NHS
Shropshire
Community Health
NHS Trust

Annual Accounts for the year ended 31 March 2018

Accountability Report: Corporate Governance Report

Statement of the Chief Executive's Responsibilities as the Accountable Officer

The Chief Executive of NHS Improvement 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 NHS Improvement. These include ensuring that:

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

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

I can confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

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

Jan Ditheridge
Chief Executive

25 May 2018

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.

R. Preen

Ros Preen
Director of Finance
25 May 2018

Jan Ditheridge

Jan Ditheridge
Chief Executive
25 May 2018

Shropshire Community Health NHS
NHS Trust

Annual Governance Statement 2017/18

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Trust Accountable Officer Memorandum*.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Shropshire Community Health NHS Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Shropshire Community Health NHS Trust for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board consists of the Chair, five non-executive directors (currently including one vacancy) and five voting executive directors. During the year there has been one non-voting director (Director of Corporate Affairs/Board Secretary). The Director of Strategy left the Trust in February 2017..

The Board has been supported by 5 committees throughout the year:

- Resources and Performance Committee
- Quality and Safety Committee
- Audit Committee
- Nomination, Remuneration and Appointments Committee
- Charitable Funds Committee

These committees provide reports to the Board, following their meetings.

The Board's prime roles are assurance, strategy and developing organisational culture. Its meetings cover comprehensive items on quality, finance and strategy. It receives a governance report at each meeting dealing with risk assessment and the Board Assurance Framework, and corporate governance compliance. The Board receives reports relating to Finance and Quality at each meeting. These are supported by a performance management framework which highlights to the Board any potential or actual problems in meeting its objectives.

All staff undertake a programme of training related to the risks they encounter with the work they carry out. Managers, supervisors and team leaders attend risk management training, which includes explanation and familiarisation with the Trust's risk management framework, and their roles in using it to identify and mitigate risk. Managers are supported by the Corporate Risk Manager, who provides guidance on all aspects of risk management.

The risk and control framework

The system of internal control is designed to manage risks to a reasonable level, rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The purpose of the risk and control framework is to ensure risk is managed at a level that allows the Trust to meet its strategic objectives. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- Where risk cannot be prevented to mitigate the consequences, e.g. by putting into place response plans, or provide deterrents e.g. awareness of sanctions relating to fraud.

The Risk Management Policy details the structure for the Trust's risk and control mechanisms. This includes the duties of individuals, groups and committees and the responsibility for the identification of risks, controls, further mitigation control and assurances.

The Quality and Safety Committee has the overall responsibility for the monitoring of the Trust's Risk Registers, which is conducted via the Quality and Safety Operational Group and Quality and Safety Service Delivery Groups (with exceptions being notified to the Quality and Safety Committee). The Audit Committee, through its work programme, scrutinises the registers and risk management processes, seeking additional assurance where necessary.

The Resources and Performance Committee considers the detailed work and reports related to finance, business and cost improvements, performance indicators and contract monitoring performance indicators. It identifies any risks associated with these areas and reports these to the Board for inclusion in the risk management framework where it is appropriate to do so. It monitors the effectiveness of any controls in place and the implementation of further controls.

The Audit Committee reviews the assurance that the Trust's internal control systems are effective. It does this by:

- Reviewing assurances relating to risks on Board Assurance Framework and Corporate Risk Register.
- Reviewing processes and performance related to Fraud and Security.
- Seeking and reviewing assurances from internal and external auditors.
- Reviewing financial systems.

The Trust's risk management arrangements are set out in the Risk Management Policy. This sets out how risks are identified, assessed and managed through the hierarchy of risk register levels, which are overseen in specific defined ways through the organisation, culminating in the Board overseeing the highest risks to achievement of strategic objectives (the Board Assurance Framework).

The Audit Committee reviews the Board Assurance Framework and tests assurances with management. Internal Audit have reviewed the framework in place within the Trust during 2017/18 and have reported their findings as part of the Head of Internal Audit opinion. The Audit Committee reports its finding to the Board, which reviews the framework at each meeting.

Risks are identified through:

- The recording and investigation of incidents, complaints and claims.
- Specific group and committee sessions to identify and analyse risks.
- Clinical, internal and external audit.
- Other work carried out by groups and committees.
- External and internal reports and inspections.
- Other external bodies, e.g. commissioners, CQC.
- Being raised by individual managers and staff.
- Performance Management Framework reports
- Patient feedback

All risks are rated using a 5 by 5 risk matrix. Risk consequences are defined on the matrix using four categories:

- Injury or harm
- Finance
- Service delivery
- Reputation

Dependant on the rating, risks are recorded at 4 levels:

Departmental	Risks that are low level and can be managed locally Risks are monitored at team level, e.g. through team meetings
Directorate	Risks of a moderate level that impact on the directorate's service objectives Risks are monitored at divisional/directorate quality groups, and are overseen by the Quality and Safety Delivery Group, via a sub group which considers the risk in detail.
Corporate	Risks that are moderate but Trust-wide and have impact on the Trust's strategic objectives Risks are monitored by the Executive Team and overseen by the Audit Committee.
Board Assurance Framework	Significant risks to the Trust's corporate objectives Risks are monitored by the Board

At each level the overseeing committee considers the risk potential, and the level of control in place, and decides whether a risk can be accepted.

The mitigation controls are identified at all risk levels, along with any actions necessary to further control or mitigate the risks. The risk management policy identifies the groups and committees whose responsibility it is to monitor risks at the four levels, the effectiveness of their controls and the implementation of actions to further mitigate the risks.

All risks are recorded on Datix, the Trust's risk management software.

Any service change is subject to a full Equality and Quality Impact Assessment (EQIA) process, monitored by the Quality and Safety Committee. This process identifies any risks, and any mitigation or change that needs to be put into place.

The Trust has in place a well-established incident reporting system and culture. All staff use an online form which is submitted to their line manager. Risk staff provide local training to services and have an overview of all incidents. Line Managers investigate the circumstances of all incidents, serious incidents follow a more formal route with Root Cause Analysis investigations which are scrutinised by the Incident Review and Lessons Learned Group. Learning and advice, including encouragement to report are publicised through the Trust's staff communication systems, include the staff newsletter and individual alerts to staff

The Trust has arrangements in place to manage Infection Prevention and Control and the Safeguarding of Children and Vulnerable Adults. These include external partnership arrangements with Local Authorities, Police and Shrewsbury and Telford Hospital Trust.

A key priority of the Trust is to achieve a CQC rating of Good. An assessment has been carried out measuring performance against the key lines of enquiry and an action plan has been implemented. Plans are monitored by the service delivery groups and quality and safety committee, and the process is scrutinised annually by the audit committee.

In November and January the Trust reported two Never Events. Both of these related to the extraction of the wrong adult tooth. The dental service has put into place measures to improve extraction processes, particularly related to tooth identification.

The following significant risks have been identified as applying during the whole year, and are on the Board Assurance Framework

Title	Risk	Mitigation
Meeting Financial Targets	Trust fails to meet targets for CIPs, breakeven, external finance limit, capital expenditure or agreed surpluses	Financial monitoring Long term financial modelling Cost improvement plans evaluation and monitoring.
Recruitment/Agency costs	Costs of agency staff particularly where vacancies are difficult to recruit to. Meeting national requirements for agency usage. Potential patient safety risks.	Review and monitoring usage and cost. Recruitment initiatives. Ensuring sage staffing levels.
Risk to transforming services as a result of local and national contexts	Competing health priorities do not allow sufficient resources to transform community services	Trust involvement in health economy service changes (Future Fit) Greater involvement of clinicians in initiatives. Development of integrated strategy and divisional plans.

Risk of delay in achieving change to organisational culture	The organisation does not develop or change quickly enough to take advantage of development opportunities	Organisational development plan. Engagement with staff by CEO and Directors.
Risk to transforming services as a result of shortfalls in Trust systems e.g. IMT	Administration systems do not support changing services	Electronic Patient Record (EPR) replacement project underway Implementation of interim targeted solutions where need is identified.
Clinical Quality	Care does not meet the standards that the public, commissioners and regulators expect.	Defined and effective Quality Governance Structure Monitoring of quality indicators, carrying out clinical audits, investigating and learning from untoward events, complaints and claims.

The risk for Trust Sustainability was removed in early 2017 and replaced with an entry for transitioning to a new organisational form. This followed the decision by the Board in November 2016 to seek a partner to acquire the Trusts service. This NHSI-led process is progressing, with a decision expected in the next few months. The risk details the risks to the process and the potential for de-stabilisation.

A group of senior trust managers met in January 2018 to review evidence against the well led framework. The resulted in an assessment by the Board in line with NHS Improvements guidance document "Developmental reviews of leadership and governance using the well led framework: guidance for NHS trust and NHS foundation trusts" in February 2018. This document recommends external validation, the Trust has been advised by NHS Improvement not to proceed with this due to the impending transaction. This will be kept under review if the timetable gets significantly extended

As part of the Trust's assessment against compliance with the conditions for the NHS Provider License two risks have been identified:

- The Trust has a vacancy for a Non-Executive Director with a clinical background.
- CQC inspected the Trust in March 2016 and gave a rating of "required improvement" The Trust has completed the action plan in response to this and is awaiting a follow up inspection

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

The trust is fully compliant with the registration requirements of the Care Quality Commission.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Review of economy, efficiency and effectiveness of the use of resources

NHS Trusts are required to deliver statutory and other financial duties. For the year ended 31 March 2018, the Trust met these duties, as summarised below, and set out in more detail within the financial statements:

- to break-even on Income & Expenditure – achieved
- to maintain capital expenditure below a set limit – achieved
- to remain within an External Financing Limit (EFL) - achieved

Within this, the Trust faced significant challenge in delivering the efficiency programme for the year, with plans remaining under development throughout most of the year. However, the target was met by year end, with non-recurrent measures replacing in-year shortfalls in recurrent initiatives where required. Whilst this area remains a significant challenge, the Trust's transformational approach to generate and implement efficiency measures has been revised and strengthened.

Checking the correct discharge of statutory functions is managed via the Trust risk management system. No areas of non-compliance have been identified.

The Resource and Performance Committee monitor resources at its monthly meeting and prepare a report for each Board meeting. Financial systems are audited by the Trust's Internal Auditors, consistently gaining a rating of either full or substantial assurance, External auditors have given an unqualified Value for Money rating for each year since the Trust was formed in 2011

Information governance

The Trust has robust measures in place to protect sensitive information. This includes paper based information and electronic data. An assessment of the risks related to information security has taken place and is reviewed annually. Where concerns are raised these are investigated thoroughly
and further data controls are introduced where necessary. Information governance is reported to the Board through the Resources and Performance Committee and Quality and Safety Committee.
These committees are supported by operational groups which assess and test the robustness of the systems employed. All mobile electronic devices used by the Trust are fully encrypted to ensure that unauthorised personnel cannot access the data.

No serious incidents were reported relating to data security.

Annual Quality Account

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year

This account looks back at performance in the last year and sets priorities for the following year. The Board approves the account prior to publication. Arrangements are in place via service delivery groups and trust wide groups to report quality and safety matters to the Quality and Safety Committee, which in turn reports to the Board. This includes progress against the priorities set out in the Quality Account.

The Trust has systems in place to verify data quality, including elective waiting time data. These include:

- Validation of data reports and results by service managers and systems users
- Planned internal audits of data by informatics staff.
- Audits by RSM staff on selected data sets and processes. Where issues are raised action plans are developed and monitored to meet recommendations.
- Electronic data validation e.g. missed mandatory fields and data out of permitted ranges.
- Performance data monitoring by Trust groups and committees and subsequent enquiries.
- Commissioner scrutiny of activity and quality data.
- User training on systems, e.g. clinical coding.

In 2016 the Trust began implementation of a new Electronic Patient Record. A phased implementation began March 2017 within services. This system provides front end functionality for managing both waiting lists and referral to treatment pathways.

As part of the implementation services migrated patient related information including current waiting lists. This was validated as part of the migration strategy.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee, the quality and safety committee and the resources and performance committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal audit provides an opinion on the effectiveness of the System of Internal Control.

The opinion for 2017/18 is:

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

The opinion highlights two areas where further work is necessary:

- Estates and Facilities Service Level Agreement – Monitoring Arrangements.
- Clinical Audit against the Healthcare Quality Improvement Plan

For both of these the Trust has accepted the recommendations made by auditors and has put in place action plans to address the control issues.

The systems for providing assurance that risks are being managed effectively are monitored by the Audit Committee. Assurance sources include:

- Audit Committee programmes and reviews
- Internal and External Audits
- Counter Fraud and Security Management
- Risk Management Reports
- Staff and Patient Surveys
- Clinical Audit Reports
- CQC Self Assessment, inspections and reviews
- Counter Fraud Reports
- Management Reports
- Performance and Quality Reports
- Review of Governance Arrangements

The above and any other sources of assurance are reviewed by the Trust Board, Audit Committee, Resources and Performance Committee, Quality and Safety Committee and individual members of staff who contribute to the system for internal control.

Following review of the above the Audit Committee has confirmed that there is an effective risk management process in place.

Conclusion

No significant control issues have been identified for the year ended 31st March 2018

Signed... Jan Ditheridge ...

Chief Executive Date: 25th May 2018

Independent auditor's report to the Directors of Shropshire Community Health NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shropshire Community Health NHS Trust (the 'Trust') for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 4 to 56, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of our work including that gained through work in relation to the Trust's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resource or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the guidance issued by NHS Improvement or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration Report and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the annual 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

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have referred a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we had reason to believe that the Trust, or an officer of the Trust, was about to make, or had made, a decision which involved or would involve the body incurring unlawful expenditure, or was about to take, or had begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we have made a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Directors and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Director's Responsibilities set out on page 33, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Trust.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception - Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We have nothing to report in respect of the above matter.

Responsibilities of the Accountable Officer

As explained in the Statement of the Chief Executive's Responsibilities, as the Accountable Officer of the Trust, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of Shropshire Community Health NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Grant Patterson

Grant Patterson
Director
for and on behalf of Grant Thornton UK LLP

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

25 May 2018

Statement of Comprehensive Income the year ended 31 March 2018

	Note	2017/18 £000's	2016/17 £000's
Operating income from patient care activities	2	**72,473**	74,996
Other operating income	3	**5,388**	4,381
Operating expenses	4, 4.1	**(74,248)**	(76,303)
Operating surplus/(deficit) from continuing operations		**3,613**	3,074
Finance income	8	**28**	19
Finance expenses		**0**	0
PDC dividends payable		**(602)**	(527)
Net finance costs		**(574)**	(508)
Other gains / (losses)	9	**3**	(32)
Share of profit / (losses) of associates / joint arrangements		**0**	0
Gains / (losses) arising from transfers by absorption		**0**	0
Corporation tax expense		**0**	0
Surplus / (deficit) for the year from continuing operations		**3,042**	2,534
Surplus / (deficit) on discontinued operations and the gain / (loss) on disposal of discontinued operations		**0**	0
Surplus / (deficit) for the year		**3,042**	2,534

Other comprehensive income

	Note	2017/18	2016/17
Will not be reclassified to income and expenditure:			
Impairments		**0**	0
Revaluations	10.1	**2,607**	1,083
Share of comprehensive income from associates and joint ventures		**0**	0
Other recognised gains and losses		**0**	0
Re-measurements of the net defined benefit pension scheme liability / asset		**0**	0
Other reserve movements		**0**	0
May be reclassified to income and expenditure when certain conditions are met:			
Fair value gains / (losses) on available-for-sale financial investments		**0**	0
Recycling gains / (losses) on available-for-sale financial investments		**0**	0
Foreign exchange gains / (losses) recognised directly in OCI		**0**	0
Total comprehensive income / (expense) for the period		**5,649**	3,617

Financial performance for the year

	2017/18 £000s	2016/17 £000s
Retained surplus/(deficit) for the year	**3,042**	2,534
Prior period adjustment to correct errors and other performance adjustments	**0**	0
IFRIC 12 adjustment (including IFRIC 12 impairments)	**0**	0
Impairments (excluding IFRIC 12 impairments)	**0**	0
Adjustments in respect of donated gov't grant asset reserve elimination	**(284)**	62
Adjustment re absorption accounting	**0**	0
Adjusted retained surplus/(deficit)	**2,758**	2,596
Adjusted financial performance excluding STF	**505**	662

The adjustment to arrive at reported financial performance relates to the favourable impact on the Trust of the change in accounting policy from 2011/12 for assets funded by donations or government grants.

The notes on pages 7 to 34 form part of this account.

Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Intangible assets		**0**	0
Property, plant and equipment	10.1	**27,142**	23,627
Investment property		**0**	0
Investments in associates and joint ventures		**0**	0
Other investments / financial assets		**0**	0
Trade and other receivables	13.1	**72**	111
Other assets		**0**	0
Total non-current assets		**27,214**	23,738
Current assets			
Inventories	12	**296**	272
Trade and other receivables	13.1	**5,549**	3,167
Other investments / financial assets		**0**	0
Other assets		**0**	0
Non-current assets held for sale / assets in disposal groups		**0**	0
Cash and cash equivalents	15	**8,667**	7,531
Total current assets		**14,512**	10,970
Current liabilities			
Trade and other payables	16.1	**(7,782)**	(6,130)
Borrowings		**0**	0
Other financial liabilities		**0**	0
Provisions	18.1	**(4)**	(287)
Other liabilities		**0**	0
Liabilities in disposal groups		**0**	0
Total current liabilities		**(7,786)**	(6,417)
Total assets less current liabilities		**33,940**	28,291
Non-current liabilities			
Trade and other payables		**0**	0
Borrowings		**0**	0
Other financial liabilities		**0**	0
Provisions		**0**	0
Other liabilities		**0**	0
Total non-current liabilities		**0**	0
Total assets employed		**33,940**	28,291
Financed by			
Public dividend capital		**589**	589
Revaluation reserve		**9,210**	6,613
Other reserves		**0**	0
Income and expenditure reserve		**24,141**	21,089
Total taxpayers' equity		**33,940**	28,291

The notes on pages 7 to 34 form part of these accounts.

Chief Executive: Jan Ditheridge **Date:** 25-05-18

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2017 - brought forward	589	6,613	21,089	28,291
Surplus/(deficit) for the year	0	0	3,042	3,042
Transfers by absorption: transfers between reserves	0	0	0	0
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	0	0	0	0
Other transfers between reserves	0	0	0	0
Impairments	0	0	0	0
Revaluations	0	2,607	0	2,607
Transfer to retained earnings on disposal of assets	0	(10)	10	0
Share of comprehensive income from associates and joint ventures	0	0	0	0
Fair value gains/(losses) on available-for-sale financial investments	0	0	0	0
Recycling gains/(losses) on available-for-sale financial investments	0	0	0	0
Foreign exchange gains/(losses) recognised directly in OCI	0	0	0	0
Other recognised gains and losses	0	0	0	0
Re-measurements of the defined net benefit pension scheme liability/asset	0	0	0	0
Public dividend capital received	0	0	0	0
Public dividend capital repaid	0	0	0	0
Public dividend capital written off	0	0	0	0
Other movements in public dividend capital in year	0	0	0	0
Other reserve movements	0	0	0	0
Taxpayers' equity at 31 March 2018	589	9,210	24,141	33,940

Statement of Changes in Equity for the year ended 31 March 2017

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' equity at 1 April 2016 - brought forward	589	5,539	18,546	24,674
Prior period adjustment	0	0	0	0
Taxpayers' equity at 1 April 2016 - restated	589	5,539	18,546	24,674
Surplus/(deficit) for the year	0	0	2,534	2,534
Transfers by absorption: transfers between reserves	0	0	0	0
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	0	0	0	0
Other transfers between reserves	0	(9)	9	0
Impairments	0	0	0	0
Revaluations	0	1,083	0	1,083
Transfer to retained earnings on disposal of assets	0	0	0	0
Share of comprehensive income from associates and joint ventures	0	0	0	0
Fair value gains/(losses) on available-for-sale financial investments	0	0	0	0
Recycling gains/(losses) on available-for-sale financial investments	0	0	0	0
Foreign exchange gains/(losses) recognised directly in OCI	0	0	0	0
Other recognised gains and losses	0	0	0	0
Re-measurements of the defined net benefit pension scheme liability/asset	0	0	0	0
Public dividend capital received	0	0	0	0
Public dividend capital repaid	0	0	0	0
Public dividend capital written off	0	0	0	0
Other movements in public dividend capital in year	0	0	0	0
Other reserve movements	0	0	0	0
Taxpayers' equity at 31 March 2017	589	6,613	21,089	28,291

Information on reserves

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

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

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

Statement of Cash Flows for the year ended 31 March 2018

	Note	2017/18 £000	2016/17 £000
Cash flows from operating activities			
Operating surplus / (deficit)		3,613	3,074
Non-cash income and expense:			
Depreciation and amortisation	4	1,603	1,237
Net impairments		0	0
Income recognised in respect of capital donations	3	(381)	(45)
Amortisation of PFI deferred credit		0	0
Non-cash movements in on-SoFP pension liability		0	0
(Increase) / decrease in receivables and other assets		(2,340)	588
(Increase) / decrease in inventories		(24)	176
Increase / (decrease) in payables and other liabilities		1,585	(1,459)
Increase / (decrease) in provisions		(283)	141
Tax (paid) / received		0	0
Operating cash flows from discontinued operations		0	0
Other movements in operating cash flows		0	0
Net cash generated from / (used in) operating activities		3,773	3,712
Cash flows from investing activities			
Interest received		25	19
Purchase and sale of financial assets / investments		0	0
Purchase of intangible assets		0	0
Sales of intangible assets		0	0
Purchase of property, plant, equipment and investment property		(2,457)	(1,437)
Sales of property, plant, equipment and investment property		3	1
Receipt of cash donations to purchase capital assets	10.6	381	45
Prepayment of PFI capital contributions		0	0
Investing cash flows of discontinued operations		0	0
Cash movement from acquisitions/disposals of subsidiaries		0	0
Net cash generated from / (used in) investing activities		(2,048)	(1,372)
Cash flows from financing activities			
Public dividend capital received		0	0
Public dividend capital repaid		0	0
Movement on loans from the Department of Health and Social Care		0	0
Movement on other loans		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		0	0
Capital element of PFI, LIFT and other service concession payments		0	0
Interest paid on finance lease liabilities		0	0
Interest paid on PFI, LIFT and other service concession obligations		0	0
Other interest paid		0	0
PDC dividend (paid) / refunded		(589)	(556)
Financing cash flows of discontinued operations		0	0
Cash flows from (used in) other financing activities		0	0
Net cash generated from / (used in) financing activities		(589)	(556)
Increase / (decrease) in cash and cash equivalents		1,136	1,784
Cash and cash equivalents at 1 April - brought forward		7,531	5,747
Cash and cash equivalents transferred under absorption accounting		0	0
Unrealised gains / (losses) on foreign exchange		0	0
Cash and cash equivalents at 31 March	15	8,667	7,531

Notes to the Accounts

1 Accounting policies and other information

1.1 Basis of preparation
The Department of Health and Social Care has directed that the financial statements of the trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2017/18 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to accounts.

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

1.1.2 Going concern
These accounts have been prepared on a going concern basis.
Management has assessed that the Trust's position supports the production of the annual accounts on a going concern basis. Consideration in reaching this judgement covers historic, current and planned financial performance, contracts, business development, long-term sustainability of services.

1.2 Critical accounting judgements and key sources of estimation uncertainty
The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the trust accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

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

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

1. Determining whether substantially all the significant risks and rewards of ownership of leased assets have transferred to determine whether a lease is a finance lease or an operating lease.
2. Determining whether charitable funds are a subsidiary of the Trust, and whether they are material, to determine whether or not to consolidate.
3. Determining that the Electronic Patient Record (EPR) software is integral to the operation of the purchased hardware so is classed as a tangible asset

1.2.2 Key Sources of estimation uncertainty
The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

1. Land and buildings (£23m) are valued periodically by an external valuation specialist who make assumptions concerning values, and estimates are also made concerning the remaining lives of these assets. If the valuations were 1% different, this would amount to £0.2m. The valuations would have to be different by 6% (£1.3m) to be considered material.

Notes to the Accounts

Notes to the Accounts - 1 Accounting policies and other information (continued)

1.3 Charitable Funds

Under the provisions of IFRS 10 Consolidated Financial Statements, those charitable funds that fall under common control with NHS Trusts are consolidated within the entity's financial statements. As the Trust is the corporate trustee of the linked NHS Charity (Shropshire Community Health NHS Trust General Charitable Fund), it effectively has the power to exercise control so as to obtain economic benefits. However the balance and transactions are immaterial in the context of the group and transactions have not been consolidated. Details of the transactions with the charity are included in Note 21: related party transactions.

1.4 Revenue

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

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

1.5 Employee benefits

1.5.1 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 annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period

1.5.2 Pension benefit costs

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

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

1.6 Other Expenditure

Other operating expenses are recognised when, and to the extent that, the goods or services have been received, with the exception of lease car rentals which are recognised when the annual rental is due. They are measured at the fair value of the consideration payable.

Notes to the Accounts

Notes to the Accounts - 1 Accounting policies and other information (continued)

1.7 Property, plant and equipment

1.7.1 Recognition

Property, plant and equipment is capitalised where:

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

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.

1.7.2 Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date. An item of property, plant and equipment which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

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

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

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

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

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful economic lives or low values or both, as this is not considered to be materially different from current value in existing use. Where a piece of equipment has a net book value in excess of £30,000 it is indexed using the inflation figure quoted in the NHS planning guidance for the year.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses 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.

1.7.3 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.

Notes to the Accounts

Notes to the Accounts - 1 Accounting policies and other information (continued)

1.7.4 Depreciation and impairments

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

Property, plant and equipment assets in the course of construction are not depreciated until the asset is brought into use. Freehold land, properties under construction, non-operational and assets held for sale are not depreciated.

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

At each financial year end, the Trust reviews whether there is any indication that its property, plant and equipment have suffered an impairment loss. If there is indication such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its value.

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

1.8 Donated assets

Donated non-current assets are capitalised at current value in existing use, if they will be held for their service potential, or otherwise at value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.9 Revenue government and other grants

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

1.10 Leases

All Trust leases held are classified as operating leases.

1.10.1 The Trust as lessee

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.

1.10.2 The Trust as lessor

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

1.11 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.

1.12 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.

Notes to the Accounts

Notes to the Accounts - 1 Accounting policies and other information (continued)

1.13 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.
The Trust has not applied the Treasury's discount rates because settlement of the provisions is expected within one year and the impact of discounting is not material.
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.

1.13.1 Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS resolution on behalf of the Trust is disclosed at note 18

1.13.2 Non-clinical risk pooling

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

1.14 Contingencies

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

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

1.15 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; available for sale financial assets, and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1.15.1 Receivables

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 directly/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.

1.16 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.

Notes to the Accounts

Notes to the Accounts - 1 Accounting policies and other information (continued)

1.17 Value Assed 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.

1.18 Public dividend capital

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

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

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated assets (including lottery funded assets),

(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.
In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

1.19 Losses and Special Payments

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

1.20 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2017/18.

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

The HM Treasury GAM (Government Accounting Manual) does not require the following Standards and Interpretations to be applied in 2017-18. These standards are still subject to HM Treasury interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018/19, and the government implementation date for IFRS 16 being 2019/20.

IFRS 9 Financial Instruments – application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the GAM: early adoption is not therefore permitted. However, it is not anticipated that there will be any particular implication for the Trust.

IFRS 15 Revenue From Contracts With Customers - application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the GAM: early adoption is not therefore permitted. The Trust already recognises revenue at the relevant point as specified in contracts, and the Trust calculates the value of incomplete spells for the TEMS contract. There is unlikely to be a material impact arising from the adoption of IFRS 15 for the Trust.

IFRS 16 Leases – application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the GAM: early adoption is not therefore permitted. The distinction between operating leases and finance leases will cease, therefore the Trust's current operating leases over 1 year would need to be recognised on the balance from 2019/20. There are potentially 25 building leases and 147 lease cars that will fall within the scope of IFRS 16; there is likely to be a material impact for the Trust upon adoption of this standard as current operating leases are £2.2m in 2017-18 with the materiality threshold being £1.3m.

1.22 Auditors Liability

The auditors liability under the other East of England framework subject to clause 13.1, 13.3 and 13.5 of schedule 2 of the standard framework, the total liability of each Party to the other under or in connection with this Framework Agreement whether arising in contract, tort, negligence, breach of statutory duty or otherwise shall be limited in aggregate to five hundred thousand GBP (£500,000).

Note 2 Operating segments

The Trust has one operating segment being healthcare services, this is in line with the organisations management reporting structure.

Note 3.1 Revenue from patient care activities

	2017/18	2016/17
	£000	£000
NHS Trusts	661	675
NHS England	4,658	4,498
Clinical commissioning groups	56,861	58,497
Foundation Trusts	76	575
Department of Health and Social Care	-	-
NHS other	-	-
Local authorities	9,327	9,870
Non-NHS: private patients	-	-
Non-NHS: overseas patients (chargeable to patient)	-	-
NHS injury scheme	78	79
Non NHS: other	812	802
Total income from activities	72,473	74,996
Of which:		
Related to continuing operations	72,473	74,996

Note 3.2 Other operating revenue

	2017/18	2016/17
	£000	£000
Income in respect of staff costs where accounted on gross basis	89	99
Research and development	9	-
Education and training	676	864
Receipt of capital grants and donations	381	45
Charitable and other contributions to expenditure	-	-
Non-patient care services to other bodies	81	83
Support from the Department of Health and Social Care for mergers	-	-
Sustainability and transformation fund income	2,253	1,934
Income generation (Other fees and charges)	628	626
Rental revenue from operating leases	170	207
Rental revenue from finance leases	-	-
Other revenue	1,101	523
Total other operating revenue	5,388	4,381
Of which:		
Related to continuing operations	5,388	4,381

An additional analysis of significant items of income included in 17/18 Other Revenue-£1101k (16/17 £523k) : Property Rentals £210k (16/17 £139k), Catering £44k (16/17 £41k), DHSC HSCN Grant £143k (16/17 £0), Local Authority Contributions to Running Costs £215k (16/17 £180k), Estates Recharge to Foundation Trust £229k (16/17 £0), Widening Access Refund £0k (16/17 £84K).

The STF (sustainability and transformation fund) is a mechanism to allocate centrally held support to NHS provider organisations, based on the achievement of a number of performance targets, both financial and activity based.

Note 4 Operating expenses

	2017/18	2016/17
	£000	£000
Purchase of healthcare from other NHS Trusts	1,963	2,484
Purchase of healthcare from NHS Foundation Trusts	393	394
Purchase of healthcare from non-NHS and non-DHSC bodies	-	-
Purchase of social care	-	-
Remuneration of chair & non-executive directors	48	54
Supplies and services - clinical (excluding drugs costs)	6,852	5,915
Supplies and services - general	592	601
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	898	1,049
Inventories written down	-	-
Consultancy costs	137	270
Establishment	2,174	2,179
Premises	4,533	4,937
Transport (including patient travel)	-	-
Depreciation on property, plant and equipment	1,603	1,237
Amortisation on intangible assets	-	-
Net impairments	-	-
Increase/(decrease) in provision for impairment of receivables	18	11
Increase/(decrease) in other provisions	-	-
Change in provisions discount rate(s)	-	-
Audit fees payable to the external auditor		
audit services- statutory audit	40	41
other auditor remuneration (external auditor only)	-	-
Internal audit costs	58	56
Clinical negligence	180	128
Legal fees	353	183
Insurance	149	129
Research and development	-	-
Education and training	225	298
Rentals under operating leases	2,162	2,319
Early retirements	-	-
Redundancy	-	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) on IFRS basis	-	-
Charges to operating expenditure for off-SoFP IFRIC 12 schemes	-	-
Car parking & security	58	31
Hospitality	7	7
Losses, ex gratia & special payments	3	2
Grossing up consortium arrangements	-	-
Other services, e.g. external payroll	264	257
Other	851	374
Total operating expenses (excluding employee benefits)	23,561	22,956

An additional analysis of significant items of expenditure included in 17/18 Other £851k (16/17 £374k): Ministry of Justice Bedwatch & Escort Scheme £344k (16/17 £214k), Care Quality Commission Subscription £159k (16/17 £108k). Foundation Trust MSK £253k (16/17 £0).
Audit fees are stated gross of VAT as it is irrecoverable.

Note 4.1 Employee benefits

Staff and executive directors costs	49,995	52,595
Board Members	692	752
Total employee benefits	50,687	53,347
Total operating expenses	74,248	76,303
Of which:		
Related to continuing operations	74,248	76,303

Note 5 Operating leases

Note 5.1 Trust as a lessee

The most significant lease payments are to NHS Property Services. A number of premises used by the Trust transferred from local PCTs to NHS Property Services in 2013/14. Under DH guidance, the Trust was not permitted to own/lease these properties, mainly because they are non-clinical. Whilst no leases have yet been agreed with NHS Property Services, invoices have been received by the Trust and payments have been made.

The remaining building leases are for properties leased by the Trust directly, and other category is lease cars for staff.

	2017/18		Total	
	Buildings	Other	2017/18	2016/17
	£000	£000	£000	£000
Operating lease expense				
Minimum lease payments	1,720	442	2,162	2,319
Contingent rents			-	-
Less sublease payments received			-	-
Total	1,720	442	2,162	2,319
Future minimum lease payments due:				
- not later than one year;	1,568	232	1,800	2,150
- later than one year and not later than five years;	1,507	124	1,631	1,882
- later than five years.	3,818	-	3,818	4,832
Total	6,893	356	7,249	8,864
Future minimum sublease payments to be received	0	0	0	0

A remaining lease term of 20 years has been indicated by NHSPS for Ludlow hospital owned by them and leased by the Trust. There are a another 15 properties leased from NHSPS and future payments for all of these are for 1 year. There are a further 15 properties leased from the private sector or local authorities with varying remaining lease terms of between 1 to 23.5 years, the longest lease is for Church Stratton health centre.

Note 5.2 Trust as a lessor

This note discloses income generated in operating lease agreements where Shropshire Community Health NHS Trust is the lessor.

The are 2 remaining properties that the Trust leases out being Bridgnorth Health Centre with 87 years remaining, and Whitchurch GP surgery with 1.5 years left.

	2017/18	2016/17
	£000	£000
Operating lease revenue		
Minimum lease receipts	170	207
Contingent rent	-	-
Other	-	-
Total	170	207

	2017/18	2016/17
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	91	225
- later than one year and not later than five years;	203	247
- later than five years.	3,690	3,735
Total	3,984	4,207

Note 6 Employee benefits

Note 6.1 Employee benefits

	2017/18	2016/17
	Total	Total
Employee benefits	£000	£000
Salaries and wages	**39,974**	41,070
Social security costs	**3,260**	3,439
Apprenticeship levy	**180**	-
Employer's contributions to NHS pensions	**5,204**	5,207
Pension cost - other	**3**	-
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	-	3
Temporary staff (including agency)	**2,066**	3,628
Total gross staff costs	**50,687**	53,347
Recoveries in respect of seconded staff	-	-
Total employee benefits	**50,687**	53,347
Of which		
Costs capitalised as part of assets	-	-

Note 6.2 Retirements due to ill-health

During 2017/18 there were 4 early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements is ££264k.

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

	2017/18	2016/17
	Number	**Number**
No of early retirements on the grounds of ill-health	**4**	0
	£000	£000
Value of early retirements on the grounds of ill-health	**264**	0

Note 6.3 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

Trust employees who opt not to join the NHS Pension Scheme are automatically enrolled on the National Employment Savings Scheme (NEST) unless they choose to opt out.

Note 7 Better Payment Practice code

	2017/18 Number	2017/18 £000	2016/17 Number	2016/17 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	**19,298**	**16,718**	20,348	17,369
Total non-NHS trade invoices paid within target	**19,118**	**16,490**	20,112	17,149
Percentage of non-NHS trade invoices paid within target	**99.1%**	**98.6%**	98.8%	98.7%
NHS Payables				
Total NHS trade invoices paid in the year	**1,435**	**10,360**	1,591	15,506
Total NHS trade invoices paid within target	**1,391**	**9,886**	1,542	14,712
Percentage of NHS trade invoices paid within target	**96.9%**	**95.4%**	96.9%	94.9%

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

Note 8 Finance revenue

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

	2017/18 £000	2016/17 £000
Interest on bank accounts	**28**	19
Interest on impaired financial assets	**0**	0
Interest income on finance leases	**0**	0
Interest on other investments / financial assets	**0**	0
Other finance income	**0**	0
Total	**28**	19

Note 9 Other gains / (losses)

	2017/18 £000	2016/17 £000
Gains on disposal of assets	**3**	1
Losses on disposal of assets	**0**	(33)
Total gains / (losses) on disposal of assets	**3**	(32)
Gains / (losses) on foreign exchange	**0**	0
Fair value gains / (losses) on investment properties	**0**	0
Fair value gains / (losses) on financial assets / investments	**0**	0
Fair value gains / (losses) on financial liabilities	**0**	0
Recycling gains / (losses) on disposal of available-for-sale financial investments	**0**	0
Total other gains / (losses)	**3**	(32)

Note 10.1 Property, plant and equipment - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation/gross cost at 1 April 2017 - brought forward	**4,061**	**16,391**	**0**	**82**	**2,983**	**34**	**3,909**	**82**	**27,542**
Additions - purchased	0	631	0	625	138	0	736	0	**2,130**
Additions - donated	0	63	0	152	158	0	8	0	**381**
Impairments	0	0	0	0	0	0	0	0	**0**
Reversals of impairments	0	0	0	0	0	0	0	0	**0**
Revaluations	22	1,954	0	21	5	0	0	0	**2,002**
Reclassifications	0	103	0	(103)	0	0	0	0	**0**
Transfers to/ from assets held for sale	0	0	0	0	0	0	0	0	**0**
Disposals / de-recognition	0	0	0	0	(170)	0	0	(8)	**(178)**
Valuation/gross cost at 31 March 2018	**4,083**	**19,142**	**0**	**777**	**3,114**	**34**	**4,653**	**74**	**31,877**
Accumulated depreciation at 1 April 2017 - brought forward	**0**	**285**	**0**	**0**	**1,958**	**34**	**1,570**	**68**	**3,915**
Transfers by absorption	0	0	0	0	0	0	0	0	**0**
Provided during the year	0	658	0	0	262	0	677	6	**1,603**
Impairments	0	0	0	0	0	0	0	0	**0**
Reversals of impairments	0	0	0	0	0	0	0	0	**0**
Revaluations	0	(605)	0	0	0	0	0	0	**(605)**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Transfers to / from assets held for sale	0	0	0	0	0	0	0	0	**0**
Disposals / de-recognition	0	0	0	0	(170)	0	0	(8)	**(178)**
Accumulated depreciation at 31 March 2018	**0**	**338**	**0**	**0**	**2,050**	**34**	**2,247**	**66**	**4,735**
Net book value at 31 March 2018	**4,083**	**18,804**	**0**	**777**	**1,064**	**0**	**2,406**	**8**	**27,142**
Net book value at 1 April 2017	4,061	16,106	0	82	1,025	0	2,339	14	23,627

10.2 PPE financing - 2017/18

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2018									
Owned - purchased	4,083	18,230	0	625	569	0	2,394	8	**25,909**
Finance leased	0	0	0	0	0	0	0	0	**0**
PFI residual interests	0	0	0	0	0	0	0	0	**0**
Owned - government granted	0	0	0	0	0	0	0	0	**0**
Owned - donated	0	574	0	152	495	0	12	0	**1,233**
NBV total at 31 March 2018	**4,083**	**18,804**	**0**	**777**	**1,064**	**0**	**2,406**	**8**	**27,142**

10.3 Revaluation reserve for PPE

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Balance at 1 April 2017	1,239	5,281	0	0	92	1	0	0	**6,613**
Movements in revaluation reserve	22	2,570			5				2,597
Balance at 31 March 2017	**1,261**	**7,851**	**0**	**0**	**97**	**1**	**0**	**0**	**9,210**

10.4 Addition to Assets under

	Assets under construction £000
Buildings	625
Equipment	0
Total	**0**

Note 10.4 Property, plant and equipment - 2016/17

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Valuation / gross cost at 1 April 2016 - as previously stated	4,061	15,769	0	0	3,191	34	2,539	131	25,725
Transfers by absorption	0	0	0	0	0	0	0	0	0
Additions	0	120	0	82	165	0	1,678	0	2,045
Impairments	0	0	0	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0	0	0	0
Revaluations	0	502	0	0	3	0	0	0	505
Reclassifications	0	0	0	0	0	0	0	0	0
Transfers to / from assets held for sale	0	0	0	0	(12)	0	0	0	(12)
Disposals / de-recognition	0	0	0	0	(364)	0	(308)	(49)	(721)
Transfer to FT upon authorisation	0	0	0	0	0	0	0	0	0
Valuation/gross cost at 31 March 2017	4,061	16,391	0	82	2,983	34	3,909	82	27,542
Accumulated depreciation at 1 April 2016 - as previously stated	0	237	0	0	2,000	34	1,575	110	3,956
Transfers by absorption	0	0	0	0	0	0	0	0	0
Provided during the year	0	626	0	0	304	0	300	7	1,237
Impairments	0	0	0	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0	0	0	0
Revaluations	0	(578)	0	0	0	0	0	0	(578)
Reclassifications	0	0	0	0	0	0	0	0	0
Transfers to/ from assets held for sale	0	0	0	0	(12)	0	0	0	(12)
Disposals/ de-recognition	0	0	0	0	(334)	0	(305)	(49)	(688)
Transfer to FT upon authorisation	0	0	0	0	0	0	0	0	0
Accumulated depreciation at 31 March 2017	0	285	0	0	1,958	34	1,570	68	3,915
Net book value at 31 March 2017	4,061	16,106	0	82	1,025	0	2,339	14	23,627
Net book value at 1 April 2016	*4,061*	*15,532*	*0*	*0*	*1,191*	*0*	*964*	*21*	*21,769*

Note 10.5 PPE financing - 2016/17

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction £000	Plant & machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 31 March 2017									
Owned - purchased	4,061	15,711	0	82	616	0	2,333	14	22,817
Finance leased	0	0	0	0	0	0	0	0	0
arrangements	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
Owned - government granted	0	0	0	0	0	0	0	0	0
Owned - donated	0	395	0	0	409	0	6	0	810
NBV total at 31 March 2017	4,061	16,106	0	82	1,025	0	2,339	14	23,627

Note 10.6 Donations of property, plant and equipment

The Trust received donations of property, plant and equipment received during the year from the League of Friends (LoF), and the Trust's own charitable funds as follows:

	31 March 2018
	£000
Multi purpose room at Bridgnorth Agnes Campbell ward - LoF	63
X ray machine - Ludlow LoF	152
X ray machine - Bridgnorth LoF	158
IT equipment	8
Total Donated PPE	381

Note 10.7 Revaluations of property, plant and equipment

The last 5 yearly full land and buildings revaluation was undertaken by the Valuation Office Agency (VOA) with an effective date of 31st March 2014.

For 2017-18 a desk-top revaluation of the same assets were undertaken by the VOA with an effective date of 31st March 2018. BCIS indices, provided to the Trust by the Valuation Office Agency were used to reflect changes in value of other assets of £1,340k that had not previously valued and where there has been capital expenditure since the 2014 full valuation date.

Land and buildings revaluation amounted to increases of £22k and £2,436k respectively, and indexation using BCIS indices of £134k. Revaluation values overall increased by 0.6% for Land, 17.1% for buildings, and BCIS buildings' indexation of 10.4%.

Land values include £1,050k for non-operational land at Ludlow hospital.

The gross carrying amount of fully depreciated assets still in use was £2.3m.

Indexation of 1.8% was applied to equipment assets with a net book value of £30k, being 5 assets resulting in an increase of £5k.

Note 10.8 Economic life of property, plant and equipment

	Minimum Life Years	Maximum Life Years
Buildings excluding dwellings	15	55
Plant & machinery	5	15
Transport equipment	5	8
Information technology	2	8
Furniture & fittings	5	10

Note 11 Contractual capital commitments

	31 March 2018	31 March 2017
	£000	£000
Property, plant and equipment	490	423
Intangible assets	-	-
Total	**490**	423

Note 12 Inventories

	31 March 2018	Additions in 2017-18	Recognised as an expense in 2017-18	31 March 2017
	£000	£000	£000	£000
Drugs	0			0
Work In progress	0			0
Consumables	145	1,068	(1,028)	105
Energy	0			0
Other - Loan Equipment	151	2,116	(2,132)	167
Total inventories	**296**	**3,184**	**(3,160)**	272
of which:				
Held at fair value less costs to sell	-			-

Inventories recognised in expenses for the year were £3,160k (2016/17: £3,361k). Write-down of inventories recognised as expenses for the year were £0k (2016/17: £0k).

Note 13.1 Trade receivables and other receivables

	Current	
	31 March 2018	31 March 2017
Current	**£000**	£000
NHS Trade receivables	**889**	800
Capital receivables (including accrued capital related income)	**0**	0
NHS Accrued income and prepayments	**1,936**	1,678
Non NHS Trade receivables	**2,552**	307
Provision for impaired receivables	**(30)**	(15)
Deposits and advances	**0**	0
Non NHS Prepayments	**145**	279
PFI prepayments - capital contributions	**0**	0
PFI lifecycle prepayments	**0**	0
Interest receivable	**4**	1
Finance lease receivables	**0**	0
PDC dividend receivable	**0**	0
VAT receivable	**52**	103
Corporation and other taxes receivable	**0**	0
Other receivables	**1**	14
Total current trade and other receivables	**5,549**	3,167
Non-current	**Non-Current**	
Non NHS Trade receivables	**74**	75
Capital receivables (including accrued capital related income)	**0**	0
Accrued income	**0**	0
Provision for impaired receivables	**(17)**	(17)
Deposits and advances	**0**	0
Non NHS Prepayments	**15**	53
PFI prepayments - capital contributions	**0**	0
PFI lifecycle prepayments	**0**	0
Interest receivable	**0**	0
Finance lease receivables	**0**	0
VAT receivable	**0**	0
Corporation and other taxes receivable	**0**	0
Other receivables	**0**	0
Total non-current trade and other receivables	**72**	111
Total current and non current receivables	**5,621**	3,278
Of which receivables from NHS and DHSC group bodies:		
Current	**2,825**	2,478
Non-current	-	-

Note 13.2 Receivables past their due date but not impaired

	31 March 2018	31 March 2017
	£000	£000
Up to three months	**211**	702
Between three to six months	**134**	94
More than six months	**149**	10
Total	**494**	806

Note 14.1 Provision for impairment of receivables

	2017/18	2016/17
	£000	£000
At 1 April as previously stated	32	24
Prior period adjustments	0	0
At 1 April - restated	32	24
Transfers by absorption	0	0
Increase in provision	18	11
Amounts utilised	(3)	(3)
Unused amounts reversed	0	0
At 31 March	47	32

The majority of the provision relates to the NHS Injury Costs Recovery Scheme

Note 14.2 Credit quality of financial assets

	31 March 2018		31 March 2017	
	Trade and other receivables	Investments & Other financial assets	Trade and other receivables	Investments & Other financial assets
Ageing of impaired financial assets	£000	£000	£000	£000
0 - 30 days	-	-	1	-
30-60 Days	3	-	2	-
60-90 days	2	-	2	-
90- 180 days	2	-	2	-
Over 180 days	40	-	25	-
Total	47	-	32	-

A review is carried out of non-NHS receivables over 6 months old and a provision for impairment made where there is little likelihood of recovery (£15k)

In addition a provision for Impairment of 22.84% is made for NHS Compensation Recovery Unit Income (£32k).

Ageing of non-impaired financial assets past their due date				
0 - 30 days	89	-	403	-
30-60 Days	87	-	253	-
60-90 days	35	-	46	-
90- 180 days	134	-	94	-
Over 180 days	149	-	10	-
Total	494	-	806	-

Of the total Non Impaired Financial Assets, £176k has since been settled during April 2018.

Within the balance of £318k past the due date, £295k is with NHS Bodies and is likely to be settled as per NHS Trading terms

Note 15 Cash and cash equivalents movement

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

	2017/18	2016/17
	£000	£000
At 1 April	**7,531**	5,747
Prior period adjustments	0	0
At 1 April (restated)	**7,531**	5,747
Transfers by absorption	0	0
Net change in year	1,136	1,784
At 31 March	**8,667**	7,531
Broken down into:		
Cash at commercial banks and in hand	16	18
Cash with the Government Banking Service	8,651	7,513
Deposits with the National Loan Fund	0	0
Other current investments	0	0
Total cash and cash equivalents as in SoFP	**8,667**	7,531
Bank overdrafts (GBS and commercial banks)	0	0
Drawdown in committed facility	0	0
Total cash and cash equivalents as in SoCF	**8,667**	7,531

Note 16.1 Trade and other payables

	31 March 2018	31 March 2017
	£000	£000
Current		
Trade revenue payables - NHS	**1,069**	1,559
Trade revenue payables - Non NHS	**1,277**	782
Capital payables - NHS	**201**	2
Capital payables - Non NHS	**763**	908
Accruals and deferred income - NHS	**932**	628
Accruals and deferred income - Non NHS	**1,758**	1,245
Receipts in advance (including payments on account)	**-**	-
Social security costs	**546**	73
VAT payables	**-**	-
Other taxes payable	**333**	70
PDC dividend payable	**16**	3
Accrued interest on loans	**-**	-
Other payables	**887**	860
Total current trade and other payables	**7,782**	6,130
Non-current		
Trade payables	**0**	0
Capital payables	**0**	0
Accruals	**0**	0
Receipts in advance (including payments on account)	**0**	0
VAT payables	**0**	0
Other taxes payable	**0**	0
Other payables	**0**	0
Total non-current trade and other payables	**0**	0
Of which payables from NHS and DHSC group bodies:		
Current	**2,208**	2,189
Non-current	**0**	0

Accruals and deferred income - non NHS includes £267k that was previously classified as a provision, and relates to dilapidation's, it is now classified as an accrual due to the probability of being settled as over 50%.

Note 16.2 Early retirements in NHS payables above

The payables note above includes amounts in relation to early retirements as set out below:

	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	£000	Number	£000	Number
- to buy out the liability for early retirements over 5 years	-		-	
- number of cases involved		-		-
- outstanding pension contributions	**696**	-	699	-

Note 17 Deferred Income

	31 March 2018	31 March 2017
	£000	£000
Opening balance 1 April	0	77
Deferred revenue addition	0	0
Transfer of deferred revenue	0	(77)
Closing balance of deferred revenue at 31 March	**0**	0

Note 18.1 Provisions

	Pensions - early departure costs	Legal claims	Re-structuring	Continuing care	Equal Pay (including Agenda for Change)	Redundancy	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	-	20	-	-	-	-	267	287
Transfers by absorption	-	-	-	-	-	-	-	-
Change in the discount rate	-	-	-	-	-	-	-	-
Arising during the year	-	1	-	-	-	-	-	1
Utilised during the year	-	(7)	-	-	-	-	-	(7)
Reclassified to liabilities held in disposal groups	-	-	-	-	-	-	-	-
Reversed unused	-	(10)	-	-	-	-	(267)	(277)
Unwinding of discount	-	-	-	-	-	-	-	-
Balance at 31 March 2018	-	4	-	-	-	-	-	4
Expected timing of cash flows:								
- not later than one year;	-	4	-	-	-	-	-	4
- later than one year and not later than five years;	-	-	-	-	-	-	-	-
- later than five years.	-	-	-	-	-	-	-	-
Total	-	4	-	-	-	-	-	4

The provisions in the "Legal Claims" class relate to expected NHS Resolution Employers/Public Liability Claims
Reversal of unused provision of £267k relates to the reclassification of dilapidations' provision, it is now classified as an accrual to the probability of being settled as over 50%.

Note 18.2 Clinical negligence liabilities

At 31 March 2018, £103k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Shropshire Community Health NHS Trust (31 March 2017: £66k).

	31 March 2018	31 March 2017
	£000	£000
Total provisions of the NHS Resolution for CNST	**103**	66

Note 19 Contingent liabilities

	31 March 2018	31 March 2017
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	**(9)**	(13)
Employment tribunal and other employee related litigation	**0**	0
Redundancy	**0**	0
Other	**0**	0
Gross value of contingent liabilities	**(9)**	(13)
Amounts recoverable against liabilities	0	0
Net value of contingent liabilities	**(9)**	(13)
Net value of contingent assets	-	-

Note 20 Financial instruments

Note 20.1 Financial risk management

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

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

Since the financial instruments are all short term in nature, the Trust considers that the carrying amounts disclosed are a reasonable approximation of fair value and no further estimate of fair value is reported.

Currency risk

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

Interest rate risk

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

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 2018 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

Note 20.2 Carrying values of financial assets

Assets as per SoFP as at 31 March 2018	Loans and receivables	Assets at fair value through the I&E	Held to maturity at	Available-for-sale	Total book value
	£000	£000	£000	£000	£000
Embedded derivatives	-	-	-	-	-
Trade and other receivables excluding non financial instruments - with NHS & DH Bodies	1,414	-	-	-	1,414
Trade and other receivables excluding non financial instruments - with Other Bodies	2,438	-	-	-	2,438
Cash and cash equivalents at bank and in hand	8,667	-	-	-	8,667
Total at 31 March 2018	12,519	-	-	-	12,519

Assets as per SoFP as at 31 March 2017	Loans and receivables	Assets at fair value through the I&E	Held to maturity	Available-for-sale	Total book value
	£000	£000	£000	£000	£000
Embedded derivatives	-	-	-	-	-
Trade and other receivables excluding non financial instruments - with NHS & DH Bodies	2,478	-	-	-	2,478
Trade and other receivables excluding non financial instruments - with Other Bodies	203				203
Other investments / financial assets	-	-	-	-	-
Cash and cash equivalents at bank and in hand	7,531	-	-	-	7,531
Total at 31 March 2017	10,212	-	-	-	10,212

Note 20.3 Carrying value of financial liabilities

Liabilities as per SoFP as at 31 March 2018	Other financial liabilities	Liabilities at fair value through the I&E	Total book value
	£000	£000	£000
Embedded derivatives	-	-	-
Borrowings excluding finance lease and PFI liabilities	-	-	-
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	-	-	-
Trade and other payables excluding non financial liabilities-with NHS & DH Bodies	2,208	-	2,208
Trade and other payables excluding non financial liabilities-with Other Bodies	4,679	-	4,679
Provisions under contract	-	-	-
Total at 31 March 2018	6,887	-	6,887

Liabilities as per SoFP as at 31 March 2017	Other financial liabilities	Liabilities at fair value through the I&E	Total book value
	£000	£000	£000
Embedded derivatives	-	-	-
Borrowings excluding finance lease and PFI liabilities	-	-	-
Obligations under finance leases	-	-	-
Obligations under PFI, LIFT and other service concession contracts	-	-	-
Trade and other payables excluding non financial liabilities-with NHS & DH Bodies	2,189	-	2,189
Trade and other payables excluding non financial liabilities-with Other Bodies	3,096	-	3,096
Provisions under contract	-	-	-
Total at 31 March 2017	5,285	-	5,285

Note 20.4 Maturity of financial liabilities

	31 March 2018	31 March 2017
	£000	£000
In one year or less	6,887	5,285
In more than one year but not more than two years	-	-
In more than two years but not more than five years	-	-
In more than five years	-	-
Total	6,887	5,285

Note 21 Related parties

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Trust.

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

Health Education England
NHS England
NHS Pension Scheme
NHS Property Services
Shrewsbury & Telford Hospitals NHS Trust
Shropshire CCG
Telford & Wrekin CCG

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

The Trust has also received revenue and capital payments from charitable funds, the trustees for which are also members of the Trust board by way of corporate trustee. The charitable funds are not consolidated into the Trust accounts as there is a separate annual accounts and annual report for the charity.

Total income for the charitable funds was £364,000 (£82,000 in 2016/17) and total expenditure was £434,000 (£176,000 in 2016/17) most of which was grants to the Trust.

Note 22 Losses and special payments

	2017/18		2016/17	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	4	1	3	0
Fruitless payments	2	-	6	0
Bad debts and claims abandoned	174	3	109	4
Stores losses and damage to property	-	-	1	10
Total losses	180	4	119	15
Special payments				
Compensation under court order or legally binding arbitration award	-	-	-	-
Extra-contractual payments	-	-	-	-
Ex-gratia payments	7	2	7	5
Special severance payments	-	-	-	-
Extra-statutory and extra-regulatory payments	-	-	-	-
Total special payments	7	2	7	5
Total losses and special payments	187	6	126	19
Compensation payments received		-		-

There were no cases over £300,000

Note 23 Breakeven duty rolling assessment

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	1,397	1,496	234	352	1,355	2,596	**2,758**
Breakeven duty cumulative position	1,397	2,893	3,127	3,479	4,834	7,430	**10,188**
Operating income	80,802	79,679	76,105	75,286	78,940	79,377	**77,861**
Breakeven position as a percentage of operating income	1.73%	1.88%	0.31%	0.47%	1.72%	3.27%	**3.54%**
Cumulative breakeven position as a percentage of operating income	1.73%	3.63%	4.11%	4.62%	6.12%	9.36%	**13.08%**

Adjustments are made in respect of accounting policy changes (impairments and the removal of the donated assets) to maintain comparability year to year.
Larger surpluses in 2015/16 due to an agreed capital to revenue transfer, also in 2016/17 and 2017/18 due to STF funding (see note 3).

Note 23.1 Capital cost absorption rate

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

Note 24 External financing

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

	2017/18	2016/17
	£000	£000
Cash flow financing	(1,136)	(1,784)
Finance leases taken out in year	0	0
Other capital receipts	0	0
External financing requirement	(1,136)	(1,784)
External financing limit (EFL)	1,305	527
Under / (over) spend against EFL	2,441	2,311

Note 25 Capital Resource Limit

	2017/18	2016/17
	£000	£000
Gross capital expenditure	2,511	2,045
Less: Disposals	0	(33)
Less: Donated and granted capital additions	(381)	(45)
Plus: Loss on disposal of donated/granted assets	0	0
Charge against Capital Resource Limit	2,130	1,967
Capital Resource Limit	2,516	2,179
Under / (over) spend against CRL	386	212

NHSI approved the CRL of £2,516k, which includes £200k CRL underspend from 2016/17 & £716k from the bonus STF funding for 2016/17.

Note 26 Events after the reporting date

As at the 31 March the Trust was in the in the process of finding a suitable partner NHS provider organisation for the long term sustainability of services, and was formally in the process of considering bids from two NHS organisations, any merger would support the continuation of current services provided by the Trust.

On 10th May 2018 NHSI concluded that neither of the bids submitted from The Shrewsbury and Telford Hospital NHS Trust (SaTH) or from South Staffordshire and Shropshire Healthcare NHS Foundation Trust (SSSFT) sufficiently met the full requirements set out in the criteria. Also that the risks associated with proceeding with either option at this time outweighed the opportunity for patient benefits from the proposed transaction. The Trust will therefore continue in its current form supported by NHSI, work with both SaTH and SSSFT as part of the wider STP to ensure the creative and innovative ideas for how their services and the Trust's (that came out of the process) could be shaped differently and be more 'joined up' for the benefit of the communities served