Brighton and Sussex University Hospitals NHS Trust

NHS

Annual Report 2013-14

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From the Chair and Chief Executive

The Chair

BSUH employs 7000 people each of whom has a different reason for doing the job they do and different skills and experience that they bring to the job. They often work in difficult circumstances, at a relentless pace and their days (and nights) can be unpredictable and driven by challenges that are not within their control. In an organisation of this size everyone does their bit and the contribution each person makes should be recognised and valued. It is quite right that the expectations of our patients get higher each year. The major challenge for us is to keep getting better so that BSUH develops into an organisation which not only meets, but hopefully exceeds those expectations. I would like to take this opportunity to thank every individual for working as hard as they do, doing as good a job as they do and for the part each of them plays in the services we provide.

Chair
Julian Lee

The Chief Executive

BSUH is an organisation on a journey. We were formed in 2002 with the merger of Brighton Healthcare Trust and Mid Sussex Healthcare Trust. At the same time we became one of the newly established teaching hospitals that were created to increase access to medical education and provide additional teaching centres outside London. In one of my first messages to staff when I joined BSUH in April 2013 I said that what sets BSUH apart is not our challenges, because they are not unique to us, but our opportunities, which absolutely are. The last twelve months have, I think, borne that statement out. Aside from the day-to-day running of the hospital and the continued improvement of the District General Hospital service we provide for the people of Brighton and Hove and Mid Sussex, we have made significant progress on a large number of strategic developments to enhance and improve the growing range of specialist and tertiary services we also provide. In addition we have embarked on a behavioural change and development programme of unprecedented scale and scope which I genuinely believe will unlock many of our challenges and through the process itself, and achieving the deliverables set out in the implementation plan, will make BSUH a better place to be cared for and a better place to work.

Chief Executive
Matthew Kershaw

Strategic Report

Our Trust

Brighton and Sussex University Hospitals (BSUH) is an acute teaching hospital working across two main sites: the Royal Sussex County Hospital in Brighton and the Princess Royal Hospital in Haywards Heath. The Brighton campus includes the Royal Alexandra Children's Hospital and the Sussex Eye Hospital, and the Haywards Heath campus includes the Hurstwood Park Regional Centre for Neurosciences. We also provide services from Brighton General Hospital, Hove Polyclinic, Lewes Victoria Hospital and the Park Centre for Breast Care.

We provide District General Hospital services to our local populations in and around Brighton and Hove, Mid Sussex and the western part of East Sussex and more specialised and tertiary services for patients across Sussex and the South East of England.

The Princess Royal is our centre for elective surgery and the Royal Sussex County Hospital is our centre for emergency and tertiary care. Our specialised and tertiary services include neurosciences, arterial vascular surgery, neonatal, paediatrics, cardiac, cancer, renal, infectious diseases and HIV medicine and we are the major trauma centre for the South East.

We treat over three quarters of a million patients each year and working as one hospital across two main sites, and playing to the strengths of both, gives us the flexibility to develop services which meet the needs of our patients at different stages of their treatment and care. We work in close partnership with our local GPs to ensure that we are particularly attentive to the quality of our local District General Hospital services and that these services are provided and improved in ways which best meet the needs of patients and their families.

Central to our ambition is our role as an academic centre, a provider of high quality teaching, and a host hospital for cutting edge research and innovation and on this we work with our main partners, Brighton and Sussex Medical School (BSMS) and the Health Education England Kent, Surrey and Sussex Postgraduate Deanery, and the Universities of Brighton and Sussex.

The Trust reported an income of £558.6m against a forecast of £547.3m in 2013/14. The main sources of income were from commissioners: Clinical Commissioning Groups and NHS England and Health Education England, relating to the hosting of the Health Education Kent, Surrey and Sussex Deanery.

Our Patients

This year over 830,000 patients came through our doors, including:

- 15,315 elective inpatients (planned operations requiring a stay in hospital)
- 41,174 elective day cases (procedures and operations where patients go home on the same day)
- 54,674 non-elective inpatients (patients who need emergency admission to hospital)
- 567,145 outpatients (patients who have a day appointment for a particular procedure)
- 151,700 A&E attendances
- We also delivered 5,878 babies

Patients are at the heart of everything we do and we are constantly striving to ensure they have positive experiences while in our hospitals. To help us provide the best possible care, we encourage patient feedback and use the information we receive to make improvements to our services whenever possible. We gather patient feedback from a range of different sources.

We seek feedback proactively through our ongoing patient satisfaction survey Patients' Voice, which is offered to all patients admitted to our hospitals and outpatient clinics. Feedback from the survey is reported to the Board monthly, enabling the ward leaders to respond quickly to any areas of concern or issues requiring immediate attention.

Feedback is also received reactively through the PALS, formal complaints, external websites (e.g. NHS Choices) and national patient surveys. Action plans are produced from the feedback received through the surveys and are considered by the Board and monitored by the Patient Experience Panel. Complaints involving requests for financial compensation are dealt with in accordance with the Parliamentary and Health Service Ombudsman's Principles for Remedy.

In order to share learning from patient feedback, each ward is provided with a monthly report which details all comments received.

The Patient Experience Panel is a quarterly forum attended by representatives from a variety of patient and community groups. The panel allows the voices of different patient groups to be heard and acted upon. It also allows us the opportunity to engage with our local community and benefit from their perspective on the care and services provided at the Trust. Panel members are regularly recruited to inform particular service improvement initiatives and panel members have also provided invaluable help via ‘Patient Walkabouts’ around our hospitals.

The Friends and Family Test is an initiative to provide a national benchmark for all NHS hospitals. All adult inpatients who have stayed at least one night in hospital or attended A&E are asked the question: “How likely are you to recommend our ward/A&E department to friends and family if they needed similar care or treatment?”

Patient 1st

Patient 1st was launched in 2010 as an education tool to improve patient care.

Each month an email is sent out to all staff telling a patient story where elements of their treatment or care has gone wrong. The aim is to share the learning of each story and to understand why things go wrong and what changes are being made to ensure the same thing does not happen again.

The stories themselves are often not easy to hear but they are an extremely powerful way of showing where improvements can be made in the way patient care is delivered.

They can answer with one of six options, ranging from ‘extremely likely’ to ‘extremely unlikely’. The Friends and Family Test is incorporated into our Patients’ Voice Survey and we are exploring other ways of asking the question, particularly of patients who have used A&E, in order to improve our response rate.

Our Staff

Brighton and Sussex University Hospitals employs 6,928 people, including:

- 3,186 nursing and midwifery staff
- 1,018 medical staff
- 1,241 scientific, therapeutic and technical staff
- 1,530 administrative, clerical and estates

A total of 72.1% of staff were female and 27.9% of staff were male in March 2014.

Two of the five Executive Directors were female and two of the eight Non-Executive Directors.

We are committed to creating an environment where people want to work, where careers are interesting and developed, where staff are encouraged to reach their full potential and where they feel their contribution is recognised and valued.

We aim to create a workforce that is equipped and skilled with the knowledge and capability that will ensure we deliver patient care to the highest possible standard.

In July 2013 we launched Foundations for Success, an extremely ambitious change programme designed to shift the way we were working from a focus on short-term goals to long-term ambitions; and from reacting in the moment to investing in engagement/behaviours and delivery processes.

The four priority areas within the Foundations for Success programme are: Values and Behaviours; Clinical Strategy; Clinical Structure; and Empowerment, Accountability and Performance Management.

We now have a new set of corporate values which are:

Communication that's respectful, personal, honest and helpful;

Kindness and Understanding so that we feel supported and enabled to do our jobs;

Fairness and Transparency in our decisions and actions;

Working Together to get the best outcome for patients;

Excellence by always striving to be the best we can be.

Below each of these values sits a set of behavioural do's and don'ts which more than 700 of our staff were involved in developing.

We also have an implementation plan which sits alongside them which describes the things we need to change and improve to ensure we make these real and a recognisable part of the culture in which we operate.

We have a clear and detailed Clinical Strategy for the next five years which has been developed by our own clinicians and with the ongoing involvement of our key commissioners including our Clinical Commissioning Groups, NHS England and our neighbouring provider Trusts.

We are in the process of introducing a new clinical structure which allows us to best meet the needs of our patients but also provides the best framework within which we can assign responsibility and accountability for delivering on all our other objectives including our performance and financial targets.

The Trust sickness absence rate is monitored through the monthly HR dashboard. The current rate is 3.5%, lower than the regional and national average.

Staff Stories

Staff Stories is a monthly forum to discuss the challenges and share best practice in providing compassionate care.

A multidisciplinary team from BSUH share with other staff their experience of a complex or interesting case, the personal and professional dilemma the case presented and how they responded to them.

The story is used as a springboard for the wider audience to talk about and share learning from the issues and themes raised.

Our Partnerships

We work closely with our Clinical Commissioning Groups, local GPs, neighbouring hospitals, community and NHS services, local authorities, social services, local voluntary sector and the South East Coast Ambulance Service to provide co-ordinated treatment and care for patients across the region. As one teaching hospital on two sites, we work with our partner medical school and the Universities of Brighton and Sussex to train the doctors, nurses and health professionals of the future.

Brighton and Sussex Medical School (BSMS) was one of the four new medical schools created as part of the UK government's strategy to increase the number of qualified doctors from the UK working in the NHS. The first intake of students began their five-year medical degree programmes in September 2003 and since then BSMS has become one of the most popular schools in the country.

In partnership with BSUH, BSMS is developing a strong reputation for making a real impact to medical research nationally and internationally with the ultimate aim of improving medical treatment, answering fundamental biomedical and clinical questions and delivering more personalised healthcare to patients. Our research themes include cancer, cell and developmental biology, elderly care and stroke, imaging, infection and immunology, neurosciences, paediatrics, primary care and health services, psychiatry and rheumatology.

BSUH has numerous fundraising charities and groups that work tirelessly to raise money to help us enhance our services, improve our buildings and facilities and make coming into hospital a more comfortable and less anxious experience.

The Sussex Cancer Fund has been giving invaluable assistance to the Sussex Cancer Centre at the Royal Sussex County Hospital for many years, providing additional equipment and building improvements for the treatment of cancer patients.

Rockinghorse is the official fundraising arm of the Royal Alexandra Children's Hospital and the Trevor Mann Baby Unit at the Royal Sussex County Hospital. They raise money for equipment and to help ensure children are treated in an environment that best suits their needs.

Our Vision, Approach and Priorities

Our Vision

To set the standard for great care, by:

- Working together
- Adapting, improving and innovating
- Acting with fairness, kindness and compassion

Our Approach

- Be positive and proud about what we do well
- Be open and honest about the things we need to do better
- Be clear about what we are doing about them

Our Priorities

Quality and safety - providing the best and safest care for our patients and demonstrating we are doing this through regulatory compliance, effectiveness of care outcomes, patient experience feedback and clinical opinion.

Performance - delivering national and local standards, and establish targets for best and safest care that meet the expectations of our public and staff.

Finance - every pound counts. We spend around £550m of public money each year and we have a legal and professional responsibility not to get the best value for that money and not spend more than we earn. Along with the rest of the NHS we also need to make efficiency savings (£30-£35m in 2014/15).

It is the responsibility of all staff to help deliver these priorities.

Our Successes

Hundreds of developments, improvements and innovations have taken place across our hospitals over the last year. Here are just some of the highlights of the past 12 months as we continually enhance our services for patients.

Mortality Rates

Our overall mortality rates as measured by the Hospital Standardised Mortality Ratio (HSMR) and Summary Hospital-level Mortality Indicator (SHMI) are consistently lower than expected, indicating fewer actual than expected deaths. As of April 2014, the Trust's HSMR was within the expected range at 96.95 whilst the SHMI was better than expected at 91.04 (lower confidence limit 86.5, upper confidence limit 95.8).

Pharm@Sea

In February 2014 we opened our new outpatient pharmacy at the Royal Sussex County Hospital. This development has improved the efficiency of the service and the experience for the patient and staff using it. The new pharmacy will also generate income from, for example, the sale of over-the-counter medications all of which we can reinvest in the hospital.

Proud to Care Awards

Staff from Brighton and Sussex University Hospitals dominated the Surrey and Sussex Proud to Care Awards in March 2014 with a total of 14 individuals and teams receiving winner and runner-up awards. The awards celebrate the work of nurses, midwives and care-givers across the region with individual and team awards for each of the "six c's" of nursing – care, courage, competence, compassion, communication and commitment.

Improving the care for patients with dementia

In June 2013 the 'Butterfly Scheme' was launched across our hospitals as a way of clearly identifying patients with dementia and thereby ensuring that their needs are being appropriately met. The scheme involves butterflies being discreetly placed above the beds of patients with dementia or cognitive impairment to let staff know that specialist care is needed. Earlier this year the Emerald Unit opened at the Royal Sussex County Hospital with the aim of providing specialised nursing, therapies and mental health care for people with dementia.

Our Challenges

The Central Booking Hub

A new centralised booking and waiting list management system for the whole Trust was introduced in October 2013. The aim was to improve performance, governance and to make it easier for the patient to ring to book or change an appointment. However, there was problems with the implementation of the hub causing major issues with the new system which impacted on GPs referring into the hospital and our own consultants. The problems have been systematically addressed in order of urgency but there is still a way to go until this service is consistently as good as it needs to be.

Unscheduled Care and patient flow

The year-end position for 2013/14 against the four-hour A&E standard was 93%. An action plan was developed in line with the recommendations of the Emergency Care Intensive Support Team. This includes improvements needed within the hospital and work that needs to happen outside of the hospital to prevent patients coming to hospital in the first place and to facilitate safe and timely discharge of patients who no longer need acute hospital care.

Cultural Issues

BSUH has some long-standing and complex cultural issues which have had an impact on the morale of some staff and on their sense of engagement and investment. This is evidenced by some of the results from the most recent Staff Survey. The work on Values and Behaviours as part of the Foundation for Success project mentioned earlier in this report is aimed to address these issues.

Staffing

At the beginning of March BSUH made changes to the nursing bank rates to bring them in line with other local hospitals, to allow Agenda for Change bandings and to give people on the bank the opportunity to become substantive employees. What we underestimated was the impact these changes would have on the uptake of nursing bank shifts and therefore our ability to ensure some wards and areas were appropriately staffed and this has been problematic in recent months.

A lot of work is currently underway to help us properly understand and mitigate this including additional investment to provide every ward with a supernumerary band 7 Sister or Charge Nurse; display of ward-based information on appropriate nurse-to-patient ratios and investment to ensure the establishment is in place to fulfil these; and improvements to our recruitment processes to improve efficiency, speed and to prioritise the appointment of permanent, substantive nursing staff.

Our Strategic Statements

Sustainability

The Trust has established a Carbon Management Steering Group which meets regularly under the leadership of the Director of 3Ts and includes representation from operational areas, capital projects, Estates and Facilities and procurement. This group oversees progress on the Carbon Management Plan, developed in partnership with the Carbon Trust, and approved by the Board in 2011.

The group is currently looking to refresh the plan in the light of the Trust's recently approved Clinical Strategy and the resultant Estates Strategy which is currently being revised. The Trust is also working on a Sustainable Travel Plan as part of its planning obligations for the proposed major hospital redevelopment at the Royal Sussex County Hospital.

Statutory basis

Brighton and Sussex University Hospitals NHS Trust was established on 1 April 2002 under the Brighton and Sussex University Hospitals National Health Service Trust (Establishment) and the Mid Sussex National Health Service Trust (Dissolution) Order 2002 (2002 No 1363).

Directors' Report

Our Board

The Board is responsible for the overall performance and direction of the Trust. It includes the Chair and Non-Executive Directors, the Chief Executive and four full-time Executive Directors.

Chair and Non-Executive Directors

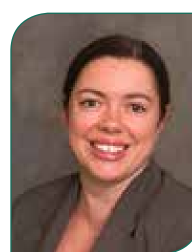
Chair
Julian Lee

Michael Farthing

Craig Jones

Lewis Doyle

Stephen Woodford

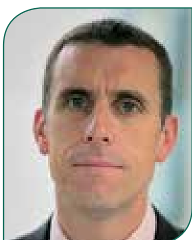


Julie Nerney

Christine Farnish

Antony Kildare

Executive Directors



Chief Executive
Matthew Kershaw

Medical Director
Dr Steve Holmberg

Chief Financial Officer
Spencer Prosser

Chief Operating Officer
Nikki Luffingham

Chief Nurse
Sherree Fagge

Trust governance framework

The Trust corporate governance arrangements are described in the Annual Governance Statement. There are four standing Committees of the Board of Directors: Audit Committee, Finance and Workforce Committee, Quality and Risk Committee and Nomination and Remuneration Committee.

Audit Committee

The Audit Committee's membership is drawn exclusively from independent non-executive directors and has been supported by the work programmes of internal and external audit. The Committee is chaired by Lewis Doyle. Its other members are Stephen Woodford and Christine Farnish.

Each Board director has stated that as far as he/she is aware there is no relevant audit information of which the NHS body's auditors are unaware and that he/she has taken all the steps that he/she ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the NHS body's auditors are aware of that information.

Declaration of interests

An Annual Declaration of the Interests of the Board of Directors and Executive Team is reported to a public Board of Directors meeting. The interests of the Board of Directors and Executive Team can be accessed below:

http://www.bsuh.nhs.uk/about-us/the-trust-board/trust-board-meeting-papers/2013-board-papers/december-2013-board-meeting-papers/

Management Commentary

Pension liabilities

Details of the NHS Pensions Schemes and accounting treatment are given in notes 1.8 and 10.6 of the Annual Accounts.

External Auditor's Remuneration

All remuneration paid to auditors was in respect of audit work only. No non-audit work was undertaken.

Sickness absence data

Staff sickness and ill health retirements are detailed in note 10.3 of the Annual Accounts. Days lost cover the calendar year to December 2013.

Cost allocation and charges for information

The Trust has complied with HM Treasury's guidance on setting charges for information. This guidance is available in chapter 6 of HM Treasury's Managing Public Money.

Better Payment Practice code

Brighton and Sussex University Hospitals NHS Trust is signed up to the Prompt Payments code. Details of compliance with the code are given in note 11 of the Annual Accounts.

Exit packages and severance payments

Details of the number and values of exit packages agreed in the year are given in note 10.4 of the Annual Accounts.

Off-payroll engagements

The Trust do not have any arrangements whereby individuals are paid through their own companies.

Operational performance

The operational performance of the Trust in 2013/14 is described on pages 20-21 of this report.

Financial performance

The financial performance of the Trust in 2013/14 is described from page 46 of this report.

Principal risks

The key risks to the Trust and the risk control framework are described in the Annual Governance Statement on pages 36-41 of this report.

Market analysis

The Trust Clinical Strategy, which was approved by the Board of Directors on 31 March, was informed by a detailed market analysis and PESTLE (Political, Economic, Social, Technological and Legal analysis). The PESTLE analysis can be accessed below:

www.bsuh.nhs.uk/about-us/the-trust-board/trust-board-meeting-papers/march-2014-board-meeting-papers

This is amplified further in the detailed market analysis informing the revised Trust Integrated Business Plan.

Emergency preparedness

As a category one responder under the Civil Contingencies Act (2004) the Trust has a legal responsibility to plan for and respond to emergencies by:

- Assessing the risk of emergencies occurring and use this to inform contingency planning
- Putting in place emergency plans
- Putting in place Business Continuity Management arrangements
- Putting in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
- Sharing information with other local responders to enhance co-ordination
- Co-operating with other local responders to enhance co-ordination and efficiency

The Trust Major Incident Plan, which was refreshed in January 2014 details an integrated emergency management process managed by the Head of Resilience, in order to allow the Trust to fulfil its obligations as a Category 1 responder under the Act.

Employee consultation

Equal opportunities

The Trust is committed to promoting equality, valuing diversity and protecting human rights and to eliminating discrimination against any individual on the grounds of age, disability, gender, gender identity, marital or civil partnership status, maternity or pregnancy status, race (including nationality or culture), religion or belief and sexual orientation.

The Trust Equality, Diversity and Human Rights Policy describes the Trust approach and the Trust publishes an Annual Equality Report which describes our ongoing work in meeting our equality objectives under the Equality Act 2010.

Our Performance Review

Indicator	Standard/ Threshold	2013-14 YTD
18w RTT - Percentage of admitted RTT pathways completed within 18 weeks	90%	92.7%
18w RTT - Percentage of non-admitted RTT pathways completed within 18 weeks	95%	96.3%
18w RTT - Percentage of incomplete pathways waiting less than 18 weeks	92%	93.6%
18w RTT - Numbers of over 52 week waiters at month end	0	0
Diagnostic Tests waiting longer than six weeks - percentage of all waiters	1%	0.2%
Operations cancelled on the day not re-booked within 28 days	0	5.08%
Number of urgent operations being cancelled for the second time	0	3
A&E - Percentage of patients who spent four hours or less in A&E	95%	93.03%
A&E - Numbers of patients who have waited >12 hours in A&E from decision to admit	0	0
Cancer: Two week wait referral to date first seen	93%	92.6%
Cancer: Two week wait referral to date first seen - breast symptomatic	93%	97.7%
Cancer: 31 day wait from diagnosis to first treatment	96%	97.7%
Cancer: 62 day wait for first treatment from urgent GP referral	85%	85.9%
Cancer: 31 day wait for second or subsequent treatment - surgery	94%	96.7%
Cancer: 31 day wait for second or subsequent treatment - chemotherapy	98%	99.7%
Cancer: 31 day wait for second or subsequent treatment - radiotherapy	94%	97.7%
Cancer: 62 day wait for first treatment from referral from NHS cancer screening service	90%	88.1%
Cancer: 62 day wait for first treatment from referral following a consultant decision to upgrade	90%	99.3%

Indicator	Standard/ Threshold	2013-14 YTD
Emergency re-admissions within 30 days of discharge (%)	10.50%	13.40%
Stroke: % of patients who spend > 90% of time on stroke unit	80%	85.9%
Stroke: % admitted directly to stroke unit	90%	78.1%
Stroke: % scanned in less than one hours of hospital arrival	50%	69.0%
Stroke: % of patients scanned within 24 hours	100%	98.8%
Stroke: % of high risk TIA cases treated in 24 hours	60%	68.4%
Stroke: % of low risk TIA patients seen in seven days	100%	94.0%
Delayed Transfers of Care (DToC)	3.50%	3.30%
Number of falls resulting in severe injury or death	0	0
Number of cases of MRSA bloodstream infections	0	6
Number of C. Difficile infections	34	48
“Never Events” reported in month	0	1
Summary Hospital Mortality Indicator (SHMI)	100	90.79
Hospital Standardised Mortality Ratio (HSMR) - all week	100	95.5
Hospital Standardised Mortality Ratio (HSMR) - weekdays	100	94.0
Maternal deaths	0	0
Percentage of completed VTE risk assessments	95%	96.3%
Number of single sex accommodation breachers	0	0

Remuneration Report

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a committee of the Trust Board and comprises the Chair of the Trust, the Non-Executive Directors and the Chief Executive. The committee is supported by the Director of Human Resources. The Director of Corporate Affairs attends meetings in an advisory capacity. The committee is chaired by the Chair of the Trust. No member is involved in any decision as to their own remuneration. The committee is responsible for:

- The appointment and remuneration of the Chief Executive and Executive Directors
- The level and structure of remuneration for senior management
- Ensuring that contractual terms on termination and any payments made are lawful, consistent with the requirements of the Public Interest Disclosure Act (PIDA), contain no inappropriate restrictions and are otherwise within the powers of the Trust
- Approving severance payments as defined within the committee terms of reference, consistent with TDA guidance
- Ensuring that all provisions regarding disclosure of remuneration, including pensions, are fulfilled

The committee reviewed its terms of reference in 2013/14 to ensure confidentiality clauses in contracts and compromise agreements are consistent with guidance issued by the Department of Health and that the committee review all compromise and similar agreements to ensure no inappropriate restrictions are contained within them.

Pay multiples (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in Brighton and Sussex University Hospitals NHS Trust in the financial year 2013-14 was £240K-£245K (2012-13 - £235K-£240K). This was 8.6 times (2012-13 – 9.4 times) the median remuneration of the workforce, which was £27.9K (2012-13 - £25.4K). In 2013-14 0 (2012-13 – 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £12.3K to £241K (2012-13 - £12.1K to £240K).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration policy

The Nomination and Remuneration Committee carries out an annual pay review for all senior staff and staff on ad hoc salaries (staff not on Agenda for Change terms and conditions). It was agreed that those staff would forego any pay increase in 2013/14.

Policy on duration of contracts and notice periods

The Nomination and Remuneration Committee reviewed its policy on senior management notice periods in February 2014 and amended its policy to ensure that both employer and employee notice periods were the same. The committee further authorised the Chief Executive to determine the notice period for each senior post subject to the needs of the service.

Performance related pay

An element of the remuneration of the Medical Director was a bonus payment relating to a clinical excellence award.

Remuneration

Name	Title	Salary (bands of £5000) £000	Expenses payments (taxable) Total to nearest £100	Performance pay and bonuses (bands of £5000) £000	Long term performance pay and bonuses (bands of £5000) £000	All pension related benefits (bands of £2500)	TOTAL (bands of £5000)
2013-14							
Non-Executive							
Julian Lee	Chair	20-25					20-25
Julie Nerney	Non-Executive	5-10					5-10
Richard Hawkins	Non-Executive - until 30 June 2013	0-5					0-5
Michael Farthing	Non-Executive	5-10					5-10
Lewis Doyle**	Non-Executive	5-10					5-10
Stephen Woodford**	Non-Executive - from 5 August 2013	0-5					0-5
Antony Kildare	Non-Executive - from 5 August 2013	0-5					0-5
Christine Farnish**	Non-Executive - from 5 August 2013	0-5					0-5
Craig Jones	Non-Executive	5-10					5-10
Executive							
Matthew Kershaw	Chief Executive	195-200				70-75	265-270
Chris Adcock	Interim Chief Executive and Executive Director - until 11 August 2013	45-50					45-50
Spencer Prosser	Chief Financial Officer - from 6 January 2014	35-40				55-60	90-95
Karen Geoghegan	Interim Chief Financial Officer - until 31 January 2014	95-100					95-100
Nikki Luffingham	Chief Operating Officer	135-140				15-20	150-155
Sherree Fagge	Chief Nurse	120-125				5-10	125-130
Dr Stephen Holmberg	Medical Director	180-185	100	55-60		(15-20)	220-225

**Audit Committee member

2012-13							
Name	**Title**	Salary (bands of £5000) £000	Expenses payments (taxable) Total to nearest £100	Performance pay and bonuses (bands of £5000) £000	Long term performance pay and bonuses (bands of £5000) £000	All pension related benefits (bands of £2500)	**TOTAL** (bands of £5000)
Non-Executive							
Julian Lee	Chair	20-25					20-25
Julie Nerney	Non-Executive	5-10					5-10
Richard Hawkins	Non-Executive - until 30 June 2013	5-10					0-5
Michael Farthing	Non-Executive	5-10					5-10
Lewis Doyle**	Non-Executive	5-10					5-10
Stephen Woodford**	Non-Executive - from 5 August 2013						
Antony Kildare	Non-Executive - from 5 August 2013						
Christine Farnish**	Non-Executive - from 5 August 2013						
Craig Jones	Non-Executive	5-10					5-10
Executive							
Matthew Kershaw	Chief Executive						
Chris Adcock	Interim Chief Executive and Executive Director - until 11 August 2013	130-135				65-70	220-225
Spencer Prosser	Chief Financial Officer - from 6 January 2014						
Karen Geoghegan	Interim Chief Financial Officer - until 31 January 2014	110-115				120-125	230-235
Nikki Luffingham	Chief Operating Officer	110-115				40-45	150-155
Sherree Fagge	Chief Nurse	120-125				(20-25)	95-100
Dr Stephen Holmberg	Medical Director	180-185	100	55-60		(20-25)	215-220

**Audit Committee member

Pension benefits

Name and title	Real increase in pension at age 60	Real increase in pension lump sum at 60	Total accrued pension at age 60 at 31 March 2014	Lump sum at age 60 related to accrued pension at 31 March 2014
	(bands of £2500) £000	(bands of £2500) £000	(bands of £5000) £000	(bands of £5000) £000
Matthew Kershaw - Chief Executive	2.5-5.0	7.5-10.0	35-40	115-120
Spencer Prosser - Chief Financial Officer (from 6 January 2014)	0-2.5	0-2.5	40-45	130-135
Nikki Luffingham - Chief Operating Officer	0-2.5	0-2.5	45-50	140-145
Sherree Fagge - Chief Nurse	0-2.5	0-2.5	50-55	150-155
Dr Stephen Holmberg - Medical Director	0-(2.50)	0-(2.50)	90-95	270-275
Karen Geoghegan - Interim Chief Financial Officer (until 31 January 2014)	2.5-5.0	10-12.5	35-40	85-90
Chris Adcock - Interim Chief Executive (until 11 August 2013)	0-2.5	0-2.5	25-30	105-110
Name and title	**Cash Equivalent Transfer Value at 31 March 2014**	**Cash Equivalent Transfer Value at 31 March 2013**	**Real Increase/ (Decrease) in Cash Equivalent Transfer Value**	**Employers Contribution to Stakeholder Pension**
	£000	£000	£000	To nearest £100
Matthew Kershaw - Chief Executive	578	507	60	
Spencer Prosser - Chief Financial Officer (from 6 January 2014)	741	668	14	
Nikki Luffingham - Chief Operating Officer	965	906	40	
Sherree Fagge - Chief Nurse	1,051	990	40	
Dr Stephen Holmberg - Medical Director	1,943	1,918	(17)	
Karen Geoghegan - Interim Chief Financial Officer (until 31 January 2014)	558	458	75	
Chris Adcock - Interim Chief Executive and Executive Director (until 11 August 2013)	434	391	13	

Annual Governance Statement

Scope and responsibility

As Accountable Officer, the Chief Executive has responsibility for maintaining a sound system of internal control that supports the achievement of the Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which they are personally responsible, in accordance with the responsibilities assigned to them. The Chief Executive is also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively.

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 Brighton and Sussex University Hospitals 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 Brighton and Sussex University Hospitals NHS Trust for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Chief Executive is accountable for the overall risk management activity within the Trust. In discharging these responsibilities the Chief Executive has been assisted by the following directors:

- the Chief Financial Officer who had delegated responsibility for managing the Trust's principal risks relating to the delivery of financial plans agreed by the Board;
- the Medical Director who had delegated responsibility for managing the principal risks relating to infection control as Director of Infection Prevention and Control, and, with the Chief Nurse, for managing the strategic development and implementation of safety and quality governance, for reporting this to the Board, through its Quality and Risk Committee (from September 2013), and for the assessment and reporting of clinical risk;
- the Director of Human Resources who had delegated responsibility for managing the Trust's principal risks relating to workforce planning;
- the Director of Health Informatics who had delegated responsibility for the Trust's Information Governance arrangements;

- the Chief Operating Officer who had delegated responsibility for managing the Trust's risks relating to operational performance, fire safety and resilience;
- the Director of Corporate Affairs, who had delegated responsibility for ensuring that the Risk Management Strategy is implemented and evaluated effectively.

A complete description of the responsibilities, accountabilities and duties for risk management is described in the Trust risk management strategy, which was re-approved by the Board of Directors in September 2013.

The Trust Governance framework

The BSUH Rules of Procedure were reviewed and updated by the Board in September 2013 and set out the corporate governance arrangements for the Trust. The Trust's corporate governance structure is designed to ensure appropriate oversight and scrutiny and to ensure good corporate governance practice is followed. There are four committees of the Board of Directors:

- **Audit Committee**

In line with the requirements of The NHS Audit Committee Handbook and the NHS Codes of Conduct and NHS Code of Accountability, which are consistent with Monitor's NHS Foundation Trust Code of Governance, the Audit Committee has provided the Board of Directors with an independent and objective review of its financial systems, financial information, system of internal control and compliance with laws, guidance and regulations governing the NHS.

The Audit Committee's membership is drawn exclusively from independent non-executive directors and has been supported by the work programmes of internal and external audit. This ensures independence from executive and operational management.

The Audit Committee has met quarterly in 2013/14 and has provided independent monitoring and scrutiny of the processes implemented in relation to governance, risk and internal control. The committee has reported its proceedings to the Board of Directors following each of its meetings together with an annual report submitted to the Board in July 2013.

The committee considered a draft version of this Annual Governance Statement, which assesses the adequacy of the Trust internal control system at its meeting in March 2014.

- **Quality and Risk Committee**

The Quality and Risk Committee, which had its first meeting in September 2013 and evolved from the previous Board Safety and Quality Committee, has delegated authority to assure the ongoing development and delivery of the Trust's Safety and Quality Strategy.

It has been supported by the work of the Executive Safety and Quality Committees and reports from the Trust Safety and Quality team. The Chair of the Quality and Risk Committee, a Non-Executive Director, has reported on key issues to the Board of Directors after each meeting and has raised any issues relating to internal control systems with the Audit Committee.

- **Finance and Workforce Committee**

The Finance and Workforce Committee, which has met monthly, has provided assurance to the Board of Directors in the following areas: strategic financial and workforce matters; implementation of the HR strategy; delivery of in-year financial plans and cost improvement plans; the Trust's financial and investment policies; long-term financial sustainability, capital investment, delivery of significant projects and financial sustainability; and health and safety in relation to the Trust's estate, and implementation of effective internal controls around the health and safety of staff.

The Chair of the Finance and Workforce Committee, a Non-Executive Director, has reported on key issues to the Board of Directors after each meeting together with an annual report submitted to the Board in July 2013.

- **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee's role is to appoint and, if necessary, dismiss the executive directors; establish and monitor the level and structure and reward of the Chief Executive and executive directors, ensuring transparency and fairness and consistency; develop and implement succession planning for key senior management posts; ensure that contractual terms on termination and any payments in respect of executive directors are lawful and represent value for money; and ensure all provisions regarding disclosure of remuneration, including pensions, are fulfilled. The terms of reference of the Nomination and Remuneration Committee have been revised in 2013/14 to ensure transparency in respect of any compromise agreements made by the Trust, as part of the Trust response to the Francis Inquiry.

Charitable Funds

The Trust is the corporate trustee of the Brighton and Sussex University Hospitals NHS Trust Charitable Fund (Registered Charity 1050864), which is overseen by the Charitable Funds Committee, which is a Committee of the Board.

Board and Board Committee reviews of effectiveness

Board health review

A Board health review was undertaken by Foresight between September and November 2013. The output of the review was considered by the full Board at a Board development day in January 2014 and a Board development plan was approved by the Board of Directors in March 2014. The Board development plan focus on the further development of the Board in the following areas:

- Formulating strategy and building strategic capability
- Building on engagement foundations
- Ensuring accountability and Board disciplines – embedding systems and processes
- Board as a team: Board capability, capacity and corporate working
- People strategy and shaping culture

The Board health review included observation of the Board of Directors meeting and Board committee meetings; interviews with all Board members; a skills inventory of Board members; feedback on the effectiveness of the Board from internal and external stakeholders; and a focus group of senior clinicians and managers.

NHS Trust Development Authority (TDA) observation

The TDA observed meetings of the Audit Committee, Finance and Workforce Committee and Quality and Risk Committee in September 2013 and the Board of Directors in November 2013. Feedback from TDA was considered at the subsequent meetings of the observed committees.

Board governance assurance framework (BGAF)

A self-assessment of the effectiveness of the Board of Directors was undertaken using the Board Governance Memorandum and was reported to and approved by the Board of Directors in September 2013. An updated assessment will be considered by the Board in March 2014.

An external BGAF assessment commenced in February 2014, and will include observation of the Board of Directors in March 2014, interviews with all Board members, feedback from internal and external stakeholders and focus groups, and will report in April 2014.

Governance of major programmes

A review of the governance of major programmes, with particular reference to 3Ts and the Electronic Patient Record (EPR) programme was undertaken by Professor Georges Selim of CASS Business School, and his report was considered by the Board of Directors in July 2013 which agreed a number of recommendations to improve the governance of major programmes.

This included the appointment of the Director of 3Ts as the Senior Responsible Officer (SRO) for the 3Ts programme; the accountability of Programme Boards to the Board of Directors; and the role of non-executive directors in providing assurance. The Board agreed Professor Selim's recommendations and this has been reflected in the revised governance of the 3Ts programme and the reporting of Programme Boards to the Board of Directors.

Quality Governance Assurance Framework (QGAF)

As part of its preparations as an aspirant Foundation Trust, an external assessment of the Trust Quality Governance arrangements was undertaken between January and February 2014 by Niche. This review assessed Trust quality governance arrangements against the Monitor quality governance framework.

The outcome of the external review showed significant improvement from an earlier self-assessment and was considered by members of the Quality and Risk Committee in February 2014, as part of a broader review of its effectiveness. An action plan will be developed to address the findings of the report.

Audit Committee

The Audit Committee reviewed its effectiveness in June 2013, having completed the Audit Committee handbook self-assessment and agreed to undertake a re-tendering of its internal audit service, as part of its preparations as an aspirant Foundation Trust. The committee also carried out an end of year assessment in March 2013, using the same process, concluding that further work would be undertaken to assess the performance or internal and external audit, which will be taken forward in 2014/15.

The committee was observed by the NHS Trust Development Authority (TDA) in September 2013 and by Foresight as part of the Board health review in December 2013. The December meeting of the committee also discussed a feedback report received from TDA. The Chairman and Members of the committee meet external and internal audit prior to each meeting of the Audit Committee.

Finance and Workforce Committee

The Finance and Workforce Committee was observed by the NHS Trust Development Authority (TDA) in September 2013 and by Foresight as part of the Board health review in November 2013. Feedback from the TDA observation has been considered by the committee and actions implemented to address the issues raised.

Quality and Risk Committee

The Quality and Risk Committee was observed by the NHS Trust Development Authority (TDA) in September 2013, by Foresight as part of the Board health review in November 2013, and by Niche in its assessment of Quality Governance in January 2014. Feedback from the TDA observation was considered by the Committee in January 2014. The QGAF report from Niche was discussed at a review of the committee in February 2014.

Charitable Funds Committee

A review of charitable funds governance was undertaken and reported to the Board of Directors in December 2013. As part of this review, the Board approved a revised membership and terms of reference for the Charitable Funds Committee.

Executive oversight of risk framework

The Hospital Management Board, which meets bi-monthly, oversees the operation of the risk management process and has reviewed the Board Assurance Framework every quarter prior to its submission to the Board of Directors.

Clinical Divisions

The day-to-day business of the Trust is managed by the four clinical divisions: Medicine, Specialised Services, Surgery, and Women and Children. Each Division has its own clinical chief, who chairs their Divisional Management Board, and has clear delegated responsibilities for key objectives and risk management. They are supported by the corporate directorates of 3Ts, Estates and Facilities, Finance and Human Resources.

Each of the divisions has a Divisional Safety and Quality Committee and a number of Specialty Safety and Quality Committees reporting to it. There is an appointed Deputy Chief of Safety in each of the divisions who reports formally to each meeting of the Executive Safety and Quality Committee.

Quality Governance

An internal audit of the operation of the Board Safety and Quality Committees found limited assurance. As a consequence, a Board Quality and Risk Committee and Executive Safety and Quality Committee were established and the terms of reference for the Divisional and Specialty Safety and Quality Committees were revised and standardised and a template for specialty reporting agreed and implemented. These revised arrangements were tested in the Quality Governance Assurance Framework (QGAF) review.

The Trust has appointed a Chief of Safety and Quality who will further develop the Trust quality governance arrangements, with the Medical Director and Chief Nurse. The Trust also has a Patient Safety Ombudsman which is an important element of the Trust whistle-blowing framework.

Never Events

One Never Event has been reported in 2013/14. An inpatient receiving methotrexate treatment on a weekly basis for rheumatoid arthritis inadvertently received the drug daily for four days.

The error was noticed by a pharmacist, treatment was immediately stopped and specialist advice sought. The patient was subsequently discharged from hospital and came to no harm as a result. The patient and their family were informed of the error.

Quality Accounts

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.

The Trust Quality Account for 2012/13 was published in June 2013, following approval by the Board of Directors. The Trust had agreed with commissioners, for the purpose of assessment for the CQUIN scheme, a process for the collection of data for VTE risk assessment derived from the Electronic Discharge System (EDS).

Whilst this definition was transparent and compliant with commissioner requirements, an external audit of the VTE indicator, as part of the external audit of the Quality Accounts, found that data collection was not consistent with national guidance and did not include the full population of admitted patients. This limited the comparability of Trust performance.

As a consequence the external audit gave a qualified conclusion in respect of the VTE indicator. The Trust has now implemented a process to include patients from these groups within our returns to fall in line with other organisations nationally and provided assurance to the Audit Committee in September 2013 that this deficiency had been rectified.

In developing the Quality Account 2013/14, quality improvement priorities for 2014/15 have been identified following discussion in the Trust and with commissioner and patient representatives. The Quality Account will be considered by the Quality and Risk Committee prior to submission to the Board for approval in June 2014.

Care Quality Commission (CQC) Registration

There have been a number of visits to the Trust by the CQC in 2013/14.

April - Compliance visit at RSCH

May - Compliance visit at RSCH & PRH

July - Compliance visit Bexhill

August - Compliance visit at Hove Polyclinic and the Park Breast Centre

December - Visit to RSCH and PRH

The CQC inspection in April and May this year involved both the Royal Sussex County Hospital and the Princess Royal Hospital. The Trust was assessed in six outcomes during the April visit: two outcomes were compliant and four required further action and were deemed to have a moderate impact on patient care. These were:

- Respecting and involving people who use services (Outcome 1) - action needed
- Care and welfare of people who use services(Outcome 4) - action needed
- Partnership working (Outcome 6) - compliant

- Staffing (Outcome 13) - compliant
- Supporting staff (Outcome 14) - action needed
- Assessing and monitoring the quality of service provision (Outcome 16) - action needed

The CQC visited in May 2013 and reviewed two outcomes:

- Cleanliness and infection control (Outcome 8) compliant and;
- Safety and suitability of premises (Outcome 10) at PRH - action needed.

Care Quality Commission visit in July 2013, Bexhill

The CQC undertook a scheduled inspection of Bexhill Renal Satellite Unit on 27 June. The visit focused on the following outcomes:

- Outcome 1 - Respecting and involving people who use services
- Outcome 4 - Care and welfare of the people who use the services
- Outcome 7 - Safeguarding people who use the services from abuse
- Outcome 8 – Cleanliness and infection control
- Outcome 13 - Staffing
- Outcome 14 – Supporting staff

The CQC judged that Outcomes 1 and 4 were compliant, but the other four outcomes required further work. Significant progress has been made by the renal team on the action plan and evidence has been compiled to demonstrate compliance.

The Trust Board, in December, having reviewed the evidence, confirmed, in its judgement, that outcomes 7, 8, 13 and 14 were compliant, which will be checked by the CQC in further inspections at Bexhill.

Care Quality Commission visit in August 2013, Hove Polyclinic

The CQC undertook a scheduled inspection of Hove Polyclinic on 13 August. The visit focused on the following outcomes 1, 4, 7, 8, 13, 14 and 17 (complaints).

The CQC commended the organisation for the systems and processes in place and the care received by patients. Full compliance was attained for all the outcomes reviewed.

Care Quality Commission visit in August 2013, Park Breast Centre

The CQC undertook a scheduled inspection of the Park Breast Centre on 13 August. The visit focused on the following outcomes 1, 4, 7,8,14 and 17. All outcomes reviewed were compliant.

CQC Action Plan

The Board received updates in April, June, July and December on actions taken following the CQC inspections. The Quality and Risk Committee received an update report in September and November 2013. All actions for outcome 10 on the safety and security of premises at PRH have been completed, as approved by the Board in December 2013.

CQC visit December

The CQC visited the Trust in December 2013, in response to a number of concerns raised and involved a team of inspectors listening and speaking with patients, carers and staff. They visited a number of wards at the Royal Sussex County Hospital and the Princess Royal Hospital and observed care. A Listening Event report was published in April 2014. The CQC report identified 'tensions' among staff in some areas, including concerns raised by some black and minority ethnic staff. The Trust provided the CQC with details of the work already underway to address some of these tensions, including the project to develop a Trust-wide set of values and behaviours. The Trust also outlined the actions we are developing to address the specific issues we have around staff from BME groups which is an extremely important piece of work for the Trust.

CQC Intelligent Monitoring

The Board received a report on the new CQC Intelligent Monitoring report which replaced the CQC Quality Risk Profile. The first report was published in October 2013. The report allocates Trusts overall into six bands, band one being the Trusts most at risk, and band six the least at risk. The Trust was banded at band three.

A further report was published in March 2014, when the Trust was assessed as band 4. There were two areas where the Trust was identified as an elevated risk and four areas as a risk. The report to Board in March 2014 also detailed the action being taken to mitigate the risks.

Risk assessment

Risk management strategy

The Risk Management Strategy and supporting policies and procedures set out the key responsibilities for managing risk within the organisation, including ways in which the risk is identified, evaluated and controlled. The risk management strategy was updated and reviewed by the Board in September 2013.

Risk management training

The Trust requirements for Risk Management Training, based on the Training Needs Analysis, are described in the Mandatory Training Policy. This includes the frequency of training, requirements for different groups of staff, and processes for managing non-attendance.

Risk management, Board Assurance Framework and key risks

Risk management is taken into account in the organisation in a variety of ways. All staff are responsible for responding to incidents, hazards, complaints and near misses in accordance with the appropriate policies. Local management teams develop and maintain local risk registers and oversee the management of adverse incidents. Divisional Management Teams review risk action plans and ensure they are implemented through business planning and other established routes. Risk processes are monitored and reviewed by the Hospital Management Board, Quality and Risk and Executive Safety and Quality Committees, Finance and Workforce Committee and Audit Committee

Board Assurance Framework (BAF)

The BAF provides the Board with a vehicle for satisfying itself that its responsibilities are being discharged effectively. It identifies through assurance where aspects of service delivery are being met to satisfy internal and external requirements. In turn it informs the Board where the delivery of principal objectives are at risk due to a gap in control and/or assurance.

The BAF is reviewed quarterly by the Board. The BAF identifies the principal risks facing the Trust and informs the Board how each of these risks is being managed and monitored effectively. Each principal risk has an identified risk owner who is responsible for managing and reporting on the overall risk. The identified risk owner is an executive, or other, director. An Assurance Committee is also identified to assure the Board that each principal risk is being monitored, gaps in controls identified, and processes put in place to minimise the risk to the Trust.

The designated Assurance Committees of the Board are the Quality and Risk Committee (Clinical Risk) and the Finance and Workforce Committee (Financial and Workforce Risk). The Audit Committee monitors the BAF process overall.

The Board reviewed and redefined its key strategic risks at a Board Seminar in April 2014. The Board Assurance Framework is reviewed every quarter by the Board of Directors and by the Hospital Management Board prior to submission to the Board of Directors. The BAF is supported by well-developed processes of review by executive directors, the identified risk owners. An internal audit of the Assurance Framework and Risk Management provided significant assurance and found that: ‘in addition to the excellent design of the Assurance Framework itself, there is a good understanding of the new requirements as set out in the assurance framework, and that the Trust’s top risks continue to be well managed, linked to corporate pbjectives, as they have been throughout the changes introduced this year.’

In the Board Assurance Framework report to the Board of Directors in February 2014, five risks were identified with a net severity of 15+.

Table 1: The Net (current) high rated risks on the BAF

HRR ref.	Description	Executive Lead	Net Score
1352	Financial targets may not be met due to underperformance against plans and impact of local and national health economy pressures	Chief Financial Officer	15 ↔
1359	An incident or event significantly impacting upon service, patient flow, operational delivery and standards of patient safety	Chief Operating Officer	15 ↔
	Capacity / planning during numerous and complex service, operational and infrastructure developments within short and overlapping time periods to prevent adverse impact to quality, safety and operational delivery of Trust services	Chief Operating Officer	15 ↔
1350	Staff and patients may be put at risk from failure to adequately maintain the estate, equipment and FM services	Chief Operating Officer	16 ↑
1348	200 year old clinical infrastructure at RSCH and 75 year old infrastructure at Hurstwood Park which is no longer fit for purpose	Director of 3Ts	16 ↔

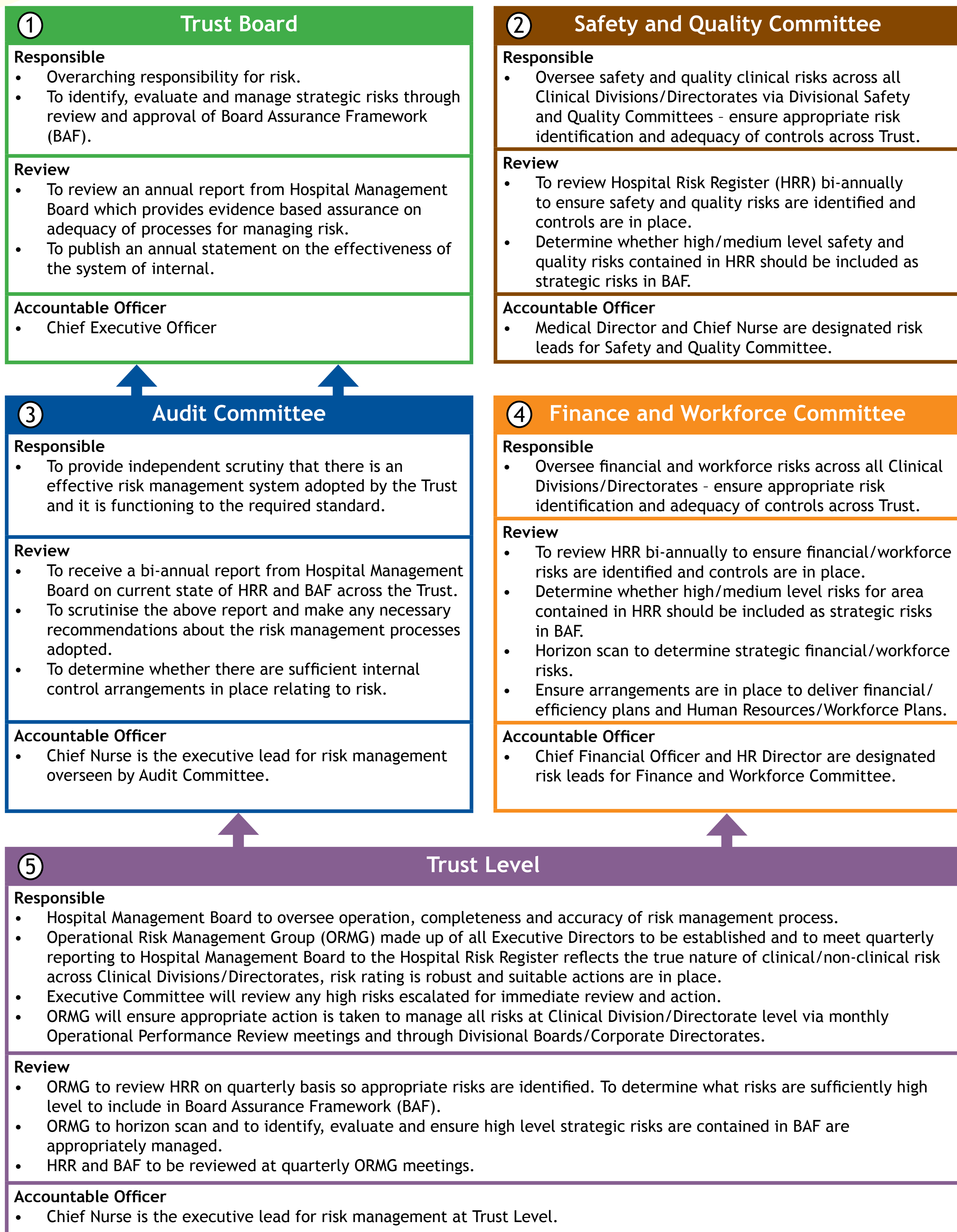
For each of the risks above, the Board Assurance Framework describes the processes and controls in place to manage the risk, and what further action is necessary to control the risk.

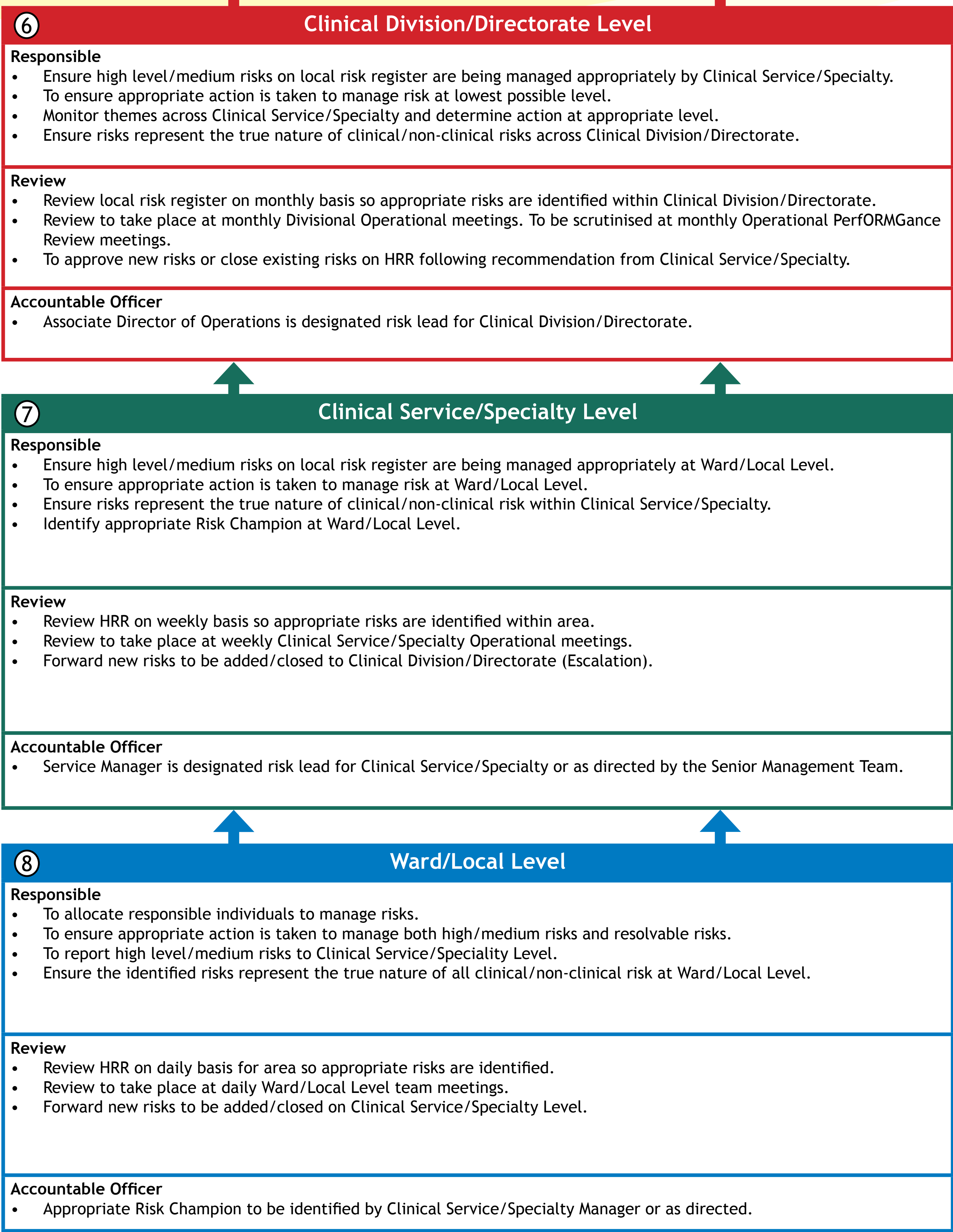
Key challenges

The BAF incorporates the key challenges faced by the Trust which are detailed below:

- Unscheduled care and achievement of the four hour standard sustainably – an ECIST supported action plan has been developed and is being used to oversee this work internally and working with partners across the local health economy.
- Achievement of C-Diff and MRSA reduction targets building on the many years of improvement and the five point plan agreed with the TDA.
- Continued improvements in patient safety building on acknowledged developments but focusing on specific areas of need including cardiac surgery, digestive diseases and elderly care as well as embedding improvements to the recently implemented quality governance structure.
- Addressing cultural issues within and between teams through the values and behaviours, medical engagement scale, specific work on race equality and the overarching Foundations for Success initiative.
- Setting the Trust direction for clinical services from now to 3Ts implementation through the Clinical Strategy approved by the Board on 31 March.
- Implementing a Clinical Structure across the organisation and developments to the executive team coupled with improved performance management process to support empowerment of frontline staff and improve accountability
- Improvements in appraisal and statutory and mandatory training rates, which has been a key priority this year, with real improvement made since April 2013 but with further improvement required and plans are in place to deliver this improvement.
- Continued delivery of financial targets to support ongoing clinical and financial sustainability for the Trust and maintain support for 3Ts business case.
- Capital and service developments including the 3Ts rebuild and implementation of the radiotherapy strategy of increased LINACS capacity, cardiac surgery expansion, vascular and interventional radiology infrastructure to support the Sussex-wide network.
- Site reconfiguration which is a major service reorganisation to facilitate major trauma centre status which is currently derogated and which will be completed during 2014.
- Leadership of the Sussex-wide Operational Delivery Networks for vascular and major trauma and leadership of discussions with colleague provider Trusts to develop Sussex-wide tertiary services.
- Progress with the Foundation Trust application

Risk and control framework




6 Clinical Division/Directorate Level
Responsible
• Ensure high level/medium risks on local risk register are being managed appropriately by Clinical Service/Specialty.
• To ensure appropriate action is taken to manage risk at lowest possible level.
• Monitor themes across Clinical Service/Specialty and determine action at appropriate level.
• Ensure risks represent the true nature of clinical/non-clinical risks across Clinical Division/Directorate.
Review
• Review local risk register on monthly basis so appropriate risks are identified within Clinical Division/Directorate.
• Review to take place at monthly Divisional Operational meetings. To be scrutinised at monthly Operational PerfORMGance Review meetings.
• To approve new risks or close existing risks on HRR following recommendation from Clinical Service/Specialty.
Accountable Officer
• Associate Director of Operations is designated risk lead for Clinical Division/Directorate.
7 Clinical Service/Specialty Level
Responsible
• Ensure high level/medium risks on local risk register are being managed appropriately at Ward/Local Level.
• To ensure appropriate action is taken to manage risk at Ward/Local Level.
• Ensure risks represent the true nature of clinical/non-clinical risk within Clinical Service/Specialty.
• Identify appropriate Risk Champion at Ward/Local Level.
Review
• Review HRR on weekly basis so appropriate risks are identified within area.
• Review to take place at weekly Clinical Service/Specialty Operational meetings.
• Forward new risks to be added/closed to Clinical Division/Directorate (Escalation).
Accountable Officer
• Service Manager is designated risk lead for Clinical Service/Specialty or as directed by the Senior Management Team.
8 Ward/Local Level
Responsible
• To allocate responsible individuals to manage risks.
• To ensure appropriate action is taken to manage both high/medium risks and resolvable risks.
• To report high level/medium risks to Clinical Service/Speciality Level.
• Ensure the identified risks represent the true nature of all clinical/non-clinical risk at Ward/Local Level.
Review
• Review HRR on daily basis for area so appropriate risks are identified.
• Review to take place at daily Ward/Local Level team meetings.
• Forward new risks to be added/closed on Clinical Service/Specialty Level.
Accountable Officer
• Appropriate Risk Champion to be identified by Clinical Service/Specialty Manager or as directed.

Performance

The Board performance dashboard is reported to the Board of Directors at each of its meeting. Board papers can be viewed online: www.bsuh.nhs.uk/about-us/the-trust-board/trust-board-meeting-papers/march-2014-board-meeting-papers

The Board scorecard has been extensively reviewed and amended to consolidate key metrics used by the Trust Development Agency (TDA), Monitor, NHS England and commissioners in evaluating Trust performance. The intention is to produce a composite suite of indicators reflecting a broad range of themes. Exceptions to good performance in 2013/14 are identified below.

Performance against the four hour Accident and Emergency standard

The year-to-date position for the four hour wait standard is 93.4% (M11). Whilst the Trust has seen improvement in the management of unscheduled care, performance is still below where the Trust requires it to be which means too many patients are waiting more than four hours in the Emergency Departments. The Trust still has more to do as an acute provider of care and as a Local Health Economy (LHE) to ensure sustained performance.

The Board of Directors reviewed progress with the action plan developed following the Emergency Care Intensive Support Team (ECIST) visit in 2013 routinely at its meetings throughout the year.

Infection prevention

The Trust exceeded its 2013/14 MRSA target which was to have zero Trust-acquired bacteraemias. The Trust has reported six cases of MRSA in 2013/14, two of which, following review, are considered to be avoidable. There were also six Trust-acquired MRSA bacteraemias in 2012/13.

The Trust has also exceeded its Clostridium difficile target of 34 Trust-acquired cases, with 47 cases reported year-to-date (M11), compared to 52 cases in 2012/13. Action plans have been developed and reviewed by the Board of Directors in respect of MRSA and Clostridium difficile. Most recently the Trust agreed with TDA five high-impact actions to reduce the incidence of Clostridium difficile. These actions were reviewed by the Board of Directors in February 2014 and progress will be reviewed in the monthly infection prevention and control report to the Board.

Information Governance

No Information Governance Serious Incidents were reported in 2013/14. The Audit Committee received a progress report on Information Governance in December 2013. The chairman of the committee reported steady progress to the Board, while noting a need for greater focus to improve the uptake of Information Governance training. The Information Governance toolkit submission in March 2014 demonstrated achievement of level two against the 2013/14 Information Governance Toolkit.

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

The Board receives a monthly report from the Chief Financial Officer on financial performance. Financial performance is reviewed at the Hospital Management Board and by the Finance and Workforce Committee. The Chair of the Finance and Workforce Committee, in turn, provides a formal monthly report to the Board of Directors. The Trust has a planned surplus of £5.2m, in 2013/14, as agreed with the NHS Trust Development Authority. Achievement of the planned surplus was on track, at Month 11 when the Trust was reporting a £4.1m surplus.

Counter fraud

The Trust is required under the terms of the new Standard NHS Contract (as it was previously required under Secretary of State's Directions) to ensure appropriate counter fraud measures are in place. The Local Counter Fraud Specialist (LCFS) adopts a risk-based approach to counter fraud work, using the NHS Protect Risk Assessment Tool (RAT) and the incidence of local frauds to identify areas of potential vulnerability.

Relevant local proactive exercises (LPEs) are consequently built into the Trust's annual counter fraud work plan, which is overseen by the Audit Committee. In common with other large acute hospitals, staff members working elsewhere while on sick leave remains among the most common fraud types at BSUH.

The LCFS/Compliance Manager helps to foster an anti-fraud culture within the Trust through delivery of an ongoing training programme across a wide range of staff groups. This features regular presentations on counter fraud and on compliance with the UK Bribery Act 2010. The LCFS attends each meeting of the Audit Committee to present a report on his work.

Internal audit

An annual audit plan is undertaken by internal audit and monitored by the Audit Committee. The table below describes the internal audit reviews undertaken in 2013/14 and the level of assurance provided.

Table 2: Internal audits 2013/14

Audit	Assurance level provided
Critical Financial Assurance - Non Pay and Financial Accounting	Significant
Corporate Policies	Significant
Quality Accounts	Significant
Outpatient referrals and appointments	Significant
Gifts and hospitality arrangements	Significant
Medical Revalidation and Appraisal	Significant
Critical Financial Assurance - Pay	Significant
Annual Policy Review	Significant
Complaints Management	Significant
3Ts Risk Management	Significant
Assurance Framework/Risk Management	Significant
Ward Visits	Various
Detailed Follow-up of Cancelled Operations	Limited
Medical Secretaries	Limited
Stock Control Management	Limited
Divisional Safety and Quality Committees	Limited

Review of effectiveness of risk management and control

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 content of the quality report attached to 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 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 Risk committee, and the Finance and Workforce Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit opinion is that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

My review is also informed by executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework, and 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 of Directors and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board of Directors and its committees meet regularly and, as part of their consideration, keep arrangements for internal control under review through discussion and approval of policies and practice. The Audit Committee has provided the Board of Directors with an independent and objective review of financial and corporate governance, and internal financial control within the Trust.

The Audit Committee has received reports from external and internal audit including reports relating to the Trust's counter fraud arrangements. The Trust's executive directors and managers, and the chairs of the Quality and Risk Committee and Finance and Workforce Committee of the Board, have provided the Board of Directors with reports on risk management, performance management and safety and quality governance.

I have also been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, Audit Committee and executive directors. These groups each receive regular reports and updated action plans to manage or monitor progress on major risks, as defined in their respective terms of reference. A plan to address weaknesses and ensure continuous improvement of the system is in place.

A number of external agencies and other assessors measure and report on the Trust's performance against statutory requirements or best practice. These groups examine many potentially high risk areas. The results of their work are considered and acted on where necessary by the relevant executive director. All significant external scrutiny reports are also reported to the appropriate committee for monitoring in line with the Trust policy on External Agency Visits, Inspections and Accreditations.

Significant issues

I have considered the factors described in the NHS Trust Development Authority (TDA) guidance on the 2013/14 annual governance statement in respect of significant issues.

I have identified significant issues in this statement, which prejudice the achievement of Trust priorities, in relation to performance, in respect of the four hour A&E standard and infection prevention and control, and control issues in relation to quality governance. These control issues are also associated with the areas of non-compliance with CQC standards identified in this statement. See page 13 for further details. These control issues are also associated with the areas of non-compliance with CQC standards identified in this statement.

I am satisfied that those issues have been or are being actively addressed.

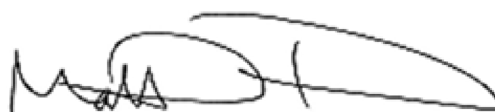
Accountable Officer

The Accountable Officer is Matthew Kershaw, who is the signatory to the Annual Governance Statement.

Accountable Officer: Matthew Kershaw, Chief Executive

Organisation: Brighton and Sussex University Hospitals NHS Trust

Signature:



Date: 6 June 2014

Financial Report

From the Chief Financial Officer

During 2013/14, the Trust continued to maintain its strong financial position, delivering a surplus of £5.1m after technical adjustments and meeting its statutory financial duties. These technical adjustments relate to the revaluation of hospital estate in advance of a number of significant capital projects. The delivery of the financial position has only been possible through the continuous and effective partnership working with our commissioners and the local health community to ensure resources are used to provide the best and safest care for our patients.

We received a total income of £559m of which £451m came from patient care and £108m came from research, education, commercial and non-clinical services to other organisations. Although there was a reduction in the national tariff of 1.1%, total patient care income increased by 1.9%.

Operating expenditure (excluding impairments and donated assets adjustment) was £554m with our productivity and efficiency programme generating £30m savings through a number of initiatives that were driven through the Trust's clinical and corporate divisions. During the year we invested significant amounts of capital expenditure totalling £27.3m including the following areas: Medical equipment (£2.7m); Information technology infrastructure (£5.3m); St Mary's refurbishment 3Ts decant (£5.6m); Additional theatre PRH (£2.5m); Third cardiac theatre (£1.8m); 3Ts decant development (£2.5m); Major trauma x-ray and theatre works (£1.7m); Other building schemes (£5.5m).

BSUH acts as a Trustee for charitable funds of £10.1m. Income from donations, legacies and grants totalled £2.1m in 2013/14. During the year £1.2m was spent on clinical research, patient and staff welfare. The annual accounts for charitable funds have been consolidated with the accounts of the Trust this year for the first time in accordance with national reporting requirements relating to common control. We continue to be extremely grateful for the continuing support we receive from our volunteers, supporters, Friends and other providers of charitable donations and the additional facilities these enable us to provide.

The Trust is operating in a challenging financial environment. This is shaped by the national financial picture with the ongoing need to reduce the public deficit and increasing challenge to maintain the NHS funding ring-fence. A bigger test will come for the Trust in 2015/16 as resources are realigned across Health and Social Care into the Better Care Fund. These factors sit alongside the pressures of investing in clinical staffing ratios, providing services seven days a week and responding to increasing demand. Sound financial management, therefore, remains vital to ensuring that the Trust's resources continue to be used as effectively as possible.

Overall, 2013/14 was another important year in terms of consolidating the Trust's continued sound financial performance. It supported the progress being made towards achieving NHS Foundation Trust status and is key to future plans to invest and modernise the Trust's hospital facilities.

Chief Financial Officer
Spencer Prosser

Statement of Comprehensive Income for year ended 31 March 2014

	NOTE	Trust 2013-14 £000s	Trust 2012-13 £000s	Consolidated 2013-14 £000s	Consolidated 2012-13 £000s
Gross employee benefits	10.1	**(293,018)**	(294,833)	**(293,018)**	(294,833)
Other operating costs	8	**(265,327)**	(301,542)	**(266,492)**	(302,271)
Revenue from patient care activities	5	**450,962**	442,496	**450,962**	442,496
Other Operating revenue	6	**107,593**	163,578	**110,285**	165,016
Operating surplus		**210**	9,699	**1,737**	10,408
Investment revenue	12	**86**	85	**373**	265
Other gains	13	**707**	429	**1,118**	1,393
Finance costs	14	**(3,094)**	(2,962)	**(3,094)**	(2,962)
(Deficit)/surplus for the financial year		**(2,091)**	7,251	**134**	9,104
Public dividend capital dividends payable		**(7,481)**	(7,273)	**(7,481)**	(7,273)
Retained (deficit)/surplus for the year		**(9,572)**	(22)	**(7,347)**	1,831

Other Comprehensive Income

	2013-14 £000s	2012-13 £000s	2013-14 £000s	2012-13 £000s
Impairments and reversals taken to the Revaluation Reserve	**(1,771)**	(3,386)	**(1,771)**	(3,386)
Net gain on revaluation of property, plant & equipment	**10,295**	231	**10,295**	231
Net gain on revaluation of assets held for sale	**0**	160	**0**	160
Total Comprehensive Income for the year*	**(1,048)**	(3,017)	**1,177**	(1,164)

Financial performance for the year

Retained deficit for the year	**(9,572)**	(22)
Impairments (excluding IFRIC 12 impairments)	**14,272**	3,213
Adjustments in respect of donated gov't grant asset reserve elimination	**414**	134
Adjusted retained surplus	**5,114**	3,325

* This sums the rows above and the deficit for the year.

A trust's reported financial performance position is derived from it's retained surplus/(deficit), but adjusted for the following:
a) An impairment charge is not considered part of the organisation's operating position.

b) The incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, is reported as technical. This additional cost is not considered part of the organisation's operating position.
c) The Treasury FReM for 2011-12 changed the accounting treatment for the funding element of charitable donations so that NHS bodies no longer hold Donated Asset Reserves. Where assets are funded by donations the financing element of the transaction is recognised as income and taken through the statement of income and expenditure. The impact of the change in policy is not considered part of the organisation's operating position.
Prior year performance is not re-assessed following accounting restatements.

The notes on pages 52 to 91 form part of this account

Statement of Financial Position as at 31 March 2014

	NOTE	Trust 31 March 2014 £000s	Trust 31 March 2013 £000s	Consolidated 31 March 2014 £000s	Consolidated 31 March 2013 £000s	Consolidated 1 April 2012 £000s
Non-current assets:						
Property, plant and equipment	15	**297,951**	283,855	**297,951**	283,855	286,077
Intangible assets	16	**408**	202	**408**	202	5
Investment property	18.1	**0**	0	**0**	0	0
Other Investments - Charitable	18.2			**9,573**	7,754	5,418
Other financial assets	24.2	**1,101**	0	**1,101**	0	0
Trade and other receivables	22.1	**3,349**	3,276	**3,349**	3,276	3,275
Total non-current assets		**302,809**	287,333	**312,382**	295,087	294,775
Current assets:						
Inventories	21	**6,507**	8,136	**6,507**	8,136	7,254
Trade and other receivables	22.1	**36,428**	20,383	**37,527**	20,616	32,727
Other financial assets	24	**0**	0	**0**	0	0
Other current assets	25	**0**	0	**0**	0	0
Cash and cash equivalents	26	**22,176**	35,669	**22,785**	36,733	16,652
Total current assets		**65,111**	64,188	**66,819**	65,485	56,633
Non-current assets held for sale	27	**2,765**	5,805	**2,765**	5,805	7,055
Total current assets		**67,876**	69,993	**69,584**	71,290	63,688
Total assets		**370,685**	357,326	**381,966**	366,377	358,463
Current liabilities						
Trade and other payables	28	**(60,030)**	(53,469)	**(60,125)**	(53,559)	(54,786)
Other liabilities	29	**0**	0	**0**	0	0
Provisions	35	**(693)**	(1,412)	**(693)**	(1,412)	(681)
Borrowings	30	**(1,461)**	(1,548)	**(1,461)**	(1,548)	(1,442)
Other financial liabilities	31	**0**	0	**0**	0	0
Working capital loan from Department	30	**(3,000)**	(3,000)	**(3,000)**	(3,000)	(3,000)
Capital loan from Department	30	**(803)**	(782)	**(803)**	(782)	0
Total current liabilities		**(65,987)**	(60,211)	**(66,082)**	(60,301)	-59,909
Net current assets		**1,889**	9,782	**3,502**	10,989	3,779
Non-current assets plus net current assets		**304,698**	297,115	**315,884**	306,076	298,554
Non-current liabilities						
Trade and other payables	28	**(867)**	(602)	**(867)**	(602)	(1,336)
Other Liabilities	31	**0**	0	**0**	0	0
Provisions	35	**(2,929)**	(3,180)	**(2,929)**	(3,180)	(2,825)
Borrowings	31	**(34,127)**	(35,587)	**(34,127)**	(35,587)	(37,136)
Other financial liabilities	30	**0**	0	**0**	0	0
Working capital loan from Department	30	**(4,500)**	(7,500)	**(4,500)**	(7,500)	(10,500)
Capital loan from Department	30	**(13,617)**	(13,402)	**(13,617)**	(13,402)	0
Total non-current liabilities		**(56,040)**	(60,271)	**(56,040)**	(60,271)	(51,797)
Total Assets Employed:		**248,658**	236,844	**259,844**	245,805	246,757
FINANCED BY:						
TAXPAYERS' EQUITY						
Public Dividend Capital		**235,973**	234,942	**235,973**	234,942	234,730
Retained earnings		**(18,928)**	(22,291)	**(20,577)**	(23,455)	(24,220)
Revaluation reserve		**31,613**	24,193	**31,613**	24,193	28,730
Charitable Funds Reserve				**12,835**	10,125	7,517
Other reserves		**0**	0	**0**	0	0
Total Taxpayers' Equity:		**248,658**	236,844	**259,844**	245,805	246,757

The notes on pages 52 to 91 form part of this account

The financial statements on pages 48 to 51 were approved by the Audit Committee (with delegated authority by the Board) on 5 June and signed on its behalf by:

Chief Executive: Date: 6 June 2014

Matthew Kershaw

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

	Trust				Consolidated				
	Public Dividend capital	Retained earnings	Revaluation reserve	Total reserves	Public Dividend capital	Retained earnings	Revaluation reserve	Charitable Funds Reserve	Total reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	**234,942**	**(22,291)**	**24,193**	**236,844**	**234,942**	**(23,455)**	**24,193**	**10,125**	**245,805**
Changes in taxpayers' equity for 2013-14									
Retained deficit for the year		(9,572)		**(9,572)**		(9,572)		2,225	**(7,347)**
Net gain on revaluation of property, plant, equipment			10,295	**10,295**			10,295		**10,295**
Impairments and reversals			(1,771)	**(1,771)**			(1,771)		**(1,771)**
Transfers between reserves		1,104	(1,104)	**0**		1,104	(1,104)		**0**
Transfers under Modified Absorption Accounting		11,831		**11,831**		11,831			**11,831**
Reclassification Adjustments									
New PDC Received in Year	1,031			**1,031**	1,031				**1,031**
Revaluation and impairment of Charitable fund assets									
Charitable Funds Adjustment						(485)		485	**0**
Net recognised revenue/(expense) for the year	**1,031**	**3,363**	**7,420**	**11,814**	**1,031**	**2,878**	**7,420**	**2,710**	**14,039**
Balance at 31 March 2014	**235,973**	**(18,928)**	**31,613**	**248,658**	**235,973**	**(20,577)**	**31,613**	**12,835**	**259,844**
Balance at 1 April 2012	**234,730**	**(23,811)**	**28,730**	**239,649**	**234,730**	**(24,220)**	**28,730**	**7,517**	**246,757**
Changes in taxpayers' equity for the year ended 31 March 2013									
Retained surplus/(deficit) for the year		(22)		(22)		(22)		1,853	**1,831**
Net gain on revaluation of property, plant, equipment			231	231			231		**231**
Net gain on revaluation of assets held for sale			160	160			160		**160**
Impairments and reversals			(3,386)	(3,386)			(3,386)		**(3,386)**
Transfers between reserves		1,542	(1,542)	0		1,542	(1,542)		**0**
Reclassification Adjustments									
New PDC Received	212			212	212				**212**
Revaluation and impairment of Charitable fund assets									
Charitable Funds Adjustment						(755)		755	**0**
Net recognised revenue/(expense) for the year	**212**	**1,520**	**(4,537)**	**(2,805)**	**212**	**765**	**(4,537)**	**2,608**	**(952)**
Balance at 31 March 2013	**234,942**	**(22,291)**	**24,193**	**236,844**	**234,942**	**(23,455)**	**24,193**	**10,125**	**245,805**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2014

	Trust		Consolidated	
	2013-14	2012-13	**2013-14**	2012-13
	£000s	£000s	**£000s**	£000s
Cash Flows from Operating Activities				
Operating Surplus	**210**	9,699	**1,737**	10,408
Depreciation and Amortisation	**20,662**	19,724	**20,662**	19,724
Impairments and Reversals	**14,272**	3,213	**14,272**	3,213
Other Losses on foreign exchange	**(24)**	11	**(24)**	11
Interest Paid	**(2,957)**	(2,709)	**(2,957)**	(2,709)
Dividend Paid	**(6,866)**	(7,643)	**(6,866)**	(7,643)
Decrease/(Increase) in Inventories	**1,629**	(882)	**1,629**	(882)
(Increase)/Decrease in Trade and Other Receivables	**(15,128)**	12,711	**(15,128)**	12,711
(Increase)/Decrease in Other Current Assets	**0**	0	**0**	0
Increase in Trade and Other Payables	**3,602**	1,819	**3,602**	1,819
(Increase)/Decrease in Other Current Liabilities	**0**	0	**0**	0
Provisions Utilised	**(1,169)**	(665)	**(1,169)**	(665)
(Decrease)/Increase in Provisions	**(1,448)**	1,498	**(1,448)**	1,498
NHS Charitable Funds - net adjustments for working capital movements, non-cash transactions and non-operating cash flows			**(861)**	(230)
Net Cash Inflow from Operating Activities	**12,783**	36,776	**13,449**	37,255
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	**86**	85	**86**	85
Payments for Property, Plant and Equipment	**(24,152)**	(27,880)	**(24,152)**	(27,880)
Payments for Intangible Assets	**0**	0	**0**	0
Payments for Other Financial Assets	**(1,101)**	0	**(1,101)**	0
Proceeds of disposal of assets held for sale (PPE)	**0**	1,860	**0**	1,860
Proceeds of disposal of assets held for sale (Intangible)	**2,171**	0	**2,171**	0
NHS Charitable Funds - net cash flows relating to investing activities			**(1,121)**	(1,192)
Net Cash Outflow from Investing Activities	**(22,996)**	(25,935)	**(24,117)**	(27,127)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	**(10,213)**	10,841	**(10,668)**	10,128
CASH FLOWS FROM FINANCING ACTIVITIES				
Public Dividend Capital Received	**1,031**	212	**1,031**	212
Loans received from DH - New Capital Investment Loans	**1,018**	14,439	**1,018**	14,439
Loans repaid to DH - Capital Investment Loans Repayment of Principal	**(782)**	(255)	**(782)**	(255)
Loans repaid to DH - Revenue Support Loans	**(3,000)**	(3,000)	**(3,000)**	(3,000)
Capital Element of Payments in Respect of On-SoFP PFI	**(1,547)**	(1,443)	**(1,547)**	(1,443)
Net Cash (Outflow)Inflow from Financing Activities	**(3,280)**	9,953	**(3,280)**	9,953
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(13,493)**	20,794	**(13,948)**	20,081
Cash and Cash Equivalents at Beginning of the Period	**35,669**	14,875	**36,733**	16,652
Cash and Cash Equivalents at year end	**22,176**	35,669	**22,785**	36,733

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2013-14 NHS Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Group for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Group are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities. Investments are held included at market value.B19

1.2 Acquisitions and discontinued operations

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

1.3 Consolidation

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust or where the subsidiary's accounting date is not co-terminus.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

Separate notes have not been prepared for the Trust.

1.4 Movement of assets within the DH Group

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

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

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

1.5 Charitable Funds

For 2013-14, the divergence from the FReM that NHS Charitable Funds are not consolidated with NHS Trust's own returns is removed. Under the provisions of IAS 27 *Consolidated and Separate Financial Statements* , those Charitable Funds that fall under common control with NHS bodies are consolidated within the entity's financial statements. In accordance with IAS 1 *Presentation of Financial Statements* , restated prior period accounts are presented where the adoption of the new policy has a material impact.

1.6 Pooled Budgets

The Group has not entered into any pooled arrangements during the financial year 2013-14.

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

1.7 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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.

1.7.1 Critical judgements in applying accounting policies

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

Fully Depreciated Plant and Equipment
The Group is part way through a review of fully depreciated items of plant and equipment held on the capital asset register. Pending the completion of this exercise the Trust eliminated £24m from the gross cost and accumulated depreciation as representing the best estimate of those assets that are no longer held by the Group.

1.7.2 Key sources of estimation uncertainty

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

Holiday Pay Accrual
The cost of holidays earned but not taken is based on an extrapolation of the average cost of those returns from staff identifying holiday owing but not yet taken.

1.8 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year is measured at the price per day for each patient spell apportioned across the financial years.

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

The Group 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 Group 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.

Donations and legacies received by the Charity are recognised once the Charity has entitlement to the resources and it is certain that the resources can be measured with sufficient reliability. Donated income of the Charity is solely that which has been receipted via the cashier's office or credited directly into the Charity bank account by the donor.

1.9 Employee Benefits

Short-term employee benefits

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

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

Retirement benefit costs

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

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

1.10 Other expenses

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

1.11 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:
● Land and non-specialised buildings – market value for existing use
● Specialised buildings – depreciated replacement cost

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

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

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

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

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

1.12 Intangible assets

Recognition

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:
● the technical feasibility of completing the intangible asset so that it will be available for use
● the intention to complete the intangible asset and use it
● the ability to sell or use the intangible asset
● how the intangible asset will generate probable future economic benefits or service potential
● the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
● the ability to measure reliably the expenditure attributable to the intangible asset during its development

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

Measurement

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

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

1.13 Depreciation, amortisation and impairments

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

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

The estimated useful lives are:

	Years
Buildings	1-90
Medical equipment and engineering plant and equipment	5-15
Furniture	5-10
Soft furnishings	5-7
Office and information technology equipment	5-8
Vehicles	7

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

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

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

1.14 Donated assets

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

1.15 Government grants

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

1.16 Other Investments - Charitable

Investment are stated at market value as at the balance sheet date. The statement of comprehensive income includes the net gains and losses arising on revaluation and disposals throughout the year. The Common Investment Fund Units are included in the Statement of Financial Position at the closing dealing price at 31 March 2014. An official pooling scehem is operated for the funds of the Charity.

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

1.17 Non-current assets held for sale

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

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

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

1.18 Leases

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

The Group as lessee

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

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

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

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

The Group as lessor

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

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

1.19 Private Finance Initiative (PFI) transactions

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

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;

b) Payment for the PFI asset, including finance costs; and

c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

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

PFI Asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

Assets contributed by the Trust to the operator for use in the scheme

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

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

Other assets contributed by the Group to the operator

Assets contributed (e.g. cash payments, surplus property) by the Group to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the Group, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

Off Statement PFI

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator the PFI obligations are recorded as an operating expense. Where the Group has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Statement of Comprehensive Income.

1.20 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.

1.21 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.

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

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 Group's cash management.

1.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of -1.9% in real terms (1.8% for employee early departure obligations).

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

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

1.23 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Group. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Group is disclosed at note 35.

1.24 Non-clinical risk pooling

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

1.25 Carbon Reduction Commitment Scheme (CRC)

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

1.26 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 Group, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

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

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

1.27 Financial assets

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

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

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the Group's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is

Held to maturity investments

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

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition. Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise they are held at amortised cost using the effective interest method, less impairment. Interest is recognised using the effective interest method.

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

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

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

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.

1.28 Financial liabilities

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

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

Financial guarantee contract liabilities

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

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

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

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Trust's deficit. The net gain or loss incorporates any interest payable on the financial liability. Fair value is determined by reference to quoted market prices where possible, otherwise by vauation techniques.

Other financial liabilities

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

1.29 Value Added Tax

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

1.30 Foreign currencies

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

1.31 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Group has no beneficial interest in them. Details of third party assets are given in Note 44 to the accounts.

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

1.32 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the Group, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets, net assets transferred from NHS bodies dissolved on 1 April 2013 and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.33 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 NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.34 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust or where the subsidiary's accounting date is not co-terminus.

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

From 2013-14, the Trust consolidates the results of Brighton and Sussex Hospitals NHS Trust Charitable Funds over which it considers it has the power to exercise control in accordance with IAS27 requirements.

The Trust established a wholly owned subsidiary, Pharm@Sea Limited, on 13 January 2014, to deliver outpatient pharmacy dispensing services. The subsidiary commenced trading on 10 February 2014. The results of the subsidiary will be fully consolidated in 2014-15. In the current year the results for the period of trading from 10 February to 31 March are not considered material and therefore the Trust's interest is shown as an investment.

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

1.35 Associates

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

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

1.36 Joint ventures

Material entities over which the Group has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. Joint ventures are accounted for by proportional consolidation.

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

1.37 Joint operations

Joint operations are activities undertaken by the Group in conjunction with one or more other parties but which are not performed through a separate entity. The Group records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

1.38 Research and Development

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

1.39 Charitable Funds Structure

Charitable Funds are classified into three categories, Restricted, Unrestricted and Endowment Funds.

Restricted funds are those which are to be sued in accordance with specific restrictions imposed by the donor and/or Trustee at the inception of the fund. Unrestricted funds are those which the Trustee is free to use for any purpose in furtherance of the charitable objectives. Unrestricted funds include designated funds which are not legally restricted but which the Trustee has chosen to earmark for set purposes. Endowment funds are funds where the capital is held in perpetuity to generate income for charitable purposes and cannot itself be spent.

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

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

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

2. Pooled budget

The Group has not entered into any pooled budget arrangement during the financial year 2013-14.

3. Operating segments

The Group hosted the Kent Surrey and Sussex Deanery, which has the responsibility for championing education and training across South East Coast in all areas of the health system, until 30 September 2013, when hosting was provided by Health Education England. It is deemed to be a component of the Group comprising more than 10% of the Group's total income and for which discrete financial information is available.

	KSS Deanery		**Group**		**Total**	
	2013-14 £000s	2012-13 £000s	**2013-14 £000s**	2012-13 £000s	**2013-14 £000s**	2012-13 £000s
Income	**63,397**	129,750	**497,850**	477,762	**561,247**	607,512
Expenditure	**(63,397)**	(129,438)	**(505,197)**	(476,243)	**(568,594)**	(605,681)
Surplus/(deficit) before interest	**0**	**312**	**(7,347)**	**1,519**	**(7,347)**	1,831

Income from transactions with a single external customer which amount to 10% or more of total income is as follows:

	2013-14 £M's	2012-13 £M's
PCT/CCG *	283	426
NHS England	150	0
SHA	0	151
Health Education England	83	0
	516	577

This income is in respect of the following services:

Patient Activity	433	467
Education	83	109
	516	576

* As commissioners are under common control they are classed as a single customer for this purpose.

4. Income generation activities

The Group undertakes income generation activities with an aim of achieving profit, which is then used in patient care but has not undertaken any income generation activities whose full cost exceeded £1m.

5. Revenue from patient care activities

	2013-14 £000s	2012-13 £000s
NHS Trusts	**1,898**	3,573
NHS England *	**148,128**	
Clinical Commissioning Groups *	**285,735**	
Primary Care Trusts *		425,202
Strategic Health Authorities *		2,282
NHS Foundation Trusts	**2,888**	1,380
Department of Health	**361**	796
NHS Other (including Public Health England and Prop Co)	**120**	306
Non-NHS:	**0**	0
Local Authorities	**3,485**	293
Private patients	**4,078**	4,565
Overseas patients (non-reciprocal)	**285**	353
Injury costs recovery	**1,351**	1,384
Other	**2,633**	2,362
Total Revenue from patient care activities	**450,962**	442,496

6. Other operating revenue

	2013-14 £000s	2012-13 £000s
Recoveries in respect of employee benefits	**2,610**	1,875
Education, training and research	**98,150**	154,460
Charitable and other contributions to revenue expenditure -non- NHS	**0**	631
Receipt of donations for capital acquisitions - NHS Charity	**0**	0
Non-patient care services to other bodies	**0**	0
Income generation	**5,803**	5,433
Rental revenue from operating leases	**282**	412
Other revenue	**3,440**	2,205
Total Other Operating Revenue	**110,285**	165,016
Total operating revenue	**561,247**	607,512

The figures for the prior year have been restated to provide more comparability with the current year's requirements with the exception of those marked with an * where new organisations have replaced those that were in place in 2012-13.

7. Revenue

	2013-14 £000s	2012-13 £000s
From rendering of services	561,247	607,512
From sale of goods	0	0

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

8. Operating expenses

	2013-14 £000s	2012-13 £000s
Services from other NHS Trusts	**4,921**	4,596
Services from CCGs/NHS England **	**70**	
Services from other NHS bodies	**0**	18
Services from NHS Foundation Trusts	**2,248**	1,809
Services from Primary Care Trusts **		1,098
Total Services from NHS bodies*	**7,239**	7,521
Purchase of healthcare from non-NHS bodies	**5,314**	5,399
Trust Chair and Non-executive Directors	**66**	61
Supplies and services - clinical	**101,887**	93,114
Supplies and services - general	**17,507**	18,142
Consultancy services	**1,180**	732
Establishment	**4,343**	5,308
Transport	**977**	1,272
Premises	**20,991**	21,736
Hospitality	**127**	114
Insurance	**629**	284
Legal Fees	**1,346**	2,211
Impairments and Reversals of Receivables	**(969)**	668
Inventories write down	**65**	0
Depreciation	**20,549**	19,627
Amortisation	**113**	97
Impairments and reversals of property, plant and equipment	**14,272**	3,213
Audit fees	**156**	145
Internal Audit	**164**	191
Clinical negligence	**10,608**	9,351
Research and development (excluding staff costs)	**2,015**	1,545
Education and Training	**56,321**	109,237
Change in Discount Rate	**144**	9
Other	**1,448**	2,294
Total Operating expenses (excluding employee benefits)	**266,492**	302,271
Employee Benefits		
Employee benefits excluding Board members	**292,142**	294,060
Board members	**876**	773
Total Employee Benefits	**293,018**	294,833
Total Operating Expenses	**559,510**	597,104

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

The figures for the prior year have been restated to provide more comparability with the current year's requirements with the exception of those marked with an ** where new organisations have replaced those that were in place in 2012-13.

9 Operating Leases

The Group leases four properties which are for periods of between ten and twenty years. The leases cannot be cancelled unless through agreed break clauses. There are no contingent rents and the Group may not assign any of the leases without the landlord's permission.

Details of the leases are set out below:

	Term Yrs	Start Date	End Date	Break Clause	Break Clause Notice
Sussex House, Brighton	18	29.03.07	28.03.25	N/A	N/A
Freshfields, Brighton	19	24.06.03	23.06.22	23.06.2017	12 months
Preston Road, Brighton	20	21.05.13	10.02.33	11.02.2022	6 months
Bloomsbury, Brighton	10	29.05.09	28.05.19	N/A	N/A

The Group has entered into service level agreements with other local NHS organisations for use of facilities on their sites. The service level agreements are renegotiated annually and include cancellation clauses of between 0 and 1 year.

9.1 Group as lessee

	Land £000s	**Buildings £000s**	**Other £000s**	**Total £000s**	2012-13 £000s
Payments recognised as an expense					
Minimum lease payments				**1,710**	2,518
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**1,710**	2,518
Payable:					
No later than one year	0	1,329	12	**1,341**	2,960
Between one and five years	0	3,590	1	**3,591**	7,642
After five years	0	5,386	0	**5,386**	5,619
Total	**0**	**10,305**	**13**	**10,318**	16,221

9.2 Group as lessor

The Group leases space to third parties to provide food, beverages and newspapers, the swimming pool on the St Mary's Hall site in Brighton, and use of sites for the location of aerials. The terms of these leases vary between one and fifteen years.

	2013-14 £000	2012-13 £000s
Recognised as revenue		
Rental revenue	282	412
Contingent rents	0	0
Total	**282**	412
Receivable:		
No later than one year	303	418
Between one and five years	1,053	1,661
After five years	70	1,775
Total	**1,426**	3,854

10 Employee benefits and staff numbers

10.1 Employee benefits

	2013-14		
	Total £000s	**Permanently employed £000s**	**Other £000s**
Employee Benefits - Gross Expenditure			
Salaries and wages	**246,262**	221,276	24,986
Social security costs	**19,140**	19,140	0
Employer Contributions to NHS BSA - Pensions Division	**28,344**	28,344	0
Other pension costs	**0**	0	0
Termination benefits	**122**	122	0
Total employee benefits	**293,868**	**268,882**	**24,986**
Employee costs capitalised	**(850)**	(850)	0
Gross Employee Benefits excluding capitalised costs	**293,018**	**268,032**	**24,986**

Employee Benefits - Gross Expenditure 2012-13	**Total £000s**	**Permanently employed £000s**	**Other £000s**
Salaries and wages	247,404	225,965	21,439
Social security costs	19,070	19,070	0
Employer Contributions to NHS BSA - Pensions Division	26,715	26,715	0
Other pension costs	0	0	0
Termination benefits	2,517	2,517	0
TOTAL - including capitalised costs	295,706	274,267	21,439
Employee costs capitalised	(873)	(873)	0
Gross Employee Benefits excluding capitalised costs	294,833	273,394	21,439

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

10.2 Staff Numbers

	2013-14			2012-13
	Total Number	**Permanently employed Number**	**Other Number**	Total Number
Average Staff Numbers				
Medical and dental	**1,065**	1,021	44	1,074
Administration and estates	**1,361**	1,174	187	1,430
Healthcare assistants and other support staff	**832**	121	711	151
Nursing, midwifery and health visiting staff	**3,361**	2,771	590	3,179
Nursing, midwifery and health visiting learners	**29**	29	0	41
Scientific, therapeutic and technical staff	**730**	694	36	604
Other	**387**	387	0	419
TOTAL	**7,765**	**6,197**	**1,568**	6,898
Of the above - staff engaged on capital projects	**17**	17	0	18

10.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	49,319	51,549
Total Staff Years	6,242	6,175
Average working Days Lost	7.90	8.35

	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	**7**	10
	£000s	£000s
Total additional pensions liabilities accrued in the year	**500**	526

10.4 Exit Packages agreed in 2013-14

Exit package cost band (including any special payment element)	2013-14 *Number of compulsory redundancies	 *Number of other departures agreed	 Total number of exit packages by cost band	2012-13 *Number of compulsory redundancies	 *Number of other departures agreed	 Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	6	6	2	14	16
£10,000-£25,000	0	3	3	1	20	21
£25,001-£50,000	0	0	0	1	3	4
£50,001-£100,000	0	0	0	3	3	6
£100,001 - £150,000	0	0	0	1	0	1
£150,001 - £200,000	0	0	0	1	0	1
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost	**0**	**9**	**9**	9	40	49
Total resource cost (£000s)	**0**	**66**	**66**	628	675	1,303

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

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

10.5 Exit packages - Other Departures analysis

	2013-14 Agreements	 Total value of agreements	2012-13 Agreements	 Total value of agreements
	Number	£000s	Number	£000s
Voluntary redundancies including early retirement contractual costs	3	25	0	0
Mutually agreed resignations (MARS) contractual costs	0	0	34	608
Early retirements in the efficiency of the service contractual costs	0	0	0	0
Contractual payments in lieu of notice	7	41	4	27
Exit payments following Employment Tribunals or court orders	0	0	2	40
Non-contractual payments requiring HMT approval*	0	0	0	0
Total	10	66	40	675

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

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

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

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

10.6 Pension costs

NHS Pensions Scheme

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

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

10.6 Pension costs *(* continued)

NEST

The Pensions Act 2008 and 2001 Automatic Enrolment Regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. Employees who are unable to join the NHS Pensions Scheme are covered by the National Employers Savings Trust ("NEST"). Nest is a defined contribution pension scheme.

The auto enrolment "staging" date for the Group compliance was 1 April 2013. For those staff not entitled to join the NHS Pension Scheme, the Trust utilised an alternative pension scheme called NEST to fulfil its automatic enrolment obligations.

NEST stands for National Employment Savings Trust and is a defined contribution pension scheme established by law to support the introduction of auto enrolment.

Contributions are taken from qualifying earnings, which are currently from £5,668 up to £41,450, but will be reviewed every year by the government. The initial contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2017	3%	2%	5%
1st October 2018	5%	3%	8%

Annual contribution to a NEST retirement fund is limited to £4,500 for the 2013/14 tax year. This will be reviewed each year and is likely to increase. Pension members can make additional contributions to their pension fund at any time up to the annual limit.

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Trust they can continue to pay into NEST.

NEST pension members can take their money out of NEST at any time from age 55. If suffering from ill health or incapable of working due to illness members can request to take their money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally members can transfer their NEST retirement fund to another scheme.

NEST is run but NEST Corporation, a trustee body which is a non-department public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

11 Better Payment Practice Code

11.1 Measure of compliance

	2013-14 Number	2013-14 £000s	2012-13 Number	2012-13 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**116,486**	**234,617**	113,317	231,208
Total Non-NHS Trade Invoices Paid Within Target	**93,519**	**158,234**	100,147	167,385
Percentage of NHS Trade Invoices Paid Within Target	**80.28%**	**67.44%**	88.38%	72.40%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,228**	**90,354**	4,270	**129,958**
Total NHS Trade Invoices Paid Within Target	**2,366**	**74,389**	3,250	**110,727**
Percentage of NHS Trade Invoices Paid Within Target	**73.30%**	**82.33%**	76.11%	85.20%

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

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

There were no costs associated with the late payment of commercial debts (2012-13: nil).

12 Investment Revenue

	2013-14 £000s	2012-13 £000s
Interest revenue		
Bank interest	**373**	265
Total investment revenue	**373**	265

13 Other Gains and Losses

	2013-14 £000s	2012-13 £000s
Loss on disposal of assets other than by sale (PPE)	**0**	(32)
Gain on disposal of assets held for sale	**731**	450
Gain on disposal of Financial Assets other then held for sale	**411**	964
(Loss)/gain on foreign exchange	**(24)**	11
Total	**1,118**	1,393

14 Finance Costs

	Consolidated 2013-14 £000s	Consolidated 2012-13 £000s
Interest		
Interest on loans and overdrafts	**388**	177
Interest on obligations under finance leases	**0**	4
Interest on obligations under PFI contracts:		
- main finance cost	**2,001**	2,080
- contingent finance cost	**567**	447
Other interest expense	**0**	1
Total interest expense	**2,956**	2,709
Other finance costs	**1**	0
Provisions - unwinding of discount	**137**	253
Total	**3,094**	2,962

15.1 Property, plant and equipment

2013-14	Land £000's	Buildings excluding dwellings £000's	Dwellings £000's	Assets under construction & payments on account £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
Cost or valuation:									
At 1 April 2013	**25,779**	**167,378**	**0**	**35,670**	**81,534**	**236**	**28,956**	**4,317**	**343,870**
Transfers under Modified Absorption Accounting - PCTs & SHAs	**0**	**11,831**	**0**	**0**	**0**	**0**	**0**	**0**	**11,831**
Additions of Assets Under Construction				**26,828**					**26,828**
Additions Purchased	0	0	0		0	0	0	0	**0**
Additions Donated	0	0	0	453	0	0	0	0	**453**
Reclassifications	0	23,303	0	(34,938)	5,942	0	5,338	0	**(355)**
Reclassifications as Held for Sale and reversals	860	(94)	325	0	(18)	0	0	0	**1,073**
Upward revaluation	1,586	8,709	0	0	0	0	0	0	**10,295**
Impairments	(65)	(1,184)	0	0	0	0	0	0	**(1,249)**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
At 31 March 2014	**28,160**	**209,943**	**325**	**28,013**	**87,458**	**236**	**34,294**	**4,317**	**392,746**
Depreciation									
At 1 April 2013	**0**	**0**	**0**	**0**	**41,356**	**226**	**15,387**	**3,046**	**60,015**
Reclassifications	0	0	0		0	0	(36)	0	**(36)**
Reclassifications as Held for Sale and reversals	0	0	0		(5)	0	0	0	**(5)**
Upward revaluation	0	0	0		0	0	0	0	**0**
Impairments	70	19,028	0	0	0	0	0	0	**19,098**
Reversal of Impairments	(391)	(4,435)	0	0	0	0	0	0	**(4,826)**
Charged During the Year	0	6,845	0		9,200	3	4,091	410	**20,549**
At 31 March 2014	**(321)**	**21,438**	**0**	**0**	**50,551**	**229**	**19,442**	**3,456**	**94,795**
Net Book Value at 31 March 2014	**28,481**	**188,505**	**325**	**28,013**	**36,907**	**7**	**14,852**	**861**	**297,951**
Asset financing:									
Owned - Purchased	28,381	147,546	325	27,808	32,368	7	14,702	773	**251,910**
Owned - Donated	100	2,156	0	205	4,539	0	150	88	**7,238**
On-SOFP PFI contracts	0	38,803	0	0	0	0	0	0	**38,803**
Total at 31 March 2014	**28,481**	**188,505**	**325**	**28,013**	**36,907**	**7**	**14,852**	**861**	**297,951**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land £000's	Buildings £000's	Dwellings £000's	Assets under construction & payments on account £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Furniture & fittings £000's	Total £000's
At 1 April 2013									
Movements - revaluation	3,442	17,966	0	0	660	0	0	0	**22,068**
At 31 March 2014	1,799	6,780	32	0	0	0	0	0	**8,611**
	5,241	**24,746**	**32**	**0**	**660**	**0**	**0**	**0**	**30,679**

Additions to Assets Under Construction in 2013/14

	£000's
Land	0
Buildings excl Dwellings	18,755
Information Technology	5,173
Plant & Machinery	2,900
Balance as at YTD	**26,828**

15.2 Property, plant and equipment prior-year

2012-13	Land £000s	Buildings excluding dwellings £000s	Dwellings £000s	Assets under construction & payments on account £000s	Plant & machinery £000s	Transport equipment £000s	Information technology £000s	Furniture & fittings £000s	Total £000s
Cost or valuation:									
At 1 April 2012	25,881	175,476	0	29,288	74,593	236	24,215	4,805	334,494
Additions - Assets Under Construction				23,374					23,374
Additions - donated	0	0	0	725	0	0	0	0	725
Reclassifications	0	4,462	0	(17,505)	7,520	0	4,940	0	(583)
Disposals other than by sale	0	(2)	0	0	(579)	0	(199)	(488)	(1,268)
Revaluation & indexation gains	0	231	0	0	0	0	0	0	231
Impairments	(20)	(3,673)	0	0	0	0	0	0	(3,693)
Reversals of impairments	0	307	0	0	0	0	0	0	307
Transfer from Other Public Bodies	0	212	0	(212)	0	0	0	0	0
At 31 March 2013	**25,861**	**177,013**	**0**	**35,670**	**81,534**	**236**	**28,956**	**4,317**	**353,587**
Depreciation									
At 1 April 2012	0	0	0	0	33,156	223	12,068	2,970	48,417
Reclassifications	0	0	0		0	0	(289)	0	(289)
Disposals other than for sale	0	0	0		(562)	0	(198)	(476)	(1,236)
Impairments	82	3,131	0	0	0	0	0	0	3,213
Charged During the Year	0	6,504	0		8,762	3	3,806	552	19,627
At 31 March 2013	**82**	**9,635**	**0**	**0**	**41,356**	**226**	**15,387**	**3,046**	**69,732**
Net book value at 31 March 2013	**25,779**	**167,378**	**0**	**35,670**	**40,178**	**10**	**13,569**	**1,271**	**283,855**
Purchased	25,679	165,345	0	35,031	37,921	10	13,494	1,156	278,636
Donated	100	2,033	0	639	2,257	0	75	115	5,219
Government Granted	0	0	0	0	0	0	0	0	0
Total at 31 March 2013	**25,779**	**167,378**	**0**	**35,670**	**40,178**	**10**	**13,569**	**1,271**	**283,855**
Asset financing:									
Owned	25,779	134,844	0	35,670	40,178	10	13,569	1,271	251,321
On-SOFP PFI contracts	0	32,534	0	0	0	0	0	0	32,534
Total at 31 March 2013	**25,779**	**167,378**	**0**	**35,670**	**40,178**	**10**	**13,569**	**1,271**	**283,855**

15.3 (cont). Property, plant and equipment

The Group undertakes a full estates revalution annually. The valuation was carried out by the District Valuer at the valuation date of 31 March 2014. The valuations were carried out in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6 Edition, insofar as these terms are consistent with the requirements of the HM Treasury, the National Health Service and the Department of Health.

The valuations were carried out on the basis of fair value. Fair Value is determined at the amount which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. The fair value of land and buildings is determined from market based evidence and is therefore on the basis of Market Value. For non specialised operational assets this equates to Existing Use Value and for specialised operational assets fair value. It is estimated using Depreciated Replacement Cost subject to the assumption of continuing use.

Most of the Group's assets qualify as specialised operational assets and therefore fall to be assessed using the Depreciated Replacement Cost approach and have been valued on a modern equivalent asset basis. That is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Non operational assets, including surplus land, are valued on the basis of Market Value on the assumption that the property is no longer required for existing operations, which have ceased.

The estimated remaining lives of the buildings have been adjusted in line with the District Valuer's valuation. The lives range from 1 year to 90 years. The estimated remaining lives of the other assets are as follows:

	Years
Medical equipment and engineering plant and equipment	1-15
Furniture	1-8
Soft furnishings	1-8
Office and information technology equipment	1-7
Vehicles	3

The Group has fully depreciated assets with a gross book value of £6.9m that are still in use and remain on the capital asset register.

16.1 Intangible non-current assets

2013-14	IT - in-house & 3rd party software £000's	Computer Licenses £000's	Licenses and Trademarks £000's	Patents £000's	Development Expenditure - Internally Generated £000's	Total £000's
At 1 April 2013	**179**	**583**	**0**	**0**	**0**	**762**
Additions - purchased	0	0	0	0	0	**0**
Additions - internally generated	0	0	0	0	0	**0**
Additions - donated	0	0	0	0	0	**0**
Additions - government granted	0	0	0	0	0	**0**
Additions - leased	0	0	0	0	0	**0**
Reclassifications	264	91	0	0	0	**355**
At 31 March 2014	**443**	**674**	**0**	**0**	**0**	**1,117**
Amortisation						
At 1 April 2013	**179**	**381**	**0**	**0**	**0**	**560**
Reclassifications	31	5	0	0	0	**36**
Charged during the year	0	113	0	0	0	**113**
At 31 March 2014	**210**	**499**	**0**	**0**	**0**	**709**
Net Book Value at 31 March 2014	**233**	**175**	**0**	**0**	**0**	**408**
Asset Financing: Net book value at 31 March 2014 comprises:						
Purchased	233	175	0	0	0	**408**
Donated	0	0	0	0	0	**0**
Total at 31 March 2014	**233**	**175**	**0**	**0**	**0**	**408**

Revaluation reserve balance for intangible non-current assets

	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2013	0	0	0	0	0	**0**
Movements (specify)	0	0	0	0	0	**0**
At 31 March 2014	**0**	**0**	**0**	**0**	**0**	**0**

16.2 Intangible Non-current assets prior-year

2012-13	IT - in-house & 3rd party software £000s	Computer Licenses £000s	Licenses and Trademarks £000s	Patents £000s	Development Expenditure - Internally Generated £000s	Total £000s
Cost or valuation:						
At 1 April 2012	179	0	0	0	0	179
Reclassifications	0	583	0	0	0	583
At 31 March 2013	179	583	0	0	0	762
Amortisation						
At 1 April 2012	174	0	0	0	0	174
Reclassifications	0	289	0	0	0	289
Charged during the year	5	92	0	0	0	97
At 31 March 2013	179	381	0	0	0	560
Net book value at 31 March 2013	0	202	0	0	0	202
Net book value at 31 March 2013 comprises:						
Purchased	0	202	0	0	0	202
Donated	0	0	0	0	0	0
Total at 31 March 2013	0	202	0	0	0	202

16.3 Intangible non-current assets

The estimated remaining lives of the other intangible non-current assets ranges from 5 to 8 years.

The Group has fully depreciated assets with a gross book value of £179,000 that are still in use and remain on the capital asset register.

17 Analysis of impairments and reversals recognised in 2013-14

	2013-14 Total £000s
Property, Plant and Equipment impairments and reversals taken to SoCI	
Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	**0**
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	14,272
Total charged to Annually Managed Expenditure	**14,272**
Total Impairments of Property, Plant and Equipment changed to SoCI	**14,272**
Total Impairments charged to SoCI - DEL	**0**
Total Impairments charged to SoCI - AME	**14,272**
Overall Total Impairments	**14,272**

Donated and Gov Granted Assets, included above

PPE - Donated and Government Granted Asset Impairments: amount credited to SOCI - DEL	(8)

During the year the Group completed the refurbishment of St Mary's Hall on the Royal Sussex County Hospital site and the building of a new day surgery unit at the Princess Royal Hospital. The Sussex Orthopaedic Treatment Centre, formerly owned by Brighton and Hove City PCT, was retrospectively transferred to the Group as of 1 April 2013. The revaluation exercise undertaken at the end of the year resulted in material impairments to the value of these buildings as follows:

	Impairment £000s
St Mary's Hall	6,962
Day Surgery Unit	2,178
Sussex Orthopaedic Centre	**5,679**
	14,819

18 Investments

18.1 Investment Property

The Trust holds no investment properties.

18.2 Other Investments - Charitable

	31 March 2014 £000	31 March 2013 £000
Market value at 31 March b/f	**7,754**	5,418
Less: Disposals at carrying value	**(2)**	(4,500)
Add: Acquisitions at cost	**1,441**	6,812
Add: Net (loss)/gain on revaluation	**411**	92
Increase in cash	**(31)**	(68)
Market value at 31 March c/f	**9,573**	7,754
Historic cost at 31 March	**7,723**	7,003

19 Commitments

19.1 Capital commitments

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

	31 March 2014 £000s	31 March 2013 £000s
Property, plant and equipment	**2,294**	12,456
Intangible assets	**0**	0
Total	**2,294**	12,456

19.2 Other financial commitments

The Group has not entered into any other non-cancellable financial commitments (2012-13 £nil).

20 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	22,887	0	19,714	0
Balances with Local Authorities	35	0	10	0
Balances with NHS bodies outside the Departmental Group	0	0	242	0
Balances with NHS Trusts and Foundation Trusts	2,964	0	5,143	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	11,641	3,349	35,016	867
At 31 March 2014	**37,527**	**3,349**	**60,125**	**867**
prior period:				
Balances with other Central Government Bodies	10,060	1,798	11,708	0
Balances with Local Authorities	53	0	29	0
Balances with NHS bodies outside the Departmental Group	24	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,504	0	3,929	0
Balances with bodies external to government	7,975	1,478	37,893	602
At 31 March 2013	**20,616**	**3,276**	**53,559**	**602**

21 Inventories

	Drugs £000s	Consumables £000s	Work in Progress £000s	Energy £000s	Total £000s	Of which held at NRV £000s
Balance at 1 April 2013	**2,378**	**5,758**	**0**	**0**	**8,136**	0
Additions	48,386	34,168	0	0	**82,554**	0
Inventories recognised as an expense in the period	(49,055)	(35,063)	0	0	**(84,118)**	0
Write-down of inventories (including losses)	(65)	0	0	0	**(65)**	0
Balance at 31 March 2014	**1,644**	**4,863**	**0**	**0**	**6,507**	**0**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000s	31 March 2013 £000s	**31 March 2014 £000s**	31 March 2013 £000s
NHS receivables - revenue	**10,934**	4,202	**0**	1,798
NHS prepayments and accrued income	**14,341**	6,165	**0**	0
Non-NHS receivables - revenue	**5,397**	4,809	**3,340**	1,473
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**8,279**	7,661	**9**	5
Provision for the impairment of receivables	**(2,080)**	(3,590)	**0**	0
VAT	**576**	1,302	**0**	0
Other receivables	**80**	67	**0**	0
Total	**37,527**	20,616	**3,349**	3,276
Total current and non current	**40,876**	23,892		
Included in NHS receivables are prepaid pension contributions:	**0**			

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

22.2 Receivables past their due date but not impaired

	31 March 2014 £000s	31 March 2013 £000s
By up to three months	**728**	1,936
By three to six months	**451**	661
By more than six months	**199**	632
Total	**1,378**	3,229

22.3 Provision for impairment of receivables

	2013-14 £000s	2012-13 £000s
Balance at 1 April 2013	**(3,590)**	(2,922)
Amount written off during the year	**541**	0
Amount recovered during the year	**142**	597
Decrease/(increase) in receivables impaired	**827**	(1,265)
Balance at 31 March 2014	**(2,080)**	**(3,590)**

The creation and release of provisions for impaired receivables has been included in Operating Expenses in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. NHS receivables are not impaired. Non NHS receivables are impaired based on the age of the debt and disputes with debtors. Full provision is made for all outstanding overseas debts.

23 NHS LIFT investments

The Group has no LIFT investments.

24.1 Other Financial Assets - Current

	31 March 2014 £000s	31 March 2013 £000s
Opening balance 1 April	**0**	0
Transfers (to)/from Other Public Sector Bodies in year	**0**	0
Other Movements	**0**	0
Closing balance 31 March	**0**	0

24.2 Other Financial Assets - Non Current

	31 March 2014 £000s	31 March 2013 £000s
Opening balance 1 April	**0**	0
Additions	**1,101**	0
Impairment/reversals taken to SoCI	**0**	0
Change in Fair Value through SoCI	**0**	0
Transferred to current financial assets	**0**	0
Disposals	**0**	0
Total Other Financial Assets - Non Current	**1,101**	0

25 Other current assets

	31 March 2014 £000s	31 March 2013 £000s
EU Emissions Trading Scheme Allowance	**0**	0
Other Assets	**0**	0
Total	**0**	0

26 Cash and Cash Equivalents

	31 March 2014 £000s	31 March 2013 £000s
Opening balance	**36,733**	16,652
Net change in year	**(13,948)**	20,081
Closing balance	**22,785**	36,733
Made up of		
Cash with Government Banking Service	**22,764**	36,709
Cash in hand	**21**	24
Cash and cash equivalents as in statement of financial position	**22,785**	36,733
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**22,785**	36,733
Patients' money held by the Group not included above	**0**	4

27 Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Plant and Machinery	Total
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2013	1,651	915	3,239	0	**5,805**
Plus assets classified as held for sale in the year	100	0	449	13	**562**
Less assets sold in the year	(298)	(495)	(634)	(13)	**(1,440)**
Less impairment of assets held for sale	0	0	(450)	0	**(450)**
Plus reversal of impairment of assets held for sale	(72)	0	0	0	**(72)**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(895)	(420)	(325)	0	**(1,640)**
Balance at 31 March 2014	**486**	**0**	**2,279**	**0**	**2,765**
Liabilities associated with assets held for sale at 31 March 2014	**0**	**0**	**0**	**0**	**0**
Balance at 1 April 2012	2,081	1,085	3,889	0	**7,055**
Plus assets classified as held for sale in the year	0	0	0	0	**0**
Less assets sold in the year	(465)	(170)	(775)	0	**(1,410)**
Less impairment of assets held for sale	0	0	0	0	**0**
Plus reversal of impairment of assets held for sale	0	0	0	0	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	**0**
Revaluation	35	0	125	0	**160**
Balance at 31 March 2013	**1,651**	**915**	**3,239**	**0**	**5,805**
Liabilities associated with assets held for sale at 31 March 2013	0	0	0	0	0

The assets held for sale represent the remaining dwellings and buildings that were placed on the market as part of the Estates rationalisation strategy. It is expected that these remaining properties will be sold within the next 12 months.

During the year the Group disposed of seven properties and some medical equipment. One property, Southpoint, that had been part of the rationalisation policy was taken off the market to be utilised by the Trust. The gains and losses on the disposals are set out below:

	Profit on Sale
	£000s
Land, Buildings & Dwellings	730
Plant and Machinery	(9)
	721

28 Trade and other payables

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
NHS payables - revenue	**14,007**	3,619	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**1,187**	1,697	**0**	0
Non-NHS payables - revenue	**7,692**	8,418	**0**	0
Non-NHS payables - capital	**4,510**	1,381	**0**	0
Non-NHS accruals and deferred income	**22,796**	28,763	**867**	602
Social security costs	**6,738**	6,433		
VAT	**0**	0	**0**	0
Tax	**3,081**	3,239		
Payments received on account	**0**	0	**0**	0
Other	**114**	9	**0**	0
Total	**60,125**	53,559	**867**	602
Total payables (current and non-current)	**60,992**	**54,161**		
Included above:				
outstanding Pension Contributions at the year end	**(3,878)**	(3,547)		

29 Other liabilities

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
PFI/LIFT deferred credit	**0**	0	**0**	0
Lease incentives	**0**	0	**0**	0
Other	**0**	0	**0**	0
Total	**0**	0	**0**	0
Total other liabilities (current and non-current)	**0**	**0**		

30 Borrowings

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Loans from Department of Health	**3,803**	3,782	**18,117**	20,902
PFI liabilities: main liability	**1,461**	1,548	**34,127**	35,587
Total	**5,264**	**5,330**	**52,244**	**56,489**
Total other liabilities (current and non-current)	**57,508**	**61,819**		

Loans - repayment of principal falling due in:

	31 March 2014		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 Years	3,803	1,461	**5,264**
1 - 2 Years	3,824	1,220	**5,044**
2 - 5 Years	3,972	3,576	**7,548**
Over 5 Years	10,321	29,331	**39,652**
TOTAL	**21,920**	**35,588**	**57,508**

31 Other financial liabilities

The Group has no other financial liabilities.

32 Deferred revenue

	Current		Non-current	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2013	**4,986**	2,251	**602**	1,336
Deferred revenue addition	**3,497**	6,620	**1,500**	605
Transfer of deferred revenue	**(4,986)**	(3,885)	**-1235**	(1,339)
Current deferred Income at 31 March 2014	**3,497**	4,986	**867**	602
Total deferred income (current and non-current)	**4,364**	5,588		

33 Finance lease obligations as lessee

Amounts payable under finance leases (Buildings)	**Minimum lease payments**		**Present value of minimum**	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year	**0**	0	**0**	0
Between one and five years	**0**	0	**0**	0
After five years	**0**	0	**0**	0
Less future finance charges	**0**	0		
Minimum Lease Payments / Present value of minimum lease payments	**0**	0	**0**	0
Included in:				
Current borrowings			**0**	0
Non-current borrowings			**0**	0
			0	0

Amounts payable under finance leases (Land)	**Minimum lease payments**		**Present value of minimum**	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year	**0**	0	**0**	0
Between one and five years	**0**	0	**0**	0
After five years	**0**	0	**0**	0
Less future finance charges	0	0		
Minimum Lease Payments / Present value of minimum lease payments	**0**	0	**0**	0
Included in:				
Current borrowings			**0**	0
Non-current borrowings			**0**	0
Total			**0**	0

Amounts payable under finance leases (Other)	**Minimum lease payments**		**Present value of minimum**	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
	£000s	£000s	**£000s**	£000s
Within one year	**0**	0	**0**	0
Between one and five years	**0**	0	**0**	0
After five years	**0**	0	**0**	0
Less future finance charges	0	0		
Minimum Lease Payments / Present value of minimum lease payments	**0**	0	**0**	0
Included in:				
Current borrowings			**0**	0
Non-current borrowings			**0**	0
			0	0

	31 March 2014	31 March 2013
Finance leases as lessee	**£000s**	£000s
Contingent Rents Recognised as an Expense	567	447

34 Finance lease receivables as lessor

The Group has not entered into any finance lease agreements as a lessor.

35 Provisions

Comprising:

	Total	Early Departure Costs	Legal Claims	Restructuring	Continuing Care	Equal Pay (incl. Agenda for Change	Other	Redundancy
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2013	**4,592**	2,838	761	0		0	0	993
Arising During the Year	**61**	0	61	0	0	0	0	0
Utilised During the Year	**(1,169)**	(176)	0	0	0	0	0	(993)
Reversed Unused	**(143)**	0	(143)	0	0	0	0	0
Unwinding of Discount	**137**	137	0	0	0	0	0	0
Change in Discount Rate	**144**	144	0	0	0	0	0	0
Balance at 31 March 2014	**3,622**	**2,943**	**679**	**0**	**0**	**0**	**0**	**0**
Expected Timing of Cash Flows:								
No Later than One Year	**693**	184	509	0	0	0	0	0
Later than One Year and not later than Five Years	**875**	705	170	0	0	0	0	0
Later than Five Years	**2,054**	2,054	0	0	0	0	0	0

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

As at 31 March 2014	107,603
As at 31 March 2013	89,320

The provision for Early Departure Costs is for the reimbursement of early retirement and injury benefit allowances to the NHS Pensions Agency and the timing of these payments is based the on age of the recipients.

The provision for Legal Claims provides for the Liability to Third Party Schemes (LTPS) and Public & Employers Liability Scheme (PES). This provision covers the excess amount payable by the Group and not the full liability of claims which is covered by the NHSLA under the non-clinical risk pooling scheme. The timings of the cash flows are based on estimated dates for the finalisation of the claims.

36 Contingencies

	31 March 2014	31 March 2013
	£000s	£000s
Contingent liabilities		
Employers and Public Liability Claims	**0**	284
Joint liability cost share	**51**	0
Net Value of Contingent Liabilities	**51**	284

37 PFI - additional information

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

37.1 PFI schemes off-Statement of Financial Position

The Trust entered into a private initiative scheme in 2001 leasing land to the London and Quadrant Housing Trust, a registered Social Landlord, for houses to be built for staff accommodation. The lease was for a term of 125 years. This scheme was terminated in year and the land disposed of to the London and Quadrant Housing Trust.

37.2 PFI schemes on-Statement of Financial Position

The Group entered into a PFI scheme on 5 June 2004 to build and operate a new children's hospital. The new hospital was completed in July 2007. Under the terms of the PFI the Group is liable to pay a unitary charge for the availability of hospital and maintenance services delivered by the project company. The PFI agreement provides the Group with the exclusive rights to use the building. The unitary charge is indexed annually based on the RPI and increases in volumetric costs of utility service. The unitary charge may also increase if the Group introduces new services to the building. At the end of the PFI, in 2034, the building will revert to the Group.

The lessor is contracted under the PFI arrangement with the Group to provide the hospital for the 30 year term which cannot be terminated without breach of contract or a formal variation. In such a breach or variation of the contract compensation would be payable by the Group or lessor.

Under IFRIC 12 the asset is treated as an asset of the Group. The substance of the contract is that the Group has a finance lease and payments of the unitary charge compromise two elements - imputed finance charges and service charges. Details of the imputed finance lease charges are set out in the table below.

Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI	**2013-14** **£000s**	2012-13 £000s
Total charge to operating expenses in year - OFF SOFP PFI	**74**	11
Service element of on SOFP PFI charged to operating expenses in year	**1,223**	1,275
Total	1,297	1,286
Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI		
No Later than One Year	**853**	937
Later than One Year, No Later than Five Years	**3,630**	3,962
Later than Five Years	**17,605**	29,814
Total	**22,088**	34,713

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

Imputed "finance lease" obligations for on SOFP PFI contracts due	**2013-14** **£000s**	2012-13 £000s
No Later than One Year	**3,382**	3,552
Later than One Year, No Later than Five Years	**11,725**	12,944
Later than Five Years	**42,904**	45,068
Subtotal	**58,011**	61,564
Less: Interest Element	**(22,424)**	(24,428)
Total	**35,587**	37,136

Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due **Analysed by when PFI payments are due**	**2013-14** **£000s**	2012-13 £000s
No Later than One Year	**3,268**	3,432
Later than One Year, No Later than Five Years	**10,446**	11,490
Later than Five Years	**27,893**	28,709
Total	**41,607**	43,631
Number of on SOFP PFI Contracts		
Total Number of on PFI contracts	**1**	1
Number of on PFI contracts which individually have a total commitments value in excess of £500m	**0**	0

Present Value Imputed "finance lease" obligations for off SOFP PFI contracts due **Analysed by when PFI payments are due**	**2013-14** **£000s**	2012-13 £000s
No Later than One Year	**0**	102
Later than One Year, No Later than Five Years	**0**	374
Later than Five Years	**0**	2,471
Total	**0**	2,947
Number of on SOFP PFI Contracts		
Total Number of off PFI contracts	**0**	1
Number of off PFI contracts which individually have a total commitments value in excess of £500m	**0**	0

38 Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliation purposes

	2013-14 **£000s**	2012-13 £000s
Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)		
Depreciation charges	**764**	761
Interest Expense	**2,568**	2,527
Other Expenditure	**920**	1,275
Impact on PDC dividend payable	**(173)**	(172)
Total IFRS Expenditure (IFRIC12)	**4,079**	**4,391**
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	**(4,315)**	(4,461)
Net IFRS change (IFRIC12)	**(236)**	**(70)**
Capital Consequences of IFRS : LIFT and other items under IFRIC12		
Capital expenditure 2013-14	**0**	0
UK GAAP capital expenditure 2013-14 (Reversionary Interest)	**690**	666

39 Financial Instruments

39.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

The Group borrows from government for capital expenditure, subject to affordability as confirmed by the Trust Development Agency. 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 Group therefore has low exposure to interest rate fluctuations.

Credit risk

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

Liquidity risk

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

39.2 Financial Assets

	At ‘fair value through profit and £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	0			**0**
Receivables - NHS		11,422		**11,422**
Receivables - non-NHS		6,746		**6,746**
Cash at bank and in hand		22,176		**22,176**
Other financial assets	0	1,101	0	**1,101**
Total at 31 March 2014	**0**	**41,445**	**0**	**41,445**
Embedded derivatives	0			0
Receivables - NHS		6,001		6,001
Receivables - non-NHS		2,722		2,722
Cash at bank and in hand		35,668		35,668
Other financial assets	0	0	0	0
Total at 31 March 2013	0	44,391	0	44,391

39.3 Financial Liabilities

	At ‘fair value through profit and loss’ £000s	Other £000s	Total £000s
Embedded derivatives	0		**0**
NHS payables		14,464	**14,464**
Non-NHS payables		7,900	**7,900**
Other borrowings		21,920	**21,920**
PFI & finance lease obligations		35,588	**35,588**
Other financial liabilities	0	0	**0**
Total at 31 March 2014	**0**	**79,872**	**79,872**
Embedded derivatives	0		0
NHS payables		3,628	3,628
Non-NHS payables		9,690	9,690
Other borrowings		24,684	24,684
PFI & finance lease obligations		37,136	37,136
Other financial liabilities	0	0	0
Total at 31 March 2013	0	75,138	75,138

40 Events after the end of the reporting period

There are no events after the reporting period that have a material effect on the accounts.

41 Related party transactions

Consolidated

Balances and transactions between the Trust and the Charity, which are related parties, have been eliminated on consolidation.

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 Group except as shown below.

	Payments to Related Party £	Receipts from Related Party £	Amounts owed to Related Party £	Amounts due from Related Party £
Julian Lee Director of Financial Ombudsman Service Partner, JFK Lee & Co				
Michael Farthing Vice Chancellor, University of Sussex Trustee, Institute of Development Studies Vice Chair, UK Panel for Health and Biomedical Science Research Integrity, Trustee, Faculty of Conflict and Catastrophe Medicine of the Worshipful Society of Apothecaries of London Trustee, Universties UK, Director, UK Research Integrity Office Ltd	6,627,821	404,248	349,177	305,618
Lewis Doyle Director of Sea Colours Ltd Trustee for Southern Housing Groups Pension Fund				
Antony Kildare Trustee and Chair of Impetus (Charity) Director of Aquaterra Leisure and Leisure Services Ltd				
Richard Hawkins Director of Danelisi Associates Ltd Trustee and Deputy Chairman of the G4S pension fund				
Stephen Holmberg Trustee British Cardiovascular Society Trustee of Sussex Heart Charity		169,961		10,056
Julie Nerney Managing Director of Julie Nerney Limited Chair, City College Brighton & Hove Non Executive Director, Peridot Partners Project Director, Ofgem e-serve	1,250			
Craig Jones Director of Brighton and Sussex Care (BASC)		640		

41 Related party transactions (Continued)

The Department of Health is regarded as a related party. During the year the Group 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:

NHS England
Public Health England
Health Education England
NHS Blood & Transplant
NHS Litigation Authority
NHS Property Services
Ashford & St Peters NHS FT
Brighton & Hove CCG
Coastal West Sussex CCG
Crawley CCG
Dartford & Gravesham NHS Trust
East Kent Hospitals NHS Trust
East Surrey CCG
East Sussex Healthcare NHS Trust
Eastbourne Hailsham & Seaford CCG
Frimley Park Hospitals NHS FT
Guys & St Thomas NHS Trust
Hastings and Rother CCG
High Weald Lewes & Haven CCG
Horsham & Mid Sussex CCG
Kent & Medway & SCP Trust
Maidstone & Tunbridge Wells NHS Trust
Medway NHS FT
Queen Victoria Hospital NHS FT
Royal Surrey County NHS FT
South East Coast Ambulance NHS FT
Surrey Downs CCG
Surrey & Sussex Healthcare NHS Trust
Sussex Community NHS Trust
Sussex Partnership NHS FT
University Hospitals Southampton NHS Trust
West Kent CCG
Western Sussex Hospitals NHS FT

In addition, the Group 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 Brighton and Hove City Council, East Sussex County Council and West Sussex County Council in respect of clinical services.

42 Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Losses	65,333	6
Special payments	13,839	64
Total losses and special payments	79,172	70

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

	Total Value of Cases £s	Total Number of Cases
Losses	9,572	6
Special payments	14,403	59
Total losses and special payments	23,975	65

Details of cases individually over £250,000

There were no cases where the net payment exceeded £250,000 (2012-13 :£nil)

43. Trust Financial performance targets

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

43.1 Breakeven performance	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s
Turnover	309,281	326,320	352,694	398,447	415,950	439,750	574,218	606,074	**558,555**
Retained surplus/(deficit) for the year	(11,290)	(5,278)	106	9,925	4,603	(11,860)	(16,245)	(22)	**(9,572)**
Adjustment for:									
Timing/non-cash impacting distortions:									
Pre FDL(97)24 Agreements	0	0	0	0	0	0	0	0	**0**
Adjustments for Impairments				1,161	5,414	15,972	16,022	3,213	**14,272**
Adjustments for impact of policy change re donated/government grants assets							469	134	**414**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					210	400	(204)	0	**0**
Absorption Accounting Adjustment								0	**0**
Other agreed adjustments	(2,178)	0	0	0	0	0	0	**0**	**0**
Break-even in-year position	**(13,468)**	**(5,278)**	**106**	**11,086**	**10,227**	**4,512**	**42**	**3,325**	**5,114**
Break-even cumulative position	**(23,748)**	**(29,026)**	**(28,920)**	**(17,834)**	**(7,607)**	**(3,095)**	**(3,053)**	**272**	**5,386**

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

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
Materiality test (I.e. is it equal to or less than 0.5%):									
Break-even in-year position as a percentage of turnover	-4.35	-1.62	0.03	2.78	2.46	1.03	0.01	0.55	**0.92**
Break-even cumulative position as a percentage of turnover	-7.68	-8.89	-8.20	-4.48	-1.83	-0.70	-0.53	0.04	**0.96**

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

43.2 Trust Capital cost absorption rate

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

43.3 Trust External financing

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

	2013-14	2012-13
	£000s	£000s
External financing limit (EFL)	**13,282**	11,141
Cash flow financing	**10,213**	(10,841)
Unwinding of Discount Adjustment	**137**	0
Finance leases taken out in the year	**0**	0
Other capital receipts	**0**	0
External financing requirement	**10,350**	(10,841)
Under Spend against EFL	**2,932**	21,982

43.4 Trust Capital resource limit

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

	2013-14	2012-13
	£000s	£000s
Gross capital expenditure	**27,281**	24,099
Less: book value of assets disposed of	**(1,440)**	(1,442)
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(453)**	(725)
Charge against the capital resource limit	**25,388**	21,932
Capital resource limit	**31,274**	32,504
Underspend against the capital resource limit	**5,886**	10,572

44 Third party assets

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

	2013-14	2012-13
	£000s	£000s
Third party assets held by the Group	**0**	4

Brighton and Sussex University Hospitals NHS Trust

NHS