

**Statement of Comprehensive Income for year ended
31 March 2014**

	NOTE	2013-14 £000s	2012-13 £000s
Gross employee benefits	9.1	(291,589)	(284,797)
Other operating costs	7	(142,873)	(144,346)
Revenue from patient care activities	4	396,256	391,875
Other Operating revenue	5	42,766	41,132
Operating surplus/(deficit)		4,560	3,864
Investment revenue	11	129	146
Other gains and (losses)	12	(193)	(139)
Finance costs	13	(2,284)	(2,158)
Surplus/(deficit) for the financial year		2,212	1,713
Public dividend capital dividends payable		(4,717)	(5,154)
Transfers by absorption - gains		0	0
Transfers by absorption - (losses)		0	0
Net Gain/(loss) on transfers by absorption		0	0
Retained surplus/(deficit) for the year		(2,505)	(3,441)

Other Comprehensive Income

	2013-14 £000s	2012-13 £000s
Impairments and reversals taken to the Revaluation Reserve	7,429	(5,649)
Net gain/(loss) on revaluation of property, plant & equipment	1,486	580
Total Comprehensive Income for the year	6,410	(8,510)

Financial performance for the year

Retained surplus/(deficit) for the year	(2,505)	(3,441)
Prior period adjustment to correct errors and other performance adjustments	0	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	(1,108)	882
Impairments (excluding IFRIC 12 impairments)	10,030	7,990
Adjustments in respect of donated gov't grant asset reserve elimination	334	1,092
Adjustment re Absorption accounting	0	0
Adjusted retained surplus/(deficit)	6,751	6,523

The Trust's reported NHS financial performance position is derived from its Retained Surplus/(Deficit), but adjusted in the statement above for the following:-

a) Net impairment of assets of £8,922,000 which is not considered part of the organisation's operating position (2012/13 £8,872,000).

b) The net impact of changes resulting from the elimination of donated asset and government grant reserves.

The notes on pages 5 to 45 form part of this account.

Statement of Financial Position as at 31 March 2014

		31 March 2014	31 March 2013
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	14	226,403	216,669
Intangible assets	15	886	924
Investment property	17	0	0
Other financial assets		0	0
Trade and other receivables	21.1	1,011	1,048
Total non-current assets		228,300	218,641
Current assets:			
Inventories	20	3,272	3,604
Trade and other receivables	21.1	17,448	10,446
Other financial assets	22	0	0
Other current assets	23	0	0
Cash and cash equivalents	24	41,808	42,499
Total current assets		62,528	56,549
Non-current assets held for sale	25	0	0
Total current assets		62,528	56,549
Total assets		290,828	275,190
Current liabilities			
Trade and other payables	26	(55,138)	(43,105)
Other liabilities	27	0	0
Provisions	32	(8,036)	(10,355)
Borrowings	28	(1,064)	(1,211)
Other financial liabilities	29	0	0
Working capital loan from Department of Health	28	0	0
Capital loan from Department of Health	28	(2,000)	(2,000)
Total current liabilities		(66,238)	(56,671)
Net current assets/(liabilities)		(3,710)	(122)
Non-current assets plus/less net current assets/liabilities		224,590	218,519
Non-current liabilities			
Trade and other payables	26	0	0
Other Liabilities	27	0	0
Provisions	32	(2,562)	(3,168)
Borrowings	28	(27,915)	(28,966)
Other financial liabilities	29	0	0
Working capital loan from Department of Health	28	0	0
Capital loan from Department of Health	28	(1,000)	(3,000)
Total non-current liabilities		(31,477)	(35,134)
Total Assets Employed:		193,113	183,385
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		161,640	160,231
Retained earnings		(19,484)	(20,260)
Revaluation reserve		41,899	34,356
Other reserves		9,058	9,058
Total Taxpayers' Equity:		193,113	183,385

The notes on pages 5 to 45 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 5th June 2014 and signed on its behalf by

Chief Executive:

Date:

05/06/14

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2014

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2013	160,231	(20,260)	34,356	9,058	183,385
Changes in taxpayers' equity for 2013-14					
Retained surplus/(deficit) for the year		(2,505)			(2,505)
Net gain / (loss) on revaluation of property, plant, equipment			1,486		1,486
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of available for sale financial assets			0		0
Impairments and reversals			7,429		7,429
Other gains/(loss) (provide details below)				0	0
Transfers between reserves		1,372	(1,372)	0	0
Transfers under Modified Absorption Accounting - PCTs & SHAs		1,909			1,909
Transfers under Modified Absorption Accounting - Other Bodies		0			0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption		0	0		0
On Disposal of Available for Sale financial Assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received - Cash	1,409				1,409
New PDC Received/(Repaid) - PCTs and SHAs Legacy items paid for by Department of Health	0				0
PDC Repaid In Year	0				0
PDC Written Off	0				0
Transferred to NHS 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	1,409	776	7,543	0	9,728
Transfers between reserves in respect of modified absorption - PCTs & SHAs		0	0	0	0
Transfers between reserves in respect of modified absorption - Other Bodies		0	0	0	0
Balance at 31 March 2014	161,640	(19,484)	41,899	9,058	193,113
Balance at 1 April 2012	160,231	(18,622)	41,228	9,058	191,895
Changes in taxpayers' equity for the year ended 31 March 2013					
Retained surplus/(deficit) for the year		(3,441)			(3,441)
Net gain / (loss) on revaluation of property, plant, equipment			580		580
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			(5,649)		(5,649)
Movements in other reserves				0	0
Transfers between reserves		1,803	(1,803)	0	0
Release of reserves to Statement of Comprehensive Income			0		0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	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
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received	0				0
PDC Repaid In Year	0				0
PDC Written Off	0				0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0				0
Net Actuarial Gain/(Loss) on Pension				0	0
Net recognised revenue/(expense) for the year	0	(1,638)	(6,872)	0	(8,510)
Balance at 31 March 2013	160,231	(20,260)	34,356	9,058	183,385

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**31 March 2014**

	2013-14 £000s	2012-13 £000s
Cash Flows from Operating Activities		
Operating Surplus/(Deficit)	4,560	3,864
Depreciation and Amortisation	13,673	14,220
Impairments and Reversals	8,922	8,872
Other Gains/(Losses) on foreign exchange	0	0
Donated Assets received credited to revenue but non-cash	(213)	0
Government Granted Assets received credited to revenue but non-cash	0	0
Interest Paid	(2,218)	(2,072)
Dividend (Paid)/Refunded	(4,327)	(5,594)
Release of PFI/deferred credit	0	0
(Increase)/Decrease in Inventories	332	326
(Increase)/Decrease in Trade and Other Receivables	(6,965)	4,263
(Increase)/Decrease in Other Current Assets	0	0
Increase/(Decrease) in Trade and Other Payables	13,395	7,545
(Increase)/Decrease in Other Current Liabilities	0	0
Provisions Utilised	(5,643)	(9,682)
Increase/(Decrease) in Provisions	2,529	5,035
Net Cash Inflow/(Outflow) from Operating Activities	24,045	26,777
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	131	140
(Payments) for Property, Plant and Equipment	(22,985)	(15,698)
(Payments) for Intangible Assets	(210)	(210)
(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	9
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	(23,064)	(15,759)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	981	11,018
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital Received	1,409	0
Public Dividend Capital Repaid	0	0
Loans received from DH - New Capital Investment Loans	0	0
Loans received from DH - New Revenue Support Loans	0	0
Other Loans Received	0	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal	(2,000)	(2,000)
Loans repaid to DH - Revenue Support Loans	0	0
Other Loans Repaid	0	0
Cash transferred to NHS Foundation Trusts	0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	(1,081)	(984)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)	0	0
Net Cash Inflow/(Outflow) from Financing Activities	(1,672)	(2,984)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(691)	8,034
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	42,499	34,465
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	41,808	42,499

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 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 SOCNE/SOCNI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS20 and similarly give rise to income and expenditure entries.

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the SOCNE/SOCNI.

1.4 Charitable Funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with NHS Trust's own returns is removed. 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. However, in accordance with IAS 1 (Presentation of Financial Statements) guidance on materiality, consolidation is not necessary. Charitable funds controlled by Sandwell & West Birmingham Hospitals NHS Trust are not considered material to the overall financial performance of the Trust and have therefore not been consolidated.

1.5 Critical accounting judgements and key sources of estimation uncertainty

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

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

1.6 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

Provisions included in the financial position at 31st March 2014 are estimated using appropriate professional advice and based on circumstances prevailing at the balance sheet date.

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 the length of stay at the end of the reporting period compared to expected total length of stay.

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

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. Sandwell & West Birmingham Hospitals 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.

The Trust undertakes limited sale of healthcare related goods, primarily drugs. Revenue in respect of these sales is initially recognised at the point of sale.

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.

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

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 Sandwell & West Birmingham Hospitals NHS 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 Sandwell & West
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

Valuation

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

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

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

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

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

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

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

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

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it

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

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

Measurement

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

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

1.12 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the [NHS body] expects to obtain economic benefits or service potential from the asset. This is specific to the [NHS body] 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, Sandwell & West Birmingham Hospitals 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.

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

1.13 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

The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

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

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.

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.

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

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.

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 first-in first-out 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 Trust's cash management.

1.20 Provisions

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

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 Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 35.

1.22 Non-clinical risk pooling

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

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

1.23 Carbon Reduction Commitment Scheme (CRC)

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

1.24 Contingencies

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

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

1.25 Financial assets

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

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

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

Available for sale financial assets

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

Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

Loans and receivables

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

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

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

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

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

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

1.26 Financial liabilities

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

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

Financial guarantee contract liabilities

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

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

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

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

1.27 Value Added Tax

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

1.28 Foreign currencies

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

1.29 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 41 to the accounts.

1.30 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets, net assets transferred from NHS bodies dissolved on 1 April 2013 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.

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

1.31 Losses and Special Payments

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

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

1.32 Subsidiaries

Material entities over which Sandwell & West Birmingham Hospitals NHS Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows 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 Sandwell & West Birmingham Hospitals 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'

1.33 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 SOCNE/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.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Operating segments

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

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

Revenue from activities (medical treatment of patients) is analysed by customer type in Note 4 to the financial statements on Page 18. Other operating revenue is analysed in Note 5 to the financial statements on Page 18 and materially consists of revenues from healthcare research and development, medical education and the provision of services to other NHS bodies. Total revenue by individual customer within the whole of HM Government and considered material is disclosed in the related parties transactions Note 38 to the financial statements on Page 42.

The percentage of total revenue receivable in both 2013/14 and 2012/13 from within the whole of HM Government (primarily Primary Care Trusts and other NHS bodies) is 95% with 5% being received from elsewhere.

3. Income generation activities

The Trust does not undertake any income generation activities where full cost exceeded £1m or was material to the financial performance of the Trust.

4. Revenue from patient care activities

	2013-14 £000s	2012-13 £000s
NHS Trusts	205	50
NHS England	798	0
Clinical Commissioning Groups	391,281	0
Primary Care Trusts	0	385,823
Strategic Health Authorities	0	130
NHS Foundation Trusts	1,175	922
Department of Health	0	321
NHS Other (including Public Health England and Prop Co)	0	1,040
Non-NHS:		
Local Authorities	0	0
Private patients	153	116
Overseas patients (non-reciprocal)	219	500
Injury costs recovery	1,523	2,556
Other	902	417
Total Revenue from patient care activities	396,256	391,875

5. Other operating revenue

	2013-14 £000s	2012-13 £000s
Recoveries in respect of employee benefits	1,230	1,554
Patient transport services	251	165
Education, training and research	21,754	20,866
Charitable and other contributions to revenue expenditure - NHS	0	77
Charitable and other contributions to revenue expenditure -non- NHS	36	0
Receipt of donations for capital acquisitions - NHS Charity	213	39
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	8,197	7,444
Income generation	4,002	4,151
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue	7,083	6,836
Total Other Operating Revenue	42,766	41,132
Total operating revenue	439,022	433,007

Other revenue includes £2,588,000 in respect of Estates and Facilities Service Level Agreements (£1,481,000 in 2012-13)

6. Revenue

Revenue is almost totally from the supply of services. Revenue from the sale of goods is not material.

7. Operating expenses

	2013-14	2012-13
	£000s	£000s
Services from other NHS Trusts	745	213
Services from CCGs/NHS England	91	0
Services from other NHS bodies	1,854	0
Services from NHS Foundation Trusts	4,975	783
Services from Primary Care Trusts	0	2,860
Total Services from NHS bodies	7,665	3,856
Purchase of healthcare from non-NHS bodies	1,476	1,191
Trust Chair and Non-executive Directors	66	65
Supplies and services - clinical	68,538	65,861
Supplies and services - general	6,005	6,390
Consultancy services	2,689	3,472
Establishment	4,903	6,435
Transport	1,161	1,505
Premises	17,330	21,145
Hospitality	0	0
Insurance	131	0
Legal Fees	321	0
Impairments and Reversals of Receivables	(22)	191
Inventories write down	151	135
Depreciation	13,404	13,956
Amortisation	269	264
Impairments and reversals of property, plant and equipment	8,922	8,737
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
Impairments and reversals of investment properties	0	0
Audit fees	140	146
Other auditor's remuneration	12	42
Clinical negligence	7,221	8,255
Research and development (excluding staff costs)	246	249
Education and Training	1,145	1,050
Change in Discount Rate	123	124
Other	977	1,277
Total Operating expenses (excluding employee benefits)	142,873	144,346
Employee Benefits		
Employee benefits excluding Board members	290,428	283,907
Board members	1,161	890
Total Employee Benefits	291,589	284,797
Total Operating Expenses	434,462	429,143

8. Operating Leases

The Trust does not hold a material value of operating leases as the majority of higher value leases are defined as finance leases. Residual operating leases relate to low value items of equipment.

8.1 Trust as lessee				2013-14	2012-13
	Land £000s	Buildings £000s	Other £000s	Total £000s	£000s
Payments recognised as an expense					
Minimum lease payments				93	45
Contingent rents				0	0
Sub-lease payments				0	0
Total				93	45
Payable:					
No later than one year	13	0	80	93	18
Between one and five years	0	0	190	190	71
After five years	0	0	0	0	0
Total	13	0	270	283	89
Total future sublease payments expected to be received:				0	0

9. Employee benefits and staff numbers

9.1 Employee benefits

	2013-14		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	245,008	220,668	24,340
Social security costs	19,169	18,389	780
Employer Contributions to NHS BSA - Pensions Division	27,887	27,008	879
Other pension costs	0	0	0
Termination benefits	0	0	0
Total employee benefits	292,064	266,065	25,999
Employee costs capitalised	475	475	0
Gross Employee Benefits excluding capitalised costs	291,589	265,590	25,999

	2012-13		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure 2012-13			
Salaries and wages	240,182	221,834	18,348
Social security costs	19,259	18,585	674
Employer Contributions to NHS BSA - Pensions Division	25,891	25,516	375
Other pension costs	0	0	0
Termination benefits	0	0	0
TOTAL - including capitalised costs	285,332	265,935	19,397
Employee costs capitalised	535	535	0
Gross Employee Benefits excluding capitalised costs	284,797	265,400	19,397

In 2012-13 there were rows for 'other post-employment benefits' and 'other employment benefits'. These are now included within the 'Salaries and wages' row.

9.2 Staff Numbers

	2013-14			2012-13
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	791	742	49	790
Ambulance staff	0	0	0	0
Administration and estates	1,518	1,374	144	1,489
Healthcare assistants and other support staff	1,494	1,235	259	1,416
Nursing, midwifery and health visiting staff	2,234	1,988	246	2,162
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	1,141	1,127	14	1,157
Social Care Staff	0	0	0	0
Other	0	0	0	0
TOTAL	7,178	6,465	712	7,013
Of the above - staff engaged on capital projects	7	7	0	9

9.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	64,130	64,353
Total Staff Years	6,526	6,575
Average working Days Lost	9.83	9.79
	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	6	7
	£000s	£000s
Total additional pensions liabilities accrued in the year	488	425

9.4 Exit Packages agreed in 2013-14

Exit package cost band (including any special payment element)	2013-14			2012-13		
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	0	0	7	11	18
£10,000-£25,000	3	0	3	7	16	23
£25,001-£50,000	4	0	4	6	16	22
£50,001-£100,000	4	0	4	7	17	24
£100,001 - £150,000	2	0	2	2	3	5
£150,001 - £200,000	0	0	0	1	0	1
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost)	13	0	13	30	63	93
Total resource cost (£000s)	716	0	716	1,233	2,505	3,738

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Pension Scheme and Agenda for Change. 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.

9.5 Pension costs

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. 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 the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

10. Better Payment Practice Code

10.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	111,261	133,953	99,086	109,335
Total Non-NHS Trade Invoices Paid Within Target	102,542	124,099	93,515	101,481
Percentage of NHS Trade Invoices Paid Within Target	92.16%	92.64%	94.38%	92.82%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,041	24,654	2,160	25,850
Total NHS Trade Invoices Paid Within Target	1,792	19,923	1,217	19,845
Percentage of NHS Trade Invoices Paid Within Target	87.80%	80.81%	56.34%	76.77%

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

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

The Trust did not make any payments in respect of this act in 2013/14 or 2012/13.

11. Investment Revenue

	2013-14 £000s	2012-13 £000s
Interest revenue		
Bank interest	129	146
Total investment revenue	129	146

12. Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	(193)	(139)
Total	(193)	(139)

13. Finance Costs

	2013-14 £000s	2012-13 £000s
Interest		
Interest on loans and overdrafts	38	55
Interest on obligations under finance leases	40	35
Interest on obligations under PFI contracts:		
- main finance cost	1,488	1,530
- contingent finance cost	652	452
Total interest expense	2,218	2,072
Other finance costs	0	10
Provisions - unwinding of discount	66	76
Total	2,284	2,158

14.1 Property, plant and equipment**2013-14****Cost or valuation:**

	37,132	151,136	898	0	99,416	3,697	22,926	1,718	316,923
At 1 April 2013									
Transfers under Modified Absorption Accounting - PCTs & SHAs									
Transfers under Modified Absorption Accounting - Other Bodies									
Additions of Assets Under Construction									
Additions Purchased	4,997	9,646			4,091	72	2,162	249	21,217
Additions Donated					213				213
Additions Government Granted									
Additions Leased									
Reclassifications									
Reclassifications as Held for Sale and reversals									
Disposals other than for sale					(4,303)	(57)	(27)		(4,387)
Revaluation									
Impairments/negative indexation	(45)	(1,129)							
Reversal of Impairments	2,087	6,447	69						(1,174)
Transfers to NHS Foundation Trust									8,603
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting									
At 31 March 2014	44,171	167,905	967	0	99,496	3,712	25,061	1,992	343,304

Depreciation

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
At 1 April 2013	0	0	0	0	2,704	19,003	1,122	100,254
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	(4,109)	(57)	(27)	0	(4,193)
Revaluation	(605)	(881)	0	0	0	0	0	(1,486)
Impairments	10,224	4,378	0	0	0	0	0	14,602
Reversal of Impairments	(2,358)	(3,295)	(27)	0	0	0	0	(5,680)
Charged During the Year	0	6,654	40	5,043	274	1,218	175	13,404
Transfers to NHS Foundation Trust	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
At 31 March 2014	7,261	6,856	13	78,359	2,921	20,194	1,297	116,901
Net Book Value at 31 March 2014	36,910	161,049	954	0	21,137	791	4,867	226,403

Asset financing:

Owned - Purchased	36,910	139,525	954	0	20,070	766	4,852	695	203,777
Owned - Donated	0	401	0	1,021	0	15	0	1,437	1,437
Owned - Government Granted	0	966	0	0	0	0	0	966	966
Held on finance lease	0	0	0	46	25	0	0	71	71
On-SOFP PFI contracts	0	20,157	0	0	0	0	0	0	20,157
PFI residual interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2014	36,910	161,049	954	0	21,137	791	4,867	695	226,403

Revaluation Reserve Balance for Property, Plant & Equipment

Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	15,306	18,504	377	0	158	0	11	34,356
Movements	2,647	4,937	54	(87)	0	0	(8)	7,543
At 31 March 2014	17,953	23,441	431	0	71	0	3	41,899

As the Trust's land and buildings were subject to a full professional valuation at 31st March 2014, depreciation totals included in the above schedule will be netted off with the effect that the balances at 1st April 2014 will reflect only that net value and not gross value and depreciation.

14.3 (cont). Property, plant and equipment

The Trust received donated assets to the value of £213,000 during the year, £201,000 via Sandwell And West Birmingham Hospital's charitable funds and £12,000 from the League of Friends, both in respect of medical equipment.

The Trust's property assets (land and buildings) were revalued during the year by the District Valuation Service and using Modern Equivalent Asset valuation techniques with a valuation date of 31st March 2014. Valuation was undertaken with reference to the size, location and function of existing buildings and the basis on which they would be replaced by Modern Equivalent Assets.

Asset lives for currently held assets are as follows:

Buildings excluding dwellings 4-76 years

Dwellings 6-41 years

Plant and machinery 0-11 years

Transport equipment 0-7 years

Information technology 0-5 years

Furniture and fittings 0-10 years

15.1 Intangible non-current assets

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
2013-14						
At 1 April 2013	0	2,691	0	164	0	2,855
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0
Additions - purchased	0	210	0	21	0	231
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	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation & indexation gains	0	0	0	0	0	0
Impairments charged to reserves	0	0	0	0	0	0
Reversal of impairments charged to reserves	0	0	0	0	0	0
Transfer to NHS Foundation Trust	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 2014	0	2,901	0	185	0	3,086
Amortisation						
At 1 April 2013	0	1,931	0	0	0	1,931
Reclassifications	0	0	0	0	0	0
Reclassified as Held for Sale and Reversals	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	269	0	0	0	269
Transfer to NHS Foundation Trust	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 2014	0	2,200	0	0	0	2,200
Net Book Value at 31 March 2014	0	701	0	185	0	886
Asset Financing: Net book value at 31 March 2014 comprises:						
Purchased	0	699	0	185	0	884
Donated	0	2	0	0	0	2
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 2014	0	701	0	185	0	886
Revaluation reserve balance for intangible non-current assets						
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	0	0	0	0	0	0
Movements (specify)	0	0	0	0	0	0
At 31 March 2014	0	0	0	0	0	0

15.2 Intangible non-current assets prior year

	IT - in-house & 3rd party software	Computer Licenses	Licenses and Trademarks	Patents	Development Expenditure - Internally Generated £000s	Total
2012-13	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:						
At 1 April 2012	0	2,481	0	261	0	2,742
Additions - purchased	0	210	0	0	0	210
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	(97)	0	(97)
Revaluation & indexation gains	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Transfer to NHS Foundation Trust	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 2013	<u>0</u>	<u>2,691</u>	<u>0</u>	<u>164</u>	<u>0</u>	<u>2,855</u>
Amortisation						
At 1 April 2012	0	1,667	0	0	0	1,667
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	264	0	0	0	264
Transfer to NHS Foundation Trust	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 2013	<u>0</u>	<u>1,931</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,931</u>
Net book value at 31 March 2013	0	760	0	164	0	924
Net book value at 31 March 2013 comprises:						
Purchased		757		164		921
Donated		3				3
Government Granted						0
Total at 31 March 2013	<u>0</u>	<u>760</u>	<u>0</u>	<u>164</u>	<u>0</u>	<u>924</u>

15.3 Intangible non-current assets

Asset lives for intangible assets (purchased computer software) range from 0 to 5 years. Assets are initially recognised at cost and amortised over the expected life of the asset. They have not been revalued.

An intangible asset in respect of Carbon Emission Credits is included in the Trust's accounts to reflect the receipt and consumption of these credits. They are valued at market price at 31st March 2014.

The Trust does not hold any revaluation reserve balances in respect of intangible assets.

16. Analysis of impairments and reversals recognised in 2013-14**2013-14****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	0
Changes in market price	8,922
Total charged to Annually Managed Expenditure	8,922

Total Impairments of Property, Plant and Equipment charged to SoCI**8,922****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****8,922****Overall Total Impairments****8,922****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

All valuations of land and buildings were carried out on behalf of the Trust at 31st March 2014 by the District Valuations Service (DVS). Revaluation of assets, impairment and reversal of impairments are based on the professional valuation by the DVS.

16. Analysis of impairments and reversals recognised in 2013-14

	Total £000s	Property Plant and Equipment £000s	Intangible Assets £000s	Financial Assets £000s	Non-Current Assets Held for Sale £000s
Impairments and reversals taken to SoCI					
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	0	0	0	0	0
Changes in market price	8,922	8,922	0	0	0
Total charged to Annually Managed Expenditure	8,922	8,922	0	0	0
Total Impairments of Property, Plant and Equipment charged to SoCI	8,922	8,922	0	0	0
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				

17. Investment property

The Trust did not hold any investment property in 2013-14 or in 2012-13.

18. Commitments

18.1 Capital commitments

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

	31 March 2014 £000s	31 March 2013 £000s
Property, plant and equipment	1,128	4,128
Intangible assets	0	0
Total	1,128	4,128

18.2 Other financial commitments

The trust has not entered into any non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements).

19. Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	8,254	0	14,218	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,829	0	2,088	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	0	0	0	0
At 31 March 2014	11,083	0	16,306	0
prior period:				
Balances with other Central Government Bodies	3,766	0	5,055	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	33	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,439	0	1,130	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	0	0	0	0
At 31 March 2013	6,238	0	6,185	0

20. Inventories	Drugs £000s	Consumables £000s	Work in Progress £000s	Energy £000s	Loan Equipment £000s	Other £000s	Total £000s	Of which held at NRV £000s
Balance at 1 April 2013	1,705	1,649	0	250	0	0	3,604	0
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0
Additions	30,786	3,905	0	0	0	0	34,691	0
Inventories recognised as an expense in the period	(30,848)	(4,006)	0	(18)	0	0	(34,872)	0
Write-down of inventories (including losses)	(140)	(11)	0	0	0	0	(151)	0
Reversal of write-down previously taken to SOCI	0	0	0	0	0	0	0	0
Transfers (to) Foundation Trusts	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 2014	1,503	1,537	0	232	0	0	3,272	0

[If reversal of inventory expense, describe circumstances].
Any non-current inventories should be disclosed.

21.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s
NHS receivables - revenue	11,083	6,099	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	514	120	0	0
Non-NHS receivables - revenue	2,198	1,819	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	2,020	524	0	0
Provision for the impairment of receivables	(1,578)	(1,640)	(285)	(398)
VAT	657	575	0	0
Current/non-current part of PFI and other PPP arrangements				
prepayments and accrued income	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	2,554	2,949	1,296	1,446
Total	17,448	10,446	1,011	1,048
Total current and non current	18,459	11,494		
Included in NHS receivables are prepaid pension contributions:	0			

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

There are no material individual receivables which are neither past due nor impaired.

For 2013/14, PDC dividends payable to the Department of Health were overpaid and balances due to Sandwell & West Birmingham Hospitals are as follows:

PDC dividend: balance receivable/(payable) at 31 March 2014	(50)
PDC dividend: balance receivable/(payable) at 31 March 2013	440

21.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	1,001	109
By three to six months	537	202
By more than six months	285	68
Total	1,823	379

21.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	(2,038)	(1,995)
Transfers under Modified Absorption Accounting - PCTs & SHAs	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0
Amount written off during the year	153	148
Amount recovered during the year	321	602
(Increase)/decrease in receivables impaired	(299)	(793)
Transfer to NHS Foundation Trust	0	0
Transfers (to)/from Other Public Sector Bodies under Absorption Accounting	0	0
Balance at 31 March 2014	(1,863)	(2,038)

Impairment of receivables is based on an assessment of individual amounts receivable taking into account the age of the debt and other known circumstances regarding the debt or the debtor.

22. Other Financial Assets - Current/Non Current

The Trust does not hold any other financial assets.

23. Other current assets

The Trust does not hold any other current assets.

24. Cash and Cash Equivalents

	31 March 2014 £000s	31 March 2013 £000s
Opening balance	42,499	34,465
Net change in year	(691)	8,034
Closing balance	41,808	42,499
Made up of		
Cash with Government Banking Service	41,781	42,467
Commercial banks	0	32
Cash in hand	27	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	41,808	42,499
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	41,808	42,499
Patients' money held by the Trust, not included above	0	0

25. Non-current assets held for sale

The Trust does not hold any non current assets for sale.

26. Trade and other payables

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000s	£000s	£000s	£000s
NHS payables - revenue	8,767	6,185	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	1,756	0	0	0
Non-NHS payables - revenue	11,330	17,366	0	0
Non-NHS payables - capital	6,220	7,967	0	0
Non-NHS accruals and deferred income	20,664	11,142	0	0
Social security costs	2,865	50	0	0
VAT	1	0	0	0
Tax	2,918	35	0	0
Payments received on account	0	0	0	0
Other	617	360	0	0
Total	55,138	43,105	0	0
Total payables (current and non-current)	55,138	43,105		
Included above:				
to Buy Out the Liability for Early Retirements Over 5 Years	0	0		
outstanding Pension Contributions at the year end	3,763	3,371		

27. Other liabilities

The Trust does not hold any other liabilities.

28. Borrowings

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000s	£000s	£000s	£000s
Bank overdraft - Government Banking Service	0	0	0	0
Bank overdraft - commercial banks	0	0	0	0
Loans from Department of Health	2,000	2,000	1,000	3,000
Loans from other entities	0	0	0	0
PFI liabilities:				
Main liability	998	1,029	27,915	28,913
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	66	182	0	53
Other (describe)	0	0	0	0
Total	3,064	3,211	28,915	31,966
Total other liabilities (current and non-current)	31,979	35,177		

Loans - repayment of principal falling due in:

	31 March 2014		
	DH	Other	Total
	£000s	£000s	£000s
0-1 Years	2,000	1,065	3,065
1 - 2 Years	1,000	2,323	3,323
2 - 5 Years	0	2,120	2,120
Over 5 Years	0	23,471	23,471
TOTAL	3,000	28,979	31,979

29. Other financial liabilities

The Trust does not hold any other financial liabilities.

30. Deferred revenue

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000s	£000s	£000s	£000s
Opening balance at 1 April 2013	2,118	3,284	0	0
Deferred revenue addition	4,138	1,822	0	0
Transfer of deferred revenue	(2,118)	(2,988)	0	0
Current deferred income at 31 March 2014	4,138	2,118	0	0
Total deferred income (current and non-current)	4,138	2,118		

31. Finance lease obligations as lessee

The only material finance lease held by the Trust relates to the Birmingham Treatment Centre which was funded under the Private Finance Initiative. Other finance lease are short term, generally five years or less, and relate to items of medical equipment or vehicles.

Contingent rentals are calculated only for the Birmingham Treatment Centre and are derived by considering the variation in payments between the base value and the value uplifted to reflect general price changes which is the basis on which lease rentals are chargeable.

Future minimum lease payments are discounted using Treasury approved discount rates to generate the present value of lease payments.

Amounts payable under finance leases (Other)

	Minimum lease payments		Present value of minimum	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000s	£000s	£000s	£000s
Within one year	66	182	66	182
Between one and five years	0	53	0	53
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Minimum Lease Payments / Present value of minimum lease payments	66	235	66	235
Included in:				
Current borrowings			66	182
Non-current borrowings			0	53
			66	235

32. Provisions

Comprising:

	Total	Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	13,523	846	337	4,395	0	8	7,937	0
Transfers under Modified Absorption Accounting - FCTs & SHAs	0	0	0	0	0	0	0	0
Transfers under Modified Absorption Accounting - Other Bodies	0	0	0	0	0	0	0	0
Arising During the Year	7,910	0	0	2,481	0	0	5,000	0
Utilised During the Year	(5,643)	(93)	429	(758)	0	0	(4,547)	0
Reversed Unused	(5,381)	(9)	(165)	(3,637)	0	(8)	(1,562)	0
Unwinding of Discount	66	20	0	0	0	0	46	0
Change in Discount Rate	123	16	0	0	0	0	107	0
Transfers to NHS Foundation Trusts (for Trusts becoming FTs only)	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 2014	10,598	780	356	2,481	0	0	6,981	0

Expected Timing of Cash Flows:

No Later than One Year	8,036
Later than One Year and not later than Five Years	989
Later than Five Years	1,573

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

As at 31 March 2014	59,553
As at 31 March 2013	60,295

Provisions relating to other staff covers pre 1995 early retirement costs. Liabilities and the timing of liabilities are based on pensions provided to individual ex employees and projected life expectancies using government actuarial tables. The major uncertainties rest around life expectancies assumed for the cases.

Legal claims cover the Trust's potential liabilities for public and employer liability. Potential liabilities are calculated using professional assessment of individual cases by the Trust's insurers. The Trust's maximum liability for any individual case is £10,000 with the remainder being covered by insurers.

Other provisions cover Injury Benefits £1,992,000, employment tribunals and litigation claims £387,000, other contractual obligations £4,391,000 and £211,000 for carbon emission credits repayable.

Injury benefit provisions are calculated with reference to the NHS Pensions Agency and actuarial tables for life expectancy.

Staff litigation claims represent potential liabilities to the Trust in respect of claims made by current or former employees.

The timing and amount of the cashflows is shown above but it must be pointed out that in the case of provisions, there will always be a measure of uncertainty. However, the values listed are best estimates taking all the relevant information and professional advice into consideration.

33. Contingencies

	31 March 2014	31 March 2013
	£000s	£000s
Contingent liabilities		
Equal Pay	0	0
Other	(620)	(794)
Amounts Recoverable Against Contingent Liabilities	0	0
Net Value of Contingent Liabilities	(620)	(794)

The Trust does not hold any contingent assets.

Contingent liabilities held by the Trust relate to employers and public liability claims (£180,000) and injury benefits (£440,000). These values relate to the difference between the maximum potential value of claims and the amount included by the Trust as a provision based on professional notification of the likelihood of the success of claims.

34. PFI and LIFT - additional information

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

	2013-14 £000s	2012-13 £000s
Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI		
Total charge to operating expenses in year - OFF SOFP PFI	0	0
Service element of on SOFP PFI charged to operating expenses in year	973	1,362
Total	973	1,362
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	1,244	1,091
Later than One Year, No Later than Five Years	5,415	5,201
Later than Five Years	34,764	35,502
Total	41,423	41,794

The estimated annual payments in future years are not expected to be materially different from those which the Trust is committed to make during the next year.

	2013-14 £000s	2012-13 £000s
Imputed "finance lease" obligations for on SOFP PFI contracts due		
No Later than One Year	3,148	3,120
Later than One Year, No Later than Five Years	13,281	12,722
Later than Five Years	63,394	65,712
Subtotal	79,823	81,554
Less: Interest Element	(50,910)	(51,612)
Total	28,913	29,942

	2013-14 £000s	2012-13 £000s
Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due		
Analysed by when PFI payments are due		
No Later than One Year	3,148	2,872
Later than One Year, No Later than Five Years	12,469	12,159
Later than Five Years	41,222	42,507
Total	56,839	57,538

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

35. Impact of IFRS treatment - current year

	2013-14 £000s	2012-13 £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)		
Depreciation charges	518	545
Interest Expense	2,140	1,982
Impairment charge - AME	(1,108)	0
Impairment charge - DEL	0	882
Other Expenditure	973	1,362
Revenue Receivable from subleasing	0	0
Impact on PDC dividend payable	(419)	(434)
Total IFRS Expenditure (IFRIC12)	2,104	4,337
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	(3,950)	(3,891)
Net IFRS change (IFRIC12)	(1,846)	446
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12		
Capital expenditure 2013-14	0	0
UK GAAP capital expenditure 2013-14 (Reversionary Interest)	192	186

36. Financial Instruments

36.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS trust has with commissioners and the way those commissioners are financed, the NHS 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 NHS 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 NHS trust in undertaking its activities.

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

36.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	0	0	0	0
Receivables - NHS	0	10,290	0	10,290
Receivables - non-NHS	0	6,241	0	6,241
Cash at bank and in hand	0	41,808	0	41,808
Other financial assets	0	0	0	0
Total at 31 March 2014	0	58,339	0	58,339
Embedded derivatives	0	0	0	0
Receivables - NHS	0	6,219	0	6,219
Receivables - non-NHS	0	5,275	0	5,275
Cash at bank and in hand	0	42,499	0	42,499
Other financial assets	0	0	0	0
Total at 31 March 2013	0	53,993	0	53,993

36.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0	0	0
NHS payables	0	6,636	6,636
Non-NHS payables	0	44,312	44,312
Other borrowings	0	0	0
PFI & finance lease obligations	0	28,979	28,979
Other financial liabilities	0	0	0
Total at 31 March 2014	0	79,927	79,927
Embedded derivatives	0	0	0
NHS payables	0	6,185	6,185
Non-NHS payables	0	26,920	26,920
Other borrowings	0	0	0
PFI & finance lease obligations	0	29,994	29,994
Other financial liabilities	0	0	0
Total at 31 March 2013	0	63,099	63,099

PFI & finance lease obligations relate to amounts payable in respect of the Trust's PFI and finance lease funded assets over the remaining life of the arrangements.

37. Events after the end of the reporting period

There are no material events after the reporting period which may have a material impact on the Trust's reported financial performance.

38. Related party transactions

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Sandwell & West Birmingham Hospitals NHS Trust.

The Department of Health is regarded as a related party. During 2013/2014, Sandwell And West Birmingham Hospitals 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. These entities are listed below:

	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
NHS Sandwell & West Birmingham CCG	8	253,266	4	3,454
NHS Cross City CCG		44,240	162	
NHS Birmingham South & Central CCG		13,555		197
NHS Walsall CCG		5,276		131
NHS Litigation Authority	7,221		7	
NHS Business Services Authority (NHS Pensions)	27,887		3,763	

There are a number of other Health Bodies with which the Trust has transacted during the normal course of its activities but these are not considered to be material.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Department for Education and Skills in respect of university hospitals and Sandwell MBC and Birmingham City Council in respect of joint enterprises.

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 NHS Trust Board.

The Trust has ongoing contractual relationships with all of the entities listed above.

39. Losses and special payments

The total number of losses cases in 2013-14 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	284,559	222
Special payments	250,521	88
Total losses and special payments	535,080	310

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	221,818	310
Special payments	199,044	87
Total losses and special payments	420,862	397

There were no individual cases where the value of losses or special payments exceeded £250,000 in either 2013/2014 or 2012/2013.

40. 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.

40.1 Breakeven performance

Turnover

Retained surplus/(deficit) for the year

Adjustment for:

Timing/non-cash impacting distortions:

Pre FDL(97)24 Agreements

2006/07 PPA (relating to 1997/98 to 2005/06)

2007/08 PPA (relating to 1997/98 to 2006/07)

2008/09 PPA (relating to 1997/98 to 2007/08)

Adjustments for Impairments

Adjustments for impact of policy change re donated/government grants assets

Consolidated Budgetary Guidance – Adjustment for Dual Accounting under IFRIC12*

Adsorption Accounting Adjustment

Other agreed adjustments

Break-even in-year position

Break-even cumulative position

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s
Turnover	313,388	327,536	348,475	359,161	384,774	387,870	424,144	433,007	439,022
Retained surplus/(deficit) for the year	(5,726)	3,399	6,524	2,547	(28,646)	(6,885)	4,540	(3,441)	(2,505)
Adjustment for:									
Timing/non-cash impacting distortions:									
Pre FDL(97)24 Agreements	0	0	0	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0	0	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0	0	0	0	0	0	0	0
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0	0	0	0	0	0	0
Adjustments for Impairments	0	0	0	0	36,463	9,533	(2,395)	8,872	8,922
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	358	1,092	334
Consolidated Budgetary Guidance – Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	(557)	(455)	(640)	0	0
Adsorption Accounting Adjustment	0	0	0	0	0	0	0	0	0
Other agreed adjustments	0	5,726	0	0	0	0	0	0	0
Break-even in-year position	(5,726)	9,125	6,524	2,547	7,260	2,193	1,863	6,523	6,751
Break-even cumulative position	(13,527)	(4,402)	2,122	4,669	11,929	14,122	15,985	22,508	29,259

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009–10, NHS [organisation]'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.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
Materiality test (i.e. is it equal to or less than 0.5%):	-1.83	2.79	1.87	0.71	1.89	0.57	0.44	1.51	1.54
Break-even in-year position as a percentage of turnover	-4.32	-1.34	0.61	1.30	3.10	3.64	3.77	5.20	6.66

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.

40.2 Capital cost absorption rate

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

40.3 External financing

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

	2013-14 £000s	2012-13 £000s
External financing limit (EFL)	3,015	5,425
Cash flow financing	(981)	(11,018)
Unwinding of Discount Adjustment	66	0
Finance leases taken out in the year	0	0
Other capital receipts	0	0
Net external financing requirement	(915)	(11,018)
Under/(Over) Spend against EFL	3,930	16,443

40.4 Capital resource limit

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

	2013-14 £000s	2012-13 £000s
Gross capital expenditure	21,630	17,717
Less: book value of assets disposed of	(193)	(245)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(213)	(39)
Charge against the capital resource limit	21,224	17,433
Capital resource limit	21,815	21,498
(Over)/underspend against the capital resource limit	591	4,065

41. Third party assets

The Trust does hold small amounts of 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. However, for both 31st March 2014 and 31st March 2013 the balance was nil.

42. Charitable Funds

The Board of Sandwell & West Birmingham Hospitals acts as corporate trustee for the Sandwell & West Birmingham Hospitals NHS Trust Charitable Funds. Within the specifications of IAS1, these funds are not considered to be material to the overall financial performance or position of the Trust and are therefore not consolidated into the accounts of the Trust.

For the financial year ended 31st March 2014, key performance statistics for the Charitable Funds are as follows:

	31st March 2014 £000	31st March 2013 £000
Incoming Resources	1,548	1,275
Resources Expended	(1,049)	(858)
Other Movements	(9)	265
Net Movement in Funds	490	682
Total Value of Charitable Funds at Year End	5,797	5,307

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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

5th June 2014



.....Chief Executive

5th June 2014



.....Finance Director



INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF SANDWELL AND WEST BIRMINGHAM HOSPITALS NHS TRUST

We have audited the financial statements of Sandwell and West Birmingham Hospitals NHS Trust for the year ended 31 March 2014 on pages 1 to 45. These financial statements have been prepared under applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England. We have also audited the information in the Remuneration Report that is subject to audit.

This report is made solely to the Board of Directors of Sandwell and West Birmingham Hospitals NHS Trust, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Board of the Trust, as a body, 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 Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of financial statements which 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.

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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2014 and of the Trust's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters prescribed by the Code of Audit Practice 2010 for local NHS bodies

In our opinion:

- the part of the Remuneration Report subject to audit has been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the Strategic Report and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for local NHS bodies requires us to report to you if:

- in our opinion, the Governance Statement does not reflect compliance with the Department of Health's requirements;
- any referrals to the Secretary of State have been made under section 19 of the Audit Commission Act 1998; or
- any matters have been reported in the public interest under the Audit Commission Act 1998 in the course of, or at the end of the audit.

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Trust's responsibilities

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 2010 for local NHS bodies issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

We have undertaken our work in accordance with the Code of Audit Practice 2010 for local NHS bodies, having regard to the guidance on the specified criteria, published by the Audit Commission in April 2014, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 2010 for local NHS bodies 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 2014.

We planned and performed our work in accordance with the Code of Audit Practice 2010 for local NHS bodies. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all material respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in April 2014, we are satisfied that, in all material respects, Sandwell and West Birmingham Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We cannot issue an audit certificate until we have completed the work necessary to provide assurance over the Trust's annual quality accounts. Completion of our limited assurance work on the annual quality accounts is not expected to give rise to any issues which will have an impact on the statutory financial statements or on our use of resources conclusion.



Andrew Bostock for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

6 June 2014

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

The Chief Executive of the NIIS 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.

Signed.....Chief Executive

Date 5th June 2014