interest rate of 1.5% and will be fully repaid by December 2018.
At the balance sheet date, the principal outstanding was £14,333k.

PFI liabilities (£54,571k outstanding at 31 March 2016)

Since the implementation of IFRS, the value of the outstanding liabilities payable to the Trust's PFI partner appear on the trust's balance sheet. This value is written down over the life of the contract term, in this case 30 years. The initial contract was signed in April 1999 and the liability will be fully discharged by March 2029.The value of PFI liabilities has been reviewed to bring the calculation in line with the Department of Health PFI financial model.

Radiology MES liabilities (£195k outstanding at 31 March 2016)

In 2012/13, the Trust agreed a contract with a Managed Equipment Service (MES) provider to replace its existing MRI machine and partially refurbish the Radiology Department. Under IFRS, the contract has been broken down into its constituent parts for accounting purposes. Although the former element of the contract has been accounted for as an operating lease, the works element (as in the case of the PFI scheme) appears on the organisation's balance sheet. The value is written down over the contract term of 7 years and will be fully discharged by November 2018. At the balance sheet date, the principal outstanding was £200k (2014/15 £249k).

24. Finance lease obligations as lessee

The Trust has not entered in to any finance lease arrangements.

25. Finance lease receivables as lessor

The Trust does not act as a lessor.

26. Provisions

		Comprising:						
	Total	**Early Departure Costs**	**Legal Claims**	**Restruc-turing**	**Continuing Care**	**Equal Pay (incl. Agenda for Change**	**Other**	**Redundancy**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2015	**750**	191	559	0	0	0	0	0
Arising during the year	**0**	0	0	0	0	0	0	0
Utilised during the year	**(42)**	(12)	(30)	0	0	0	0	0
Reversed unused	**0**	0	0	0	0	0	0	0
Unwinding of discount	**0**	0	0	0	0	0	0	0
Change in discount rate	**30**	8	22	0	0	0	0	0
Transfers to NHS Foundation Trusts on being authorised as FT	**0**	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies under absorption accounting	**0**	0	0	0	0	0	0	0
Balance at 31 March 2016	**738**	**187**	**551**	**0**	**0**	**0**	**0**	**0**
Expected Timing of Cash Flows:								
No Later than One Year	**42**	12	30	0	0	0	0	0
Later than One Year and not later than Five Years	**163**	45	118	0	0	0	0	0
Later than Five Years	**533**	130	403	0	0	0	0	0

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

As at 31 March 2016	41,648
As at 31 March 2015	31,026

Legal claims relate to permanent injury benefit for three former employees which is paid quarterly until death and employer' liability claims which are currently being processed by the Trust's insurers. The provision for 2015/16 has been revised using updated actuarial life tables provided by the Office for National Statistics. The discount rate applicable to these and pensions provisions has been increased to 1.37% in 2015/16 (2014/15 1.3%) by HM Treasury.

27. Contingencies

	31 March 2016	31 March 2015
	£000s	£000s
Contingent liabilities		
NHS Litigation Authority legal claims	**0**	0
Employment Tribunal and other employee related litigation	**0**	0
Redundancy	**0**	0
Other *[give details]*	**0**	0
Net value of contingent liabilities	**0**	0
Contingent assets		
Contingent assets *[give details]*	**0**	0
Net value of contingent assets	**0**	0

28. PFI and LIFT - additional information

The PFI project involved the redevelopment of the site at Hereford County Hospital to enable the Trust to integrate its existing operations on that one site, thus ensuring that the previous sites at the General Hospital and Victoria Eye Hospital became surplus to requirements. The 30 year contract saw the Trust's PFI partner become responsible for the provision of design, construction, insurance, ongoing maintenance and hotel services at the County Hospital. Furthermore, the contract replaced some major equipment within the Radiology department.
The contract start date of the scheme was 16 April 1999 with the end of the concession period being 15 April 2029. At this date, the assets revert to the ownership of the Trust.
Under the terms of the Trust's PFI contract, its PFI partner has leased, with full title guarantee, the land at Hereford County Hospital over a period of 125 years at peppercorn rent. However, the lease will automatically cease on expiry of the PFI agreement.
Under IFRIC 12, the asset is treated as an asset of the Trust. The substance of the contract is that the trust has a finance lease and payments comprise two elements – imputed finance lease charges and service charges. Both elements are shown in the tables below.

The information below is required by the Department of Heath for inclusion in national statutory accounts.

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI

	2015-16	2014-15
	£000s	£000s
Total charge to operating expenses in year - Off SoFP PFI	**0**	0
Service element of on SOFP PFI charged to operating expenses in year	**9,453**	6,676
Total	**9,453**	6,676

Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI

No Later than One Year	**7,103**	6,815
Later than One Year, No Later than Five Years	**30,152**	29,575
Later than Five Years	**69,947**	77,627
Total	**107,202**	114,017

Imputed "finance lease" obligations for on SOFP PFI contracts due

	2015-16	2014-15
	£000s	£000s
No Later than One Year	**4,785**	4,850
Later than One Year, No Later than Five Years	**19,902**	19,560
Later than Five Years	**44,250**	49,376
Subtotal	**68,937**	73,786
Less: Interest Element	**(14,366)**	(16,313)
Total	**54,571**	57,473

Payments committed to in respect of all off SOFP PFI and the lifecycle element of on SOFP PFI

	2015-16	2014-15
	£000s	£000s
No Later than One Year	**1,753**	1,731
Later than One Year, No Later than Five Years	**5,928**	6,323
Later than Five Years	**3,540**	4,898
Total	**11,221**	12,952

Payments committed to in respect of all off SOFP PFI and the interest element of on SOFP PFI

	2015-16	2014-15
	£000s	£000s
No Later than One Year	**1,849**	1,948
Later than One Year, No Later than Five Years	**6,343**	6,776
Later than Five Years	**6,174**	7,590
Total	**14,366**	16,314

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due

	2015-16	2014-15
Analysed by when PFI payments are due	**£000s**	£000s
No Later than One Year	**2,936**	2,902
Later than One Year, No Later than Five Years	**13,559**	12,784
Later than Five Years	**38,076**	41,787
Total	**54,571**	57,473

Number of on SOFP PFI Contracts

Total Number of on PFI contracts	**1**
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**0**

29. Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliation purposes	2015-16 Income **£000s**	2015-16 Expenditure **£000s**	2014-15 Income £000s	2014-15 Expenditure £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)				
Depreciation charges		1,371		1,373
Interest Expense		5,237		5,146
Impairment charge - AME		0		0
Impairment charge - DEL		0		0
Other Expenditure		9,453		7,896
Revenue Receivable from subleasing	0		0	
Impact on PDC dividend payable		0		1,062
Total IFRS Expenditure (IFRIC12)	**0**	**16,061**	**0**	**15,477**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)		17,647		14,743
Net IFRS change (IFRIC12)		**(1,586)**		**734**
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12				
Capital expenditure 2015-16		**0**		679
UK GAAP capital expenditure 2015-16 (Reversionary Interest)		**1,572**		0

The net IFRS change calculated is reflected in the SOCI under Financial Performance for the year. However, where the adjustment is negative a nil value is shown thus the 2015/16 adjustment of (£1,586k) is shown as a nil value.

	2015-16 Income/ Expenditure IFRIC 12 YTD **£000s**	**2015-16** Income/ Expenditure ESA 10 YTD **£000s**
Revenue costs of IFRS12 compared with ESA10		
Depreciation charges	**1,371**	
Interest Expense	**5,237**	
Impairment charge - AME	**0**	
Impairment charge - DEL	**0**	
Other Expenditure		
Service Charge	**7,722**	17,647
Contingent Rent	**0**	
Lifecycle	**1,731**	
Impact on PDC Dividend Payable	**0**	
Total Revenue Cost under IFRIC12 vs ESA10	**16,061**	**17,647**
Revenue Receivable from subleasing	**0**	**0**
Net Revenue Cost/(income) under IDRIC12 vs ESA10	**16,061**	**17,647**

30. Financial Instruments

30.1. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the trust has with its NHS 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. All treasury activity is subject to review by the trust's internal auditors.

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

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

Credit risk
Because the majority of the trust's revenue comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2016 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk
The trust's operating costs are incurred under contracts with Clinical Commissioning Groups and NHS England, both of 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.

30.2. Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Embedded derivatives	0			**0**
Receivables - NHS		4,493		**4,493**
Receivables - non-NHS		1,092		**1,092**
Cash at bank and in hand		3,610		**3,610**
Other financial assets	0	0	0	**0**
Total at 31 March 2016	**0**	**9,195**	**0**	**9,195**
Embedded derivatives	0			0
Receivables - NHS		3,348		3,348
Receivables - non-NHS		1,360		1,360
Cash at bank and in hand		3,899		3,899
Other financial assets	0	0	0	0
Total at 31 March 2015	0	8,607	0	8,607

30.3. Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000s	£000s	£000s
Embedded derivatives	0		**0**
NHS payables		1,573	**1,573**
Non-NHS payables		10,208	**10,208**
Other borrowings		24,367	**24,367**
PFI & finance lease obligations		54,571	**54,571**
Other financial liabilities	0	134	**134**
Total at 31 March 2016	**0**	**90,853**	**90,853**
Embedded derivatives	0		0
NHS payables		1,133	1,133
Non-NHS payables		5,046	5,046
Other borrowings		2,465	2,465
PFI & finance lease obligations		57,472	57,472
Other financial liabilities	0	195	195
Total at 31 March 2015	0	66,311	66,311

The Non NHS payables figure presented above includes non-NHS payables - revenue (£8,498k; 2014/15 £2,362k) and non-NHS payables - capital (£1,710k; 2014/15 £618k). Other borrowings reported relate to loans from the DH in respect of capital investment and revenue support.
IFRS 7 requires the Trust to disclose the fair value of financial liabilities. The PFI scheme is a non-current Financial Liability where the fair value is likely to differ from the carrying value. The Trust has reviewed the current interest rates available on the market and if these were used as the implicit interest rate for the scheme the fair value of the liability would range from £50,796k to £55,988k

31. Events after the end of the reporting period

There were none to report

32. Related party transactions

The Department of Health is regarded as a related party. During the year 2015/16, Wye Valley NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. Those entities where transactions during the year were greater than £100k and/or outstanding balances at 31 March 2016 were greater than £50k are listed below:

NHS England
NHS Blood and Transplant Authority
NHS Litigation Authority
NHS Pensions Scheme
Herefordshire CCG
South Worcestershire CCG
Gloucestershire CCG
Shropshire CCG
Telford and Wrekin CCG
Health Education England
Public Health England
NHS Property Services
Royal Wolverhampton NHS Trust
Sandwell and West Birmingham NHS Trust
Shropshire and Community NHS Trust
Worcestershire Acute Hospitals NHS Trust

In addition, the trust has had a number of material transactions (within the limits defined above) with other government departments and other central and local government bodies. The largest of these transactions has been with Herefordshire Council, however, most have been with Foundation Trusts (such as Gloucestershire Hospitals NHS Foundation Trust, 2gether NHS Foundation Trust and University Hospitals Birmingham NHS Foundation Trust). There have, also, been occurrences of transactions with the Welsh Assembly Government (primarily through the Local Health Boards of Powys and Monmouth) and HM Revenue and Customs (relating to income tax and VAT issues).

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the Trust board.

The trust received £666K (2014/15, £284k) in funding in respect of donations from Wye Valley NHS Trust Charitable Fund in respect of capital and revenue payments. In addition, the trust received £21K (2014/15, £20k) in respect of payment for the provision of management and administrative services and £40K (2014/15, £38k) in respect of fundraising costs relating to the operation of the charitable fund.

The summary financial statements of the Wye Valley NHS Trust Charitable Funds are available separately.

33. Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	121,571	286
Special payments	4,939	22
Total losses and special payments	126,510	308

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

	Total Value of Cases £s	Total Number of Cases
Losses	68,701	262
Special payments	9375	19
Total losses and special payments	78,076	281

34. Financial performance targets

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

34.1. Breakeven performance

	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	Restated 2013-14 £000s	2014-15 £000s	2015-16 £000s
Turnover	93,562	98,537	107,984	116,785	121,544	171,898	175,798	173,450	182,637	**178,046**
Retained surplus/(deficit) for the year	1,308	1,126	544	(5,091)	1,707	3,700	340	(861)	(1,786)	**(19,540)**
Adjustment for:										
Timing/non-cash impacting distortions:										
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	**0**
2007/08 PPA (relating to 1997/98 to 2006/07)	441									
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0								
Adjustments for impairments			0	6,750	(986)	(1,631)	(115)	2,855	2,008	**(462)**
Adjustments for impact of policy change re donated/government grants assets						(248)	69	(86)	(103)	**(454)**
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*				(494)	(675)	(1,750)	0	1,053	734	**0**
Absorption accounting adjustment							0	0	(9)	**0**
Other agreed adjustments	0	0	0	0	0	(2,029)	**0**	0	0	**0**
Break-even in-year position	**1,749**	**1,126**	**544**	**1,165**	**46**	**(1,958)**	**294**	**2,961**	**844**	**(20,456)**
Break-even cumulative position	**(160)**	**966**	**1,510**	**2,675**	**2,721**	**763**	**1,057**	**4,018**	**4,862**	**(15,594)**

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

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	Restated 2013-14 %	2014-15 %	2015-16 %
Materiality test (I.e. is it equal to or less than 0.5%):										
Break-even in-year position as a percentage of turnover	1.87	1.14	0.50	1.00	0.04	-1.14	0.17	1.71	0.46	**-11.49**
Break-even cumulative position as a percentage of turnover	-0.17	0.98	1.40	2.29	2.24	0.44	0.60	2.32	2.66	**-9.84**

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

34.2. Capital cost absorption rate

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

34.3. External financing

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

	2015-16	2014-15
	£000s	£000s
External financing limit (EFL)	**22,969**	730
Cash flow financing	**20,358**	(2,206)
Finance leases taken out in the year	**0**	0
Other capital receipts	**0**	0
External financing requirement	**20,358**	(2,206)
Under/(over) spend against EFL	**2,611**	2,936

The undershoot against the plan primarily relates to slippage against the capital programme resulting in the value of loans drawn down being lower than planned.

34.4. Capital resource limit

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

	2015-16	2014-15
	£000s	£000s
Gross capital expenditure	**10,055**	3,444
Less: book value of assets disposed of	**0**	0
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(667)**	(274)
Charge against the capital resource limit	**9,388**	3,170
Capital resource limit	**9,794**	3,179
(Over)/underspend against the capital resource limit	**406**	9

The Trust's Capital Resource Limit (CRL) consists of two elements
(i) that against which schemes governed by IFRIC12 are managed (£342k; 2014/15 £679k)
(ii) that against which operational schemes are measured (£9,388k; 2014/15 £2,491k)

Expenditure recorded against the former element covers capital expenditure relating to the PFI scheme.

35. Third party assets

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

	31 March	31 March
	2016	2015
	£000s	£000s
Third party assets held by the trust	**0**	0

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

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

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

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

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

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

Signature: ..... Chief Executive

Date: 27.5.2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

By order of the Board

27.5.2016 **Date** ..... Chief Executive

27.5.2016 **Date** Harad K Oddy ..... Finance Director

Wye Valley NHS
NHS Trust

This document is available in large print, braille or a language of your choice.

Wye Valley NHS Trust
Trust Headquarters
The County Hospital
Union Walk
Hereford
HR1 2ER

01432 364000
www.wyevalley.nhs.uk