Western Sussex Hospitals NHS
NHS Trust

# Annual Report and Annual Accounts 2009-10

# Contents

## Foreword by the Trust Chairman and Chief Executive

Welcome to the first annual report of Western Sussex Hospitals NHS Trust.

The Trust came into being in April 2009 after the merger of Royal West Sussex and Worthing and Southlands Hospitals NHS Trusts. The merger offered significant benefits for the organisation, such as sharing the expertise of the clinical teams and helping to make services more sustainable for the future because of our combined catchment area. It also provides us with a better opportunity to become a Foundation Trust, which will give us more control to design, develop and invest in our services and develop a membership that represents our patients, community and staff. Our application to become a Foundation Trust will be a focus as we move into the next financial year.

As a result of the merger, NHS West Sussex (formerly West Sussex Primary Care Trust) also reversed its original 'Fit for the Future' decision which required the centralisation of some services to one hospital.

Looking back on our first year we are extremely pleased by what has been achieved. There has been some excellent work carried out to bring the two former NHS Trusts together and develop our future as a new organisation. We have also worked hard to achieve our financial plan.

We are now well underway in developing our clinical strategy, which is the first part of our five year business plan and will become central to our application for Foundation Trust status. The strategy has been developed by our clinicians, many of whom are now working on the more detailed plans for individual specialties and services. A key part of this will be looking at how services are provided at Southlands Hospital and how we can refurbish and update the facilities for our patients there, focusing particularly on patient safety.

Patient safety and patients' experience are both central to our organisation and we are always looking for ways of making improvements. Trust Board members have a programme of Patient Safety Walkrounds, visiting clinical areas across the Trust and speaking directly to front line teams about any issues. This year we have seen a continued reduction in the number of healthcare associated infections and we anticipate receiving a 'good' rating in the Care Quality Commission's Annual Health Check for the quality of our services.

During the year we have welcomed around 200 additional clinical staff to the hospitals and put in place a number of very positive developments to patient services and facilities, which are detailed in this report. The Trust has also introduced new facilities such as the new birth centre at Chichester, which works alongside the maternity unit, and the Hyperbaric Medical Unit, which provides decompression treatment after diving accidents and other illnesses.

Feedback from our patients is always extremely helpful and enables us to focus on areas where we can make improvements and also praise our staff when patients appreciate their work. Earlier in the year we established a new way for our community to get involved at the Trust. The regular stakeholder forum is open to anyone who wishes

to come along and hear about our work at the hospitals and to ask questions. We hope that in time, this will evolve and grow when we become a Foundation Trust and develop our formal public membership.

We have also encouraged our staff to use their ideas and initiative, taking an active role in helping to develop services. Our new 'Ideas Factory' aims to capture all the good ideas and suggestions from staff across the organisation and put them into action. The dedication shown by our staff is also now recognised and rewarded by the Employee of the Month scheme and next year we will introduce an annual award ceremony to highlight those that perform above and beyond their duty.

It has certainly been a busy year for everyone at the Trust, but very rewarding and we would like to thank all the staff and volunteers for their continued efforts in making the new organisation a success for our community.

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| Hywel Evans | Marianne Griffiths |
| Trust Chairman | Chief Executive |

## 1. About Western Sussex Hospitals NHS Trust

On April 1st 2009, Western Sussex Hospitals NHS Trust was formed following a merger between Royal West Sussex NHS Trust and Worthing and Southlands Hospitals NHS Trust.

Western Sussex Hospitals NHS Trust provides a full range of acute healthcare services at St Richard's Hospital in Chichester and Worthing Hospital, and some inpatient and outpatient services at Southlands Hospital in Shoreham-by-Sea. Between them, the hospitals have more than 1,100 beds. Outpatient services are also provided at outreach clinics in various locations around the county in collaboration with NHS West Sussex.

**Every year our 6,000 staff will:**

- Treat around 112,000 inpatients and day cases
- See 436,000 outpatients
- Treat 121,000 people in the two Accident and Emergency departments
- Deliver 5,600 babies
- Receive around 1 million blood samples
- Dispense and issue 800,000 medicines
- Take 300,000 imaging exams (x-rays/scans)

The Trust works in partnership with many other healthcare providers in the region. It shares some clinical staff and accommodation with NHS West Sussex and works in partnership with other neighbouring hospitals.

### 1.1 The merger

The merger of Royal West Sussex NHS Trust and Worthing and Southlands Hospitals NHS Trust was discussed in public in autumn 2008. A public communication and staff consultation process was carried out to seek views prior to the two Trust Boards' decision to merge.

The key reasons behind the merger were the benefits of greater clinical integration and a larger combined catchment area. This helps to ensure that hospital services remain clinically and financially sustainable in the longer term.

Merger also provides the best opportunity to achieve Foundation Trust status, which would give the organisation more freedom and make it more accountable to local people. Also:

- The merged clinical workforce offers a greater spread of specialist expertise across the county
- Improved workforce flexibility enables better capacity management
- Improved workforce recruitment and retention, because more opportunities can be offered by a larger Trust
- Opportunities to improve the overall use and efficiency of the Trust's estates and facilities

The merger was agreed by the Trust Boards in December 2008 and by the Strategic Health Authority in February 2009. After final approval by the Secretary of State, the new merged Trust was formed in April 2009.

No financial debt was written off as part of merger. All existing assets and liabilities of the two former trusts were transferred to the new organisation. Reserves, other than the donated asset reserve, were combined in line with NHS merger procedures, and replaced with new originating Public Dividend Capital.

In November 2009, as a result of the merger, NHS West Sussex (formerly West Sussex Primary Care Trust) amended its earlier 'Fit for the Future' decision. It stated in its public Board meeting that it was impressed by the positive changes arising from the Trust merger. This decision allows the Trust to continue to deliver inpatient paediatric services, consultant-led maternity and emergency surgery services at both St Richard's and Worthing Hospitals.

### 1.2 Our community

The Trust serves a population of around 450,000 people stretching along the south coast from East Hampshire across to Shoreham and north up to Midhurst, Billingshurst and Storrington There is also a flow of patients from the bordering areas of Hampshire, East Sussex and Brighton and Hove.

The majority of the catchment population live in the county's south coast towns and villages with relatively good travel links and services to the Trust's hospitals. However, there are significant numbers who live in the rural areas to the north of the catchment area and to the south of Chichester around Selsey where travel services are limited.

Although West Sussex is a relatively healthy and affluent area compared to the average in England, this overall social and economic profile conceals pockets of deprivation. Several of West Sussex's poorest wards lie within the Adur, Arun and Worthing districts and important health issues include heart disease, teenage pregnancy and substance misuse. The 2007 Index of Deprivation shows that those poorest areas are becoming relatively more deprived over time.

In addition, whilst the area has one of the fittest populations in the country, this is balanced by there being double the national average of people over the age of 65 (24%) and those over 80 years (8%).

The Trust recognises the need to reach residents across the whole catchment area to support awareness and equality of access to the full range of our services.

### 1.3 Our vision and values

The Trust has defined a five year vision of **providing 'World class care on your doorstep'**

**Our Mission**
To be a top ten Hospital Trust that patients choose for first class, safe and comprehensive healthcare.

**Trust values**
The values of the organisation are as follows:

- Patients at the heart of all we do
- Excellence in all we deliver
- Openness and honesty at every level
- Promises delivered
- Listen and learn
- Equal treatment, equal access and equality of opportunity

### 1.4 Our strategic objectives 2009-2010

**Deliver high quality care for all**
- Ensure patient safety remains a priority through effective processes, systems and culture
- Reduce rates of avoidable healthcare associated infections
- Ensure patient satisfaction is effectively monitored through proactive engagement with all stakeholders
- Enable the development of wider user involvement to influence care delivery
- Use national benchmarks to facilitate improvement in clinical effectiveness

**Develop an integrated organisational culture that underpins the delivery of patient-focused services**
- Staff will be proud to work at the Western Sussex Hospitals NHS Trust
- All staff will know what is expected of them and have the skills and attitude to deliver
- Develop leadership throughout the organisation

**Implement a new management and leadership structure with the capability to deliver the organisational strategy**
- Develop and implement a new organisational structure
- Implement coherent governance processes and business systems, appropriate to a successful Foundation Trust
- Deliver the recommendations of the external review of the integration programme

**Achieve targets, standards and financial plans**
• Deliver excellent and sustainable performance against the Annual Health Check and Core Standards
• Develop effective working relationships with health and social care partners in the development of whole system improvement and multi-agency target delivery
• Deliver the operational, organisational and financial benefits of merger anticipated in the approved business case
• Achieve the financial plan
• Introduce service line reporting

**Develop a robust organisational and clinical strategy that effectively enables delivery of Foundation Trust status**
• Develop a clinical service strategy
• Develop a whole organisational strategy with supporting enabling strategies to develop an Integrated Business Plan and long term financial model
• Work with local health and social care partners to deliver the 'High Quality Care for All – NHS Next Stage Review' (Darzi, 2008) objectives of high quality care and equitable access
• Work with Practice Based Commissioners to deliver enhanced services in the community
• Ensure early and effective engagement and consultation with the local community and LINks (Local Involvement Networks)
• Develop a Stakeholder Engagement plan which will include measures to reach under-represented and diverse groups of patients and public

**Achieving University status**
• Achieve University Hospital status

## 2. Our first year as a new Trust

The first year began well when the Trust was named in the Top 40 Hospitals by CHKS, an independent provider of healthcare intelligence and quality improvement services. This is the ninth consecutive year that St Richard's has achieved the award and the second consecutive year for Worthing and Southlands Hospitals.

### 2.1 Clinical Strategy

A central project has been the development of the new Clinical Strategy, which sets out a plan for the way in which services should develop in the future, ensuring delivery of effective and sustainable healthcare for patients. The strategy is the first part of the Trust's five-year business plan and will be used as part of the Foundation Trust application.

The purpose is to give an overview of the future development of clinical services and help shape the more detailed individual plans for specialties and services. The strategy has been developed by clinicians many of whom are now working on the more detailed plans for the individual specialties and services.

The Trust has also involved the public in the development of the clinical strategy, and an advisory group of patient and public representatives has met regularly to discuss its development.

### 2.2 Patient safety

Patients expect comfortable and safe hospitals where they are treated with respect and dignity and where they feel informed and in control of their healthcare experience. There have been a number of initiatives across the Trust to focus on patients' experience and, to help ensure that the Trust Board is fully involved, the Executive Directors conduct a programme of patient safety walkrounds, visiting wards and departments to speak with staff and patients.

#### 2.2.1 Patient Environment Action Team (PEAT)

PEAT involves staff representatives from nursing, infection control and facilities, together with a patient representative, who visit wards and departments every six months to help and advise on improving the environment and patient experience. Visits cover advice on cleanliness, privacy and dignity, safety and security, access, storage, general environment, patient food and beverage service and infection control.

### 2.2.2 Healthcare associated infections

The hospitals have also continued to focus on infection control and as a result the number of cases of MRSA and Clostridium difficile (C.difficile) has continued to fall, allowing the Trust to keep within its annual specified limit (details are in the 'performance' section).

The Trust has met its target to screen 100% of elective (planned treatment) patients for MRSA. This has also been achieved for emergency patients, a year ahead of the government's required screening target.

### 2.2.3 Cleanliness

The Trust has introduced new cleaning regimes across the three sites to improve standards and to support the drive to reduce healthcare associated infections. St Richard's Hospital introduced cleaning teams as part of this process, which has proved to be very effective in delivering higher standards. This is now being rolled out across all sites.

The Trust is also continuing its programme of deep cleaning across all wards and the importance of hand hygiene is constantly promoted to staff, patients and visitors through training and high-profile signage.

### 2.2.4 Productive Ward

All wards across the Trust have been taking part in the Productive Ward initiative, which 'releases time to care' by eliminating as many wasteful processes as possible, giving staff more time to focus on direct patient care.

## 2.3 Improving our services for patients

### 2.3.1 New facilities, services and initiatives

**Emergency care**
The new Clinical Decision Unit (CDU) in Worthing and the A&E ward at St Richard's are for patients who have come into A&E but need further observation. The 11 bedded ward at St Richard's also provides a surgical assessment unit (SAU), a facility which already existed at Worthing Hospital.

**New Hyperbaric Medical Unit (HMU)**
St Richard's Hospital is the new base for the South East's Hyperbaric Oxygen Chamber (decompression chamber) which provides vital treatment for decompression illness, commonly known as 'the bends', following a diving accident. It can also be used to treat other health problems, such as carbon monoxide poisoning.

The unit is a joint project between St Richard's, QinetiQ and the Ministry of Defence (MOD). QinetiQ operates the chamber on behalf of the MOD with specialist staff. The Institute of Naval Medicine provides medical officers with hyperbaric expertise and the hospital provides support services including the Intensive Care Unit (ICU) and other medical services required to look after the patients between treatments

**Medical Day Case Unit**
Work to expand the Medical Day Case Unit at Worthing Hospital is now complete, giving patients much more privacy and space. The unit, which cost around £400,000 to renovate, provides care for over 100 patients each week.

**Surgical care unit opens**
The new five-bedded Enhanced Surgical Care Unit (ESCU) at Worthing Hospital provides specialist care for surgical patients who need a higher level of monitoring and nursing care. It is intended as a step-down facility from the High Dependency Unit to a general ward for patients who have had surgery.

**Fernhurst Centre, Cancer Day Unit (CDU)**
After a successful fundraising campaign, the Fernhurst Centre, haematology and oncology unit, at St Richard's opened in September 2009. The unit means that more patients can be treated at St Richard's, reducing the need to travel long distances to receive their treatment at other hospitals.

**New paediatric epilepsy service**
This service aims to improve epilepsy services through liaison with the child, family and all professionals with a specialist interest. The clinical team gives advice and education in a family's home, school and respite care facilities and provides direct and indirect support for the child, carers and family members involved with the child up to the age of 18.

**Maternity – Mothers-to-be offered more choice**
The Trust is now able to give women more choice about their labour and delivery after the opening of the Chichester Birth Centre and newly refurbished labour suite and neonatal unit at St Richard's. Writer and broadcaster Dr Miriam Stoppard OBE officially opened the unit in February 2010.

The refurbishment focuses on providing mothers-to-be with a range of choices about their labour and delivery, with services tailored to meet the needs of the mother and her baby. The unit has three birthing pools, a high-tech operating theatre with a high dependency recovery area and a special care baby unit. The new Chichester Birth Centre gives mothers-to-be the option of a midwife-led service in a homely, relaxed environment. This year, the unit also won an award from the All-Party Parliamentary Group on Maternity (APPGM) for its work to tailor services to meet the needs of fathers. The service was commended for offering fathers or partners the opportunity to stay overnight, helping new families to bond at the earliest opportunity. The Friends of Chichester Hospitals funded the 10 comfy reclining chairs and a sofa bed, together with other sofas, four nursing chairs and two chairs for the breastfeeding room.

**New unit for babies at Worthing**
A new unit for newborn babies and their mothers has opened at Worthing Hospital. The new four-bedded neonatal transitional care unit will provide care for small babies with a range of minor issues requiring blood glucose, temperature and jaundice monitoring. Previously, these babies would have been transferred to the special care baby unit whilst their mother remained on the maternity ward.

**Developments in medical imaging**
Patients attending the medical imaging department in Chichester now benefit from a refurbished digital x-ray room and a new CT scanner. The x-ray room was generously funded by the Friends of Chichester Hospitals and cost £289,000. The digital technology means that the x-ray takes less time to process and produces images of excellent quality and resolution which transfer in seconds for viewing by the clinicians. The new CT scanner also has many advanced applications including cardiac and CT colonography and provides greater access for patients and an improved environment to rest and recover following their scan. At Southlands Hospital, a new scanner in the outpatients' gynaecology clinic, paid for by the League of Friends, now speeds up diagnosis and saves patients from travelling to Worthing Hospital for a scan.

**Endoscopy**
This year, the Joint Advisory Group (JAG) for Gastro-Intestinal Endoscopy highly commended the Worthing endoscopy unit and has awarded it JAG accreditation for five years. The unit plans to participate in the Sussex Bowel Cancer Screening Programme.

**Pharmacy expansion**
Southlands Hospital's pharmacy pre-packing unit has been re-opened following renovation work. The unit produces ready-to-dispense drugs for NHS and other healthcare organisations throughout the country.

**Patients given chance to ski and play tennis**
Worthing's physiotherapy patients have been using a Nintendo Wii games console to assist their recovery, by using a balance board and controllers to play games such as downhill skiing and tennis. Patients with musculoskeletal problems, bad backs and ankles, heart and breathing difficulties as well as patients who have had strokes are being treated using the Wii and are actively improving their conditions while enjoying the exercise. The two Wii units were generously funded by the League of Friends and one is being used at the outreach clinic at Littlehampton Health Centre.

### 2.3.2 Focusing on patients' food and nutrition

A new Trust wide Food Strategy group has been looking at all matters related to patient food and as a result a standard menu has been introduced. This focuses on nutritional content for patients with the greatest need. Worthing Hospital has also introduced new heated food trolleys for its patient services. Around 400 nursing care staff from 200 care homes across much of West Sussex took part in training workshops led by dietitians to launch the use of a screening tool which helps identify nutritional problems. This is particularly important for patient care and the patient's experience as it can lead to improved recovery and a shorter

stay in hospital. The screening tool, which is known as MUST (Malnutrition Universal Screening Tool) is designed as an aid for clinical staff to help identify characteristics associated with nutritional problems and is used to screen all patients on admission.

### 2.3.3 Focusing on privacy and dignity

As part of a national programme to improve single-sex accommodation in hospitals, the Trust received nearly £350,000 from the Strategic Health Authority to make some important changes, and can now demonstrate that all wards have single-sex bays. To further ensure the privacy and dignity of patients at Worthing, the hospital re-designated surgical wards so that they are entirely single-sex and created additional toilet facilities in ward areas throughout the hospital.

The only areas in both hospitals where male and female patients may receive treatment in the same location is in highly specialised clinical areas such as critical care units and areas where patients choose to remain in a mixed sex environment, such as the bariatric service.

## 3. Performance

The Trust's performance is monitored by the national independent organisation the Care Quality Commission (CQC), which rates NHS organisations through its Annual Health Check assessment system.

In October 2010, the CQC will release its assessment of NHS Trusts for the period April 2009 to March 2010. This will look at many areas, such as how well the Trust performed against the core national standards relating to safety and quality of care. It will also assess waiting times, access to services and rate the Trust against other national priorities.

The Trust monitors its progress against these national targets on an ongoing basis and reports this every month in its Trust Board meeting.

### 3.1 Progress against key national targets

**Access to cancer diagnosis and treatment**
The Trust will fully meet its requirement to ensure that:

• Patients do not have to wait longer than two weeks for their first outpatient appointment at the hospital after an urgent referral by their GP for suspected cancer
• Patients do not have to wait longer than two months from their urgent GP referral to starting cancer treatment
• Patients do not have to wait more than one month from their diagnosis to starting their cancer treatment

**Emergency care**
The Trust will fully meet its requirement to ensure that:

• Patients do not have to wait longer than four hours in A&E from their arrival to either their admission into the hospital for further treatment, their transfer to another healthcare organisation or their discharge.
• Patients do not have to wait longer than two weeks for an appointment at a rapid access chest pain clinic.

The Trust has partially met its requirement to ensure that the majority of patients suffering from a heart attack receive thrombolysis treatment within 60 minutes of calling for professional help. The large rural area served by the Trust has meant that the joint ambulance/Trust target has not been achieved yet and an action plan is in place to achieve this.

**Infection control**
The Trust has fully met both the MRSA and Clostridium Difficile limits:

• The total number of cases of MRSA in Southlands, Worthing and St Richard's Hospitals, together with those in the surrounding community healthcare organisations must not exceed 22. The actual number of cases was 20, which represents a 47.3% reduction from the previous year.

• The total number of cases of Clostridium Difficile at Southlands, Worthing and St Richard's Hospitals must not exceed 257. The actual number was 161, which represents a 37% reduction from the previous year.

**Waiting times**
• **Inpatients** – the Trust has met its requirement to ensure that the maximum wait for patients is 26 weeks.
• **Outpatients** – The Trust has met the requirement to maintain a maximum wait of 13 weeks for an outpatient's appointment in all services except one. In April and May 2009, the Trust was unable to meet this requirement for its bariatric service and therefore the overall target was not met.

• **18 week waiting time** – This target aims to ensure that patients do not wait more that 18 weeks from the time they are referred to the hospital to the start of their treatment.

The Trust has met the required target for non-admitted patients (those whose treatment is completed without a stay in hospital), but did not reach its target for admitted patients (those whose treatment requires a stay in hospital) in the final quarter of 2009-10. An action plan to ensure this target is reached is already in place.

### 3.2 Care Quality Commission registration

Western Sussex Hospitals NHS Trust has been registered with the Care Quality Commission without any registration conditions. This means that the Care Quality Commission found no issues relating to safety or quality of care at St Richard's, Worthing or Southlands Hospitals as part of its registration process.

## 4. Listening to our patients and our community

### 4.1 New Trust Stakeholder Forum

Western Sussex Hospitals NHS Trust is keen to hear from patients, public and stakeholders in our community about their views and priorities for the provision and development of healthcare services provided at St Richard's, Worthing and Southlands Hospitals.

Although the Trust arranges a number of specific patient groups, the organisation has taken another positive step to engage with our local community by establishing a Stakeholder Forum. The Forum is open to patients, voluntary organisations, carers and interested members of the public – indeed anyone who lives in the area we serve and who is interested in the hospitals.

We are especially keen to involve minority groups in the Forum and would particularly welcome interest from these sections of the local community.

The Chairman, Chief Executive and senior managers of the Trust attend the Stakeholder Forum and information about meeting dates is published in the local media, in the hospitals and on the Trust website as it becomes available (www.westernsussexhospitals.nhs.uk). Please email Kathryn.Upton@wsht.nhs.uk for more information.

### 4.2 The clinical strategy - involving our stakeholders

Western Sussex Hospitals NHS Trust is developing a clinical strategy to ensure delivery of effective and sustainable services for the people of West Sussex. The Trust is committed to ensuring the input of a representative range of public, patients and other stakeholders in the development of the strategy.

A public and patient group was established in 2009 and has met regularly to discuss the clinical strategy and give their views.

### 4.3 National Inpatient Survey

The Care Quality Commission published the results of the fifth national survey of NHS inpatients for 2008. Western Sussex Hospitals NHS Trust received two separate reports, one for Royal West Sussex and one for Worthing and Southlands.

The survey asked patients a range of questions about their stay in hospital and this year the feedback indicated an improvement in areas such as ward cleanliness and patients' access to single-sex bathrooms and showers.

The areas highlighted for improvement included giving information to patients in an understandable way following a procedure or an operation and regarding medication, and ensuring patients know how to complain.

### 4.4 Disability Access Group

The Disability Access Group (DAG) is a group of patients and patient representatives for various disabilities including sight impairment, hearing impairments, learning difficulties and physical disabilities.

The group had a guided tour of the Fernhurst Centre at St Richard's Hospital before and after it opened to give their opinions on the accessibility of the new facility. They made some very helpful suggestions about areas such as signage, and were happy about the general accessibility and space in the building.

### 4.5 Patient Advice and Liaison Service (PALS)

The Trust's Patient Advice and Liaison Service provides patients and the public with easily accessible information and assistance. It is a free, confidential service, which helps people who need advice or have concerns. The PALS Managers are based at St Richard's and Worthing Hospitals and answer enquiries in person, by telephone, email or letter.

### 4.6 Customer relations

The Trust has a customer relations service who assist patients by contacting them either on the telephone or in writing. Patient complaints are managed through the complaints procedure which follows the 'Principles of Remedy' as laid down by the Parliamentary and Health Service Ombudsman. Complaints are dealt with carefully by following up all the issued raised and the majority will receive a full response within 25 working days.

## 5. Our staff

This year the Trust has:

- Ensured the safe and effective transfer of staff from the former organisations to the new Trust
- Established a new Trust Board, senior management arrangements and restructured corporate and clinical divisions
- Secured a 4% growth in our clinical workforce
- Secured compliance with the new European Working Time Directive (EWTD) for doctors in training in the majority of specialties
- Established an Employee Partnership Forum
- Developed a clinical leadership programme
- Arranged staff celebration events across three hospitals in conjunction with the recognised Trade unions
- Integrated electronic staff records and payroll
- Implemented new HR policies
- Established the Ideas Factory and Employee of Month Scheme
- Vaccinated over 2,500 front line staff against Swine Flu
- Reduced sickness absence by 0.5%, which is now at 4%

**Staff Information Events**
More than 1,000 staff attended the staff information events which took place at each hospital. A range of information was distributed and the events used to gain feedback on our draft values for the organisation.

**5.1 Staff restructuring**

As a result of the merger, the Trust has restructured corporate and clinical divisions and reviewed senior clinical and operational management arrangements. Each clinical Division is now led by a Management Board consisting of a Chief of Service, Director of Clinical Services and Head of Nursing or Head of Profession.
This structure is replicated at specialty level to ensure appropriate clinical leadership throughout the Trust.

The Trust has also strengthened its nursing workforce by introducing senior clinical nurses on all sites and reinforcing the responsibility, accountability and authority of clinical staff on wards.

**5.2 Equality and diversity**

We are committed to delivering the highest standards of access and care to all patients from a diversity of cultures, age groups, abilities and needs, and recognise the need to proactively develop a culture which is diverse, and one where individual differences are valued and respected, both in healthcare provision and employment with the Trust.

To help ensure there is no unlawful or unfair discrimination on the grounds of gender, sexual orientation, marital status, race, colour, nationality, ethnic origin, disability, religion or age for patients, their carers, visitors, employees or contract workers, the Trust has launched a new Single Equality Scheme. This underpins our desire to be the healthcare provider and employer of choice in the community that we serve and will support us in fulfilling our Equality and Diversity legal duties and obligations as a public body.

The Trust's Single Equality Scheme is available on the public website at www.westernsussexhospitals.nhs.uk/about-us/equality-diversity-human-rights/

**Equality and Diversity Celebration Day**
The Trust hosted two free public events this year to celebrate equality and diversity and recognise the increasingly diverse community that the hospitals serve. The events were organised in partnership with other public services and private organisations and took place at Broadwater Green in Worthing and the Bishop Otter campus at the University of Chichester.

**5.3 Ideas Factory**

The Trust has set up an 'Ideas Factory' to make the most of the experience and innovation of the organisation's staff. Their ideas help to:

- improve the service we provide to our patients
- improve the working lives of staff
- help us work more efficiently

The Ideas Factory is held in each of our three hospitals every three months, is chaired by the Chief Executive and staff attend to share their ideas.

**5.4 Outstanding individuals**

**Employee of the Month**
The Trust's new Employee of the Month scheme has been set up to recognise the contribution of staff who have gone 'the extra mile' to make a difference to a patient, visitor, colleague or service. Nominations can be made by any staff member, patient or visitor and can refer to work undertaken by any employee, bank worker or volunteer.

Since it was launched in October 2009, winners have included an A&E Sister, a physiotherapy administrator, one of the data quality team, a nursing assistant and a housekeeper.

**Health Hero**
Consultant Surgeon Mr Riccardo Bonomi at Worthing Hospital was chosen as the Worthing Herald's Health Hero from nominations in the Worthing Community Stars awards. He was nominated by a patient who praised his dynamic, innovative and professional approach.

**Learning and Skills Council award**
Domestic supervisor at St Richard's Hospital Frank Havelec was presented with a Learning and Skills Council Works Award for his achievement in adult learning.

**Best of Health Awards - Unsung Hero**
Tracey Rose, Assistant General Manager for Medicine at Worthing Hospital, was nominated by a colleague for the Unsung Hero award at the NHS South East Coast 2009 Best of Health awards. Tracey was runner-up in the category, which recognises an individual who has inspired and motivated others to make real and lasting improvements and to achieve personal and professional goals.

**5.5 Team success**

Members of the Paediatric Dietitian team at St Richard's presented at the annual research day of Kent, Surrey & Sussex Regional Paediatric and Neonatal Research Network. They presented an audit investigating the impact of a low amine diet on the symptoms of cyclical vomiting syndrome in children and a project researching the effects of Calogen (a fat supplement) supplementation in children with chronic non-specific diarrhoea.

**Award-winning Diabetes team**
The Diabetes team at Worthing Hospital won a Nursing in Practice Award. The award recognised the excellent work undertaken to redesign Worthing's diabetes service. Patients attending diabetes clinics in all 32 GP practices in the Worthing area have improved care now the service is jointly provided by a Specialist Nurse and the Practice Nurse.

**Maternity team win All-Party Parliamentary Group on Maternity (APPGM) award**
The award praised St Richard's maternity team's work to tailor services to meet the needs of fathers. The service was commended for offering fathers or partners the opportunity to stay overnight, helping new families to bond at the earliest opportunity. There are now 10 comfy reclining chairs and a sofa bed for partners.

**5.6 Training**

There are currently more than 120 staff studying for National Vocational Qualifications (NVQ) at the Trust across a range of subjects including ESOL (English for speakers of other languages), cleaning, team leading and health. In addition to NVQs, there are apprenticeships which allow completion of an English and maths qualification.

**Training achievements**
A presentation ceremony took place at St Richard's to recognise the achievements of 95 members of staff who have studied for NVQs, English for Speakers of Other Languages and a Certificate in Nutrition.

The hospital works very closely with Chichester College to train support staff including care assistants, domestics and administrators. This extra knowledge and understanding enhances the care we give patients, helps these members of staff progress their careers and improves recruitment and retention.

## 6. Our volunteers and Friends

6.1 Volunteers

All the hospitals are very fortunate to have the support of many volunteers who assist throughout the Trust and fundraise in the community. There are more than 1,000 dedicated volunteers across the three hospitals who freely give up their time to help patients and staff.

The WRVS, Southlands and Chichester hospital radio teams, our chaplaincy volunteers, the Friends charities at all three hospitals, the clinical volunteers and the independent volunteers are all a central part of the team who help to ensure the hospitals have a friendly, welcoming atmosphere and provide high quality care.

### 6.2 Western Sussex Hospitals Charities

The new Western Sussex Hospitals Charities was established at the time of the merger between St Richard's Hospital and Worthing and Southlands Hospitals in April 2009.

The charity now encompasses various funds which raise money for the organisation as a whole but also for the individual hospital sites. This enables our loyal donors to give to their specific hospital or to the organisation as a whole. Each of the wards has its own fund that grateful patients and families can donate to as well.

Prior to merger, the St Richard's charity fundraising team raised £2 million for a Hospital Equipment Appeal, £1 million for the A & E Appeal, £1 million for the MRI Scanner Appeal and £4 million for the Cancer Day Unit appeal, for St Richard's Hospital. Since the merger, the charity team has organised a successful Children's Christmas Appeal for Worthing and St Richard's Hospitals and arranged fundraising events on all hospital sites.

### 6.3 Friends

The Trust is very fortunate to have three Friends charities which raise money for the hospitals. The Friends of Chichester Hospitals has been in existence since 1948, the Friends of Worthing Hospitals was established in 1949 and the League of Friends at Southlands Hospital was set up in 1952. All are run by independent committees of trustees who co-ordinate activities, manage funds and approve specific donations. There are shops run by the Friends volunteers on all three sites. This year some of their generous donations have funded:

**At St Richard's**

• A new digital x-ray room and waiting area costing £289,000. This technology means that x-rays take less time to process and produce images of excellent quality.
• £65,000 for an additional scanner and examination chair for gynaecology patients.
• More than £40,000 for equipment for maternity services.
• £47,000 for equipment for the bariatric service.
• Equipment for Donald Wilson Neurological Rehabilitation Centre costing £45,000.
• An instrument tracking system for sterile services costing £43,900.
• New patient name boards for wards costing £12,000.
• Six new trauma trolleys for A&E costing £21,000.
• A patient and visitor pager system costing £18,000.
• £4,000 for new seats in the main reception and £12,000 for refurbishing the reception area of the Munro Unit.

**At Worthing**

• Echocardiography ultrasound system and Excelera image management system for the cardiac department costing £93,792.00.
• An ultrasound scanner for the department of medicine for the elderly (DOME) - £28,876.75.
• A cerebral function monitor for Beeding ward costing £14,445.00.
• £12,111.45 for various equipment for the anaesthetics department.
• A bladder scanner and stand for the Emergency Assessment Unit, Coombes ward and the Community Paediatrics, each costing £8,650.00.
• Equipment for audiology, including a video otoscope and a middle ear analyser for £10.867.26.
• £7,787.80 for various furniture for ward refurbishments.
• New phlebotomy chair, trolleys and stools for the pathology department - £6,840.00.
• ECG recorder and vital signs monitors for the Surgical Pre- Assessment Clinic costing £5,960.06.
• Physiotherapy patients have benefited from a Nintendo Wii games console funded to assist their recovery, by using a balance board and controllers.

**At Southlands**
• Extending screens for patient privacy in day surgery costing £6,400.
• £5,200 for a hoist with scales.
• An induction loop system for the chapel - £3,200.
• Ultrasound machine for physiotherapy - £900.
• Exercise bike for physiotherapy - £700.
• Baby feeding chair unit costing £450.
• A new gynaecology scanner.

## 7. Our environment

7.1 Energy-saving projects

The Trust reduced its energy bill by 3% as a direct result of its plans to save energy and to switch off electrical appliances when not in use.

Attention has been paid to lighting and St Richard's Hospital has been gradually changing to low energy lighting in areas including wards, public spaces, corridors and plant rooms. The lighting at Worthing and Southlands Hospitals is also being reviewed with plans to install the new generation of energy saving lights, including LED. Further energy saving for lighting has included the fitting of automatic controls to ensure that lights are not left on during the day time or when areas are not in use.

Additional work has been developed in monitoring energy activity and installing management systems so this can be monitored and adjusted more efficiently. Water saving devices have also been installed in the majority of bathrooms, washroom and toilets across the Trust.

### 7.2 Building projects

The Trust continues to develop its estate and this year has included some significant improvements to patient areas. Worthing Hospital has developed its ward areas to improve Privacy and Dignity arrangements by developing ward facilities. Project work is also well underway in developing a new endoscopy facility within the main hospital and the parents' room in Beeding ward has been refurbished.

St Richard's has continued to develop its Women and Children's services by refurbishing its labour suites and the Special Care Baby Unit. A new Oncology and Haematology Unit, the Fernhurst Unit, was completed this year providing state of the art services to both inpatients and day patients. The Hyperbaric Unit providing decompression treatment for divers was built and the main reception was also completely refurbished and the ward refurbishment programme has continued.

The Trust manages its contractors and suppliers via the IESE framework (Improvement and Efficiency South East) and a collaborative working ethos which enables us to deliver cost efficiency whilst maintaining quality standards.

## 8. Using technology

### 8.1 Patient Administration System Merger Project

The Trust brought together the two main patient administration systems to ensure that the Trust uses the same IT system. The project to merge the systems across the Trust was completed in October 2009.

### 8.2 Shared Business Services

The Trust also standardised its finance and procurement processes and procedures in December using NHS Shared Business Services (SBS).

### 8.3 Worthing Microbiology system upgrade

The microbiology unit in Worthing successfully upgraded its laboratory systems to the 'Telepath 2000'. This means that hospital clinicians and GPs can now access results electronically via the patient administration system or GP links. This is a great improvement on the old system where the result would only be available

on a paper printout or via a telephone call which takes time. Clinicians can now see the results on screen, which means quicker reporting and a better service for patients.

### 8.4 Public and staff websites

The merger has given the Trust the opportunity to redevelop and redesign its staff and public websites over the year.

## 9. Governance

The Trust is committed to providing the highest quality patient care, with patient safety and excellent clinical standards as its core objectives.

Governance in the Trust is assured through the governance framework. The Trust Board is responsible for assuring the application of standards, legal compliance and continual improvement in relation to healthcare. The governance framework is the means by which this assurance is given.

### 9.1 Managing risk

The strategic processes for managing risk are fundamentally linked to organisational culture and finance. The management of risk ensures that the outcomes of care are good quality, cost effective and efficient. The corporate and transparent management of patient safety and experience ensures that the Trust is ready for Foundation Status.

Details of specific risks which are managed by the Trust on a routine basis are detailed in the monthly public Trust Board papers. These are updated and available on the Trust's public website at www.westernsussexhospitals.nhs.uk/about-us/trust-board/trust-board-meetings/board-papers/

Risk is managed through the integrated governance framework, and ensures that individually identified risks are then managed collectively, so allowing the Trust to recognise the Trust wide implications. Risk to delivery of the corporate objectives is monitored on the Board Assurance Framework. The Trust's risks are evaluated under the following key headings:

• Strategic • Operational • Patient Safety
• Finance • IT • HR • Governance

The key stages to the assessment:
• Identification of the risk issue – this may be service delivery, planned development, operational activity or impact of external forces
• Assessment of significance of this uses a 5 x 5 matrix which considers the likelihood of occurrence (score 1 to 5, where 1 is rare and 5 almost certain to occur) multiplied by the possible consequences (score 1 to 5, where 1 is insignificant and 5 is catastrophic)
• Implementation of risk treatment plans to mitigate the risk through to elimination or an acceptable residual level
• Prioritisation of the risks with comparison with other operational, strategic and corporate issues to set the context of the risk in terms of significance, tolerability and assurances required
• Monitoring and review mechanisms to assess the effectiveness of mitigating actions and to provide assurance on the residual risk value
• The high level risks are recorded monthly as part of the Trust Board papers.

The risk assessment programme operates primarily at three levels within the organisation; strategic corporate and operational. Integral to this process are the Corporate and Divisional Risk Registers and the Trust's annual Assurance Framework.

### 9.2 Clinical governance

The established Clinical Governance frameworks that existed in both former Trusts continued during the transitional period following merger until the implementation of a revised Clinical Governance Framework and establishment of the new Clinical Divisional structures in October 2009. This included the development of a programme of quarterly Divisional Clinical Governance Reviews, which are monitored by the Integrated Governance Committee on behalf of the Trust Board.

A comprehensive programme of policy review and merger was commenced and key issues considered within the Clinical Governance Framework have included:

• Risk Management and Patient Safety • Infection Control
• Clinical Audit • Complaints and the Patient Experience
• Staff Development and Training

Monitoring of infection control matters, including MRSA and Clostridium Difficile has been carried out through the Clinical Governance Framework and in June 2009 the Trust received notification from the Care Quality Commission (CQC) of unconditional registration for 2009/10 in relation to the Health and Social Care Act 2008 Code of Practice for the Prevention and Control of Healthcare Associated Infection (The Hygiene Code). In December 2009, the CQC undertook the annual unannounced Hygiene Code inspection of the Trust. This took place simultaneously at all three hospitals and no material breaches of the Hygiene Code were found.

During the year, the Trust prepared its application for the new CQC registration requirements which are replacing the Standards for Better Health. The Trust has been awarded unconditional registration from 1 April 2010 under the Health and Social Care Act 2008 (Regulated Activities) Regulations 2009.

### 9.3 Information governance

The Trust can confirm that it did not report any Serious Untoward Incidents involving data loss or breaches of confidentiality.

## 10. Emergency planning

Emergency planning incorporates all elements of dealing with emergencies which are beyond the normal capabilities of an organisation.

Examples range from localised flooding that causes widespread disruption but affects just a few residents to a terrorist attack resulting in large numbers of people being injured or killed. Hospitals, Primary Care Trusts and the Ambulance Service have a wealth of expertise, which is used daily to deliver the services expected by the public.

### 10.1 Major incident/emergency

All major incidents / major emergencies will require special action to be taken when responding. Nationally there is an agreed definition which sets out when a major incident / major emergency should be declared:

**An emergency is an event or situation which threatens serious damage to human welfare, the environment or security in the United Kingdom.**

Western Sussex Hospitals NHS Trust, in liaison with the Ambulance Service and other community services, has plans in place to deal with such incidents. These plans are regularly tested and updated.

### 10.2 Business continuity

Business continuity exists to ensure continuity of critical functions in the event of a disruption, and the effective recovery afterwards. Examples of the types of incidents which would effect and require business continuity management would be:

• Loss of utilities

• Loss of IT/Telecommunications
• Severe weather
• Flooding

Western Sussex Hospitals NHS Trust has a Business Continuity Plan in place to deal with any type of disruption as well as specific plans for identified possible nationally identified events.

• Heatwave
• Fuel disruption
• Pandemic Influenza

### 10.3 Pandemic Influenza

In 2009 the World Health Organisation (WHO) declared a worldwide Influenza Pandemic (H1N1 Swine Flu). The plans within Western Sussex Hospitals NHS Trust and those across all Sussex were activated.

Regular specialist Trust wide meetings took place throughout 2009 at which the situation was monitored closely, taking into account:-

• Assessment criteria and diagnosis
• Patient pathways
• Provision and training on Personal Protective Equipment
• Treatment and isolation
• Vaccination of frontline staff

Although the numbers of H1N1 Swine Flu cases have reduced, the situation continues to be monitored and the challenges faced will be dealt with on an ongoing process.

## 11. Our plans for the future

Western Sussex Hospitals NHS Trust's second year will see the start of the organisation's application to become a Foundation Trust (FT). It will also involve the further integration of services as the clinical strategy continues to develop.

### 11.1 Foundation Trust application

The Trust believes that the most effective way to secure the future of the organisation is to become an NHS Foundation Trust. Therefore, in this financial year, the Trust will be developing and submitting an application to become a Foundation Trust (FT).

The benefits of becoming a FT include:

NHS Foundation Trusts are accountable to their local populations through their membership schemes. The membership scheme gives more power and a greater voice to their local communities and front line staff over the delivery and development of local healthcare. NHS Foundation Trusts have members drawn from patients, the public and staff and are governed by a Board of Governors comprising people elected from and by the membership base. They also have:

• Greater freedom with regard to determining their own destiny
• Freedom to invest surpluses in developing new services for local people
• Freedom of local flexibility to tailor new governance arrangements to the individual circumstances of their community
• Freedom to access capital on the basis of affordability instead of the current system of centrally controlled allocations

The process of becoming a Foundation Trust is intense and lengthy, it demands rigorous assurance that the Trust has sufficient governance processes and systems in place to ensure patients receive safe and high quality, cost effective care. The Trust's plan is to complete its application by April 2011 and, if successful, would hope to become a Foundation Trust in summer 2011.

### 11.2 Membership development

All NHS Foundation Trusts are required to establish a membership base and then ensure that an ongoing membership scheme is managed effectively to continue to attract new members.

Achieving Foundation Trust status will mean that patients, carers, members of the public and staff will have a greater say in how the Trust's services are provided and developed in the future. TheTrust already has a proactive approach to stakeholder engagement and this greater level of participation will build on established links with the local community and patient and public stakeholders. For staff, this will further develop the inclusive approach to partnership working and recognise the position of the Trust as a major employer in the county.

To support the membership recruitment process, the Trust will implement a communications strategy that raises the awareness and understanding of FT status and promotes the benefits that it brings. This will involve a range of activities and recruitment drives to appeal to all groups of the community in line with the Trust's engagement strategy.

### 11.3 Our Strategic objectives 2010 / 2011

The Trust has developed its Annual Plan for 2010/2011 which details its strategic objectives and actions for achieving these objectives. The Annual Plan can be viewed on the Trust's public website at www.westernsussexhospitals.nhs.uk/about-us/annual-report-accounts/

The Trust's strategic objectives for 2010/2011 are:

• The Board should lead the introduction of new processes to enable staff development, mentoring and the introduction of medical revalidation
• Creating a culture of patient safety throughout the Trust with appropriate feedback and monitoring mechanism to confirm our success
• Put patients first by maintenance of a full engagement process with stakeholders and PPI fora so that we know and implement where possible the views of our public
• Deliver a realistic but ambitious clinical strategy which allows for the delivery of services on all our sites, driven by our clinicians and evolving with national best practice in our chosen specialties
• Continue to foster seamless working with primary care that introduces more efficient services closer to home but with the support and advice of secondary care consultants
• Develop more effective admission and discharge processes that get diagnosis right first time and aid the most appropriate and effective recovery
• Create University Hospital training facilities in partnership with our medical school partners and our wider clinical and corporate workforce
• Produce and implement a multi-disciplinary research strategy
• Improve the use of our infrastructure and work with our staff to meet and exceed our financial, operational and clinical performance targets by means of better theatre utilisation, more effective ambulatory care and progress through the introduction of Service Line Reporting
• Continue to reduce our rates of healthcare associated infection

### 11.4 Plans for Southlands Hospital

A major project for the Trust in 2010/11 is the plan to build new operating theatres and beds at Worthing Hospital to provide accommodation to move orthopaedic surgery and inpatient beds over from Southlands Hospital.

At the time of writing, plans are under development and will be subject to public consultation later in 2010 and for Strategic Health Authority approval. If successful, they will bring about real improvements to the overall quality of care and to the experience of patients currently admitted or transferred to Southlands. They will also improve the efficiency of the service by reducing the time spent by doctors shuttling between the sites and by closing down redundant Trust buildings at Southlands.

Southlands Hospital will continue as an 'ambulatory' care centre providing outpatient clinics, day surgery, and diagnostic services. The retained buildings will undergo refurbishment to bring them up to the standards required for modern healthcare. The Trust will need to complete the project within a constrained timescale, alongside a refurbishment programme for some of the wards at Worthing.

## 12. Trust Board

**Board members (full membership)**

**Mr Hywel Evans**
**(Chairman)**
Commenced on 1st April 2009 on formation of Trust
Chairman Designate from 19th January 2009
Chair of Finance & Investments Committee and Appointments & Remuneration Committee
Non-Executive Director for Penn Pharmaceutical Services

**Mr Anthony Clark**
**(Vice-Chairman)**
Commenced as Non-Executive Director on 1st April 2009
Vice-Chairman since 1st December 2009
Non-Executive Director with former Royal West Sussex NHS Trust (RWS) since 1st August 2006
Chair of Complaints Committee and Integrated Governance Committee
Member of Finance & Investments Committee and the Sussex HIS Board

**Ms Marianne Griffiths**
**(Chief Executive)**
Commenced on 1st April 2009 on formation of Trust
Chief Executive of former RWS from 1st January 2009
Chief Executive Designate since February 2009

**Mr Spencer Prosser**
**(Director of Finance and Joint Deputy Chief Executive)**
Commenced on 14th September 2009

**Ms Jane Farrell**
**(Chief Operating Officer and Joint Deputy Chief Executive)**
Commenced on 1st April 2009 on formation of Trust
Director of Operations and Deputy Chief Executive with former RWS since 21st July 2008

**Dr Phillip Barnes**
**(Medical Director)**
Commenced on 21st September 2009

**Mrs Cathy Stone**
**(Director of Nursing and Patient Safety)**
Commenced on 1st April 2009 on formation of Trust
Director of Nursing with former Worthing and Southlands Hospitals NHS Trust (WaSH) since 7th January 2008

**Mr Michael Carter**
**(Non-Executive Director)**
Commenced on 1st April 2009 on formation of Trust
Non-Executive Director with former RWS since 1st March 2007
Chair of Audit Committee
Member of Appointments & Remuneration Committee,
Charitable Funds Committee, IM & T Board and the Sussex HIS Risk and Audit Committee

**Mrs Joanna Crane**
**(Non-Executive Director)**
Commenced on 1st April 2009
Member of Audit Committee and Integrated Governance Committee

**Mr Jon Furmston**
**(Non-Executive Director)**
Commenced on 1st April 2009
Member of Appointments and Remuneration Committee, Audit Committee and Charitable Funds Committee

**Mr Martin Phillips**
**(Non-Executive Director)**
Commenced on 1st April 2009 on formation of Trust
Non-Executive Director with former WaSH since 1st April 2008
Chair of Charitable Funds Committee
Member of Complaints Committee, Finance & Investments Committee, Integrated Governance Committee, Infection Control Committee, Patient Environment Strategy Group and Food Strategy Group

**In attendance at the Board**

**Mr William Brown**
**(Non-Executive Director Designate – Advisor to the Board)**
Commenced on 1st April 2009
Member of Complaints Committee, Finance & Investments
Committee, Integrated Governance Committee and Security Group

**Mrs Denise Farmer**
**(Director of Organisation Development and Leadership)**
Commenced on 1st April 2009 on formation of Trust
Director of Human Resources and Organisation Development with former RWS since 25th February 2008

**Mr Nick Fox**
**(Director of Strategy)**
Commenced on 1st April 2009 on formation of Trust
Director of Planning with former RWS since its formation on 1st April 1994

**Mrs Paula Gorvett**
**(Director of IM&T)**
Commenced on 1st April 2009 on formation of Trust

**Mr Andrew McGrath**
**(Commercial/Business Recovery Director)**
Commenced on 6th July 2009

**Mr Giles Peel**
**(Director of Corporate/Foundation Trust Development)**
Commenced on 6th July 2009

**Changes during 2009/10**

**Mr Richard Hathaway**
**(Transitional Director of Finance)**
Commenced on 1st April 2009 on formation of Trust
Director of Finance with former RWS since 1st October 2006
On secondment from the Trust from August 2009
Left the Trust on 31st March 2010

**Dr Robert Haigh**
**(Medical Director, Chichester site)**
Commenced on 1st April 2009 on formation of Trust
Medical Director of former RWS since 1st May 2008
Left the Board on 20th September 2009

**Mr Michael Rymer**
**(Medical Director, Worthing and Southlands sites)**
Commenced on 1st April 2009 on formation of Trust
Medical Director of former WaSH since 1st May 2006
Left the Board on 20th September 2009

## 13. Remuneration report

### Part 1

**Membership of the Appointments and Remuneration Committee**

The committee is chaired by the Chairman of the Trust and members include two non-executive directors.

**Policy Statement on the remuneration of senior managers for current and future financial years**

In coming to any decision on remuneration, the Committee must take into account the circumstances of the organisation, the size and difficulty of the job (benchmarked against other NHS organisations), the performance of the individual and national guidance as appropriate.

**Methods used to assess whether performance conditions were met and why those methods were chosen**

All Directors' performance is subject to an annual appraisal and, additionally, a report submitted to the Committee from the Chief Executive Officer prior to any decision on remuneration. For the Chief Executive Officer appraisal is undertaken by the Chief Executive Officer of the Strategic Health Authority and a report is submitted to the committee by the Chairman of the Board.

**Statement of policy on duration of contracts, notice periods and termination payments**

HM Treasury has issued specific guidance on severance payments (i.e. payments that are not made under either legal or contractual obligation) within "Managing Public Money." Special severance payments when staff leave require Treasury approval.

There are no contractual provisions for payments on termination of contract.

| Name | Title | Date of contract | Unexpired Term | Notice period from the Trust | Notice period to the Trust |
|---|---|---|---|---|---|
| Ms Marianne Griffiths | Chief Executive Officer | 01/04/2009 | | 6 months | 3 months |
| Ms Jane Farrell | Chief Operating Officer & Joint Deputy Chief Executive | 01/04/2009 | | 6 months | 3 months |
| Mr Spencer Prosser | Director of Finance & Joint Deputy Chief Executive | 14/09/2009 | | 6 months | 3 months |
| Mrs Cathy Stone | Director of Nursing and Patient Safety | 01/04/2009 | | 6 months | 3 months |
| Mr Nick Fox | Director of Strategy | 01/04/2009 | | 6 months | 3 months |
| Mrs Denise Farmer | Director of Organisation Development and Leadership | 01/04/2009 | | 6 months | 3 months |
| Mrs Paula Gorvett | Director of IM&T | 01/04/2009 | 5 months | 4 weeks | 12 weeks |

| Name | Title | Date of contract | Unexpired Term | Notice period from the Trust | Notice period to the Trust |
|---|---|---|---|---|---|
| Mr Andrew McGrath | Commercial/Business Recovery Director | 06/07/2009 | 15 months | 6 months | 3 months |
| Mr Giles Peel | Director of Corporate/Foundation Trust Development | 06/07/2009 | 15 months | 6 months | 3 months |
| Dr Phillip Barnes | Medical Director | 21/09/2009 | | 6 months | 3 months |
| Mr Richard Hathaway | Transitional Director of Finance | 01/04/2009 Then on secondment from August 2009. Left 31/03/2010 | | | |
| Dr Robert Haigh | Medical Director – Chichester | 01/04/2009 to 20/09/2009 | | | |
| Mr Michael Rymer | Medical Director – Worthing and Southlands | 01/04/2009 to 20/09/2009 | | | |

Part 2

**Salary and pension entitlements of senior managers**

A) Remuneration

| Name and Title | 2009-2010 | | |
|---|---|---|---|
| | Salary | Other Remuneration | Benefits in Kind |
| | (bands of 5000) £000 | (bands of 5000) £000 | Rounded to the nearest £00 |
| Ms M Griffiths Chief Executive | 185 – 190 | 0 | 0 |
| Ms J Farrell | 125 – 130 | 0 | 0 |

| Name and Title | 2009-2010 | | |
|---|---|---|---|
| | Salary | Other Remuneration | Benefits in Kind |
| | (bands of 5000)<br>£000 | (bands of 5000)<br>£000 | Rounded to the nearest £00 |
| Chief Operating Officer and joint Deputy Chief Executive | | | |
| Mr S Prosser<br>Director of Finance and joint Deputy Chief Executive | 75 – 80 | 0 | 6 |
| Dr P Barnes<br>Medical Director | 90 – 95 | 15 - 20 | 0 |
| Mrs C Stone<br>Director of Nursing and Patient Safety | 95 – 100 | 0 | 0 |
| Mr N Fox<br>Director of Strategy | 115 – 120 | 0 | 0 |
| Mrs D Farmer<br>Director of Organisational Development & HR | 95 – 100 | 0 | 0 |
| Mrs P Gorvett<br>Director of IM&T | 80 – 85 | 0 | 0 |
| Mr A McGrath<br>Commercial/Business Recovery Director | 90 – 95 | 0 | 0 |
| Mr G Peel<br>Director of Corporate / Foundation Trust Development | 95 – 100 | 0 | 0 |
| Mr R Hathaway<br>Director of Finance | 40 – 45 | 0 | 0 |
| Dr R Haigh<br>Medical Director – Chichester | 25 – 30 | not disclosed (Note1) | 0 |
| Mr M Rymer<br>Medical Director – Worthing and Southlands | 35 – 40 | not disclosed (Note1) | 0 |

| Name and Title | 2009-2010 | | |
|---|---|---|---|
| | Salary | Other Remuneration | Benefits in Kind |
| | (bands of 5000)<br>£000 | (bands of 5000)<br>£000 | Rounded to the nearest £00 |
| Mr H Evans<br>Chairman | 20 – 25 | 0 | 0 |
| Mr A Clark<br>Vice-Chairman | 5 – 10 | 0 | 0 |
| Mr M Carter<br>Non-Executive Director | 5 – 10 | 0 | 0 |
| Mrs J Crane<br>Non-Executive Director | 5 – 10 | 0 | 0 |
| Mr J Furmston<br>Non-Executive Director | 5 – 10 | 0 | 0 |
| Mr M Phillips<br>Non-Executive Director | 5 – 10 | 0 | 0 |
| Mr W Brown<br>Non-Executive Director | 5 – 10 | 0 | 0 |

Note 1
Other remuneration for Dr Robert Haigh and Mr Michael Rymer relates to clinical duties. The totals have not been disclosed as it is deemed that it prejudices their rights to retain confidentiality on income not connected to serving on the Board.

B) Pension Entitlements

2009-2010

| | **increase in pension at age 60** *(bands of £2500)* | **Real increase in pension lump sum at aged 60** *(bands of £2500)* | **Total accrued pension at age 60 at 31 March 2010** *(bands of £5000)* | **Lump sum at age 60 related to accrued pension at 31 March 2010** *(bands of £5000)* | **Cash Equivalent Transfer Value at 31 March 2010** *£000* | **Real increase in Cash Equivalent Transfer Value** *£000* | **Employer's contribution to Stakeholder Pension** *£000* |
|---|---|---|---|---|---|---|---|
| Ms M Griffiths | 2.5 – 5 | 7.5 – 10 | 10 – 15 | 40 – 45 | 255 | 40 | 0 |
| Ms J Farrell | 2.5 – 5 | 12.5 – 15 | 40 – 45 | 120 – 125 | 780 | 79 | 0 |
| Mrs C Stone | 5 – 7.5 | 15 – 17.5 | 35 – 40 | 105 – 110 | 659 | 81 | 0 |
| Mr N Fox | 15 – 17.5 | 42.5 – 45 | 55 – 60 | 170 – 175 | 1,460 | 277 | 0 |
| Mrs D Farmer | 2.5 – 5 | 12.5 – 15 | 30 – 35 | 100 – 105 | 731 | 74 | 0 |
| Mrs P Gorvett | 2.5 – 5 | 10 – 12.5 | 15 – 20 | 55 – 60 | 327 | 51 | 0 |
| Mr A McGrath | 0 – 2.5 | 0 – 2.5 | 0 – 5 | 0 | 15 | 9 | 0 |
| Mr G Peel | 0 – 2.5 | 0 – 2.5 | 0 – 5 | 0 | 13 | 8 | 0 |
| Mr S Prosser | 0 – 2.5 | 5 – 7.5 | 30 – 35 | 90 – 95 | 478 | 29 | 0 |
| Dr P Barnes | 7.5 – 10 | 22.5 – 25 | 50 – 55 | 150 – 155 | 925 | 102 | 0 |
| Mr R Hathaway | 0 – 2.5 | 0 – 2.5 | 20– 25 | 70 – 75 | 380 | 13 | 0 |
| Dr R Haigh | 0 – 2.5 | 0 – 2.5 | 45 – 50 | 140 – 145 | 988 | 14 | 0 |
| Mr M Rymer | 2.5 – 5 | 7.5 – 10 | 50 – 55 | 160 – 165 | – | – | 0 |

Note: CETV values are not stated where the employee is over the age of 60.

## 14. Financial review 2009/10

### 14.1 Accounting policies

In preparing the 2009/10 accounts there have been two significant changes from the accounting policies used by either Royal West Sussex or Worthing and Southlands Hospitals NHS Trusts.

• From 1st April 2009 all NHS organisations adopted International Financial Reporting Standards (IFRS). NHS accounts had previously been prepared under UK General Accepted Accounting Principles (UK GAAP). There are some presentational and terminology differences between UK GAAP and IFRS. There are also some changes in the way certain items are accounted for. For Western Sussex Hospitals the significant changes were as follows:
• the requirement to include a provision for untaken annual leave carried forward to the next financial year by members of staff
• the capitalisation of leases previously recognised as operating leases
• HM Treasury requires all NHS Trusts to adopt a standard approach to asset valuations based on modern equivalent assets. All NHS Trusts are required to apply this new valuation requirement by 1st April 2010. Western Sussex Hospitals undertook a valuation of assets on a modern equivalent asset basis as at 1st April 2009

### 14.2 Financial performance

For 2009/10 the Trust is reporting a retained deficit of £57.4m. This includes impairments on fixed assets of £61.5m.

Impairments
These impairments arose as follows:

• The revaluation of assets on a modern equivalent asset basis resulted in an impairment of £41.6m
• During the year indexation to reflect current valuation was applied to the estate which resulted in a further impairment of £11.8m.
• Southlands Hospital was revalued at year end resulting in an impairment of £8.1m.

When a fixed asset reduces in value the reduction in value is usually offset against the revaluation reserve. It is only where there is an insufficient balance in the revaluation reserve that that the fall in value is charged to the Statement of Comprehensive Income. As a newly merged organisation, Western Sussex Hospitals NHS Trust has a zero opening balance on its revaluation reserve therefore any falls in value have had to be charged to income and expenditure resulting in such a high level of charges to the Statement of Comprehensive Income.

**Underlying performance**
Excluding the impact of the impairments the Trust made a surplus of £4.1m during the year. This was slightly higher than the planned surplus of £4.0m.

During the financial year the Trust faced some financial pressures including:

• Increasing demand for elective (scheduled) services resulting in higher treatment costs where our capacity was exceeded
• Severe weather conditions resulting in increased emergency activity during the winter months

We were able to achieve our planned surplus position through increased income for the additional activity and also because the fall in value of the Trust's fixed assets resulted in lower capital charges.

For 2010/11 we have undertaken detailed capacity and activity planning to ensure that the financial plan reflects the underlying demand for our services. Our forecast position for 2010/11 is a surplus of £5.0m

**Financial duties**
NHS Trusts have four key financial duties as follows:

• Break-even duty: NHS Trusts normally plan to meet this duty by achieving a balanced position on their income and expenditure accounts each and every year. The break-even duty is calculated after adding back any impairments charged to the Statement of Comprehensive Income.

• Capital cost absorption duty: The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets and pay this to the Department of Health as a dividend.
• Capital resource limit: This a limit on the amount of capital expenditure the Trust can incur in the year. The limit is set by the Department of Health. The Trust can underspend against the limit but may not exceed this limit.
• External financing limit: This is a control on the net cash flows of the Trust. The limit is set by the Department of Health and may not be exceeded.

The Trust also measures its performance against the financial risk ratings used by Monitor to assess the performance of NHS Foundation Trusts. The Trust's performance against these ratings is as follows:

| | Trust Performance | Rating |
|---|---|---|
| EBITDA Actual vs Plan | 85.2% | 4 |
| EBITDA Margin (%) | 8% | 3 |
| Return on Assets (%) | 4.6% | 3 |
| I&E Surplus Margin (%) | 1.1% | 3 |
| Liquidity (days) | 13 | 2 |
| Overall Rating | 3 | |

(EBITDA = Earnings before interest, taxation, depreciation and amortisation)

Ratings are measured on a scale of 1(high risk) to 5 (low risk)The liquidity calculation includes a maximum working capital facility of 30 days

The Trust has a low level of liquidity as a result of the historic deficits incurred by the former Royal West Sussex and Worthing and Southlands Hospitals NHS Trusts. The Trust is reviewing its liquidity position to identify ways in which this can be improved in the short to medium term.

**Projected financial performance**
The Trust is projecting a surplus of £5.0m in 2010/11, however, given the current economic climate and the likely rate of growth and inflation in NHS funding we are aware that we will have to prepare for some difficult financial challenges.

The Trust has responded to this by setting up a Business Delivery Board to provide a focus on value for money and efficiency in everything that we do. We have also an established group to review the level of emergency admissions and identify ways in which we can reduce these.

The Trust is also reviewing the use of Southlands Hospital and is currently consulting on proposals to develop Southlands into an ambulatory care centre. Subject to the outcome of the consultation and the approval of any associated business case this would involve major capital works in the order of £16m. This is in addition to the planned 10/11 capital programme of £15m, excluding donated assets (09/10 outturn: £15.9m capital expenditure excluding donated assets).

As part of the approval of the accounts the Trust has considered the current and future financial risks. The Directors have concluded that the Trust is a going concern and have authorised the preparation of the accounts on that basis.

### 14.3 Pension liabilities

Past and present employees are covered by the NHS Pension Scheme. Details of the treatment of pension costs can be found in notes 1.5 and 11 of the annual accounts.

### 14.4 Prompt Payment Code

In December 2008, the Department for Business, Innovation and Skills, together with the Institute of Credit Management, launched a new prompt payment code to tackle the issue of late payments to help businesses. By signing the code, an organisation commits to paying suppliers on time and according to their agreed terms, to communicate effectively with suppliers and work with supply chains to encourage payment best practice.

To become an approved signatory to the code organisations must nominate two referees who agree that the organisation is a prompt payer and support the application. Western Sussex Hospitals was approved as a signatory to the Prompt Payment Code on 21st July 2009.

### 14.5 External audit

The Trust's external auditor is the Audit Commission. The total audit fee for 2009/10 was £251,300. The entire fee related to audit services, that is the statutory audit and services carried out in relation to the statutory audit. There were no further assurance services or other services provided to the Trust by the Audit Commission during 2009/10.

### 14.6 Statement on Internal Control

The annual accounts contain a statement detailing the directors' responsibility in respect of:

- Scope of responsibility
- The purpose of the system of internal control
- Capacity to handle risk
- The risk and control framework
- Review of effectiveness
- Significant internal control issues

### 14.7 Glossary of NHS financial terms

**Break-even**
The Trust's statutory duty is to break even over a three year period, or in exceptional circumstances, a five-year period.

**Capital and Depreciation**
Recorded on the Statement of Financial Position under fixed assets, capital expenditure is that in excess of £5,000 applied to the estate (other than maintenance) and equipment purchases. It is written off over its useful life to the Statement of Comprehensive Income and this is termed depreciation.

**Charitable Funds**
This relates to donations by patients, relatives, fundraisers, charities and the public. These are accounted for separately and do not form part of these accounts.

**Capital Cost Absorption Duty**
This is calculated by averaging the owned assets held at the beginning and end of the year and setting the PDC dividend such that it produces a 3.5% return.

**Capital Resource Limit (CRL)**
The limit set by the Department of Health for capital investments.

**External Financing Limit (EFL)**
This represents the amount the Trust is allowed to borrow from external sources. It is one of the controls used by the Department of Health to ensure NHS cash expenditure is kept to the amount agreed to by Parliament. Trusts are not allowed to exceed this limit. It takes into account borrowings and repayments.

**Payment by Results (PbR)**
The principle funding mechanism for the treatment of patients, providing a national tariff framework.

**Public Dividend Capital (PDC)**
Effectively the public's equity stake in the Trust, it represents the value of total assets employed, other than donated assets, on the original formation. A dividend is payable to the Department of Health at the rate of 3.5%.

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

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

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

- value for money is achieved from the resources available to the trust;

- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

- effective and sound financial management systems are in place; and

- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed.....Chief Executive

Date.....

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

7/6/10 Date..... Chief Executive

7/6/10 Date..... Finance Director

# STATEMENT ON INTERNAL CONTROL 2009/10

## 1. Scope of responsibility

1.1. The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

1.2. I am personally accountable, through the Trust Chairman, to the Chief Executive of South East Coast Strategic Health Authority for the achievement of national targets and agreed Trust objectives.

1.3. I have a duty of partnership (The New NHS, 1997) to work collaboratively with other statutory and voluntary agencies. A committee structure has been implemented locally to facilitate this joint working on issues of mutual interest. Regular meetings take place with both the Strategic Health Authority and our main commissioning Primary Care Trust (West Sussex Primary Care Trust) concerning strategy and performance management. We also meet regularly with our neighbouring Trusts and West Sussex County Council.

## 2. The purpose of the system of internal control

2.1. 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 organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.2. The system of internal control has not been in place in Western Sussex Hospitals NHS Trust for the whole year but was in place by 28th January 2010 and up to the date of approval of the annual report and accounts.

## 3. Capacity to handle risk

3.1. The Trust's governance framework brings together clinical and corporate governance into a single integrated framework so that risk issues are fully addressed within the organisation. The Board and its key sub-committees set the framework for the Trust's approach to risk management. The Board receives regular reports form the Executive Team and the Board sub-committees.

3.2. The Integrated Governance Committee provides managed assurance to the Board that the Trust's processes and controls are effective in delivering the Trust's objectives. The Audit Committee provides independent assurance that integrated governance is being achieved.

3.3. The executive lead for risk management is the Director of Nursing and Patient Safety, supported by other members of the Executive Team and myself as Chief Executive.

3.4. All staff have the opportunity to receive training and guidance in basic risk management processes according to their authority and duties. A session on risk management is included in the Trust's induction programme to ensure that all new staff understand the importance of effective risk identification and management.

## 4. The risk and control framework

4.1. The Risk Management Strategy provides a framework for risk management within the Trust which:

- is based on best practice, national guidance and compliance with the standards for the National Health Service Litigation Authority (NHSLA) risk standards and Care Quality Commission Requirements for registration;
- integrates risk management across the Trust and supports convergence of all aspects of Governance;
- supports the Trust Board, in agreeing the Statement of Internal Control and Assurance Framework and realising the significant quality, financial and organisational benefits from minimising risk; and
- embeds risk management practices into the day-to-day function of the Trust and within the role of every staff member.

4.2. The Trust has a process for risk identification and assessment and for recording and reporting risks. There are risk registers for each Division or department and a corporate risk register. The most significant risks are reported monthly to the Trust Board.

4.3. The Trust has specific policies and processes in place to manage and control data security. These are set out in the Information Governance and Security Policy which is supported by additional guidelines such as the use of mobile computing equipment. Information governance and data security training is available to all staff and is included on the Trust's induction programme. The Information Governance Steering Group is responsible for ensuring that an annual audit of information governance is undertaken, agreeing improvement plans where appropriate and monitoring the progress of these improvement plans.

4.4. Divisional clinical governance reviews are held quarterly to provide assurance to the Executive Team and Integrated Governance Committee that the clinical divisions:

- are reviewed against a background of rigour and equity.
- ensure that all actions are followed through and closure achieved.
- ensure that divisional learning is shared throughout the organisation.

4.5. The Trust has a Board Assurance Framework which includes the key components required of an assurance framework, as set out by the Department of Health. The Board Assurance Framework supports the preparation of the Statement on Internal Control by identifying risks the achievement of corporate objectives and gaps in internal controls or assurances. I consider the content of the Board Assurance Framework when preparing the Statement on Internal Control.

4.6. During the year, some gaps in controls or assurance have been identified in the Board Assurance Framework. These are due to the maturity of the organisation and reflect that some policies and procedures still require standardisation across the organisations and that restructuring has not been completed in all areas. Plans to address these gaps are in place.

4.7. Internal Audit have reviewed the Trust's risk management processes and the process for developing and maintaining the Board Assurance Framework. They have concluded that

by January 2010 there was significant assurance that the processes in place were generally sound. For the first 9 months of the year they gave a limited assurance opinion in relation to the Board Assurance Framework. This was because the Trust Board had not been regularly reviewing the Board Assurance Framework at its meetings. Since January 2010, the Board Assurance Framework is reviewed quarterly by the Trust Board.

4.8. The Trust has established a Stakeholder Forum to engage with our local community. The Stakeholder Forum is open to anyone who lives in the area we serve and who is interested in the services we provide at St Richard's, Worthing and Southlands Hospitals. This includes patients, voluntary organisations, carers and interested members of the public. I attend the Stakeholder Forum along with the Trust Chairman and other senior managers in the Trust.

4.9. Following the approval of the Single Equality Scheme, control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

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

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

4.12. The Trust declared "not met" in relation to four of the core standards for better health as follows

- C1b: Patient safety notices, alerts and other communications concerning patient safety, which require action, are acted upon within the required timescales
- C7e: The Trust challenges discrimination, promotes equality and respects human rights
- C13b: Appropriate consent is obtained, when required for all contacts with patients and for the use of any confidential patient information
- C15b: Patients' individual nutritional, personal and clinical dietary requirements are met, including where necessary help with feeding and access to food 24 hours a day

Further details and the actions taken are outlined in section 5.

## 5. Review of effectiveness

5.1. As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways:

- The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work.
- Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

- The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

*5.2.* My review is also informed by feedback from a range of sources including the Strategic Health Authority, the Care Quality Commission, the Audit Commission, NHS Litigation Authority reviews, clinical auditors, internal auditors, the Audit Committee, the Integrated Governance Committee, the Board of Directors and members of the Executive Team.

5.3. 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 and the Integrated Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

5.4. The system of internal control has been maintained and reviewed during 2009/10 through the following processes:

5.5. The Trust Board: The Trust Board receives reports on patient safety, infection control, operational performance and the most significant Trust risks at each meeting. From January 2010 the Trust Board also reviews the Board Assurance Framework at each meeting. The Trust Board receives regular reports from the Audit Committee and the Integrated Governance Committee. The Board is updated on significant issues as they arise.

5.6. The Audit Committee: The Audit Committee is a sub-committee of the Trust Board and reports directly to it. The Audit Committee and the Integrated Governance Committee share responsibility for risk management.

5.7. In particular, the Audit Committee is responsible for overseeing the activities of Internal Audit, External Audit and the Local Counter Fraud Specialist. For each these it:

- approved the annual plans at the beginning of the year;
- has received reports on the work undertaken and the findings and recommendations from that work; and
- has reviewed the management response to reports, in particular the implementation of recommendations

5.8. The Audit Committee is also responsible for co-ordinating assurances on the overall effectiveness of the system of internal control, governance and risk management.

5.9. The Audit Committee routinely reviews reports on tender waivers, losses and special payments and aged debts. The Audit Committee also reviews the annual accounts before approval.

5.10. The Integrated Governance Committee: The Integrated Governance Committee is also a sub-committee of the Board. Its purpose is to:

- implement, scrutinise and maintain the processes and structures for good governance at the Trust, to assess the effectiveness of those processes and structures and to seek their continuous improvement;
- monitor the performance of the Trust to ensure that the necessary clinical governance processes are in place to assure the Trust Board of quality in clinical care; and
- ensure that the Trust's systems of internal control are established and monitored, including governance arrangements, the approach to risk management, and compliance with legislation and the requirements of all relevant external regulatory bodies.

5.11. Executive Team: The purpose of ghe Executive Team is to:

- support the Trust Board
- set direction
- identify priorities and oversee delivery
- be the formal decision making management body
- facilitate harmonisation of portfolios
- approve policies; and
- support two-way communications

Members of the Executive Team have responsibility for specific aspects of the system of the internal control that are relevant to their role. My review of the systems of internal control is informed by reports made to the Executive Team by individual directors.

5.12. Internal Audit: Internal Audit provide an independent and objective opinion on the degree to which risk management, control and governance support the achievement of the Trust's objectives. For 2009/10 the Head of Internal Audit gave the opinion 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 weaknesses in the design or inconsistent application of controls put the achievement of particular objectives at risk".

5.13. External Audit: External Audit report to the Trust on the findings from their audit work, in particular their review of the accounts statements and financial aspects of corporate governance. They have also undertaken a review of the progress made in integrating the two former Trusts during 2009/10. Overall they concluded that the Trust is making good progress in integrating the two former Trusts into one organisation:

5.14. External Audit are also required to undertake an assessment of the Trust's use of resources, known as the Auditors' Local Evaluation. The results for 2009/10 will not be published until Autumn of 2010 but the review so far indicates that the Trust will achieve an overall rating of 2 (adequate performance).

5.15. Standards for Better Health: The Trust self-assesses its compliance with the core standards. This self-assessment is supported by the collation and review of evidence and assurances against each standard. During 2009/10 the Trust reported four standards as not met. The details are as follows:

- C1b - Patient Safety Alerts: Four Safety Alerts had not been completed by their nominated deadline, and remained outstanding at 31 October 2009. The Trust has introduced a new system for dealing with patient safety alerts and as at 31st March 2010 all alerts are being actioned within the appropriate timescales.

- C7e - Discrimination: A Single Equality Scheme for Western Sussex Hospitals had not been approved by 31st October 2009 (the date of the core standard declaration). The Single Equality Scheme has now been approved and is available from the Trust's website.

- C13b - Consent: The Trust reported this standard as not met due to insufficient training programmes being available for staff. The Trust has undertaken a comprehensive review of consent and a revised Consent Policy was approved in December 2009. The Trust has put in place arrangements for staff to access patient information leaflets to support the consent process and introduced e-learning courses for staff.

- C15b - Food and Nutrition: The Trust reported this standard as not met as catering facilities at Worthing Hospital were restricting the delivery of a comprehensive service to patients. A number of actions were undertaken in the first quarter of the financial year to improve the service including a review of food delivery, the introduction of new heated meal trolleys and a review of patient menus. From the end of June 2009, patients now choose their own meals and the meal choice and service follow the standards set out in the "Better Hospital Food" model which is part of the Patient Environment Action Team (PEAT) requirements.

5.16. National Performance Targets : As at the date of this statement, the Trust is forecasting that it will fail one national performance target relating to outpatient waiting times. This relates to reporting system failures in Bariatric Surgery at the former Royal West Sussex NHS Trust.

5.17. Detailed action plans were completed prior to merger by the former Royal West Sussex NHS Trust, in partnership with Commissioners and the Strategic Health Authority, to manage the backlog identified. Due to the scale of patients affected, these plans could not be concluded by 31st March 2009, therefore through the process of integration, Western Sussex Hospitals NHS Trust absorbed a legacy issue relating to breaches of the 13 week outpatient maximum wait standard in Bariatric Services.

5.18. The agreed recovery plan ensured no 13 week maximum waiting times breaches from June 2009 onward, but required that Western Sussex Hospitals NHS Trust declare breaches in April and May. Having delivered the legacy Bariatric plan no further ongoing action is required moving forward, as the Trust is fully 13 week compliant.

5.19. Ongoing discussion is continuing with the Department of Health regarding the impact of breaches in April and May 2009 on the 2009/10 performance target. Whilst the Trust remains optimistic that the Department of Health will support the contention that the 'Leicester Rules' relating to the treatment of maximum waiting time breaches across multiple financial years should be applied to mitigate that the impact of outpatient breaches, a worst case forecast has been assumed, and the overall rating projected as "Failed".

5.20. The Trust has also identified potential risks to underachieving against particular performance targets as follows:

- Thrombolysis – 60 minute call to needle time
- Quality of Stroke Care
- 18 week referral to treatment time

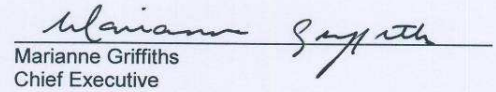
Actual performance cannot be fully determined until the final indicator constructions and thresholds are determined by the Care Quality Commission. Issues relating to these indicators are discussed in monthly performance reports to the Trust Board which are also made available to the public.

5.21. Care Quality Commission: From April 2010, the Trust is required to register its services with the Care Quality Commission. There are currently no conditions attached to the Trust's registration.

5.22. Other than the four core standards declared as not met, my review has not identified any additional significant internal control issues:

## 6. Conclusion

6.1. With the exception of the internal control issues that I have outlined in this statement, my review confirms that Western Sussex Hospitals NHS Trust has a generally sound system of internal controls that supports the achievement of its policies, aims and objectives and that those control issues have been or are being addressed.

Signed: 

Marianne Griffiths
Chief Executive

Date: 7/6/10

# Independent auditor's report to the Board of Directors of Western Sussex Hospitals NHS Trust

I have examined the summary financial statement for the year ended 31 March 2010 which comprises Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Statement of Cash Flows set out in section 15 of the Annual Report.

This report is made solely to the Board of Directors of Western Sussex Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

**Respective responsibilities of directors and auditor**
The directors are responsible for preparing the Annual Report.

My responsibility is to report to you my opinion on the consistency of the summary financial statement within the Annual Report with the statutory financial statements.

I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the summary financial statement. The other information comprises only the Foreword by Trust Chairman and Chief Executive, the unaudited part of the Remuneration Report and section 14 - Financial Review.

I conducted my work in accordance with Bulletin 2008/03 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board.

My report on the statutory financial statements describes the basis of my opinion on those financial statements.

**Opinion**
In my opinion the summary financial statement is consistent with the statutory financial statements of the Western Sussex Hospitals NHS Trust for the year ended 31 March 2010.

**Darren Wells**
Officer of the Audit Commission
Engagement Lead
Audit Commission
16 South Park
Sevenoaks
Kent
TN13 1AN
10 June 2010

# 14.8 Annual Accounts 2009/10

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2010

| | NOTE | 2009/10 £000 | 2008/09 £000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from patient care activities | 5 | **319,128** | 276,420 |
| Other operating revenue | 6 | **27,678** | 39,951 |
| Operating expenses | 8 | **(394,510)** | (304,686) |
| **Operating surplus (deficit)** | | **(47,704)** | 11,685 |
| **Finance costs:** | | | |
| Investment revenue | 14 | **29** | 335 |
| Other gains and (losses) | 15 | **(828)** | (621) |
| Finance costs | 16 | **(1,304)** | (1,703) |
| **Surplus/(deficit) for the financial year** | | **(49,807)** | 9,696 |
| Public dividend capital dividends payable | | **(7,561)** | (9,084) |
| **Retained surplus/(deficit) for the year** | | **(57,368)** | **612** |

The retained deficit for the year of £(57.4)m includes technical impairments of £61.5m that are excluded from the Trust's breakeven duty (see Note 39.1).

## Other comprehensive income

| | | |
|---|---|---|
| **Retained surplus/(deficit) for the year, as above, then:** | **(57,368)** | 612 |
| Impairments and reversals | **(11,759)** | (34,505) |
| Gains on revaluations | **22,702** | 867 |
| Receipt of donated/government granted assets | **1,976** | 4,178 |
| Reclassification adjustments: | | |
| - Transfers from donated and government grant reserves | **(1,032)** | (1,091) |
| **Total comprehensive income for the year** | **(45,481)** | **(29,939)** |

The notes on pages 6 to 37 form part of these accounts.

## STATEMENT OF FINANCIAL POSITION AS AT 31 March 2010

| | NOTE | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 17 | **231,974** | 280,141 | 311,671 |
| Intangible assets | 18 | **2,606** | 2,226 | 6 |
| Other financial assets | 23 | **0** | 0 | 140 |
| Trade and other receivables | 22 | **594** | 533 | 399 |
| **Total non-current assets** | | **235,174** | 282,900 | 312,216 |
| **Current assets** | | | | |
| Inventories | 21 | **4,436** | 4,427 | 4,477 |
| Trade and other receivables | 22 | **20,601** | 19,850 | 14,275 |
| Other current assets | 24 | **0** | 0 | 1,819 |
| Cash and cash equivalents | 25 | **2,124** | 1,787 | 1,260 |
| **Total current assets** | | **27,161** | 26,064 | 21,831 |
| **Total assets** | | **262,335** | 308,964 | 334,047 |
| **Current liabilities** | | | | |
| Trade and other payables | 27 | **(30,905)** | (28,277) | (15,727) |
| Other liabilities | 29 | **0** | 0 | (5,414) |
| DH Working capital loan | 28 | **(4,020)** | (4,020) | (3,140) |
| Borrowings | 28 | **(568)** | (674) | (685) |
| Provisions | 35 | **(2,041)** | (1,039) | (567) |
| **Net current assets/(liabilities)** | | **(10,373)** | (7,946) | (3,702) |
| **Total assets less current liabilities** | | **224,801** | 274,954 | 308,514 |
| **Non-current liabilities** | | | | |
| Borrowings | 28 | **(3,395)** | (3,971) | (4,087) |
| DH Working capital loan | 28 | **(12,508)** | (16,528) | (22,822) |
| Provisions | 35 | **(2,839)** | (2,915) | (1,958) |
| **Total assets employed** | | **206,059** | 251,540 | 279,647 |
| | | | | |
| **Financed by taxpayers' equity:** | | | | |
| Public dividend capital | | **237,383** | 188,428 | 186,596 |
| Retained earnings | | **(56,640)** | (57,555) | (58,928) |
| Revaluation reserve | | **12,933** | 105,394 | 139,553 |
| Donated asset reserve | | **12,383** | 14,157 | 11,310 |
| Other reserves | | **0** | 1,116 | 1,116 |
| **Total Taxpayers' Equity** | | **206,059** | 251,540 | 279,647 |

The financial statements on pages 1 to 37 were approved by the Audit Committee (by powers delegated to it by the Board) on 7th June 2010 and signed on its behalf by:

Signed: Mariana Gray (Chief Executive) Date: 7/6/10

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

| | Public dividend capital (PDC) | Retained earnings | Revaluation reserve | Donated asset reserve | Gov't grant reserve | Other reserves | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2008** | | | | | | | |
| As previously stated | 186,596 | (48,862) | 129,487 | 11,310 | 0 | 1,116 | 279,647 |
| Prior Period Adjustment | 0 | (10,066) | 10,066 | 0 | 0 | 0 | 0 |
| **Restated balance** | 186,596 | (58,928) | 139,553 | 11,310 | 0 | 1,116 | 279,647 |
| | | | | | | | |
| **Changes in taxpayers' equity for 2008/09** | | | | | | | |
| Total Comprehensive Income for the year: | | | | | | | |
| Retained surplus/(deficit) for the year | 0 | 612 | 0 | 0 | 0 | 0 | 612 |
| Transfers between reserves | 0 | 761 | (761) | 0 | 0 | 0 | 0 |
| Impairments and reversals | 0 | 0 | (34,245) | (260) | 0 | 0 | (34,505) |
| Net gain on revaluation of property, plant, equipment | 0 | 0 | 847 | 20 | 0 | 0 | 867 |
| Receipt of donated/government granted assets | 0 | 0 | 0 | 4,178 | 0 | 0 | 4,178 |
| Reclassification adjustments: | | | | | | | |
| - transfers from donated asset/government grant reserve | 0 | 0 | 0 | (1,091) | 0 | 0 | (1,091) |
| New PDC received | 1,832 | 0 | 0 | 0 | 0 | 0 | 1,832 |
| **Balance at 31 March 2009** | 188,428 | (57,555) | 105,394 | 14,157 | 0 | 1,116 | 251,540 |

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

| | Public dividend capital (PDC) | Retained earnings | Revaluation reserve | Donated asset reserve | Gov't grant reserve | Other reserves | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Changes in taxpayers' equity for 2009/10** | | | | | | | |
| **Balance at 1 April 2009** | | | | | | | |
| As previously stated | 188,428 | (57,555) | 105,394 | 14,157 | 0 | 1,116 | 251,540 |
| Reserves eliminated on dissolution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in PDC in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 188,428 | (57,555) | 105,394 | 14,157 | 0 | 1,116 | 251,540 |
| Total Comprehensive Income for the year | | | | | | | |
| Retained surplus/(deficit) for the year | 0 | (57,368) | 0 | 0 | 0 | 0 | (57,368) |
| Transfers between reserves | 0 | 728 | (728) | 0 | 0 | 0 | 0 |
| Impairments and reversals | 0 | 0 | (8,596) | (3,163) | 0 | 0 | (11,759) |
| Net gain on revaluation of property, plant, equipment | 0 | 0 | 22,257 | 445 | 0 | 0 | 22,702 |
| Receipt of donated/government granted assets | 0 | 0 | 0 | 1,976 | 0 | 0 | 1,976 |
| Reclassification adjustments: | | | | | | | |
| - transfers from donated asset/government grant reserve | 0 | 0 | 0 | (1,032) | 0 | 0 | (1,032) |
| **Balance at 31 March 2010** | **237,383** | **(56,640)** | **12,933** | **12,383** | **0** | **0** | **206,059** |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2010

| | NOTE | 2009/10 £000 | 2008/09 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating surplus/(deficit) | | **(47,704)** | 11,685 |
| Depreciation and amortisation | | **14,317** | 14,694 |
| Impairments and reversals | | **61,506** | 1,654 |
| Transfer from donated asset reserve | | **(1,032)** | (1,091) |
| Interest paid | | **(1,258)** | (1,680) |
| Dividends paid | | **(7,561)** | (9,084) |
| (Increase)/decrease in inventories | | **(9)** | 50 |
| (Increase)/decrease in trade and other receivables | | **(812)** | 2,649 |
| (Increase)/decrease in other current assets | | **0** | (2,066) |
| Increase/(decrease) in trade and other payables | | **6,285** | 5,099 |
| Increase/(decrease) in provisions | | **880** | 1,406 |
| **Net cash inflow/(outflow) from operating activities** | | **24,612** | 23,316 |
| **Cash flows from investing activities** | | | |
| Interest received | | **29** | 335 |
| (Payments) for property, plant and equipment | | **(20,614)** | (17,987) |
| (Payments) for intangible assets | | **(964)** | (24) |
| Revenue rental income | | **0** | (914) |
| **Net cash inflow/(outflow) from investing activities** | | **(21,549)** | (18,590) |
| **Net cash inflow/(outflow) before financing** | | **3,063** | 4,726 |
| **Cash flows from financing activities** | | | |
| Public dividend capital received | | **0** | 1,832 |
| Loans repaid to the DH | | **(4,020)** | (5,744) |
| Other capital receipts | | **1,976** | 0 |
| Capital element of finance leases and PFI | | **(682)** | (287) |
| **Net cash inflow/(outflow) from financing** | | **(2,726)** | (4,199) |
| **Net increase/(decrease) in cash and cash equivalents** | | **337** | 527 |
| **Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year** | | **1,787** | 1,260 |
| **Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year** | 25 | **2,124** | 1,787 |

# 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 2009/10 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

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

### 1.2 Acquisitions and discontinued operations

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

### 1.3 Critical accounting judgements and key sources of estimation uncertainty

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

Specific judgements and estimation techniques are explained in the relevant subject note.

### 1.4 Revenue

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

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

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

Where the Trust makes sales of goods then the income related to these is recognised in the period in which the sale is completed. The amount recognised is reported net of any value added tax due to HM Revenue and Customs

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

**1.5 Employee Benefits**

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

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

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

**1.6 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.

**1.7 Property, plant and equipment**

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

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

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

**Valuation**

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. 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. HM Treasury has agreed that NHS trusts must apply these new valuation requirements by 1 April 2010 at the latest. Western Sussex Hospitals NHS Trust adopted this approach from 1st April 2009 and the effect of the valuation is recognised in the accounts.

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 replacement cost, as assessed by indexation and depreciation of historic cost.

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 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. 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.

**1.8 Intangible assets**

**Recognition**

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

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

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.

**Measurement**
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.

**1.9 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 Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

**1.10 Donated assets**
Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

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

**1.11 Leases**

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

**The trust as lessee**

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

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

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

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

**1.12 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.

**1.13 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.

**1.14 Provisions**

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

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.

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

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

**1.15 Clinical negligence costs**

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

**1.16 Non-clinical risk pooling**

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

**1.17 Contingencies**

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

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

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

**1.18 Financial assets**

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

Financial assets are initially recognised at fair value.

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.

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

**Loans and receivables**

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques, normally with reference to the current fair value of another instrument that is substantially the same or discounted cash flow analysis.

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

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

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

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.

**1.19 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.

**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.

**1.20 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.

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

**1.21 Third party assets**

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

**1.22 Public Dividend Capital (PDC) and PDC dividend**

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

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

**1.23 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).

**1.24 Accounting standards that have been issued but have not yet been adopted**

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010/11. None of them are expected to impact upon the Trust financial statements.

IAS 27 (Revised) Consolidated and separate financial statements

Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

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

**1.25 Accounting standards issued that have been adopted early**

The amendment to IFRS 8 Operating segments that was included in the April 2009 Improvements to IFRS has been adopted early. As a result, total assets are not reported by operating segment.

**1.26 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.

**2. Pooled budget**

The Trust does not operate any pooled budgets.

**3. Operating segments**

The Trust has a single operating segment being the provision of healthcare. The Trust Board receives reports based on the provision of healthcare as a whole, which all income, expenditure, assets and liabilities contribute to. Consequently the total trust transactions and segment are the same.

Most income is received from Primary Care Trusts and for 2009/10 totals £309.9m.

## 4. Income generation activities

The trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. No income generation activities whose full cost exceeded £1m or was otherwise material have been undertaken in 2009/10.

| 5. Revenue from patient care activities | **2009/10 £000** | 2008/09 £000 |
|---|---|---|
| Strategic health authorities | **37** | 2 |
| NHS trusts | **1,834** | 232 |
| Primary care trusts | **307,051** | 256,390 |
| Foundation trusts | **2,638** | 0 |
| Local authorities | **0** | 0 |
| Department of Health | **129** | 12,043 |
| NHS other | **80** | 0 |
| Non-NHS: | | |
| Private patients | **5,867** | 6,178 |
| Overseas patients (non-reciprocal) | **6** | 115 |
| Injury costs recovery | **1,248** | 1,416 |
| Other | **238** | 44 |
| | **319,128** | **276,420** |

Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection.

| 6. Other Operating Revenue | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| Patient transport services | **32** | 7 |
| Education, training and research | **16,572** | 14,223 |
| Transfers from Donated Asset Reserve | **1,032** | 1,091 |
| Non-patient care services to other bodies | **993** | 9,540 |
| Income generation | **5,238** | 12,363 |
| Other revenue | **3,811** | 2,727 |
| | **27,678** | 39,951 |

| 7. Revenue | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| From rendering of services | **344,763** | 307,603 |
| From sale of goods | **2,043** | 3,178 |

| 8. Operating Expenses | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| Services from other NHS Trusts | **7,099** | 6,188 |
| Services from PCTs | **2,977** | 2,639 |
| Services from other NHS bodies | **84** | 175 |
| Services from Foundation Trusts | **982** | 559 |
| Purchase of healthcare from non NHS bodies | **2,228** | 894 |
| Directors' costs | **1,591** | 1,741 |
| Other Employee Benefits | **219,674** | 199,746 |
| Supplies and services - clinical | **51,204** | 46,881 |
| Supplies and services - general | **3,638** | 4,500 |
| Consultancy services | **545** | 1,673 |
| Establishment | **3,987** | 3,711 |
| Transport | **330** | 464 |
| Premises | **14,889** | 13,523 |
| Provision for impairment of receivables | **90** | 73 |
| Depreciation | **13,758** | 14,125 |
| Amortisation | **559** | 569 |
| Impairments and reversals of property, plant and equipment | **61,506** | 1,654 |
| Audit fees | **292** | 483 |
| Other auditor's remuneration | **387** | 394 |
| Clinical negligence | **5,341** | 3,068 |
| Research and development | **1,188** | 0 |
| Education and Training | **909** | 673 |
| Other | **1,252** | 953 |
| | **394,510** | 304,686 |

## 9. Operating leases

### 9.1 As lessee

| **Payments recognised as an expense** | **2009/10** | 2008/09 |
|---|---|---|
| | **£000** | £000 |
| Minimum lease payments | **33** | 257 |
| Contingent rents | **0** | 79 |
| | **33** | 336 |

| **Total future minimum lease payments** | **2009/10** | 2008/09 |
|---|---|---|
| | **£000** | £000 |
| Payable: | | |
| Not later than one year | **33** | 201 |
| Between one and five years | **83** | 523 |
| After 5 years | **0** | 1,361 |
| Total | **116** | 2,085 |

### 9.2 As lessor

The Trust does not provide operating leases and so is not a lessor.

## 10. Employee costs and numbers

### 10.1 Employee costs

| | 2009/10 | | | 2008/09 | | |
|---|---|---|---|---|---|---|
| | **Total** | **Permanently Employed** | **Other** | Total | Permanently Employed | Other |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Salaries and wages | **188,597** | **162,082** | **26,515** | 171,407 | 152,693 | 18,714 |
| Social Security Costs | **13,099** | **12,175** | **924** | 12,134 | 11,948 | 186 |
| Employer contributions to NHS Pension scheme | **18,274** | **16,985** | **1,289** | 16,665 | 16,553 | 112 |
| Termination benefits | **1,235** | **1,235** | **0** | 1,202 | 1,202 | 0 |
| **Employee benefits expense** | **221,205** | **192,477** | **28,728** | 201,408 | 182,396 | 19,012 |
| **Of the total above:** | | | | | | |
| Employee benefits charged to revenue | 221,205 | | | 201,408 | | |
| | **221,205** | | | **201,408** | | |

### 10.2 Average number of people employed

| | 2009/10 | | | 2008/09 | | |
|---|---|---|---|---|---|---|
| | **Total** | **Permanently Employed** | **Other** | Total | Permanently Employed | Other |
| | **Number** | **Number** | **Number** | Number | Number | Number |
| Medical and dental | **597** | **586** | **11** | 553 | 526 | 27 |
| Administration and estates | **1,037** | **923** | **114** | 1,005 | 915 | 90 |
| Healthcare assistants and other support staff | **994** | **862** | **132** | 868 | 802 | 66 |
| Nursing, midwifery and health visiting staff | **1,927** | **1,823** | **104** | 1,756 | 1,701 | 55 |
| Nursing, midwifery and health visiting learners | **23** | **23** | **0** | 25 | 25 | 0 |
| Scientific, therapeutic and technical staff | **815** | **793** | **22** | 751 | 740 | 11 |
| Other | **17** | **7** | **10** | 4 | 4 | 0 |
| **Total** | **5,410** | **5,017** | **393** | 4,962 | 4,713 | **249** |

The predecessor trusts had different methodologies for their calculation. Comparative figures have been restated to provide consistency between years.

### 10.3 Staff sickness absence

| | **2009/10** |
|---|---|
| | **Number** |
| **Total days lost** | **42,402** |
| **Total staff years** | **4,979** |
| Average working days lost | 8.52 |

### 10.4 Management Costs

| | **2009/10** | **2008/09** |
|---|---|---|
| | **£000** | **£000** |
| Management costs | 16,289 | 15,325 |
| Income | 346,806 | 316,371 |

## 11. Pension costs

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

The scheme is an unfunded, defined benefit scheme that covers NHS employers, 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.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

### a) 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 to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 with summary global member and accounting data.

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) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

### c) Scheme provisions

In 2008-09 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:

**Annual Pensions**
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”.

**Pensions Indexation**
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.

**Lump Sum Allowance**
A lump sum is payable on retirement which is normally three times the annual pension payment.

**Ill-Health Retirement**

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

**Death Benefits**
A death gratuity of twice their final year’s pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

**Transfer between Funds**
Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

**Preserved Benefits**

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

**Compensation for Early Retirement**
Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer’s cost.

## 12. Retirements due to ill-health

During 2009/10 there were 3 (2008/09: 13) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £361k (2008/09: £637k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## 13. Better Payment Practice Code

| 13.1 Better Payment Practice Code - measure of compliance | 2009/10 Number | 2009/10 £000 | 2008/09 Number | 2008/09 £000 |
|---|---|---|---|---|
| Total Non-NHS trade invoices paid in the year | **105,831** | **98,460** | 98,386 | 94,768 |
| Total Non NHS trade invoices paid within target | **73,647** | **68,750** | 55,738 | 62,082 |
| Percentage of Non-NHS trade invoices paid within target | **70%** | **70%** | 57% | 66% |
| Total NHS trade invoices paid in the year | **3,755** | **31,457** | 4,161 | 25,888 |
| Total NHS trade invoices paid within target | **2,019** | **14,134** | 1,998 | 9,934 |
| Percentage of NHS trade invoices paid within target | **54%** | **45%** | 48% | 38% |

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

| 13.2 The Late Payment of Commercial Debts (Interest) Act 1998 | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| Amounts included in finance costs from claims made under this legislation | **0** | 0 |
| Compensation paid to cover debt recovery costs under this legislation | **0** | 0 |
| **Total** | **0** | **0** |

## 14. Investment revenue

| | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| Interest revenue: | | |
| Bank accounts | 29 | 335 |
| **Total** | 29 | 335 |

## 15. Other gains and losses

| | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| Gain/(loss) on disposal of property, plant and equipment | **(803)** | (621) |
| Gain/(loss) on disposal of intangible assets | **(25)** | 0 |
| **Total** | **(828)** | (621) |

## 16. Finance Costs

| | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| Interest on loans and overdrafts | **1,039** | 1,387 |
| Interest on obligations under finance leases | **219** | 271 |
| **Total interest expense** | **1,258** | 1,658 |
| Other finance costs | **46** | 45 |
| **Total** | **1,304** | **1,703** |

## 17. Property, plant and equipment

| 2009/10: | Land | Buildings excluding dwellings | Dwellings | Assets under construct and poa | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2009 | 36,748 | 206,693 | 8,666 | 4,995 | 44,283 | 331 | 8,150 | 1,817 | 311,683 |
| Additions purchased | 0 | 619 | 0 | 10,552 | 3,123 | 0 | 559 | 129 | 14,982 |
| Additions donated | 0 | 50 | 0 | 1,120 | 708 | 0 | 0 | 98 | 1,976 |
| Additions government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 13,730 | 217 | (14,703) | 756 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (2,452) | (67) | (84) | (86) | (2,689) |
| Revaluation/indexation gains | 5,601 | 15,018 | 1,293 | 0 | 790 | 0 | 0 | 0 | 22,702 |
| Impairments | (677) | (10,422) | (432) | 0 | (228) | 0 | 0 | 0 | (11,759) |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to Foundation Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2010** | **41,672** | **225,688** | **9,744** | **1,964** | **46,980** | **264** | **8,625** | **1,958** | **336,895** |
| Depreciation at 1 April 2009 | 0 | 0 | 0 | 0 | 26,083 | 163 | 4,258 | 1,038 | 31,542 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (1,690) | (45) | (69) | (81) | (1,885) |
| Revaluation/indexation gains | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 1,795 | 58,621 | 980 | 0 | 110 | 0 | 0 | 0 | 61,506 |
| Reversal of Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 0 | 8,580 | 194 | 0 | 3,785 | 34 | 1,005 | 160 | 13,758 |
| Transfer to Foundation Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Depreciation at 31 March 2010** | **1,795** | **67,201** | **1,174** | **0** | **28,288** | **152** | **5,194** | **1,117** | **104,921** |
| **Net book value** | | | | | | | | | |
| Purchased | 39,829 | 149,269 | 8,428 | 1,964 | 15,874 | 112 | 3,416 | 702 | 219,594 |
| Donated | 48 | 9,218 | 142 | 0 | 2,818 | 0 | 15 | 139 | 12,380 |
| Government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total at 31 March 2010** | **39,877** | **158,487** | **8,570** | **1,964** | **18,692** | **112** | **3,431** | **841** | **231,974** |
| **Asset financing** | | | | | | | | | |
| Owned | **39,877** | **158,487** | **6,547** | **1,964** | **16,492** | **112** | **3,431** | **841** | **227,751** |
| Finance Leased | **0** | **0** | **2,023** | **0** | **2,200** | **0** | **0** | **0** | **4,223** |
| Private finance initiative | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| PFI residual interests | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total 31 March 2010** | **39,877** | **158,487** | **8,570** | **1,964** | **18,692** | **112** | **3,431** | **841** | **231,974** |

**Prior year:**

| 2008/09: | Land | Buildings excluding dwellings | Dwellings | Assets under construct and poa | Plant and machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2008 | 55,626 | 214,312 | 12,198 | 3,407 | 53,688 | 395 | 12,798 | 2,338 | 354,762 |
| Additions purchased | 0 | 11,083 | 11 | 3,435 | 3,060 | 0 | 847 | 149 | 18,585 |
| Additions donated | 0 | 0 | 0 | 3,741 | 381 | 0 | 7 | 49 | 4,178 |
| Additions government granted | 0 | 0 | 0 | 0 | 109 | 0 | 0 | 0 | 109 |
| Reclassifications | 0 | 4,166 | 120 | (5,502) | 684 | 0 | (4,252) | 5 | (4,779) |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | (1,228) | 0 | 0 | (80) | (14,770) | (80) | (1,250) | (857) | (18,265) |
| Revaluation/indexation gains | 0 | 0 | 0 | 0 | 1,240 | 16 | 0 | 133 | 1,389 |
| Impairments | (17,650) | (13,309) | (3,431) | (6) | (109) | 0 | 0 | 0 | (34,505) |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2009** | **36,748** | **216,252** | **8,898** | **4,995** | **44,283** | **331** | **8,150** | **1,817** | **321,474** |
| Depreciation at 1 April 2008 | 0 | 0 | 0 | 0 | 35,717 | 199 | 5,575 | 1,600 | 43,091 |
| Reclassifications | 0 | (904) | 4 | 0 | 207 | 0 | (1,217) | 0 | (1,910) |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (14,076) | (78) | (1,178) | (817) | (16,149) |
| Revaluation/indexation gains | 0 | 0 | (75) | 0 | 498 | 7 | 0 | 92 | 522 |
| Impairments | 0 | 1,654 | 0 | 0 | 0 | 0 | 0 | 0 | 1,654 |
| Reversal of Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 0 | 8,809 | 303 | 0 | 3,737 | 35 | 1,078 | 163 | 14,125 |
| **Depreciation at 31 March 2009** | **0** | **9,559** | **232** | **0** | **26,083** | **163** | **4,258** | **1,038** | **41,333** |
| **Net book value** | | | | | | | | | |
| Purchased | 36,707 | 199,380 | 8,548 | 1,202 | 15,414 | 168 | 3,855 | 715 | 265,989 |
| Donated | 41 | 7,313 | 118 | 3,793 | 2,786 | 0 | 37 | 64 | 14,152 |
| Government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total at 31 March 2009** | **36,748** | **206,693** | **8,666** | **4,995** | **18,200** | **168** | **3,892** | **779** | **280,141** |
| **Asset financing** | | | | | | | | | |
| Owned | **36,748** | **206,693** | **6,416** | **4,995** | **16,722** | **168** | **3,892** | **779** | **276,413** |
| Finance Leased | **0** | **0** | **2,250** | **0** | **1,478** | **0** | **0** | **0** | **3,728** |
| Private finance initiative | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| PFI residual interests | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total 31 March 2009** | **36,748** | **206,693** | **8,666** | **4,995** | **18,200** | **168** | **3,892** | **779** | **280,141** |

**17. Property, plant and equipment (cont.)**

A full valuation of the estate was conducted on 1st April 2009, by the District Valuer, using the Modern Equivalent Asset (MEA) valuation method. To maintain a current valuation at year end, indexation has been applied as follows:

· Land – Valuation Office statistics to July 09 with judgement taken that it has been static after this date to year end.

· Buildings/Dwellings – using the BCIS (Building Cost Information Service) publications that provide Public Sector Tender Price indices

· Equipment – the Health Service Cost Index to February 2010 with judgement taken that after this date to year end, it has been static.

In addition, the Southlands Hospital site was revalued at year end.

**Impairments**

Impairments are set out in Note 19.

**Asset Lives (Minimum to Maximum)**

Buildings (excl. dwellings): 10 to 58 years
Dwellings: 10 to 58 years
Plant & Machinery: 5 to 35 years
Transport Equipment: 7 to 15 years
Information Technology: 5 years minimum & maximum
Furniture & Fittings: 5 to 35 years
Software Licences: 5 years minimum & maximum

## 18. Intangible assets

| 2009/10: | Computer software - purchased |
|---|---|
| | £000 |
| Gross cost at 1 April 2009 | 3,533 |
| Additions purchased | 964 |
| Disposals other than by sale | (122) |
| **Gross cost at 31 March 2010** | **4,375** |
| Amortisation at 1 April 2009 | 1,307 |
| Disposals other than by sale | (97) |
| Charged during the year | 559 |
| **Amortisation at 31 March 2010** | **1,769** |
| **Net book value** | |
| Purchased | 2,603 |
| Donated | 3 |
| **Total at 31 March 2010** | **2,606** |

Prior year:

| 2008/09: | Computer software - purchased |
|---|---|
| | £000 |
| Gross cost at 1 April 2008 | 618 |
| Additions purchased | 24 |
| Reclassifications | 3,761 |
| Disposals other than by sale | (870) |
| Gross cost at 31 March 2009 | 3,533 |
| Amortisation at 1 April 2008 | 612 |
| Reclassifications | 996 |
| Disposals other than by sale | (870) |
| Charged during the year | 569 |
| Amortisation at 31 March 2009 | 1,307 |
| Net book value | |
| Purchased | 2,221 |
| Donated | 5 |
| Total at 31 March 2009 | 2,226 |

All intangible assets relate to purchased software and are carried at cost less depreciation, using an economic life of 5 years and as such are not revalued.

### 18.2 Revaluation reserve balance for intangible assets

There is no revaluation reserve for intangible assets (2008/09: £nil)

**19. Impairments**

The Trust conducted a full valuation of its estate on 1st April 2009 using the Modern Equivalent Asset (MEA) valuation method. An impairment arose to the value of £41.6m. During the year indexation to reflect current valuation was applied to the estate which produced a further impairment of £11.8m. Separately, Southlands Hospital was revalued at year end producing an impairment of £8.1m. The recoverable amount of these impaired assets is at value in use rather than fair value less the cost to sell.

**20. Capital commitments**

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

| | **31 March 2010** | 31 March 2009 |
|---|---|---|
| | **£000** | £000 |
| Property, plant and equipment | **0** | 2,587 |
| Intangible assets | **0** | 0 |
| **Total** | **0** | **2,587** |

**21. Inventories**

| **21.1. Inventories** | **31 March 2010** | 31 March 2009 |
|---|---|---|
| | **£000** | £000 |
| Drugs | **1,941** | **1,781** |
| Work in progress | **0** | **0** |
| Consumables | **2,216** | **1,704** |
| Energy | **129** | **67** |
| Other | **150** | **875** |
| **Total** | **4,436** | 4,427 |
| Of which held at net realisable value: | 4,436 | 4,427 |

| **21.2 Inventories recognised in expenses** | **31 March 2010** |
|---|---|
| | **£000** |
| Inventories recognised as an expense in the period | **46,497** |
| Write-down of inventories (including losses) | **0** |
| Reversal of write-downs that reduced the expense | **0** |
| **Total** | **46,497** |

**22. Trade and other receivables**

| **22.1 Trade and other receivables** | **Current** | | **Non-current** | |
|---|---|---|---|---|
| | **31 March 2010** | 31 March 2009 | **31 March 2010** | 31 March 2009 |
| | **£000** | £000 | **£000** | £000 |
| NHS receivables-revenue | **14,121** | 13,699 | **594** | 533 |
| Non-NHS receivables-revenue | **2,561** | 1,358 | **0** | 0 |
| Provision for the impairment of receivables | **(342)** | (261) | **0** | 0 |
| Accrued income | **1,148** | 702 | **0** | 0 |
| VAT | **804** | 189 | **0** | 0 |
| Other receivables | **2,309** | 4,163 | **0** | 0 |
| **Total** | **20,601** | 19,850 | **594** | 533 |

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary. Credit scoring is not routinely applied due to the nature of the service.

| **22.2 Receivables past their due date but not impaired** | **31 March 2010** | 31 March 2009 |
|---|---|---|
| | **£000** | £000 |
| By up to three months | **1,104** | 2,874 |
| By three to six months | **639** | 143 |
| By more than six months | **1,179** | 1,570 |
| **Total** | **2,922** | **4,587** |

| 22.3 Provision for impairment of receivables | 31 March 2010 £000 | 31 March 2009 £000 |
|---|---|---|
| **Balance at 1 April** | **(261)** | (267) |
| Amount written off during the year | **9** | 79 |
| Amount recovered during the year | **0** | 0 |
| (Increase)/decrease in receivables impaired | **(90)** | (73) |
| **Balance at 31 March** | **(342)** | (261) |

The provision relates to the level of general debtors outstanding rather than specific debts. A provision of 7.8% has been applied to injury cost recovery income due in line with national recommendations on provision setting. The balance of the provision has been assessed by the age of debt not yet collected at the year end. It is for non-NHS trade debtors and is based on a percentage according to the age of those debtor balances.

## 23. Other financial assets

The Trust had no other financial assets at year end (31st March 2009: £nil)

## 24. Other current assets

The Trust had no other current assets at year end (31st March 2009: £nil)

| 25. Cash and cash equivalents | 31 March 2010 £000 | 31 March 2009 £000 |
|---|---|---|
| Balance at 1 April | **1,787** | 1,260 |
| Net change in year | **337** | 527 |
| **Balance at 31 March** | **2,124** | 1,787 |
| **Made up of** | | |
| Cash with Office of HM Paymaster General | **1,650** | 1,682 |
| Commercial banks and cash in hand | **474** | 105 |
| **Cash and cash equivalents as in statement of financial position** | **2,124** | 1,787 |
| Bank overdraft - Office of HM Paymaster General | **0** | 0 |
| Bank overdraft - Commercial banks | **0** | 0 |
| **Cash and cash equivalents as in statement of cash flows** | **2,124** | 1,787 |

## 26. Non-current assets held for sale

There were no non-current assets held for sale at year end.

| 27. Trade and other payables | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2010** | 31 March 2009 | **31 March 2010** | 31 March 2009 |
| | **£000** | £000 | **£000** | £000 |
| Interest payable | **48** | 14 | | |
| NHS payables-revenue | **3,615** | 2,242 | **0** | 0 |
| NHS payables-capital | **0** | 0 | **0** | 0 |
| Non NHS trade payables - revenue | **8,616** | 5,479 | **0** | 0 |
| Non NHS trade payables - capital | **472** | 4,129 | **0** | 0 |
| Accruals and deferred income | **17,449** | 10,254 | **0** | 0 |
| Social security costs | **0** | 1,630 | | |
| VAT | **0** | 0 | **0** | 0 |
| Tax | **0** | 1,257 | | |
| Other | **705** | 3,272 | **0** | 0 |
| **Total** | **30,905** | 28,277 | **0** | 0 |

There were no outstanding pension contributions due at year end (31st March 2009: £2,097k)

Expected dates of settlement on trade and other payables is the 2010/11 financial year.

Accruals use estimations where liability has yet to be advised for payment purposes. This will be based on, for example, amounts contracted.

| 28. Borrowings | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2010** | 31 March 2009 | **31 March 2010** | 31 March 2009 |
| | **£000** | £000 | **£000** | £000 |
| Bank overdraft - Office of HM Paymaster General | **0** | 0 | | |
| Bank overdraft - Commercial banks | **0** | 0 | | |
| Loans from Department of Health | **4,020** | 4,020 | **12,508** | 16,528 |
| Finance lease liabilities | **568** | 674 | **3,395** | 3,971 |
| **Total** | **4,588** | 4,694 | **15,903** | 20,499 |

| **Loan:** | **Outstanding** | **Interest Rate** | **Year settled** |
|---|---|---|---|
| | **£000** | **%** | |
| WCL/06-07/RYR/1 | 4,434 | 5.20 | 2012/13 |
| WCL/06-07/RYR/2 | 10,627 | 5.35 | 2014/15 |
| WCL/07-08/RYR/3 | 708 | 5.15 | 2014/15 |
| WCL/07-08/RYR/4 | 759 | 4.07 | 2014/15 |

Finance lease liabilities are reported under Note 30.

### 29. Other liabilities

There were no other liabilities at year end (31st March 2009: £nil)

## 30. Finance lease obligations

### Significant Leasing Arrangements

Horton Court Accommodation Block, Worthing:
A 99 year lease commenced 1st April 1993 with annual payments of £146,252, which are increased annually at a factor above RPI. The increasing portion of the lease (contingent rent) is treated as an operating expense. There are no renewal or purchase options, and the only escalation clause relates to the rental increase. No restrictions other than standard leased property clauses are included.

Laundry Equipment / Plant Installation, St Richard's Hospital:
A 20 year lease commenced on 27th February 2004 with fixed annual payments of £48,178. Standard NHS Conditions of Contract (December 2002) were used incorporating standard leased equipment restrictions with no renewal / purchase options or escalation clauses.

The present value of minimum lease payments is equivalent to the minimum lease payments less interest calculated at the rate implicit at the inception of each lease.

| **Amounts payable under finance leases:** | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **31 March 2010 £000** | 31 March 2009 £000 | **31 March 2010 £000** | 31 March 2009 £000 |
| Within one year | **794** | 860 | **568** | 676 |
| Between one and five years | **1,673** | 1,501 | **965** | 863 |
| After five years | **11,659** | 12,668 | **2,430** | 3,106 |
| Less future finance charges | **(10,163)** | (10,384) | | |
| Present value of minimum lease payments | **3,963** | 4,645 | **3,963** | 4,645 |
| Included in: | | | | |
| Current borrowings | | | **568** | 674 |
| Non-current borrowings | | | **3,395** | 3,971 |
| | **0** | 0 | **3,963** | 4,645 |

## 31. Finance lease receivables (i.e. as lessor)

The Trust was not a lessor at year end (nor at the end of the previous year).

## 32. Finance lease commitments

The Trust did not have any finance lease commitments at year end.

## 33. Private Finance Initiative (PFI) contracts

The Trust did not have any PFI contracts at year end (nor at the end of the previous year)

## 34. Other financial liabilities

The Trust had no other financial liabilities at year end (31st March 2009: £nil)

| 35. Provisions | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2010** | 31 March 2009 | **31 March 2010** | 31 March 2009 |
| | **£000** | £000 | **£000** | £000 |
| Pensions relating to former directors | **6** | 6 | **84** | 81 |
| Pensions relating to other staff | **116** | 111 | **1,402** | 1,415 |
| Legal claims | **843** | 846 | **0** | 0 |
| Restructurings | **1,000** | 0 | **0** | 0 |
| Continuing care | **0** | 0 | **0** | 0 |
| Equal pay | **0** | 0 | **0** | 0 |
| Agenda for change | **0** | 0 | **0** | 0 |
| Other (specify) | **76** | 76 | **1,353** | 1,419 |
| **Total** | **2,041** | 1,039 | **2,839** | 2,915 |

| | **Pensions relating to former directors** | **Pensions relating to other staff** | **Legal claims** | **Restructurings** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2008 | 88 | 1506 | 457 | 0 | 474 | **2,525** |
| Arising during the year | 4 | 100 | 452 | 0 | 1065 | **1,621** |
| Used during the year | -7 | -113 | (22) | 0 | (54) | **(196)** |
| Reversed unused | 0 | 0 | (41) | 0 | 0 | **(41)** |
| Unwinding of discount | 2 | 33 | 0 | 0 | 10 | **45** |
| At 1 April 2009 | 87 | 1,526 | 846 | 0 | 1,495 | **3,954** |
| Arising during the year | 9 | 92 | 102 | 1,000 | 69 | **1,272** |
| Used during the year | (6) | (116) | (28) | 0 | (80) | **(230)** |
| Reversed unused | 0 | (18) | (77) | 0 | (67) | **(162)** |
| Unwinding of discount | 0 | 34 | 0 | 0 | 12 | **46** |
| Transfers in year | 0 | 0 | 0 | 0 | 0 | **0** |
| At 31 March 2010 | 90 | 1,518 | 843 | 1,000 | 1,429 | **4,880** |
| **Expected timing of cash flows:** | | | | | | |
| In the remainder of the spending review period to 31 March 2011 | 6 | 116 | 843 | 1,000 | 76 | **2,041** |
| Between 1 April 2011 and 31 March 2016 | 24 | 463 | 0 | 0 | 305 | **792** |
| Between 1 April 2016 and 31 March 2021 | 27 | 471 | 0 | 0 | 317 | **815** |
| Thereafter | 33 | 468 | 0 | 0 | 731 | **1,232** |

Pension costs are based upon known amounts that will have to be paid to the NHS Pensions Agency in respect of staff who have retired early. Government actuary figures for expected mortality have been used in the calculation.

Of the above provisions £594k are covered under an existing back to back arrangement with West Sussex PCT (31st March 2009: £566k)

Other provisions relate to injury benefits administered by the NHS Business Services Authority. Again, use is made of Government actuary figures for expected mortality.

£16,536k is included in the provisions of the NHS Litigation Authority at 31st March 2010 in respect of clinical negligence liabilities of the Trust (31st March 2009: £14,945k).

The provision for restructuring is an assessment based on IAS 37, recognising probable liabilities arising from the new trust structure.

## 36. Contingencies

### 36.1 Contingent liabilities

| | 2009/10 £000 | 2008/09 £000 |
|---|---|---|
| Equal pay cases | **0** | 0 |
| Other: Legal claims (not probable) | **(25)** | 0 |
| Amounts recoverable against contingent liabilities | **0** | 0 |
| **Total** | **(25)** | 0 |

### 36.2 Contingent assets

| | | |
|---|---|---|
| | 0 | 3,421 |

In 08/09, contingent assets represented back dated claims made to HM Revenue & Customs for which the outcome was not definite.

## 37. Financial Instruments

### 37.1 Financial assets

| | At fair value through profit and loss £000 | Loans and receivables £000 | Available for sale £000 | Total £000 |
|---|---|---|---|---|
| Embedded derivatives | 0 | | | **0** |
| Receivables | | 20,383 | | **20,383** |
| Cash at bank and in hand | | 1,787 | | **1,787** |
| Other financial assets | 0 | 0 | 0 | **0** |
| **Total at 31 March 2009** | 0 | 22,170 | 0 | **22,170** |
| Embedded derivatives | **0** | | | **0** |
| Receivables | | **21,195** | | **21,195** |
| Cash at bank and in hand | | **2,124** | | **2,124** |
| Other financial assets | **0** | **0** | **0** | **0** |
| **Total at 31 March 2010** | **0** | **23,319** | **0** | **23,319** |

### 37.2 Financial liabilities

| | At fair value through profit and loss £000 | Other £000 | Total £000 |
|---|---|---|---|
| Embedded derivatives | 0 | | 0 |
| Payables | | 28,277 | 28,277 |
| PFI and finance lease obligations | | 4,645 | 4,645 |
| Other borrowings | | 20,548 | 20,548 |
| Other financial liabilities | 0 | 4 | 4 |
| **Total at 31 March 2009** | 0 | 53,474 | 53,474 |
| Embedded derivatives | **0** | | **0** |
| Payables | | **30,905** | **30,905** |
| PFI and finance lease obligations | | **3,963** | **3,963** |
| Other borrowings | | **16,528** | **16,528** |
| Other financial liabilities | **0** | **0** | **0** |
| **Total at 31 March 2010** | **0** | **51,396** | **51,396** |

**37.3 Financial risk management**

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

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

**Currency risk**

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

**Interest rate risk**

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

**Credit risk**

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in the Trade and other receivables note.

**Liquidity risk**

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

## 38. Events after the reporting period

There have been no events to report as happening after the reporting period, either adjusting or non-adjusting.

## 39. Financial performance targets

Being the first year of the new Trust, breakeven performance has been reset. The past performance of Royal West Sussex NHS Trust and Worthing & Southlands Hospitals NHS Trust does not contribute to current breakeven performance.

### 39.1 Breakeven Performance

| | 2009/10 £000 |
|---|---|
| Turnover | 346,806 |
| Retained surplus/(deficit) for the year | (57,368) |
| Adjustments for Impairments | 61,506 |
| Break-even in-year position | 4,138 |
| Break-even cumulative position | 4,138 |

| | 2009/10 % |
|---|---|
| Materiality test (i.e. is it equal to or less than 0.5%): | |
| Break-even in-year position as a percentage of turnover | 1.19% |
| Break-even cumulative position as a percentage of turnover | 1.19% |

The Trust's reported breakeven position is in line with the 09/10 plan agreed with the Department of Health.

### 39.2 Capital cost absorption rate

From 2009/10 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%.

### 39.3 External financing

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

| | £000 | **2009/10 £000** | 2008/09 £000 |
|---|---|---|---|
| External financing limit | | **(4,056)** | (2,954) |
| Cash flow financing | (3,063) | | (4,459) |
| Finance leases taken out in the year | 0 | | 0 |
| Other capital receipts | (1,976) | | 0 |
| External financing requirement | | **(5,039)** | (4,459) |
| **Undershoot/(overshoot)** | | **983** | 1,505 |

### 39.4 Capital Resource Limit

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

| | **2009/10 £000** | 2008/09 £000 |
|---|---|---|
| Gross capital expenditure | **17,922** | 22,166 |
| Less: book value of assets disposed of | **(829)** | (2,116) |
| Plus: loss on disposal of donated assets | **1** | 63 |
| Less: capital grants | **0** | 0 |
| Less: donations towards the acquisition of non-current assets | **(1,977)** | (4,178) |
| Charge against the capital resource limit | **15,117** | 15,935 |
| Capital resource limit | **16,333** | 17,054 |
| **(Over)/Underspend against the capital resource limit** | **1,216** | 1,119 |

## 40. Related party transactions

Details of related party transactions with individuals are as follows:

| | Payments to Related Party | Receipts from Related Party | Amounts owed to Related Party | Amounts due from Related Party |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| H Evans, Chairman (Note 1) | 10,436 | 0 | 1,035 | 0 |
| K Upton, Head of Engagement and External Relations (Note 2) | 31,999 | 0 | 0 | 0 |

Note 1: Transactions between the Trust and Penn Pharmaceuticals
Note 2: Transactions between the Trust and The Campaign Company

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

| | Payments to Related Party | Receipts from Related Party | Amounts owed to Related Party | Amounts due from Related Party |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| South East Coast Strategic Health Authority | 3 | 8,826 | 11 | 19 |
| West Sussex Primary Care Trust | 5,062 | 297,433 | 1,487 | 12,653 |
| Hampshire Primary Care Trust | 0 | 7,884 | 0 | 622 |
| West Kent Primary Care Trust | 0 | 3,729 | 0 | 494 |
| NHS Litigation Authority | 3,151 | 0 | 1 | 0 |
| NHS Purchasing and Supply Agency | 6,849 | 0 | 682 | 0 |
| NHS Blood & Transplant | 2,316 | 7 | 292 | 6 |

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with HM Revenue & Customs, Chichester District Council, Worthing Borough Council and Adur District Council.

**41. Third Party Assets**

The Trust held £19k cash and cash equivalents at 31st March 2010 which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

| **42. Intra-Government and Other Balances** | **Current receivables £000** | **Non-current receivables £000** | **Current payables £000** | **Non-current payables £000** |
|---|---|---|---|---|
| Balances with other Central Government Bodies | 15,682 | 594 | 2,289 | 0 |
| Balances with Local Authorities | 0 | 0 | 0 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 1,648 | 0 | 1,326 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 0 | 0 |
| Intra Government balances | 17,330 | 594 | 3,615 | 0 |
| Balances with bodies external to Government | 3,271 | 0 | 27,290 | 0 |
| **At 31 March 2010** | **20,601** | **594** | **30,905** | **0** |
| | | | | |
| Balances with other Central Government Bodies | 12,123 | 533 | 6,598 | 0 |
| Balances with Local Authorities | 0 | 0 | 806 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 1,857 | 0 | 1,186 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 12 | 0 |
| Intra Government balances | 13,980 | 533 | 8,602 | 0 |
| Balances with bodies external to Government | 5,870 | 0 | 19,675 | 0 |
| **At 31 March 2009** | 19,850 | 533 | 28,277 | 0 |

**43. Losses and Special Payments**

There were 38 cases of losses and special payments (2008/09: 155 cases) totalling £78,153 (2008/09: £82,811) accrued during 2009/10.

## 44. Transition to IFRS

| | Retained earnings | Revaluation reserve | Donated asset reserve | Other reserve |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Taxpayers' equity at 31 March 2009 under UK GAAP:** | **(54,331)** | **102,951** | **14,157** | **1,116** |
| Adjustments for IFRS changes: | | | | |
| Private finance initiative | 0 | 0 | 0 | 0 |
| Leases | (404) | 826 | 0 | 0 |
| Elimination of negative revaluation reserve balances | (1,654) | 1,654 | 0 | 0 |
| Employee benefits | (910) | | 0 | 0 |
| Adjustments for: | | | | |
| UK GAAP errors | (256) | (37) | 0 | 0 |
| **Taxpayers' equity at 31 March 2009 under IFRS: (prior to reserves consolidation for the newly merged trust under merger accounting)** | **(57,555)** | **105,394** | **14,157** | **1,116** |

| | £000 |
|---|---|
| **Surplus/(deficit) for 2008/09 under UK GAAP** | **2,166** |
| Adjustments for: | |
| Private finance initiative | 0 |
| Leases | (205) |
| Impairments | (1,654) |
| Employee benefits | 146 |
| Others (UK GAAP adjustment) | 159 |
| **Surplus/(deficit) for 2008/09 under IFRS (combined balances of the former Royal West Sussex NHS Trust and Worthing & Southlands Hospitals NHS Trust)** | **612** |

The UK GAAP 2008/09 cash flow statement included net movements in liquid resources of £527k. This net movement is included in the bottom line cash and cash equivalents figure in the 2009/10 statement of cash flows under IFRS.

**We hope you found the Trust's Annual Report and Summary Financial Statements for 2009 – 2010 informative.**

• Was there something you found particularly interesting?
• Was there something else you would like to have been included?
• Was there anything you would have preferred not to have been included?

Please send your comments to or, if you prefer to email someone, contact:
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