Western Sussex Hospitals NHS Trust

Annual Report

and Financial Statements

2012-13

Contents

Foreword by Trust Chairman and Chief Executive

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

This report covers 2012/13, a year in which our hospitals' performance again ranked among the best in the country, and in which we made significant strides towards achieving our ambition of becoming an NHS Foundation Trust.

At a headline level, that progression has been enabled by our focus on improving outcomes for patients, keeping waiting times down and achieving our financial targets. But all those elements of excellent performance are underpinned by – and could not have been achieved without – the efforts of our outstanding staff and the importance we have placed on the culture of the organisation throughout its four years of life so far.

When the Trust was formed in April 2009 we purposely placed patient safety and service quality right at the heart of everything we planned to do, and subsequently underlined that commitment in setting out our vision of demonstrating that 'We Care' in every aspect of our work.

Following the publication of the Francis Report into the appalling failings of hospital care in Mid-Staffordshire, it is clear that improving the health service's culture of compassionate, responsible care will be a central focus of public and regulatory scrutiny for some time to come.

The findings of the Francis Report made extremely uncomfortable reading for everyone in the NHS and it would be both wrong and glib to say that we as a Trust have no lessons to learn from the terrible failures it laid bare. However, we genuinely believe the quality of care Western Sussex Hospitals provide is extremely high and the culture of the Trust is good, prioritising patient care and ensuring staff voices can be heard.

That is of course easy to say but harder to prove. Yet, where we can measure these less tangible aspects of quality care, the results are positive. National Patient Safety Agency data, for example, show we report more patient safety incidents than any other large acute trust in our region, are the biggest reporter of 'no harm' incidents

and the lowest of those that result in moderate or severe harm, or even a fatality. That shows not only are our staff alert to potential dangers and know how to report them, but also that they are confident their concerns will be heard and acted upon.

While that is comforting knowledge, it is no ground for complacency. We must – and we will – seek to strengthen further the culture of the Trust around the themes of capability, responsibility and accountability at the heart of the Francis Report's recommendations. We have already conducted a frank, internal listening exercise; our directors regularly spend time talking to staff, patients and carers around the hospitals; we read between us every complaint letter that comes into the Trust; and the Board also invites some of those who have had a poor experience in our care to tell us directly about it.

Those stories can make painful listening but we must all put ourselves in the patient's shoes to understand how our systems work from their perspective and where they can be improved for their benefit. Only by continually asking how it feels to be a patient in our hospitals can we identify the changes that will ensure services work for the people using them rather than the people running them.

Becoming an NHS Foundation Trust (FT) will help us do that: we have already elected our first Council of Governors to insert another level of scrutiny into our governance processes and the greater freedoms we will gain from central control will make us more responsive to local needs and aspirations.

We made great progress towards achieving FT status during the year, and ended it in the final stages of the appraisal by Monitor, the independent regulator of FTs, that determines our readiness for approval.

Becoming an FT will be an incredible achievement for what is still a comparatively young organisation. We would never pretend our Trust does not face significant challenges but we should also not ignore the fact that amazing progress has been made. That was underlined at the end of the current year when Health Secretary Jeremy Hunt MP praised the "fantastic job" staff are doing on a visit to formally open the new clinical block at Worthing.

The achievements of the past year give us great confidence that the Trust is ready to deliver all the benefits of Foundation Trust status our members, patients and

community have a right to expect and meet the challenges posed not just by the Francis Report but by the intensifying pressure our services will continue to experience from a combination of financial constraints and rapidly increasing demand.

That pressure cannot be relieved by our efforts alone, which is why we will continue to work to integrate our services with those of our partners in the community, social and primary care sectors to ensure people receive the most appropriate care in the most appropriate setting, when they need it.

This type of partnership working will also become more important as the NHS landscape changes through 2013/14 with the implementation from April of the Health and Social Care Act, the most immediate effect of which is that our services will now be commissioned by GPs – in our case the Coastal West Sussex Clinical Commissioning Group – rather than the old primary care trusts.

Partnership working is of course as important within our organisation as outside it too, and we would like to conclude with a word of appreciation for the combined efforts of all our staff, volunteers and members throughout the year. Thank you all for your continuing support.

Mike Viggers	Chairman
Marianne Griffiths	Chief Executive

1. About Western Sussex Hospitals NHS Trust

Western Sussex Hospitals NHS Trust was established on 1 April 2009 by the merger of the Royal West Sussex and Worthing and Southlands Hospitals NHS Trusts. This brought together two acute NHS Trusts 20 miles apart on the south coast of West Sussex, with hospitals sited in Chichester, Worthing and Shoreham-by-Sea.

Both St. Richard's and Worthing Hospitals provide a full range of acute hospital care, including accident and emergency services, acute medical care, maternity and children's services and a range of surgical specialties. Southlands Hospital in Shoreham is to be developed as a centre for ambulatory care – i.e. services that do not require an overnight stay, such as outpatients – and will be home to a new eye clinic. The Trust also runs outpatient clinics in Bognor War Memorial Hospital and at a number of health centres and general practitioner surgeries.

In 2012/13, our 6,500 staff:

- Treated 119,000 inpatients and day cases
- Held 460,000 outpatient appointments
- Saw 132,000 people in the two Accident and Emergency departments
- Delivered 5,700 babies
- Dispensed and issued around 765,000 medicines
- Took 302,000 imaging exams (x-rays/scans)

We are committed to working closely with our provider of community hospitals, Sussex Community NHS Trust, and the local provider of mental health services, Sussex Partnership NHS Foundation Trust. The Trust does not provide tertiary services and looks towards Brighton, Portsmouth and Southampton for these.

The Trust has an annual budget of around £370 million. We are committed to working with the commissioners of our services to provide high-quality integrated care across the local health economy. 2011/12 was the final year in which our primary commissioner was NHS West Sussex, as the implementation of the Health and Social Care Act transferred responsibility from primary care trusts to new, GP-led clinical commissioning groups (CCGs). As a result, our principal service

commissioner from April 2013 is the Coastal West Sussex CCG, which covers 65% of West Sussex and is made up of 65 GP practices.

2. The year in review

2012/13 was Western Sussex Hospitals' busiest and most successful year to date. Here is an overview of some of the key events and developments.

2.1 Prioritising our patients' safety

Protecting patients from MRSA

All three of our hospitals reached an impressive milestone in the final months of 2012 by completing two successive years without a single case of a hospital-acquired MRSA bloodstream infection.

These infections have been successfully controlled by a concerted team effort – rigorous screening (100,000 tests a year) and analysis systems for patients being admitted for planned treatments, specialist teams ensuring the safety of intravenous lines, high levels of cleanliness, dedicated infection control staff working closely with ward and surgical teams.

However, the battle against MRSA is an ongoing one, as was seen in February 2013 when our Worthing site experienced its first hospital-acquired incidence of the infection since October 2010 – despite root cause analysis of the case showing that all preventative measures possible had been taken by clinical staff.

Reducing mortality rates

The overall ("crude") mortality rate at the Trust continues to fall, and to do so at a significant rate – reducing by approximately 10% in each of the last two years.

Tracking mortality rates is an important way in which we monitor patient safety standards, so we rigorously analyse our data each month alongside many other safety and quality outcomes. We also invite other Trusts to examine the ways in which we work and always investigate further any suggestion of improvements that could be made.

Setting best practice in hip fracture care

An independent study by a leading surgeon of treatment given to patients with broken hips described Western Sussex Hospitals' processes as a "textbook" model of what modern care should look like.

Professor Chris Moran analysed the two-year transformation the trust's clinical teams made to the way these patients – who are usually elderly and frail, and often have a complex variety of underlying illnesses – are cared for. He concluded that the results were impressive and highlighted the excellent communication and teamwork between the different staff groups involved in the pathway – from the 'orthogeriatricians' (medical specialists with expertise in managing frail, elderly patients with fractures) under whom these patients are admitted to the orthopaedic surgeons, anaesthetists, nurses, physical therapists and occupational therapists who lead each phase of their subsequent treatment and recovery.

Prof Moran wrote: "The hip fracture care pathway at Western Sussex is an exemplar of good practice: if you were to write a textbook on current best practice in hip fracture care, the Western Sussex model would be it. The care pathway focuses on the needs of these elderly patients and has produced significant improvements in the quality of care, length of stay and mortality since its introduction."

Making the grade on safety

In March 2013, the NHS Litigation Authority, which grades the safety of all hospital Trusts, awarded Western Sussex Hospitals 'Level 2' status after an examination of evidence compiled over a 12-month period looking at 50 important risk and safety factors, ranging from recruitment and record-keeping to screening for risk of blood clots and our record on learning from incidents.

The Trust achieved Level 2 status with an impressive score of 47/50 and is now able to move on to the highest-possible Level 3 rating, which requires a further level of evidence demonstrating that the high safety standards already achieved are also being complied with and monitored on a daily basis. Work on this has already begun.

Preventing pressure ulcers

A total of 31 wards across our hospitals completed the whole of 2012 without allowing a single patient to develop an avoidable pressure ulcer. A further 10 wards achieved 200 consecutive days without a case, and six more completed 100 days. All wards achieved at least the 100-day standard, making the Trust one of the best-performing in the South East Coast region on this important measure.

In 2012 no patient in the entire Trust suffered a ‘category 4’ pressure ulcer, the most serious category. Only two people suffered an avoidable category 3 wound – an impressive achievement, but the aim is to reduce that to zero too.

2.2 New facilities for patients

Better care for eye patients, closer to home

The Trust opened a new Ophthalmology Outpatients facility at St Richard’s Hospital in December 2012, enabling thousands of people to get better care, closer to home and completing a revolution in eye care for people living in the wider Chichester area, following the opening of the Eye Day Surgery Unit at the hospital in 2010.

The new outpatients department provides patients with a greatly improved environment, significantly enhanced levels of privacy and dignity, and has the potential to offer a greater range of services, tests and minor procedures in future. As a result, the number of appointments the department holds each year is expected to rise from 17,500 at present to potentially 26,000.

The new unit has 12 individual consulting rooms, two laser rooms, two imaging rooms, a treatment room for patients where minor procedures can be performed, alongside a recovery room, a separate waiting area for children, and an area dedicated to orthoptic care. A total of £150,000 was donated by the Friends of Chichester Hospitals towards the initial equipping of the unit.

Second cath lab saves lives

In August 2012, the Trust opened a second cardiac catheterisation laboratory at Worthing Hospital to enable an extra 150 patients a year to benefit from potentially life-saving angioplasty (the insertion of stents into the cardiac arteries to improve blood circulation) and to significantly increase the number of other cardiac procedures – such as implanting pacemakers – our clinical teams are able to perform.

The new ‘cath lab’ – and an accompanying refurbishment of the adjacent cardiac ward and coronary care unit – was funded by a £1 million fundraising campaign by the Trust’s Love your hospital charity, supplemented by a £450,000 donation for equipment from the League of Friends of Worthing Hospitals.

Dedicated children's casualty units alongside both A&Es

Worthing Hospital joined St Richard's in having a dedicated children's casualty unit with the opening of its own paediatric Accident & Emergency (A&E) facility in August 2012.

The new building, which sits alongside the main hospital A&E, cost £2.1 million and was equipped thanks to £100,000 raised by the local community and the Trust's charity Love your hospital. The unit has two specialist paediatric nurses and is completely separate from the adult facility so it provides a calm and peaceful environment for the children who need treatment.

New laboratory to raise capacity and quality in pathology services

During 2012/13 the Trust refurbished the microbiology laboratory at St Richard's Hospital as part of a wide-ranging reorganisation of its pathology service.

The reorganisation will increase capacity and improve quality by integrating the specialties within the service – microbiology, haematology, chemical pathology, blood transfusion, immunology, histopathology, cytopathology and the mortuary – in a 'hub laboratory' at St Richard's and a satellite acute laboratory at Worthing. The programme is expected to complete in the early part of 2013/14.

Ongoing projects

Work began in the summer of 2012 on a new Breast Unit at Worthing Hospital, a £7.7 million facility that will help the West Sussex Breast Cancer Screening Service achieve its aim of extending screening to all women between the ages of 47 – 73 years, rather than the current 50-70 age group.

Other planned new facilities due to progress or complete during 2013/14 include an 'emergency floor' at Worthing, a new eye unit at Southlands, an interventional radiology suite at St Richard's and an upgrade of maternity facilities – including the installation of a second birthing pool – at Worthing.

2.3 New services

New hip and knee replacement changes produce instant benefits

Radical changes to the way planned hip and knee replacement surgery is carried out produced immediate benefits for patients – helping them to make better and quicker recoveries than was previously the case.

The ‘Chichester and Worthing Enhanced Recovery Programme’ – known as CWERP – has introduced a pre-operative ‘Joint School’ to make patients better informed and confident about their rehabilitation programme, uses local rather than general anaesthetic to reduce the after-effects that can slow recovery and cause unwanted side-effects, begins rehabilitation sooner and has a new follow-up process to pick up any problems at an early stage.

CWERP has reduced average hospital stays for hip and knee replacement patients from seven days to four, and has reduced the proportion needing a blood transfusion after their operation from 12% to just 1%.

Hospitals secure trauma unit status

During the first half of 2012/13 both St Richard’s and Worthing Hospitals were confirmed as important parts of a new county-wide network set up to improve emergency care for the most seriously-injured patients.

The two Accident and Emergency departments are now both accredited Trauma Units within the Sussex Trauma Network, meaning they are able to provide emergency care for all but the very most seriously-injured and have the capability to treat these patients as well if it is not possible to get them to the Major Trauma Centre at Brighton within 45 minutes, or they need to be stabilised quickly.

Pharmacy robot delivers safer dispensing

The pharmacy service at St Richard’s was improved and extended in August 2012 by the installation of a new robot, which is able to dispense a large number of medicines quickly, safely and extremely accurately, and to do so around the clock.

The robot was funded by the Friends of Chichester Hospitals, with the building enabling works paid for by the Trust's Love your hospital charity, and the pharmacy department's own charitable fund.

Second chemotherapy clinic doubles treatment numbers

In May 2012 the Trust doubled the amount of chemotherapy treatment it is able to offer at St Richard's Hospital by setting up a second weekly clinic at its Fernhurst Centre. The additional clinic means many more patients are able to get chemotherapy much closer to home, rather than having to travel to Portsmouth to access services.

2.4 Protecting patients' privacy and dignity

A person-centred approach to dementia care

The Trust introduced a wide range of measures to help the growing number of patients suffering a dementia to cope with the potentially disorientating and even distressing experience of being in hospital.

These included the appointment of a specialist dementia nurse at both St Richard's and Worthing Hospitals and the provision by the two hospitals' Friends organisations of 'activity boxes' containing resources that enable staff and volunteers to support patients through talking about familiar things or taking part in activities which come easily to them.

Improving privacy for mums-to-be

The upgrade of the Delivery Suite at Worthing Hospital begun in the final months of 2012/13 includes a redesign of the unit's layout to improve privacy and make people feel more comfortable and at ease during their time there.

The Trust is making the changes after carrying out a survey of local parents that identified the Delivery Suite environment as one element of the birthing experience that could be improved to enhance privacy and dignity.

2.5 Foundation Trust application

The Trust made significant progress during the year in its application to become an NHS Foundation Trust (FT). In June 2012, we received the support of the Secretary of State for Health to proceed to the final stage of the process, an appraisal of our readiness for FT status by Monitor, the independent regulator of these organisations.

Monitor's inspectors staged a series of inspection visits during the final quarter of 2012 and we continued to provide them with evidence and information during the

opening months of 2013. Moving into the Monitor phase also enabled us to hold the first elections to our Council of Governors, which will have a formal role in the governance of the trust once FT status is achieved.

2.6 Celebrating success

A CHKS 40 Top Hospital

The Trust maintained its record of being named among the CHKS 40 Top Hospitals in each of its four years of existence. The award is made to each of the 40 top-performing client trusts of leading independent healthcare intelligence and quality improvement service provider CHKS, and the rankings are based on 23 key measures of quality, including clinical effectiveness, patient experience and quality of care.

National award for patient safety

In July 2012, the Trust took the top prize in the 'Board Leadership' category of the Patient Safety Awards 2012, organised by the *Health Service Journal* and *Nursing Times*.

The Trust won the award for its 'Board to ward' approach to patient safety, which sees the Trust Board receive monthly reports on all aspects of safety, its members conduct 'walkarounds' at all three hospitals to talk to patients about their experiences, and some patients or carers who have complained about their treatment get the chance to tell their story directly to the Board.

Praise from Secretary of State

Trust staff were praised by the Secretary of State for Health for the "fantastic job" they do in caring for patients when he visited Worthing Hospital to officially open its new ward and outpatients block in March 2013.

Jeremy Hunt MP met staff, patients and the Trust's partners on his visit and spent time on some of the hospital's wards to see its work at close quarters.

Parliamentary prizes for Trust midwives

The success of two Trust initiatives to help mothers-to-be was recognised at the highest level in the Maternity Services Awards held by the All-Party Parliamentary Group on Maternity in July 2012.

The midwifery team behind the Weight Management in Pregnancy Programme, which helps women maintain a healthy weight during pregnancy, was the overall winner in the category for involving service users. And the ‘caseload’ midwifery service run out of the Wickbourne Children and Family Centre, in Littlehampton, was Highly Commended in the category for reducing health inequalities.

Cancer centre’s mark of quality

The Fernhurst Centre at St Richard’s Hospital, was awarded the Macmillan Quality Environment Mark in October 2012, a prestigious honour given to units which are judged to offer the very best standards of care and treatment to cancer patients. The quality mark is measured against five core principles of quality – design and use of space, the user’s journey, service experience and the user’s voice – on which the centre achieved a rating of four (out of a possible five).

The Fernhurst Centre opened in 2009 to allow people to receive their life-saving treatment in a positive and comfortable environment, and bring together a range of services that were previously dispersed across the hospital site.

3. Performance

The Trust's performance is currently monitored against the standards of the NHS Performance Framework. This framework incorporates a number of assessment thresholds that determine on a quarterly basis how health organisations are classified in performance terms. For the final quarter of 2012/13, Western Sussex Hospitals NHS Trust scored 2.93. This score gave the Trust the highest of the three available ratings, 'Performing'.

Throughout 2012/13, we have also been tracking our hospitals' performance against the Monitor Compliance Framework, which sets the benchmarks required of Foundation Trusts. Western Sussex Hospitals NHS Trust is currently progressing towards being authorised as a Foundation Trust by the first quarter of 2013/14 and was fully compliant with the standards of the Monitor framework at Quarter 4 2012/13.

The NHS Performance Framework will change for 2013/14, with several new metrics introduced and some existing ones removed. The Trust has forecast its performance expectations for the first quarter of the year to enable an indicative assessment of its likely position under the new framework and the Monitor version, which has undergone less change. At the anticipated levels of performance, the Trust would receive a compliant, 'Green' rating from Monitor and continue to be assessed as 'Performing' under the NHS framework

The Trust's progress towards meeting its required national performance standards and the demands of its own corporate objectives and quality strategy is monitored on an ongoing basis and reported each month to the meeting of the Trust Board.

3.1 Progress against key national targets

Emergency care

The Trust fully met its requirement to ensure that:

- 95% of patients do not have to wait longer than four hours in Accident and Emergency (A&E) from their arrival to either their admission into the hospital for further treatment, their transfer to another healthcare organisation or their discharge.

Access to cancer diagnosis and treatment

The Trust fully met its requirement to ensure that:

- 93% of patients do not have to wait longer than two weeks for their first hospital outpatient appointment after an urgent referral by their GP for suspected cancer
- 93% of patients do not have to wait longer than two weeks for their first hospital outpatient appointment after being identified as at risk of breast cancer on the basis of symptoms described in a referral letter.
- 85% of patients do not have to wait longer than 62 days from their urgent referral by their GP to starting cancer treatment
- 96% of patients do not have to wait longer than 31 days from their diagnosis to starting their cancer treatment

Infection control

The Trust has fully met both its MRSA bacteraemia and Clostridium difficile limits:

- The maximum permitted number of cases of hospital-attributable MRSA bacteraemia identified at St Richard's, Southlands and Worthing Hospitals during the year was two. The actual number reported was one, up from zero in 2011/12.
- The maximum permitted number of incidences of Clostridium difficile across the hospitals was 75. The actual total for the year was 72 – a 5.3% reduction from the 76 cases recorded in 2011/12.

Elective waiting times

The Trust has fully met its requirement to ensure that:

- 90% of total admitted patients are treated within 18 weeks of their referral
- 95% of all patients not requiring hospital admission are treated within 18 weeks of their referral

Cancelled operations

The Trust has fully met its requirement to ensure that:

- 95% of patients whose operations were cancelled on, or after, the day of their hospital admission were subsequently guaranteed readmission within 28 days.

4. Listening to our patients and our community

4.1 Trust membership

As part of its application for NHS Foundation Trust status, Western Sussex Hospitals has built a large and diverse membership base that will enable us to become more accountable to local people. Members of the Trust receive and are able to give feedback on our reports, plans and other strategic documents, may attend special member events, elect representatives to the new Council of Governors and can stand for one of these positions themselves.

At the end of March 2013, the Trust's membership stood at 7,600. During the year we held three well-attended Medicine for Members events at which our clinicians gave presentations on important service developments and offered an insight into some of our specialties. Topics covered at these meetings were ophthalmology, glaucoma and the new Enhanced Recovery Programme for hip and knee replacement surgery.

4.2 Council of Governors

Reaching the point in our Foundation Trust (FT) application process at which we began our assessment by Monitor, the independent regulator of FTs, enabled us to hold elections to our shadow Council of Governors, to enable this important body to be in place when we attain FT status.

More than 7,500 public members and over 6,000 members of hospital staff were able to vote in the ballot to elect their representatives in 22 of the 31 seats on the new council. The nine other places are for governors appointed by the Trust's partner organisations.

In total there were 114 candidates contesting the 22 seats, and the elected governors were as follows:

Public governors

- Adur: Barbara Porter, John Todd
- Arun: Margaret Bamford, Gill Kester, Margaret Boulton, Alison Langley
- Chichester: Vicki King, Abigail Rowe, Stuart Fleming
- Horsham: John Gooderham

- Worthing: Shirley Hawkridge, Beda Oliver, David Langley
- Patient/carer: Jennifer Edgell, Paul Benson, Richard Farmer

Staff governors

- Medical and Dental: Mr Mike Rymer
- Nursing and Midwifery: David Walsh
- Additional Clinical Services: Greg Daliling
- Scientific, Technical and Professional: Helen Dobbin
- Estates and Ancillary: Martin Harbour
- Administrative and Clerical: Jenny Garvey

The Council of Governors represents members' views when discussing with the Board the organisation's strategies and plans, and it will hold the Board to account for delivery. It will also lead our engagement with members. Importantly, the Council of Governors will also appoint and set the terms and conditions of office for the Chairman and the Non-executive Directors, and approve the appointment of the Chief Executive.

4.3 Stakeholder Forum

The Trust' Stakeholder Forum continues to meet on a quarterly basis and 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 our hospitals.

The Forum exists to enable the Trust to learn the views and priorities of patients, the public and stakeholders in our community. The Chairman, Chief Executive and senior managers of the Trust attend the 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/get-involved).

We are especially keen to involve minority groups in the Forum and would particularly welcome interest from these sections of the local community. Please email communications@wsht.nhs.uk for more information.

4.4 Patient surveys

Patients views on all acute hospital Trusts are collected by the Care Quality Commission (CQC) in its annual inpatient survey. Trusts are classified as being 'about the same' as most other trusts, 'worse' or 'better'.

In 2012 survey, published in April, Western Sussex Hospitals were rated as 'About the same as others' on 62 of the 64 questions asked, performing well on key measures such as cleanliness and privacy and dignity. On the other two – whether patients saw posters or leaflets explaining how to complain, and whether letters to GPs were easy to understand – the Trust was rated as worse than most others.

Areas in which we improved year-on-year included privacy in A&E, single-sex accommodation and the quality and clarity of information given to people leaving hospital. Those in which performance slipped included speed of admission and discharge, patient involvement in decision-making and overall quality of care. The Trust has drawn up an action plan to address the issues identified for improvement and has monitored implementation of agreed measures across the year.

The results of the national Cancer Patient Experience Survey published by the Department of Health in August 2012 showed significant improvement in Western Sussex Hospitals' performance in this area.

The overall patient experience was rated as "excellent" or "very good" by 89% of those surveyed, and the Trust was not in the bottom 20% of organisations on any of the 64 measures assessed. In the previous edition of the survey, we had been in the bottom 20% on more than a quarter. This was thanks to statistically-significant improvements on 16 of the questions asked – a performance bettered by only four other Trusts nationwide.

4.5 Patient feedback

The Trust continued to extend its real-time patient experience feedback system in 2012/13 to cover inpatient, outpatient, maternity and A&E services. During the year a total of 6,557 patients completed a survey, either online, in paper copy or via the handheld wireless devices clinicians use to capture instant feedback at the bedside.

Responses showed that during the year the Trust made significant progress in areas including noise at night, provision of information about patients' conditions, clarity of doctors' communication, and availability of information explaining how to make a complaint.

Analysis of the feedback submitted helps our clinicians make changes to their services both large and small. For example, provision of earplugs in response to patient views on noise at night has had a significant impact on reducing this problem for them.

4.5 Responding to complaints, passing on praise

Customer Relations and Patient Advice and Liaison Service

The Trust has both a Customer Relations and Patient Advice and Liaison Service (PALS) to help patients who need advice or have a problem with their care. PALS provides patients and the public with easily accessible information and assistance on a free and confidential basis through officers based at St Richard's and Worthing Hospitals. The Customer Relations Service supports patients, relatives and carers wishing to make a formal complaint.

Learning from complaints

Careful handling of comments, concerns and complaints is an essential requirement of the organisation in terms of patient safety, patient experience and reputation. The Trust cares passionately about providing the best quality care for its local population and effective management of these enquiries is key to the trust's vision: "We Care: about the patient, about quality, about safety, about serving local people, about being stronger together, about improvement and about the future."

There are usually learning outcomes from every complaint we receive and the common theme is often effective communication. During the year we examined in detail the PALS enquiries and formal complaints received to listen and learn when things went wrong. We responded in a variety of ways including:

- Setting up a triage service to respond to all telephone calls and visitors and provide advice and support.
- Providing written explanations about the treatment patients received as part of our formal complaints procedure.

- Meeting a significant number of patients and relatives with senior management (and in some cases the Chief Executive) about their concerns to ensure issues were resolved and actions required followed through.

Use of our PALS service resulted in an increased number of enquiries compared with the previous year. In 83% of cases, we helped put things right through PALS without the need for formal investigation. Over half of these were general enquiries (4,764) for advice and information on a wide range of matters relating to clinical and non-clinical queries. 2,807 were actual issues or concerns dealt with informally by PALS, most involving the relevant staff/divisions to facilitate answers.

The number of formal complaints received decreased compared with the previous year. Only 565 cases required a formal investigation under the NHS Complaints Procedure due to their complexity or the seriousness of the issues raised.

Statistics

The following table gives a statistical breakdown of PALS and complaints activity over the last two years:

	2011/12	**2012/13**	**% change**
PALS enquiries	2,072	2,807	+35.5
Formal complaints	670	565	-15.7
Plaudits	2,921	5,010	+71.5

During the year we also took positive steps to track trends in complaints and enquiries to identify potential service problems and need for improvement. We implemented many service improvements as a result of formal complaints, including:

- An improved communication pathway for patients recalled to hospital following colposcopy procedures to ensure that adequate explanation is given by their GP in preparation. The Trust's leaflet regarding this procedure is now included with any recall letter.

- Directions to the Diabetes Centre at Worthing Hospital have been enlarged for better signposting.

- A new information leaflet has been produced for parents whose babies are born with developmental dysplasia.

- The process for paediatric referrals to adult services is being strengthened for young teenagers. Additional safeguards are to be introduced to ensure a smoother transition between the two services and avoid missed appointments etc.

- Mentors in the form of senior nurses have been allocated to support staff in other wards in developing their communication skills.

- Display boards using a symbol system have been introduced at the end of each patient's bed to improve communication by ensuring all staff involved in the patient's care are clear about their needs.

- Clinical volunteers are being recruited to assist patients with their eating, in particular those who have difficulty in swallowing.

Plaudits

We also monitor the number of plaudits received within the organisation during the year to identify compliment trends that highlight what is working well so good practice can be shared more widely. During 2012/13, plaudits were received in a variety of ways, including letters, cards, emails, telephone calls, donations, cakes, chocolates, biscuits and sweets.

5,010 patients and relatives made a special effort to thank the staff who looked after them or their loved ones and compliment their standards of care, almost double the number of the previous year. The Trust shares this information on a compliments board for staff on its intranet and on notice boards around the hospitals for the public to read.

5. Our Staff

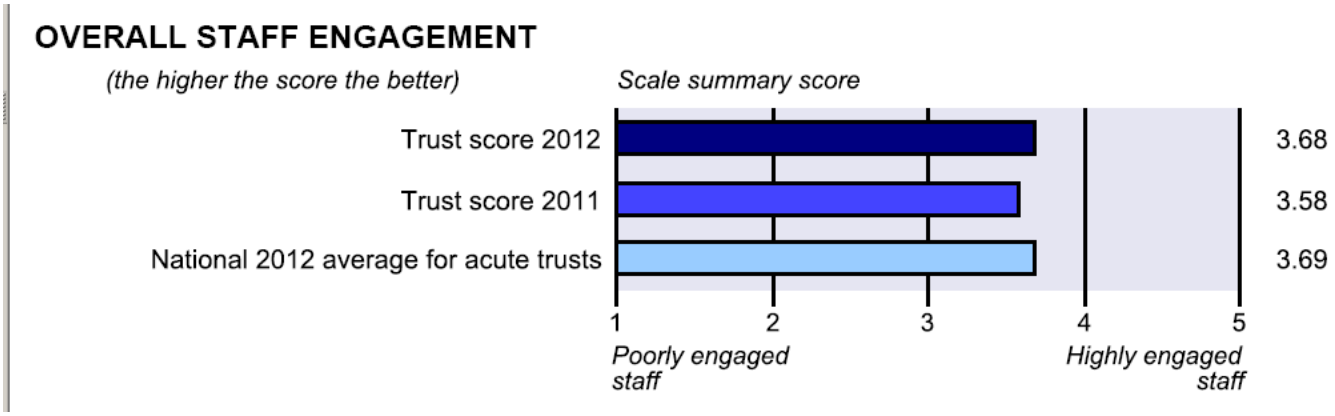
This year has been an incredibly busy one for the Trust. Our key achievements include:

- Significant changes to way we deliver our services affecting large numbers of staff. This includes large-scale redesign of our Pathology Services; reconfiguration of our paediatric wards and staffing models at Worthing; ward changes in trauma and orthopaedics; new arrangements for the clinical management across our sites and infrastructure changes to our hospital information systems teams
- Retaining the sexual health service and over 100 staff
- Extending our induction arrangements for the annual changeover 250 doctors to improve patient safety and ensure continuity of care
- Put in place systems and processes to support revalidation of our doctors with the GMC which started on 1 April 2013.
- In conjunction with our Staff Side representatives, introduced new on-call arrangements for our non-medical staff that are equitable and fair.
- Contingency plans in place such that we were unaffected by industrial action taken by the BMA and Unite last summer
- Refreshing over 15 HR policies and procedures, ensuring they continue to reflect best practice and the Trust's vision and aims
- Held our first long service award ceremonies for over 650 staff with more than 25 years in the NHS.
- A further and sustained improvement in the number of staff receiving an appraisal
- Appointed our first staff governors as part of our new Council of Governors.
- The participation for a third year of more than 3.500 staff in the national NHS staff survey
- Introduced real time staff feedback at our monthly health and safety days including the Family and Friends tests.
- Held our first Staff Conference "Leadership for Action" with over 300 staff attending the main conference and fringe events.
- Completed a cleansing data exercise of all records held on our electronic Electronic Staff Record

5.1 Staff survey

Overall indicator of staff engagement

A composite 'headline' indicator is put together for staff engagement on the basis of evidence that correlates the level of staff engagement with patient experience and outcomes. Our results show the Trust was average when compared with other acute Trusts in relation to these indicators i.e. staff ability to contribute towards improvements at work, staff recommendation of the Trust as a place to work or receive treatment and staff motivation at work.



The Trust's top five ranking scores compared to other acute Trusts were:

- Percentage of staff receiving health and safety training in the last 12 months (Trust score 92%, National average % score for acute trusts 74%). Best 20% of acute trusts

- Percentage of staff appraised in last 12 months (Trust score 93%, National average score for acute trusts 84%) Best 20% of acute trusts

- Percentage staff having equality and diversity training in the last 12 months (Trust score 72%, National average % score for acute trusts 55%) Best 20% of acute trusts

- Staff recommendation of the Trust as a place to work or receive treatment (Trust score 3.69, National average % score for acute trusts 3.57%)

- Percentage of staff having well structured appraisals in last 12 months (Trust score 38%, National average % score for acute trusts 36%)

The largest local changes where staff experience has improved since the 2011 survey. This is a positive local result. (The higher the score the better)

- Percentage of staff able to contribute towards improvements at work (Trust score 2012, 65%, % score in 2011 survey 57%)

- Percentage of staff appraised in last 12 months (Trust score 2012, 93%, score in 2011 survey 83%)

- Staff job satisfaction (Trust score 2012 3.53, score in 2011 survey 3.42)

- Fairness and effectiveness of incident reporting procedures (Trust score 2012, 3.47, score in 2011 survey 3.34)

- Percentage of staff having equality and diversity training in last 12 months (Trust score 2012, 72%, score in 2011 survey 53%)

The bottom five ranking scores compared to other acute Trusts:

- Percentage of staff experiencing physical violence from patients, relatives or the public in the last 12 months (Trust score 19%, National average score for acute trusts 15%). Worst 20% of acute trusts

- Percentage of staff experiencing physical violence from staff in the last 12 months (Trust score 4%, National average for acute trusts 6%)
- Staff motivation at work (Trust score 3.76, National average for acute trusts 3.84)

- Percentage of staff feeling pressure in the last 3 months to attend work when feeling unwell (Trust score 32%, National average for acute trusts 29%)
- Percentage of staff working extra hours (Trust score 72%, National average for acute trusts 70%)

Action to address these findings is being taken as part of the Trust's Health and Wellbeing Strategy.

5.2 Equality and Diversity

We published our second annual monitoring report that demonstrates that we are embedding equality and diversity into everything we do. We are very proud that our staff training in this area is one of the best in the country. We will continue with this and monitor progress through our Diversity Matter Group. This chaired by our Chief Executive and includes representation from our non-executive directors, executive directors, senior management and our Disability, Religion and Belief and Black and Minority Ethnic staff.

5.3 Outstanding teams and individuals

The Trust celebrated the most outstanding efforts of its teams and individuals through the third annual Staff Achievement and Recognition (STAR) Awards, the winners of which were announced at a presentation evening staged at Fontwell Racecourse in June 2012, funded by the Love your hospital charity.

Awards were made in 10 different categories, ranging from patient safety and innovative practice to education and partnership working. The Employee of the Year was chosen from the winners of the Trust's Employee of the Month scheme, which has now been running since 2009, and was revealed as Worthing Hospital Discharge facilitator Jane Campbell. Jane was nominated by Director of Nursing Cathy Stone for her "ongoing determination and personal passion to promote her self-directed PEACE toolkit for staff to provide sensitive end-of-life care within a busy acute environment". The toolkit is now included as part of the Trust's induction for all healthcare assistants.

5.4 Learning and Development

Alongside the education provided by contract to the Universities of Surrey and Brighton and through money available to doctors from the Kent Surrey Sussex Deanery, a total of 1,419 courses were delivered by the Trust's Learning and Development Unit in 2012-13, for which more than 28,000 individual bookings were made.

Attendance on statutory and mandatory training for has increased from 81.2% in 2011/12 to 88.12% in 2012/13.

An e-learning package providing statutory and mandatory training for Medical staff was launched on 1 April 2012 and has resulted in an increase of 36.67% in training attendance.

The two Learning and Development administrative teams were merged and relocated to Worthing in October 2012, a move that resulted in a streamlining of services and a salary saving of 7%.

Forty five staff completed NVQs spanning a range of subjects including cleaning, health and team leading. An additional nine apprentices have been recruited in a wide range of services including Pharmacy, Estates and HR.

New initiatives

The Learning and Development team organised the first Staff Conference week in July 2012, which received very positive feedback. A total of 106 staff attended the one-day event at Fontwell and a further 299 attended fringe events at Worthing and Chichester.

A Clinical Leaders Development Programme was launched in October 2012. The bespoke programme is being delivered in partnership with the University of Chichester and will focus on personal development, management skills and a work-based assignment. Twenty Clinical Directors and other senior consultants are participating in this programme.

A work experience programme for 24 Year 10/11 students was developed and piloted to showcase the wide range of NHS careers available in the Trust.

The Productive Leader training programme was launched in October 2012 for 50 managers. Modules include Email Management, Workload Management and Meetings Management.

Future plans

Future challenges include developing a Leadership Strategy that details a range of leadership development opportunities for staff, and developing and delivering customer care training across the Trust.

6. Our volunteers and Friends

6.1 Volunteers

All three of our hospitals are very fortunate to have the support of many volunteers who assist throughout the Trust and fundraise in the community. At the end of 2012/13 there were 972 dedicated volunteers across the hospitals freely giving up their time to help patients and staff.

The WRVS, British Red Cross, the Seaside 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 Love your hospital charity

Love your hospital charity raises funds to ensure the Trust's clinicians and nursing staff have the best facilities and equipment available to treat patients within our community. The work of the charity enables us to invest in projects that fall outside usual NHS funding limits and to have access to the latest technologies and equipment.

Love your hospital manages hundreds of individual ward funds across the hospitals, enabling our loyal donors to give to a specific hospital or clinical area, as well as to the organisation as a whole.

During 2012/13 the charity team organised a number of successful events and campaigns to raise money for specific projects around the Trust, including the £1 million Cardiac Catheter Lab appeal at Worthing Hospital.

Love your hospital charity also runs a charity lottery and other campaigns to continually raise money for our patients and their families, and to support our staff.

We are always looking for volunteers to help us in our ventures, we have a broad range of roles that you can help us with, its fun and you will be doing something really worthwhile.

Donations to the charity are always welcomed. If you would like to continue our work and support our community or volunteer, please telephone 0800 028 4890 or visit www.loveyourhospital.org or find us on facebook for more information.

6.3 Friends

The Trust is very fortunate to have three Friends charities that 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 of 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 and cafes run by the Friends' volunteers on all three sites.

Friends of Chichester Hospitals

The Friends have continued to provide funding for equipment in many areas of St Richard's Hospital, as well as the services of the Friends' Shop and Ward Trolley, entirely through the efforts of volunteers. Our volunteers take great pride in the amount their work helps to contribute to the well-being of patients, visitors and staff, and to the funding of equipment and patient comforts.

Once again, the Friends' purchases for St Richard's Hospital during the past year have ranged considerably in cost and scale. These included:

- Robotic dispensing equipment for the Pharmacy (£154,000), which has revolutionised the speed and efficiency of the dispensing process, enabling pharmacists to spend more time on wards, with patients. This completes a series of modernisations and improvements to the department funded by the Friends over the last five years.

- Reorganisation and modernisation of the waiting area for Maternity and Gynaecology clinics (£101,000), which has also revolutionised working practice for staff, with private areas for patient consultation and confidential discussions. Facilities for patient education have also been improved, and patients especially appreciate the draught-free waiting area. This complements improvements to the clinics previously funded by the Friends and helps staff to manage the flow of patients more effectively

- Equipment for Neonatal ITU: Blood gas analyser (£9,273) and specialist ventilator equipment – three Infant Nasal SIPAP machines (£21,000) providing gentle non-invasive breathing support for premature babies.

- Support for infection control measures through a Bioquell Vapourising Hydrogen Peroxide cleaning system (£38,000), which enables cleaning staff to decontaminate wards or siderooms where there have been patients with infections such as Norovirus or Clostridium difficile.

- In anaesthetics, two Sonosite Ultrasound nerve blocking machines (£39,438), to enable more effective pain control in orthopaedic procedures, and six TCI pumps (£9,240) which deliver intravenous anaesthesia or sedation for patients whose medical condition would prevent them from having conventional inhaled anaesthetic, facilitating rapid recovery and a shorter hospital stay for others.

- Many smaller items including reclining chairs for frail patients on Ashling Ward (£3,080) and in the Fernhurst Centre, handheld Pulse Oximeters (£7,200) on acute medical wards and patient monitoring equipment in the Imaging department.

Caring for anxious or bereaved relatives is an important part of the service provided by St Richard's staff. Refurbishment (£1,822) of the Friends' Room in A&E provides a quiet place for families to wait for news.

The Friends also continue to support the twice-yearly changing art exhibition (£4,400) which staff, visitors and patients appreciate as they journey through the hospital corridors. Art in hospitals is a recognised and valuable therapy, and many people pause to study the paintings on display. Similarly, hanging baskets at the main entrance help to enhance the environment – and the Friends have now almost completed a project (suggested by a former patient) to improve the wasteland area adjacent to the entrance to Outpatients.

For 2013/14, the Friends have launched a second Eye Appeal to raise funds to equip 12 examination rooms in the new ophthalmology outpatients unit at St Richard's and provide the equipment needed to offer more specialist eye services around corneal treatments, glaucoma procedures, diabetic retinopathy and macular degeneration.

If you are interested in supporting the Friends or in donating to the new Eye Appeal, contact admin@friendsofchichesterhospitals.org.uk, telephone 01243-831843 or visit www.friendsofchichesterhospitals.org.uk

League of Friends of Southlands Hospitals

Due to the ongoing reconfiguration of services at Southlands Hospital, requests for Friends funding there were more limited in 2012/13 than in 2011/12, although more are in planning for 2013/14. Donations made in 2012/13 by the League of Friends comprised:

- A CODEC Server for Seaside hospital radio: £2,500
- An Incubator for Pharmacy Quality Control: £3,375
- A Tens machine for Physiotherapy £705

To join the League of Friends or become a volunteer, please contact us on 01273 463679.

Friends of Worthing Hospitals

The Friends of Worthing Hospitals provide medical and non-medical items to enhance patients' care, comfort and stay in Worthing Hospital. Our funds are mainly from bequests, donations, members subscriptions, fundraising and our well-stocked shop in the hospital's West Wing. This, together with our ward trolley shop, continues to provide an excellent service for patients staff and visitors

During the past year The Friends have again been very active in their support for the Hospital, funding items and projects, both small and large, for the benefit of patients staff and visitors.

Our major fundraising project during the year was to equip the new Cardiac Catheterisation Laboratory. Achieving our target of £450,000 enabled the facility to open earlier than planned.

At the other end of the scale we again funded patients' courtesy packs (£4,500), which contain vital toiletries for men and women who are admitted into hospital suddenly and without notice. These packs are very much appreciated by patients. Other items of equipment, totalling in excess of £237,000 requested by the Medical and Nursing staff of the hospital where NHS budgets fail to meet the rising demand have been funded and include:

Physiotherapy Department	GYM Equipment	£23,000
New Outpatients Department	Furniture	£60,000
Facilities Department	Wheelchairs	£34,449
Acute Medicine	Ultra Sound System	£35,000
Women & Children & Neonates	2 Sipap Machines	£18,000
Burlington Ward	2 Bladder Scanners	£7,500
Pathology Department	9 Phlebotomy Trolleys	£6,235
Cardiac Medicine	Ambulatory Monitor	£11,488
Endoscopy Department	Endoscopy Stack Package	£7,200
Endoscopy Discharge Lounge	Furniture	£2,261
Dementia Unit	Theraputic Resources	£4,000
Childrens' Centre	ECG Machine	£4,500
Intensive Care	CPET Computer System	£5,597
Facilities	Patient Paging System	£3,350

For more information, to join The Friends of Worthing Hospitals or if you would like to become a volunteer, please contact us on 01903 872188

7. Our environment

The standard of the facilities and conditions in which our patients are treated has a major impact on the quality and outcomes of their hospital experience, so effective cleaning and maintenance are important priorities for the Trust.

During 2012, our hospital sites achieved an ‘excellent’ rating against the national standards for the second year in a row.

National Patient Safety Agency Patient Environment Action Team assessment, 2012

Hospital	Rating		
	Environment	**Food**	**Privacy & dignity**
St Richard’s	Excellent	Excellent	Excellent
Worthing	Excellent	Excellent	Excellent

The annual external Patient Environment Action Team (PEAT) inspection process is to be replaced with a new system for monitoring the patients’ environment. From January 2013 a new national approach is being launched called the Patient Led Assessments of the Care Environment (PLACE). Many of the themes will be similar to PEAT but there is a much greater involvement of patient representatives in the assessments. The first inspections for the Trust will be in April 2013 at St Richard’s followed by Worthing in May. Southlands Hospital is no longer included as it has no inpatient beds.

7.1 Measuring standards

The Trust uses a range of internal and external systems to ensure its facilities are maintained to the highest possible standards. With both PEAT and PLACE inspection external validation is a key element of measuring and assessing standards. Quarterly peer group reviews are in place to assess cleaning services across the Trust. These reviews provide ongoing assurance that the methods of cleaning are being delivered against the National Cleaning Standards criteria.

Cleaning and maintaining a safe environment for our patients remains one of the Trusts highest priorities. This year the Trust has introduced additional hydrogen peroxide vaporising machines which are used to deep clean clinical environments. This technology is helping reduce the number of hospital-acquired infections across the Trust.

The national inpatient surveys during the past twelve months have consistently shown high scores across all facilities-based services.

7.2 Building projects

As part of the year's Capital Programme, the Trust committed to a number of schemes aimed at improving the services provided to our patients and the hospital environment.

Worthing Hospital continues to develop its estate, with the new Outpatients department and 38-bedded inpatient ward being officially opened by the Secretary of State for Health, the Rt Hon Jeremy Hunt MP, in March 2013.

Two new laminar flow operating theatres were also built to extend the existing Theatre suite and were completed in July 2012. Maternity services are also being developed and improvements made to the environment following a successful bid for national funds to enhance them.

A new CT scanner facility is being built in the Radiology department and the unit should be fully operational by May 2013.

A new Breast Screening unit is being built on the northern part of the Worthing campus. This will be a centre of excellence serving West Sussex and will also coordinate the breast screening services in the community.

A new Emergency Floor is being developed on the ground floor of Worthing Hospital. This is an exciting project developing a range of facilities including 67 beds and ambulatory care and assessment areas. This will significantly enhance patient treatment and care for both medical and surgical patients. The design work is now complete and the first phase is due for completion in April 2013. A further two phases will see the project completed in 2014.

Developments are also underway to upgrade the Maxillo-Facial Unit (MFU) and ENT (Ear, Nose and Throat) departments. These will enhance the patients' environment as well as upgrade equipment in the department itself.

At St Richard's Hospital, a new Ophthalmology department has been built which will provide state of the art eye care for patients.

Various developments have also been taking place in the hospital's diagnostic block. The main project has been developing the Pathology department to offer a centralised service for specific laboratory services across the Trust.

In addition, the outpatients department at the southern end of the diagnostic block has undergone some refurbishment to improve the patient and clinical environments. Work has just commenced on developing a new interventional radiology suite which will provide additional facilities and an improved service to patients.

Plans are also under way for developing services at Southlands Hospital, which will include a new Ophthalmology department to serve Worthing and Shoreham residents.

7.3 Catering services

All patients now receive a choice from a standardised menu offering a wide range of food options that enhance nutritional standards. Throughout 2012/13 patient surveys have demonstrated improved ratings and satisfaction with the food service provided. A new beverage trolley service has been introduced to wards at Worthing Hospital in March 2013.

7.4 Sustainability

The Trust launched its Sustainability Development Management Plan (SDMP) in 2012, which is aimed at reducing its carbon footprint and improving performance on key sustainability issues. The SDMP ensures the Trust fulfils its commitment to conduct all aspects of its activities with due consideration to sustainability, whilst providing high-quality patient care. The NHS aims to reduce its carbon footprint by 10% between 2009 and 2015. Reducing the amount of energy used in our organisation contributes to this goal.

The Facilities and Estates Department has progressed a number of sustainability works approved by the Trust Board for the financial year 2012/13. A sustainability action plan for 2013/14 has also been developed.

The Trust has held energy/sustainability awareness days on each of its three sites during the last 12 months, followed by a further awareness day in March 2013 in line with the NHS Sustainable Development Unit (SDU) proposals for a national sustainability week of action.

The Trust Energy Manager has also completed the 'Good Corporate Citizen' module for 2012 and achieved an improvement on the 2011 return.

The Trust Capital Team is currently in discussion with a number of external agencies with regard to other initiatives (including investment/gain share) which will improve sustainability in the future and reduce carbon emissions.

Success stories for 2012/13 include the installation of pipe wraps and pipe insulation to plant, the installation of plant room structural insulation to reduce the heat transference into patient environments, new thermally efficient windows, new LED lighting installations which reduce energy use and extend lamp life from 800 to 50,000 hours and well-attended sustainability awareness days which lead to signing up 50 'energy champions' across the Trust.

The new clinical block at Worthing has achieved an 'excellent' rating for its design and sustainable construction. This includes a variety of initiatives from an air source heat pump and touch-sensitive taps through to 'green' roof spaces.

The Trust Waste Officer has made significant improvements in managing and segregating waste into appropriate types. This means more waste has been recycled and that the Trust has reduced the costs associated with disposal, along with a reduction of waste sent to landfill sites. We recover or recycle 96 tonnes of waste, which is 7% of the total we produce.

Proposed initiatives for 2013/14 will focus on reducing carbon emissions and energy use in a cost-effective way that will impact positively on patient and staff environments.

8. Using Technology

Technology plays an important and expanding role in enabling the Trust to deliver high-quality care for patients. These are some of the key developments that took place during 2011/12.

8.1 New projects and services

- Business case developed to support the provision of a new server and core network infrastructure (pending board approval in April 2013).
- Business case developed for the procurement and implementation of solution for electronic document management to digitise current paper records and provide a toolset to allow the electronic capture of this data moving forward. The case also allows for the provision of a clinical portal giving clinicians a single point of access to view clinical information stored in multiple systems.
- The Trust went live with a new Maternity Information System (MIS) providing a single solution across the St Richard's and Worthing sites for the first time.
- Successful trial of single sign-on for clinical staff to allow rapid access to clinical applications .
- JAC merger (pharmacy stock control system)
- Restructure of Sussex HIS to reduce costs and repatriate Desktop, Infrastructure, Project Management, Application Support and Training in-house.
- Introduction of the Night Watchman tool to allow improved power management for technology Trust-wide
- The use of the Electronic Whiteboard was extended to DOME and Trauma
- A&E and Ward discharge summaries can now be created and sent electronically
- Trial of TPP System One viewer allowing A&E staff to view the records of all patients registered with a GP practice who uses System One (over 50% of West Sussex practices).
- Completed procurement and started the implementation of PACS and RIS to replace the old National Program imaging solutions.
- Various small database developments to support areas such as Prosthetics Management and Irritable Bowel database.

8.2 Challenges faced during the year

- Issues with ageing IT infrastructure and poor computer room provision leading to a number of outages throughout the year.
- Provision of blanket coverage of WiFi to all ward areas has proved challenging but this situation is improving.
- There have been a number of issues which have delayed rolling out the Assessments linked to Patientrack meaning that we are only just now ready to roll out the first assessment (Dementia).
- Linked to the computer room issues and the rapidly increasing reliance on IT for day to day operations, providing sufficient out of hours support is becoming more and more challenging.

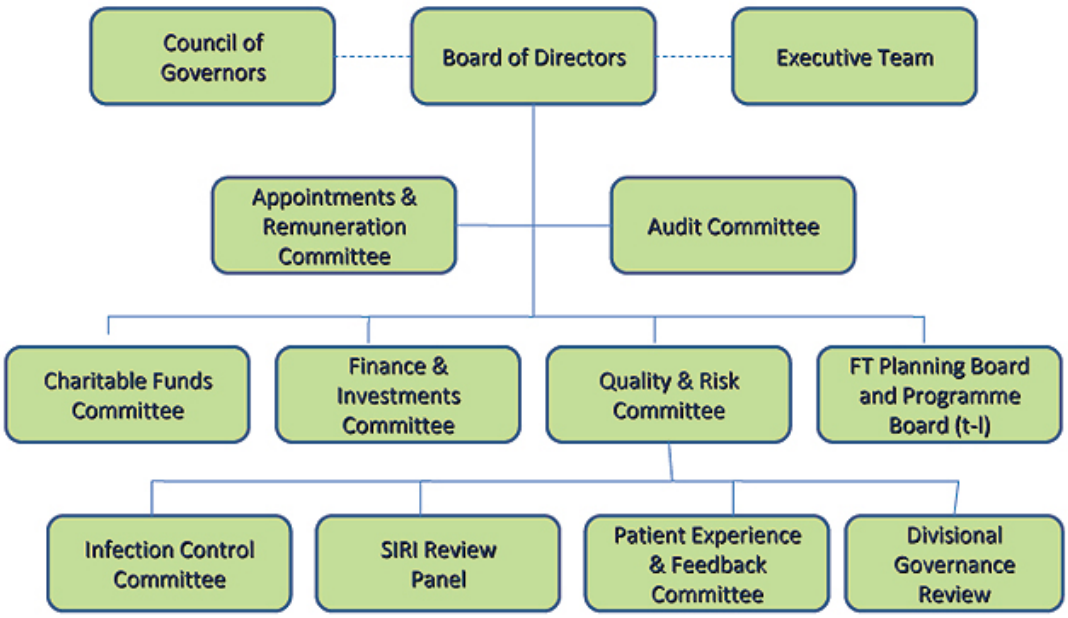
8.3 Future plans

- Server and Infrastructure refresh to be completed in 2013/14 giving a disaster recovery capable solution that will provide a high performance scalable platform for the delivery of services to end users.
- Upgrade of desktop estate to Windows 7 and further development of capability to use and support mobile devices
- Roll out of single sign-on
- Roll out of Big Hand digital dictation solution to all sites.
- Planned upgrade of the Community of Interest Network (COIN) which currently links our main sites and all of the other NHS organisations in Sussex.
- Paper Light, EDM (Electronic Document Management) procurement scheduled for 2013/14 and implementation 2014–16/17
- Clinical Portal procurement scheduled for 2013/14 and implementation 2014–16/17

9. Governance

The Trust is governed by a Board of Directors comprising the Chairman, Chief Executive, five Non-executives and five Executives. The Board has established a number of Committees to provide support, assurance and advice, including the Audit Committee, Quality & Risk Committee and Finance & Investment Committee. Each Committee has a Non-executive Chair and, with the exception of the Audit Committee which comprises only Non-executives, all have Non-executives and Executives in their membership. Further information about the Committee is provided within the Annual Governance Statement, which is part of the Trust's published Annual Accounts. The Board is also supported by the Executive Team under the leadership of the Chief Executive, who is accountable to the Board. The governance structure is shown below.

Western Sussex Hospitals NHS Trust Board-level governance structure, March 2013



The Board and Committees have established reporting and other governance arrangements to ensure they receive comprehensive, accurate and timely information in order to direct and control the organisation, hold the Executive to account for delivery and the performance of the organisation, and address strategic issues for the Trust. The Board focuses on continuously improving the quality of care

and services provided by the Trust, through discussions about operational performance and about the strategic development of services.

Audit Committee

The Annual Governance Statement provides further information about the Board's Committees but additional detail is provided here in relation to the Audit Committee. The Committee, which meets quarterly, is responsible on behalf of the Board for monitoring the effectiveness of the Trust's internal control arrangements, principally through reports of reviews, investigations and other audit activity by the Internal Audit and Local Counter Fraud service but also from the Trust's External Auditor. The Committee holds management to account for addressing audit recommendations, and obtains assurance in respect of procurement activity and other matters such as arrangements for declaration of interests. It is also monitors the effectiveness of risk management arrangements, principally through reports from the Quality & Risk Committee.

Governance reviews

The Trust keeps its governance under regular review, generally and also in specific areas. During the year the Board completed a self-assessment against the Board Governance Assurance Framework, the outcomes of which were independently reviewed. The Trust's corporate and quality governance arrangements were also assessed through the Foundation Trust General and Quality Governance Self-certifications (respectively) to Monitor. In addition, self-assessments were completed by the Quality & Risk Committee, Patient Experience & Feedback Committee and SIRI Review Panel, all of which resulted in action being taken to further improve arrangements. There were also improvements to reporting arrangements to a number of Committees, all to provide greater information, assurance and oversight of delivery.

Declarations of interests

Also during the year, the Trust enhanced its policy on declaration of interests, to ensure that Consultants and staff in other defined groups are required to declare relevant interests or to state that they have none to declare. All Board members update their declarations at least annually; the most recent declarations are available in the Register of Directors Interests, published as part of the papers for the Board meeting in April 2013 at: http://www.westernsussexhospitals.nhs.uk/about-us/trust-board/trust-board-meetings.

Shadow Council of Governors

As part of the Trust's preparations for Foundation Trust status the organisation has established a Shadow Council of Governors, the majority of whom were elected by Trust members from the local population. The Shadow Council of Governors includes some appointed by local partner organisations. Following licensing as a Foundation Trust, the Council of Governors will become a formal part of the Trust's governance arrangements. Its responsibilities will include: holding the Board to account for delivery of the Trust's strategy (on which the Council of Governors must be consulted) and for operational performance; contributing to the development of strategy and major service changes by representing the views of members and partner organisations; appointing (and, if necessary, removing) and setting the terms and conditions of service for the Chairman and Non-executive Directors; leading engagement with members and the public. At the present time the Board is working with the Shadow Council of Governors to brief Shadow Governors on their role and the organisation and to establish the more detailed arrangements through which they will work together.

9.1 Managing risk

In order to deliver its objectives and ensure continuous improvement in quality of care, the Trust actively identifies risks at strategic and operational level.

Strategic risks are managed through the Board Assurance Framework (BAF), which is approved by the Board for each financial year and is reviewed by the Executive and the Board (in public) each quarter. BAF risks are also subject to in-depth review throughout the year. The BAF is a principal element in the Trust's risk management and internal control arrangements; it is available in the published Board papers for meetings in April, July, October and January of each financial year. These are available at: http://www.westernsussexhospitals.nhs.uk/about-us/trust-board/trust-board-meetings.

At operational level, risks are identified, recorded and managed through the Risk Register. The register is reviewed by Divisional managers and clinicians to ensure active attention to risks; this process supports a monthly review of the Risk Register at the (executive) Management Board, including to ensure that emerging risks are identified proactively. High-level risks are reviewed each quarter by the Quality &

Risk Committee and the Board. The Trust's risk management arrangements are described in more detail in the BAF and Risk Management Strategy, both of which are available in published Board papers at: http://www.westernsussexhospitals.nhs.uk/about-us/trust-board/trust-board-meetings.

9.2 Clinical governance

The Clinical Governance frameworks have continued since merger and the establishment of the Clinical Divisional structures in October 2009. This process included the development of a programme of quarterly Divisional Governance Reviews of the clinical divisions plus IT and Facilities/Estates, which are monitored by the Quality Board on behalf of the Quality and Risk Committees and the Trust Board.

A comprehensive programme of policy review and embedding of process into practice has continued throughout the year, and as such, the organisation has achieved Level 2 of the NHS Litigation Authority (NHSLA) Risk Management Standards for Acute Trusts 2012/13 and Level 2 accreditation in the Clinical Negligence Scheme for Trusts (CNST) at its assessments in March 2013. The Trust is now working towards the achievement of NHSLA and CNST Level 3 in April 2014.

9.3 Information governance

The Trust can confirm that it reported four Information Governance-related Serious Incidents Requiring Investigation (SIRI) involving data loss or breaches of confidentiality for the period from the 1 April 2012 – 31 March 2013. The actions arising out of these have been led by the relevant division and monitored through the Information Governance Steering Group.

9.4 Patient safety

All patient safety incidents are entered onto and monitored via the Datix system, which was implemented Trust-wide in September 2010. This system enables the robust analysis and interpretation of incidents by identifying themes and trends from which valuable lessons can be shared throughout the organisation.

All incidents graded as moderate or above are subject to a Root Cause Analysis Investigation, and are monitored through the divisional governance processes. In addition, the Patient Safety Incident Review Group reviews and analyses the metrics for all patient safety incidents including outcomes from investigations, to identify cross divisional themes for learning. The Triangulation Group identifies existing or potential links between reported events from incidents, complaints, claims and PALS.

Each quarter, a Non-Executive Director chairs a SIRI Panel for the purpose of reviewing actions and outcomes arising out of SIRI Root Cause Analysis investigations

The Trust Board receives a monthly SIRI report and a quarterly ‘CLIP’ report (Complaints, Legal, Incidents and PALS) which provides analysis and identification of correlating themes and trends from these areas. In addition, a quarterly Patient Safety Incident Report is presented to the Quality and Risk Committee.

10. Emergency planning

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

Examples range from severe weather – hot and cold, which can impact on both the hospital and on the local community services or a power failure/IT failure which is more contained affecting services but not directly impacting on patient care. Emergency Planning also encompasses the Major Incident/Emergency that results in there being many casualties. A large transport incident or terrorist attack could happen at any time so it is imperative all staff are prepared.

Western Sussex Hospitals NHS Trust, as the local Acute Trust, worked closely in liaison with the Ambulance Service, the PCT and other community services in the preparation of the emergency plans.

In 2013/14 Emergency Planning Resilience and Response (EPRR) will be managed slightly differently following the creation of a Local Health Resilience Partnership (LHRP) for Sussex, formed by NHS and local authority partners to strengthen multi-agency relationships within emergency planning. However, the roles and responsibilities of frontline provider organisations such as acute trusts and the ambulance service will not fundamentally change.

The local Clinical Commissioning Groups and the NHS Commissioning Board Area Team will also be taking up their EPRR roles and assuming the responsibilities of the Primary Care Trust and the Strategic Health Authority.

10.1 Major incident/emergency

All major incidents/major emergencies will require special action to be taken in response as stated within the Civil Contingencies Act 2004, which governs the national response to emergencies.

2012 saw London host the Olympic and Paralympic Games. Resources were stretched to the limit across the country however the work of LOCOG (London Organising Committee of the Olympic and Paralympic Games) ensured a safe and secure environment for all the competitors, volunteers and spectators resulting in there being little impact on day-to-day services locally.

It is important that specific elements of the emergency plans are tested regularly. In May 2012 the Trust worked closely with a team from Sussex Police in organising a Major Incident Police Documentation Exercise. The Police Documentation Team is responsible for identifying those involved in an incident and providing all the relevant information to the National Police Casualty Bureau, who in turn will collate the information and ensure relatives/friends are provided with timely information regarding the whereabouts of their nearest and dearest. The exercise was successful and emphasised the importance of joint working.

In July, the Trust was also involved in a 'live' exercise jointly organised with both East and West Sussex Fire and Rescue Services. This involved the decontamination of casualties from a chemical Incident. All the equipment and personnel were deployed to Southlands Hospital car park where volunteers from the Trust and the Red Cross were put through the process of decontamination. Some valuable lessons were learnt and networking with our multi-agency partners is an important factor in the success of emergency planning.

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 incident that would affect and require business continuity management would be:

- Loss of utilities
- Loss of IT/telecommunications
- Flooding
- Severe weather
- Heat wave
- Disruption to fuel supplies
- Pandemic Influenza

During 2012/13 there was an episode of prolonged IT failure, a fire in the Pathology Department at St Richard's Hospital and some servere weather to contend with. All were managed effectively, with the activation of pre-prepared plans ensuring as little disruption as possible to patient care and services.

10.3 Pandemic Influenza

The World Health Organisation (WHO) continues to monitor the impact of the various strains of influenza across the world. Should there be any cause for concern there is a Western Sussex Hospitals NHS Trust Pandemic Influenza Plan, regularly reviewed, which clearly specifies how the Trust will respond to and recover from such an incident.

11. Our plans for the future

11.1 Achieving Foundation Trust status

To continue to improve the standard of care available to its population, and to increase its accountability to the public it serves, Western Sussex Hospitals NHS Trust is committed to achieving Foundation Trust (FT) status.

For the latter half of 2012/13 Monitor, the FT regulator, has been assessing the Trust's FT application. This is the final phase in the FT application process. The assessment has progressed well, and the Trust anticipates being authorised in early 2013/14. A shadow Council of Governors has been established and is ready to assume its role on authorisation.

11.2 Achieving our plans for 2012/13

At the outset of the year, the Trust set out its plans for 2012/13 as part of its Annual Plan, which details the Trust's Corporate Objectives and how we intend to deliver them. These objectives are based on our vision and values – 'We Care' – and have been achieved in the following ways:

We care about you, the patient

- More than 96% of inpatients using the Trust's 'real-time feedback' handheld computers rated their care as either excellent or good
- Improvements in our staff survey results, including they key measure on whether staff would recommend the hospital as a place to receive treatment
- Very positive reports from the Care Quality Commission regarding the care provided to patients

We care about quality

- The Trust achieved its target of achieving a 10% reduction in crude mortality by the end of 2012 against a 2010/11 baseline
- The Trust's Hospital Standardised Morality Rate has steadily fallen throughout the year
- We have continued to improve the care pathway for patients with Fractured Neck of Femur, showing further improvements in outcomes

We care about safety

- We experienced only one case of hospital-acquired MRSA during 2012/13, and continued to reduce our C.diff levels to below the stretching limit set for the Trust
- We achieved Level 2 standards with our external assessment for safe maternity care (CNST) and with the NHS Litigation Authority
- Overall, patient safety at the Trust improved, as evidenced by improvements in our Trust Patient Aggregate Safety Score

We care about serving local people

- Two new laminar flow theatres at Worthing were built
- We opened a new ophthalmology department at St. Richard's
- We have begun building a dedicated new building for breast screening services

We care about being stronger together

- We have taken on the lead provider role for the 'One Call One Team' project, improving the responsiveness of the service
- We have created a shadow 'Council of Governors' in advance of our FT authorisation, working with patient, staff and stakeholder representatives to shape the future direction of the Trust.

We care about improvement

- More than 95% of people were seen within four hours in our A&E departments
- More than 90% of patients were treated within 18 weeks of referral
- We have improved the efficiency of and processes in Theatres through the Productive Operating Theatre programme
- We have started improvement initiatives covering readmissions, customer care and Radiology

We care about the future

- We delivered a surplus of more than £5 million for the fourth consecutive year
- According to the NHS Performance Framework, we were one of the country's top trusts in performance terms

11.3 Developing our plans for 2013/14

The Trust's Corporate Objectives for 2013/14 are set out in our Annual Plan and led by the focus of our vision and values, 'We Care'.

Our top priorities for 2012/13 are:

We care about you, the patient

- Increase the number of staff and patients who would recommend the Trust to family and friends, though continuing to provide high-quality patient care. This will be supported by our customer care service improvement programme

We care about quality

- Achieving further reductions in our mortality rate through improvements in the patient pathway, in particular the further introduction of care bundles in areas of specific concern
- Reduce the rate of unnecessary readmission by focusing on specific areas of improvement in discharge care

We care about safety

- Maintaining our focus on continuing to reduce incidence of hospital-acquired infections
- Introducing a new, more accurate electronic system of medicines prescribing
- Continue to improve our aggregate patient safety score

We care about serving local people

- Interventional Radiology upgrades at both St Richard's and Worthing
- Start the next phase of building work on the Emergency Floor at Worthing
- Progressing our plans for ophthalmology and ambulatory care services at Southlands
- Upgrading the theatre pre-admissions areas at Worthing to improve the patient environment

We care about working better together

- Continue to develop our 'lead provider' role for unscheduled care to ensure that the pathway is fully integrated for the patient

- Work with the Clinical Commissioning Group to improve the care pathway for Musculo-skeletal services

We care about improvement

- Improve the condition of the Trust's estate through targeted investment
- Opening the new breast screening service at Worthing

We care about the future

- Delivering our ambitious cost improvement programme to make sure we are able to continue to invest in services for the future
- Achieving Foundation Trust status to gain more freedom to set our own priorities and be more responsive to local need
- Striving to improve our performance further still

12. Trust Board

12.1 Board members (full membership)

Mr Mike Viggers (Chairman)

Commenced on 16th May 2011

Chair of Finance & Investments Committee and Appointments & Remuneration Committee

Mr Anthony Clark (Vice-Chairman)

Commenced as Non-Executive Director on 1st April 2009

Vice-Chairman since 1st December 2009

Chair of Quality and Risk Committee, Patient Experience and Feedback Committee and Serious Incidents Requiring Investigation (SIRI) Review Panel

Member of Finance & Investments Committee

Ms Marianne Griffiths (Chief Executive)

Commenced on 1st April 2009 on formation of Trust

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

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

Mrs Joanna Crane (Non-Executive Director)

Commenced on 1st April 2009

Member of Audit Committee and Quality and Risk Committee

Mr Jon Furmston (Non-Executive Director)

Commenced on 1st April 2009

Chair of Audit Committee, Member of Appointments and Remuneration Committee and Charitable Funds Committee

Mr Martin Phillips (Non-Executive Director)
Commenced on 1st April 2009 on formation of Trust
Chair of Charitable Funds Committee
Member of Patient Experience and Feedback Committee and SIRI Review Panel, Finance & Investment Committee and Quality and Risk Committee

Mr William Brown (Non-Executive Director)
Non Executive Director from 31st March 2011
Member of Patient Experience and Feedback Committee and SIRI Review Panel, Audit Committee, Appointments and Remuneration Committee, and Security Committee (Non-Executive)

12.2 In attendance at the Board

Mrs Denise Farmer (Director of Organisational Development and Leadership)
Commenced on 1st April 2009 on formation of Trust

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), any changes in the director's portfolio, the performance of the individual and national guidance as appropriate. Senior managers are remunerated based on these decisions. Bonuses awarded by the Committee are based within the context of the NHS Very Senior Manager Pay Framework.

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.

The annual appraisal method is chosen as it is the most common way of assessing performance. The method includes 360 degree feedback and assessment of performance from non-executive directors and peers.

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.

All contracts are permanent with no fixed end date. There are no contractual provisions for payments on termination of contract.

Name	**Title**	**Date of contract**	**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
Mrs Denise Farmer	Director of Organisational Development and Leadership	01/04/2009	6 months	3 months
Dr Phillip Barnes	Medical Director	21/09/2009	6 months	3 months

Part 2 Salary and pension entitlements of senior managers
A) Remuneration

	2012/13				2011/12			
Name and Title	**Salary (Bands of £5000)**	**Bonus Payments (Bands of £5000)**	**Other Remuneration (Bands of £5000)**	**Benefits in Kind (Rounded to the nearest £00)**	**Salary (Bands of £5000)**	**Bonus Payments (Bands of £5000)**	**Other Remuneration (Band of £5000)**	**Benefits in Kind (Rounded to the nearest £00)**
	£000	£000	£000	£00	£000	£000	£000	£00
Ms M Griffiths Chief Executive	195 - 200	5 - 10	0	0	185 - 190	5 - 10	0	0
Ms J Farrell Chief Operating Officer and joint Deputy Chief Executive	125 - 130	5 - 10	0	0	125 - 130	0 - 5	0	0
Mr S Prosser Director of Finance and joint Deputy Chief Executive	140 - 145	5 - 10	0	0	135 - 140	5 - 10	0	0
Dr P Barnes Medical Director	175-180	35-40*	0	0	175 - 180	35 - 40	0	0
Mrs C Stone Director of Nursing and Patient Safety	105 - 110	0 - 5	0	0	95 - 100	0 - 5	0	0
Mrs D Farmer Director of Organisational Development & HR	115 - 120	5 - 10	0	0	110 - 115	5 - 10	0	0
Mr M Viggers - Chairman	20 - 25	0	0	0	15 - 20	0	0	0
Mr A Clark Vice Chairman	5 - 10	0	0	0	5 - 10	0	0	0
Mrs J Crane Non-Executive Director	5 - 10	0	0	0	5 - 10	0	0	0
Mr J Furmston Non-Executive Director	5 - 10	0	0	0	5 - 10	0	0	0
Mr M Phillips Non-Executive Director	5 - 10	0	0	0	5 - 10	0	0	0
Mr W Brown Non-Executive Director	5 - 10	0	0	0	5 - 10	0	0	0

*This relates to a National Clinical Excellence Award payment

B) Pension Entitlements

	Real increase in pension at age 60 (bands of £2,500)	**Real increase in pension lump sum at aged 60** (bands of £2,500)	**Total accrued pension at age 60 at 31 March 2013 (**bands of £5,000)	**Lump sum at age 60 related to accrued pension at 31 March 2013** (bands of £5000)	**Cash Equivalent Transfer Value at 31 March 2013**	**Cash Equivalent Transfer Value at 31 March 2012**	**Real increase in Cash Equivalent Transfer Value**	**Employer's contribution to Stakeholder Pension**
	£000	£000	£000	£000	£000	£000	£000	£000
Ms M Griffiths	2.5 - 5	7.5 - 10	20 - 25	65 - 70	436	357	61	0
Ms J Farrell	0 - 2.5	0 - 2.5	45 - 50	140 - 145	926	841	41	0
Mrs C Stone	2.5 - 5	10 - 12.5	45 - 50	135 - 140	837	708	92	0
Mrs D Farmer	0 - 2.5	5 - 7.5	45 - 50	140 - 145	1,012	894	71	0
Mr S Prosser	0 – 2.5	5 - 7.5	40 - 45	120 - 125	668	582	55	0
Dr P Barnes	(0 – 2.5)	(0 – 2.5)	65 - 70	200 - 205	1,250	1,168	22	0

Information on exit packages, covering all staff, is disclosed under Note 10.4 to the accounts.

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any

pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay Multiples

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

The banded remuneration of the highest paid director in the Trust in the financial year 2012-13 was £210-215k (2011-12, £215-220k). This was 9 times (2011-12, 10 times) the median remuneration of the workforce, which was £24.6k (2011-12, £21.8k).

In both 2012-13 and 2011-12 no employee received remuneration in excess of the highest-paid director. Remuneration ranged from £6k to £214.9k (2011-12 £1.9k - £215k)

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

Review of Tax Arrangements of Public Sector Appointees

There were no off-payroll engagements that were in place as of 31 January 2012 and no new off-payroll engagements between 23 August 2012 and 31 March 2013.

14. Financial review 2012/13

14.1 Financial performance and risk

As in previous years, the Trust planned for a surplus to ensure that sufficient cash could be generated to meet working capital loan repayments falling due (£4.02m) and increase cash balances held to increase performance against Monitor's liquidity risk rating.

Through tightly managed budgetary control and the implementation of a cost improvement programme that achieved savings of £16.26m, the control total agreed with South East Coast Strategic Health Authority was achieved.

After taking into account technical adjustments for the net impairment of land and building values (£13.09m) and the accounting rules concerning the accounting of donated assets (£0.79m), the final outturn against the control total was a surplus of £5.03m.

	£000
Retained deficit for the year	**(7,262)**
Impairments	**13,087**
Adjustments in respect of donated asset reserve elimination	**(791)**
Adjusted retained surplus	**5,034**

The impairments relate to changes to the value of the Trust's estate, i.e. land, buildings and dwellings. A full revaluation was conducted as these assets are required to be reported at their current fair value rather than their purchase cost.

During 2012/13 the Trust continued to work with NHS Sussex to manage demand for hospital services and to develop services that prevent unnecessary hospital admissions. As part of this the Trust agreed a capped contract with NHS Sussex which was supplemented by a payment at marginal rates for additional activity. In 2013/14 Primary Care Trusts have been succeeded by Clinical Commissioning Groups (CCGs). For the 2013/14 financial year, the Trust has signed a contract with Coastal West Sussex CCG, as its main commissioner. All activity undertaken within this contract will be reimbursed at full tariff, however, the Trust remains committed to working with its commissioning partners to ensure that hospital services in Sussex are sustainable and meet the needs of the local population.

The financial year continued to bring improved services to patients through an £11.83m capital programme, including the commencement of the construction of the Trust's new Breast Unit at Worthing Hospital. The programme also covered the completion of other estate based projects, the purchase of medical equipment and also improving information technology. For the coming financial year the planned capital programme is in excess of £30m, which includes the completion of the Breast Unit, commencement of a new emergency floor at Worthing, the enhancement of the information management & technology infrastructure and the purchase of new and replacement medical equipment.

The results of the Foundation Trust (FT) metrics on which overall financial risk is assessed is as follows (5 is the lowest risk, 1 is the highest):

	Trust Performance	**Rating**
EBITDA* Margin (%) (A measure of Trust financial efficiency)	**7.1**	**3**
EBITDA Actual vs Plan (A measure of how the Trust delivered against Plan)	**93.3**	**4**
Net return on financing (%) (A measure of the return on taxpayer's equity, borrowings and loans)	**1.5**	**3**
I&E Surplus Margin (%) (A further measure of Trust financial efficiency)	**1.5**	**3**
Liquidity (days)** (Stating how many days cash cover the Trust has)	**24**	**3**
Overall Rating (A weighted combination of the above)		**3**

**EBITDA = Earnings before interest, taxation, depreciation and amortisation*

*** The liquidity calculation includes a maximum working capital facility of 26 days.*

Both predecessor NHS Trusts prior to the 1st April 2009 merger had weak balance sheets with a high level of working capital loans. During 2013/14, the Trust fully repaid one of its existing loans and the remainder will be paid in full by the end of the 2014/15 financial year. As part of its Foundation Trust application, having assessed future financial risk under various scenarios, the Trust is currently reviewing options to increase liquidity to reduce financial risk in future periods.

The Trust had good cash flow during the year with improved results on the number of invoices paid to non-NHS suppliers by due date or within 30 days, whichever is later, as set out in Note 11 to the accounts which reports on compliance with the Better Payment Practice Code. As a large public body, the Trust continues to recognise its responsibility for maintaining good cash flow with local suppliers in the current economic environment.

NHS Trusts have four key financial duties:

- 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 adjusting for 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's performance against all of these external financial targets are summarised as below:

	Target	Trust Performance	Status
Break-even duty	£0m	£5.0m	Achieved
Capital cost absorption duty	3.5%	3.5%	Achieved
External Financing Limit	£6.834m	£2.843m undershoot	Achieved
Capital Resource Limit	£24.341m	£9.430m	Achieved

The accounts provide fuller information on the Trust's financial position and performance. They also set out the accounting policies used to prepare the accounts. These have been updated to reflect changes in adoption of accounting standards by the NHS but otherwise are unchanged from the previous year.

The accounts are prepared on a going concern basis under International Financial Reporting Standards using the historic cost accounting convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

The results of the Trust's own charitable funds, the "Love your hospital" charity, are not consolidated within these results but reported separately. All charitable income and expenditure is maintained and accounted for separately from exchequer funds. The Trust Board acts as trustee and is grateful to the many donors that have given over the past year. The charity's own annual report and accounts on the application of these funds will be available later in the year.

14.2 External audit

For the reported financial year, Ernst & Young have succeeded the Audit Commission as the Trust's external auditor. The total audit fee for the statutory audit in 2012/13 was £100,000 plus VAT, including the audit of Trust's quality accounts. There were no further assurance services or other services provided to the Trust by either Ernst & Young or the Audit Commission during the period reported.

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 10.5 of the annual accounts.

14.4 Severance payments

HM Treasury has specific guidance on severance payments and NHS bodies have no delegated authority to make such payments unless so approved. In the period reported, three severance payments were made.

14.5 Glossary of NHS financial terms

The following glossary is provided for terms not already defined above and is designed to assist the reader of this report and others produced by the Trust over the year.

Accruals accounting

This is an accounting adjustment concept representing outstanding payments and income due so that the accounts show all of the income and expenditure that relates to the financial year, rather than cash receipts and payments.

Capital, depreciation and amortisation

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 (or amortisation for assets such as software licences, that have no physical substance).

Charitable funds

This relates to donations by patients, relatives, fundraisers, charities and the public. The charity's financial performance is accounted for separately and does not form part of these accounts.

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.....6/6/13.....

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

6/6/13 .....Date..... .....Chief Executive

6/6/13 .....Date..... .....Finance Director

WESTERN SUSSEX HOSPITALS NHS TRUST

ORGANISATION CODE: RYR

ANNUAL GOVERNANCE STATEMENT, 2012/13

1. Scope of responsibility

1.1 The Board is accountable for internal control. As Accountable Officer and Chief Executive I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's strategy, corporate objectives and policies. I also have responsibility for safeguarding 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 accountable for the organisation's performance and its compliance with all relevant legal, regulatory and policy requirements. I am accountable in the first instance to the Board but also to the Trust's principal commissioner, NHS Sussex (representing West Sussex Primary Care Trust), and to South of England Strategic Health Authority. Meetings are held regularly with both organisations to review the Trust's performance and its strategies and plans for services. In the context of the changes to commissioning arrangements effective from 1 April 2013, the Trust formed a good working relationship with Coastal West Sussex Clinical Commissioning Group. Meetings are also held regularly with other local NHS providers, District Councils, West Sussex County Council and Members of Parliament.

1.3 The Trust is also accountable publicly for its performance, particularly in respect of the quality of care provided by the organisation and progress made against plans for service improvements. The Board meets in public each month; the papers for these meetings are published. There are regular Stakeholder Forum meetings and members of the public are also involved in a range of service or issue-specific consultative groups across the organisation. The Trust has also held a number of pre-authorisation meetings and briefing sessions for Foundation Trust members and meetings of the Shadow Council of Governors: a welcome session, two formal meetings and an awayday with the Board.

2. The governance framework of the Trust

2.1 The Trust's governance structure comprises the Board, a number of Committees (Quality & Risk, Finance & Investment, Audit, Charitable Funds and Appointments & Remuneration), and an executive management structure. There is good Non-executive and Executive attendance at Board and Committee meetings. Senior clinicians and managers attend Board and Committee meetings as required by the business under discussion. The clinical Divisional Chiefs of Services attend the majority of Board meetings. All fora within the structure have approved Terms of Reference and operate in accordance with the Trust's Standing Orders and Scheme of Delegation.

2.2 There are defined arrangements in place throughout the structure to ensure that there is active communication within and between the executive and Board structures, particularly to ensure that the Board and its Committees have appropriate assurance and are able to hold the executive to account. This is reflected in the forward agenda plans for the Board and Committees. The Board receives the minutes of Committee meetings, with a verbal report from the relevant Committee Chair to highlight the key issues. Recommendations from Committees are addressed formally at Board meetings.

2.3 Appendix A provides a summary of the responsibilities for the principal Board Committees. During the year the Committees have focused on a number of issues, including:

a) Audit: Internal Audit reports, completion of audit recommendations (which has further improved), and reviews of organisational efficiency. In particular during the year the Committee received reports on the following issues: Consultant job planning, improved data quality assurance, transfer of responsibility for audits within the Sussex Health Informatics Service, Bribery Act compliance arrangements and the Information Governance Toolkit.

b) Quality & Risk: improvement in planning and implementation of clinical audits, focus on improvements in drug prescribing practice, assurance in respect of patient safety incidents, quality impact assessments of cost improvement programmes, reviews of the Board Assurance Framework and Risk Register, delivery of the Quality Strategy, reviews of the Foundation Trust self-certification, oversight of preparation for the introduction of medical revalidation, Internal Audit reports on matters related to quality of care;

c) Finance & Investment Committee: consideration of major business cases, including in relation to service developments, active monitoring of the Trust's financial performance and efficiency, preparation and delivery of the financial plan, development of the Long Term Financial Model for Foundation Trust status, oversight of delivery against procurement efficiency targets, quarterly reviews of the capital plan.

2.4 The Trust keeps its governance under regular review, generally and also in specific areas. During the year the Board completed a self-assessment against the Board Governance Assurance Framework, the outcomes of which were independently reviewed by Deloitte LLP. The final assessment, taking into account the views of Deloitte LLP, forms the basis of an action plan for improvement in some areas. The Trust's corporate and quality governance arrangements were also assessed through the FT General and Quality Governance Self-certifications (respectively) to Monitor. A Board Memorandum was produced in each case, setting out governance arrangements and supporting evidence. The Quality Governance Board Memorandum was independently reviewed by Deloitte LLP and resulted in a number of improvements to quality governance arrangements. Both self-certifications were submitted to Monitor as part of its assessment of the Foundation Trust application. Further explanation is given in section 3 below. In addition, self-assessments were completed by the Quality & Risk Committee, Patient Experience & Feedback Committee and SIRI Review Panel, all of which resulted in action being taken to further improve arrangements. There were also improvements to reporting arrangements to a number of Committees, all to provide greater information, assurance and oversight of delivery.

2.5 Since the Trust is well advanced in the Foundation Trust application process, it is considered that any assessment of the Trust's governance against recommended practice should be in relation to the Monitor Code of Governance. The Board has undertaken an initial assessment and it is considered that the Trust complies with all requirements that are applicable pre-authorisation. The Trust has identified the action required to ensure full compliance thereafter, a number of these areas having been considered through the self-certification process.

3. Clinical and quality governance arrangements

3.1 The Trust has in place robust clinical and quality governance arrangements, integrated into the organisation's corporate governance structure described elsewhere in this statement. The Trust keeps its arrangements under review, including in response to self-assessments and self-certifications described above.

3.2 During the year, the Trust commissioned two independent reviews of mortality governance, one from Mr Edward Palfrey, Medical Director of Frimley Park Hospitals NHS Foundation Trust, and the second from Professor William Roche of South of England Strategic Health Authority. The Trust also commissioned an independent review of its care pathway and associated arrangements in respect of fractured neck of femur care; this was undertaken by Professor Chris Moran, Consultant Trauma and Orthopaedic Surgeon at Nottingham University Hospitals NHS Trust, to review the pathway generally but specifically because fractured neck of femur care is a principal area of focus for mortality reduction. The reports were positive, particularly so in respect of fractured neck of femur care, though they included some recommendations for further improvement. These were combined into an action plan which was presented to the Board in March 2012 and which will be monitored through the quarterly mortality report which the Board receives.

3.3 Through the Board Memorandum on Quality Governance and also the Board Governance Assurance Framework, the Board identified the need for greater assurance in respect of the quality of data about care quality. The Board commissioned a review of current arrangements and areas for increased focus, which was discussed by the Quality & Risk Committee and the Audit Committee before being approved by the Board. The Board agreed the proposals to enhance assurance.

3.4 As described above, the SIRI Review Panel, which comprises mainly of Non-executive Directors, decided through its self-assessment to introduce a quarterly report to provide assurance that outcomes from SIRIs are robustly implemented in all relevant areas of the organisation. The Board considered the first two of these reports, following review at Panel meetings.

3.5 In February Robert Francis QC published the report of his Public Inquiry into Mid-Staffordshire Hospitals NHS Foundation Trust and, in March, the Government published its response. The Board and the Shadow Council of Governors have been briefed on both reports and work is underway to address the outcomes as they relate to the Trust. This includes a series of Executive meetings with Consultants, nurses and others to discuss action which the Trust should take to further improve its care, particularly in the areas recommended by the Inquiry. A number of recommendations relate to work which was already underway in the organisation. The Board has agreed to take a progress report at its meeting in May 2013.

4. Compliance with standards and requirements

4.1 The Trust's operational performance framework, which has been approved by the Board, integrates the NHS Performance Framework requirements into operational plans and monitoring. Given its aspiration to become a Foundation Trust, the Trust has also integrated into its performance management arrangements the targets within the Monitor Compliance Framework. The Board receives a monthly report of performance in relation to the targets in both frameworks. At the time of writing, the Trust is compliant with all requirements with the exception of specialty-level referral to treatment time target compliance against which the Trust will report six non-compliant specialties. Despite this non-compliance the Trust expects to receive an NHS Performance Framework score of 2.98 for month 12 of 2012/13, consistent with the scores achieved throughout the financial year.

4.2 During the year the Trust's hospitals received four visits from Care Quality Commission (CQC) Assessors. Of these, a visit in November 2012 resulted in the Trust receiving a minor compliance action. Actions were taken on the day of the inspection to address these issues and an action plan was sent as requested by the CQC. A further visit in March 2013 confirmed that all actions had been undertaken sufficiently. Reports from other visits identified high standards of care in a number of areas. below. The CQC's Quality Risk

Profile, which sets out a good and improving position in respect of the Trust's compliance with the CQC requirements, is reported to the (executive) Management Board bi-monthly. All significant CQC-related activity is reported to the Board at the first available meeting. A Quality Standards Group has been established to undertake a thorough assessment of compliance for each CQC Outcome and NHS Litigation Authority (NHSLA) requirement, and to agree and oversee the action necessary to further improve compliance.

4.3 From March 2011 to February 2013 the Trust held Level 1 status in respect of the NHSLA and Clinical Negligence Scheme for Trusts (CNST). In February 2013 the Trust was assessed for, and awarded, Level 2 status for the NHSLA and CNST, with passes of 47/50 and 49/50 standards respectively. The Trust is developing plans to deliver Level 3 status during 2014.

4.4 The Trust has arrangements in place to record and address recommendations made by other organisations which assess the organisation, including in relation to facilities, estates, equipment, service management and care standards. The effectiveness of these arrangements is monitored by the Management Board and the Quality & Risk Committee.

4.5 The Trust has arrangements in place to ensure the proper discharge of its statutory functions. These include the Trust's contracts with commissioners, which define the scope of the services provided by the Trust, and clinical and corporate governance arrangements to ensure that standards and other requirements are implemented as required. (These include the arrangements described in 4.4 above.)

4.6 There were four significant data security breaches during the year. None were reported to the Information Commissioner as they were all scored at level two or below; level three and above are reportable to the Information Commissioner in accordance with NHS Connecting for Health Digital Information Policy. In respect of the Information Governance Toolkit Version 10, the Trust submitted final evidence to demonstrate level three compliance for five Toolkit requirements and level two for the remaining 40 requirements. This grades the Trust as 71% satisfactory which equates to level two or above achieved on all requirements.

5. The risk and control framework, including risk assessment

5.1 The Trust's governance framework integrates quality, clinical and corporate governance and through this structure risks are actively identified and managed. This is achieved through the Board Assurance Framework, Risk Management Strategy (and a supporting policy) and risk reports to the Board and Committees.

5.2 Throughout 2012/13 the Quality & Risk Committee provided assurance to the Board that the Trust's risk management arrangements are effective. The Finance & Investment Committee provided assurance in respect of financial management and strategy, and the supporting controls. The Audit Committee provides independent assurance that risk management arrangements are in place and are effective.

5.3 There are clear Executive-level and Divisional Director responsibilities for risk management and reporting, which I oversee. The Company Secretary has responsibility for strategic risk management and reporting, and works closely with the Director of Nursing and Patient Safety who is responsible for the system through which operational risks are recorded and managed.

5.4 In common with other areas of the Trust's governance arrangements, through the professional approach which responsible Directors and managers take to their roles they identify developing good practice in other organisations and in the NHS generally, and apply relevant learning to improve the Trust's risk management arrangements. To support this, and in response to feedback from Monitor, in December 2012 the Trust commissioned

an external review of its Board Assurance Framework and Risk Register to be undertaken by East Kent Hospitals NHS Foundation Trust. The review recommended principally that: (1) the Board Assurance Framework should be more explicitly linked to the Risk Register; and (2) that the Trust should introduce arrangements to proactively identify emerging operational risks. Both recommendations have been addressed. In respect of learning on risk management within the Trust, the arrangements include a regular meeting led by the Director of Nursing & Patient Safety which reviews complaints, claims and incidents to identify cross-cutting themes and trends such that improvement action can be taken where necessary.

5.5 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. The staff who support and administer the Trust's risk management system meet with responsible managers to provide any additional training which is necessary and generally to facilitate effective risk management.

5.6 The risk and control framework comprises principally of the Board Assurance Framework and the Risk Management Strategy.

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

a) is based on best practice, national guidance and compliance with the standards for the National Health Service Litigation Authority (NHSLA) and Clinical Negligence Scheme for Trusts (CNST) risk standards and Care Quality Commission Requirements for registration;
b) integrates risk management across the Trust and supports convergence of all aspects of Governance;
c) supports the Trust Board, in agreeing the Annual Governance Statement and Assurance Framework and realising the significant quality, financial and organisational benefits from minimising risk; and
d) embeds risk management practices into the day-to-day function of the Trust and within the role of every staff member, with the aim of preventing risk wherever possible and minimising risks which do arise.

5.8 The Risk Management Strategy is supported by a policy which defines the operational processes through which risks are identified, assessed and managed. Risks identified by staff are reviewed by senior managers to ensure consistency in respect of describing and rating them. The Trust has a Risk Register, relevant parts of which are managed by clinical Divisions and corporate departments. Divisional managers review risks each month to re-assess them and ensure that they are being properly managed, and they are considered in detail at quarterly Divisional Governance Reviews, which Executive and Non-executive Directors attend. In response to the external review described in 5.4 above, the Management Board reviews the Risk Register each month, to identify cross-Divisional issues arising from risks and also to ensure that emerging risks are identified, recorded and addressed. The Board receives each quarter a report of risks rated at 15 or over; the Quality & risk Committee has received at each of its meetings a report of risks rated at 12 and over. (Risks rated at 12 or above are considered to be more significant and therefore require attention at the Board or Board-level Committee.)

5.9 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 identifies the key risks which relate to the Trust's corporate objectives for the year. The risks are identified, described and rated by objective/risk owners, ie, Executive Directors, and are subject to review and approval by the Board prior to the beginning of the

financial year. The Board Assurance Framework is subject to review in each quarter thereafter (in each review the Executive Directors consider the continued relevance of risks as well as their descriptions, ratings, controls and assurances). The Board reviews and re-approves the Board Assurance Framework after each quarterly review and selected risks within the Framework were subject to in-depth reviews, which were reported to the Quality & Risk. The Board Assurance Framework identifies some areas for improvement in controls and sources of assurance but these are not considered to be material. Action plans (which are referenced in the Board Assurance Framework) are in place and are being implemented to address the gaps identified. The Board Assurance Framework supports the preparation of the Annual Governance Statement 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 Annual Governance Statement. The Board Assurance Framework has been reviewed by Internal Audit and received a "Significant assurance" opinion.

5.10 As part of its quarterly review of the Board Assurance Framework the Board confirmed the four principal risks to the organisation in the year. These risks, which are set out below, were derived from an analysis of the higher-rated risks within the Board Assurance Framework.

1 Patients have a poor experience of our services.

2 We fail to provide to staff timely and accurate information on mortality and other quality issues, impeding the tracking of improvement actions.

3 The Trust's IT systems fail, thus disrupting the clinical services provided.

4 External partners fail to help deliver programmes.

5.11 During the year the risk in respect of IT systems was added, partly in response to some system failures but also to recognise the need to improve and invest in the IT infrastructure, to better support further improvement in care quality. The Board also decided to add a risk relating to the (then) forthcoming changes to commissioning and performance management arrangements. A number of more operational risks arose during the year. Of these, the higher-rated risks, ie. 15 and above, were reported to the Board each quarter in public.

6. Quality Account 2012/13

6.1 The Trust has arrangements in place to ensure accountability for its performance, including in respect of the quality of care. In particular, the Trust's Quality Account is prepared by the Medical Director and approved by the Board as providing a balanced and accurate view of quality. Priorities for improvement are informed by the Trust's Quality Strategy, which was discussed and approved by the Board, by the Quality & Risk Committee, by the (executive) Quality Board and by consultation with staff and other stakeholders. The Quality Account will contain any statements received from the Coastal West Sussex Clinical Commissioning Group and Healthwatch West Sussex.

6.2 The Trust's Quality Account reports on a broad range of performance and quality indicators, including those required by the Quality Accounts Regulations and Amendment Regulations. The information is consistent with data reported to the Board, either through the monthly Quality Report or through other means such as the quarterly reports on mortality. By way of additional assurance to the Board, an internal audit undertaken between January and March 2012 provided significant assurance that the various sources of data used by the Trust are generally reliable for the purpose of providing accurate, complete and sound information on which key performance indicators, scorecards and other reports are based. In 2012/13, plans have been made to undertake a further audit to provide assurance on the

veracity of specific data elements used to generate indicators recorded in the Quality Account and this audit will be completed in 2013/14. The Board has also reviewed its clinical and quality governance arrangements, including reporting and the use of information more generally, as part of the Foundation Trust self-certification process.

7. Review of the effectiveness of risk management and internal control

7.1 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 Trust's risk management and internal control arrangements. The opinion for 2012/13 is "Significant assurance". The opinion highlights two areas of concern identified during the year – medicines management and recording of consent to treatment; action has either been completed or is underway in respect of both and the Audit Committee will ensure that all the audit recommendations are addressed, including after the Internal Audit follow-up review of consent. 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, combined with the associated review processes, provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:

a) the reviews undertaken throughout the year by Internal Audit;
b) the outcomes from the clinical audit programme;
c) the audit and non-audit work carried out by the External Auditor;
d) service-specific reviews undertaken by senior managers;
e) Executive-level responsibility for, and review of, audit recommendations; and
f) preparation for, and the outcomes of, a range of external assessments, including those undertaken by the CQC, the NHSLA and CNST, and the monitoring arrangements for the action plans arising from such assessments.

7.2 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, Audit Committee, Quality & Risk Committee, Finance & Investment Committee and other groups/committees within the Trust's clinical governance structure. A plan to address weaknesses and ensure continuous improvement of the system is in place.

7.3 The system of internal control has been maintained and reviewed during 2012/13. There are a range of reports to the Board and Committees and they carry out regular reviews of performance and control arrangements. In addition to these arrangements, the following processes and structures contribute to maintaining the internal control framework:

a) Executive Team, the purpose of which is to:

- develop strategies, plans and business cases, for Board approval where necessary, and manage implementation of them;
- oversee and where necessary direct activity to ensure co-operation with the Trust's commissioners, the Strategic Health Authority and other providers;
- oversee and, where necessary, approve proposals to support organisational development programmes;
- set policy in accordance with the Scheme of Delegation; and
- generally act as the most senior Executive-level decision-making forum for the Trust.

b) 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.

c) Internal Audit: provides an independent and objective opinion on the degree to which risk management, control and governance support the achievement of the Trust's objectives. For 2012/13 the Head of Internal Audit's opinion is "Significant assurance". Internal Audit reports its findings to relevant Executive Directors, to the Audit Committee and to the Chair of the Quality & Risk Committee. The Chairs of these Committees review every Internal Audit report to determine which Committee should consider them; where necessary, reports are presented to both Committees.

d) External Audit: reports (through the Audit Committee) to the Trust on the findings from his/her audit work, in particular the review of the accounts statements and financial aspects of corporate governance.

8. Significant issues

8.1 My review of the effectiveness of the system of internal controls has identified the following significant issues which arose during the year or which remain at year-end:

a) In the context of demand being significantly in excess of capacity, and a number of operational issues including the continued increase in the level of emergency activity, the Trust experienced significant challenges in respect of speciality-level compliance for referral to treatment time targets. As a result the Trust was not compliant with this aspect of the NHS Operating Framework, the South East Coast Operating Framework or the NHS Constitution. This position was reported regularly to the Board and received significant attention from Executives.

b) The Trust declared three Never Events during the year, in May, July and August. The first and third (in common with the Never Event declared in March 2012) were surgery-related. In response, the Trust commissioned an independent review of operating theatre management, the recommendations of which informed a comprehensive action plan. The action plan incorporated other work identified by the Trust as necessary to improve theatre management and practise. The plan was reported monthly to the Board between April and December 2012, at which time, taking into account the outcomes from a follow-up of the independent review of theatre management and practise, the Board decided to monitor the action plan quarterly. The action plan included a number of organisation-wide learning events and other actions to embed learning from the Never Events. The second Never Event referred to above was in the obstetric setting. An action plan was produced and reported to the Board, and monitored quarterly until all actions were completed. All Never Events were reported to the Strategic Health Authority and Primary Care Trust as required.

c) In June 2012 parts of the Worthing Hospital site were subject to significant flooding, which resulted from a combination of heavy rain and the low-lying position of the hospital relative to the surrounding area. The flood water affected the hospital basement, the mortuary and the Post-graduate Medical Education Centre. A Business Continuity Incident was declared and, due to several lifts being out of use such that patients could not be moved safely from Accident & Emergency to wards, ambulances were diverted to other hospitals for a period of hours. The Trust's business continuity procedures were implemented swiftly and effectively, including through support from emergency services and Southern Water, such that there was no disruption to patient services and no risk to patient safety. The integrity of the mortuary was protected. Work was undertaken successfully to return the majority of the flooded areas to use. Through the work needed to the Post-graduate Medical Education Centre the Trust has taken the opportunity to improve this facility, including work to increase flood protection measures.

8.2 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.

Marianne Griffiths

Chief Executive and Accountable Officer
Western Sussex Hospitals NHS Trust

Signature: .....

Date: 06.06.13

APPENDIX A: SUMMARY OF RESPONSIBILITIES OF PRINCIPAL BOARD COMMITTEES

Audit Committee

The Committee's principal responsibilities are to:

- review the establishment and maintenance of an effective system of integrated governance, risk management, internal control and compliance, across the whole of the trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives.
- ensure that there is an effective internal audit function established by management, that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, CE and Board of Directors.
- review the work and findings of the External Auditor and consider the implications and management's responses to their work.
- review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.
- review the work of other committees or groups within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will particularly include the Quality & Risk Committee.

Quality & Risk Committee

The Committee's principal responsibilities are to:

- review, recommend to the Board and monitor progress against the Trust's quality strategy and quality account.
- monitor the principal indicators of quality of care and ensure that there are robust monitoring arrangements within the clinical Divisions.
- ensure that there are robust clinical governance and risk management arrangements across the Trust, including by reviewing the Board Assurance Framework and Risk Register, ensuring that improvement action is taken in response to incidents and other events (clinical and non-clinical).
- ensure that there is a robust clinical audit programme and consider the principal outcomes from it, particularly in respect of opportunities for improvement.
- maintain oversight of issues, themes and trends from patient feedback, including reports from PALS, LINKs, patient surveys and other sources of information.
- ensure that medical, nursing and other staff education and training arrangements are aligned to the Trust's quality strategy, and ensure that training-related issues and trends are identified and acted upon to ensure improvement where necessary.
- monitor and ensure that the Trust responds to quality-related developments in the regulatory and policy framework within which the Trust operates.
- review quality impact assessments of cost improvement programmes.

Finance & Investment Committee

The Committee's principal responsibilities are to:

- review and recommend to the Board the Trust's financial strategy and annual budget, and to consider strategic finance issues facing the Trust.
- commission and consider risk-based reviews of financial performance in relevant areas of the organisation, and to monitor Cost Improvement Plans, reporting to the Board as necessary.
- consider proposals for material investments (particularly estate-related activity), approve the Trust's investment strategy and keep relevant activity under regular review.
- review and recommend to the Board the Trust's estates strategy and monitor relevant plans.
- approve the Trust's procurement strategy and related controls, and monitor procurement activity, particularly in respect of significant contracts.
- review the robustness of the Trust's financial reporting controls and related policies.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF WESTERN SUSSEX HOSPITALS NHS TRUST

We have audited the financial statements of Western Sussex Hospitals NHS Trust for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

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

- the table of salaries and allowances of senior managers and related narrative notes on page 56;
- the table of pension benefits of senior managers and related narrative notes on page 57; and
- the section on pay multiples on page 58.

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 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Accounts, set out on page 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed;

- the reasonableness of significant accounting estimates made by the Trust; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Western Sussex Hospitals NHS Trust as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

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

Matters on which we report by exception

We report to you if:

- in our opinion the governance statement does not reflect compliance with the Department of Health's Guidance;
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998

We have nothing to report in these respects.

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

Respective responsibilities of the Trust and auditors

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Trust has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Western Sussex Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to provide assurance over the Trust's annual quality accounts. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul King
For and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
7 June 2013

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF WESTERN SUSSEX HOSPITALS NHS TRUST

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2013 issued on 7 June 2013 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Western Sussex Hospitals NHS Trust as at 31 March 2013 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2013 issued on 7 June 2013 we reported that, in our opinion, in all significant respects, Western Sussex Hospitals NHS Trust as had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

In our report dated 7 June 2013 we explained that we could not formally conclude the audit on that date until we had completed the work to provide assurance on the Trust's annual quality account. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of Western Sussex Hospitals NHS Trust as in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King
For and on behalf of Ernst & Young LLP
Southampton

27 June 2013

14.6 Annual Accounts 2012/13

Statement of Comprehensive Income for year ended 31 March 2013

	NOTE	2012-13 £000	2011-12 £000
Gross employee benefits	10.1	**(236,155)**	(236,844)
Other costs	8	**(130,845)**	(114,341)
Revenue from patient care activities	5	**326,137**	325,154
Other Operating revenue	6	**41,621**	42,662
Operating surplus/(deficit)		**758**	16,631
Investment revenue	12	**47**	28
Other gains and (losses)	13	**179**	40
Finance Costs	14	**(1,062)**	(786)
Surplus/(deficit) for the financial year		**(78)**	15,913
Public dividend capital dividends payable		**(7,184)**	(7,106)
Retained surplus/(deficit) for the year		**(7,262)**	8,807

Other Comprehensive Income

Impairments and reversals	**(4,494)**	0
Net gain on revaluation of property, plant & equipment	**11,064**	3,388
Total comprehensive income for the year*	**(692)**	12,195

* This sums the rows above and the surplus / (deficit) for the year before adjustments for PDC dividend and absorption accounting

Reported NHS financial performance position

Retained surplus/(deficit) for the year	**(7,262)**	8,807
Impairments/(reversals of impairments)	**13,087**	(4,125)
Add adjustment in respect of donated assets	**(791)**	668
Adjusted retained surplus	**5,034**	5,350
PDC dividend: balance receivable/(payable) at 31 March 2013	**130**	(251)

The notes on pages 5 to 34 form part of this account.

Statement of Financial Position as at 31 March 2013

	NOTE	31 March 2013 £000s	31 March 2012 £000s
Non-current assets:			
Property, plant and equipment	15	**241,139**	250,180
Intangible assets	16	**1,413**	1,271
Trade and other receivables	22.1	**0**	517
Total non-current assets		**242,552**	251,968
Current assets:			
Inventories	21	**6,060**	4,979
Trade and other receivables	22.1	**16,168**	19,669
Cash and cash equivalents	26	**12,528**	7,738
Total current assets		**34,756**	32,386
Non-current assets held for sale	27	**0**	600
Total current assets		**34,756**	32,986
Total assets		**277,308**	284,954
Current liabilities			
Trade and other payables	28	**(26,921)**	(29,151)
Provisions	35	**(640)**	(543)
Borrowings	30	**(239)**	(451)
Working capital loan from Department	30	**(2,421)**	(3,655)
Capital loan from Department	30	**(900)**	(900)
Total current liabilities		**(31,121)**	(34,700)
Non-current assets plus/less net current assets/liabilities		**246,187**	250,254
Non-current liabilities			
Provisions	35	**(2,574)**	(2,397)
Borrowings	30	**(2,493)**	(2,724)
Working capital loan from Department	30	**(2,413)**	(4,834)
Capital loan from Department	30	**(13,271)**	(14,171)
Total non-current liabilities		**(20,751)**	(24,126)
Total Assets Employed:		**225,436**	226,128
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**237,785**	237,785
Retained earnings		**(41,082)**	(33,794)
Revaluation reserve		**28,733**	22,137
Total Taxpayers' Equity:		**225,436**	226,128

The notes on pages 5 to 34 form part of this account.

The financial statements on pages 1 to 34 were approved by the Board on 6th June 2013 and signed on its behalf by:

Chief Executive: M G Scaplehorn Date: 6/6/13

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013

	Public Dividend capital	Retained earnings	Revaluation reserve	Total reserves
	£000s	£000s	£000s	£000s
Balance at 1 April 2012	**237,785**	**(33,794)**	**22,137**	**226,128**
Changes in taxpayers' equity for 2012-13				
Retained surplus/(deficit) for the year		(7,262)		**(7,262)**
Net gain / (loss) on revaluation of property, plant, equipment			11,064	**11,064**
Impairments and reversals			(4,494)	**(4,494)**
Transfers between reserves		(26)	26	**0**
Net recognised revenue/(expense) for the year	**0**	**(7,288)**	**6,596**	**(692)**
Balance at 31 March 2013	**237,785**	**(41,082)**	**28,733**	**225,436**
Balance at 1 April 2011	237,383	(42,700)	18,848	213,531
Changes in taxpayers' equity for the year ended 31 March 2012				
Retained surplus/(deficit) for the year		8,807		8,807
Net gain / (loss) on revaluation of property, plant, equipment			3,388	3,388
Transfers between reserves		99	(99)	0
New PDC Received	402			402
Net recognised revenue for the year	402	8,906	3,289	12,597
Balance at 31 March 2012	237,785	(33,794)	22,137	226,128

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2013

	2012-13	2011-12
	£000s	£000s
Cash Flows from Operating Activities		
Operating Surplus/Deficit	**758**	16,631
Depreciation and Amortisation	**14,197**	14,818
Impairments and Reversals	**13,087**	(4,125)
Donated Assets received credited to revenue but non-cash	**(1,785)**	(495)
Interest Paid	**(1,001)**	(709)
Dividend (Paid) / Refunded	**(7,565)**	(6,950)
(Increase)/Decrease in Inventories	**(1,081)**	(488)
(Increase)/Decrease in Trade and Other Receivables	**5,159**	5,146
(Increase)/Decrease in Other Current Assets	**0**	0
Increase/(Decrease) in Trade and Other Payables	**(2,652)**	(9,568)
Provisions Utilised	**(327)**	(465)
Increase/(Decrease) in Provisions	**540**	(260)
Net Cash Inflow/(Outflow) from Operating Activities	**19,330**	13,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	**47**	28
(Payments) for Property, Plant and Equipment	**(9,669)**	(17,352)
(Payments) for Intangible Assets	**(48)**	(31)
Proceeds of disposal of assets held for sale (PPE)	**40**	65
Net Cash Inflow/(Outflow) from Investing Activities	**(9,630)**	(17,290)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	**9,700**	(3,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital Received	**0**	402
Loans received from DH - New Capital Investment Loans	**0**	13,309
Loans repaid to DH - Capital Investment Loans Repayment of Principal	**(900)**	(247)
Loans repaid to DH -Revenue Support Loans	**(3,655)**	(4,020)
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	**(355)**	(277)
Net Cash Inflow/(Outflow) from Financing Activities	**(4,910)**	9,167
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4,790**	5,412
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**7,738**	2,326
Cash and Cash Equivalents (and Bank Overdraft) at year end	**12,528**	7,738

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012-13 NHS 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.
Comments are made within the following notes:
5 - Revenue from patient care activities
8 - Operating expenses (excluding employee benefits)
10.5 - Pension costs
15.3 - Property, plant and equipment - Valuation
21 - Inventories
22.1 - Trade and other receivables
22.3 - Provision for impairment of receivables
28 - Trade and other payables
35 - Provisions

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.

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

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.

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. Further information is on pension costs is disclosed in Note 10.5.

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. From 1 April 2008, HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

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

The carrying value of fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value. Assets not of sufficiently low value and/or not having sufficiently short lives for depreciated replacement cost to be materially the same as fair value, are indexed.

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

Subsequent expenditure

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

1.8 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 £5,000.

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 but is recognised as an operating expense in the period in which it is incurred.

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

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

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.

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.10 Donated assets
Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

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

1.11 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

1.12 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

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

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

1.13 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.

1.14 Cash and cash equivalents

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

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

1.15 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 is as follows in real terms for general provisions and 2.35% for employee early departure obligations:

Timing of Cash Flows	Real Rate
0 to 5 years inclusive	Minus 1.80%
6 to 10 years inclusive	Minus 1.00%
Over 10 years	Plus 2.20%

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

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

1.16 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.

1.17 Non-clinical risk pooling

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

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

1.18 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.

1.19 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.

Available for sale financial assets

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

Loans and receivables

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

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

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

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

1.20 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.

1.21 Value Added Tax

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

1.22 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 44 to the accounts.

1.23 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.

1.24 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).

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

1.25 Subsidiaries

For 2010-11 and 2011-12 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

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.

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

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

2. Pooled Budget

The Trust does not operate any pooled budgets.

3. Operating segments

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

The majority of income is received from Primary Care Trusts and for 2012/13 totals **£318.371m.**

4. Income generation activities

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

Summary Table - aggegate of all schemes that individually have a cost exceeding £1m	**2012-13 £000s**	2011-12 £000s
Income	**1,438**	930
Full cost	**1,340**	**1,226**
Surplus/(deficit)	**98**	**(296)**

Catering Scheme		
Income	1,438	930
Full cost	1,340	1,226
Surplus/(deficit)	**98**	**(296)**

5. Revenue from patient care activities

	2012-13 £000s	2011-12 £000s
NHS Trusts	**528**	182
Primary Care Trusts - tariff	**215,668**	222,318
Primary Care Trusts - non-tariff	**85,255**	76,947
Primary Care Trusts - market forces factor	**17,448**	17,987
NHS other	**63**	59
Non-NHS:		
Private patients	**5,980**	6,177
Overseas patients (non-reciprocal)	**50**	18
Injury costs recovery	**1,052**	1,341
Other	**93**	125
Total Revenue from patient care activities	**326,137**	325,154

Injury cost recovery income is subject to a provision for impairment of receivables of 12.6% (11/12: 10.5%) to reflect expected rates of collection. The percentage is reviewed annually and is as advised by the Department of Health.

Revenue from patient care services includes income accrued for activity where data was not available at year end. Wherever possible reference is made back to final data but estimates and assumptions are applied in order to ensure the completeness of income reported.

The level of estimates was comparatively low as income was agreed with the Trust's three main commissioners. For example, the amount for non-contracted activity for which year-end income was estimated was £31k. Any variation in outcome compared to the estimates used are accounted for in the next financial year.

6. Other operating revenue

	2012-13 £000s	2011-12 £000s
Recoveries in respect of employee benefits	**58**	0
Patient transport services	**0**	8
Education, training and research	**18,170**	18,477
Receipt of donations for capital acquisitions - NHS Charity	**1,785**	495
Non-patient care services to other bodies	**15,734**	17,948
Income generation	**2,970**	3,625
Other revenue	**2,904**	2,109
Total Other Operating Revenue	**41,621**	42,662
Total operating revenue	**367,758**	367,816

7. Revenue

	2012-13 £000	2011-12 £000
From rendering of services	**363,808**	363,692
From sale of goods	**3,950**	3,631

8. Operating expenses (excluding employee benefits)

	2012-13 £000s	2011-12 £000s
Services from other NHS trusts	**3,818**	6,812
Services from PCTs	**1,399**	473
Services from other NHS bodies	**62**	47
Services from foundation trusts	**2,969**	2,864
Trust Chair and Non-executive Directors	**59**	55
Supplies and services - clinical	**58,550**	58,492
Supplies and services - general	**3,970**	3,814
Consultancy services	**430**	706
Establishment	**5,360**	4,822
Transport	**312**	435
Premises	**12,580**	11,960
Impairments and Reversals of Receivables	**120**	(52)
Depreciation	**13,587**	14,130
Amortisation	**610**	688
Impairments and reversals of property, plant and equipment	**13,087**	(4,125)
Audit fees	**114**	192
Other auditor's remuneration	**0**	157
Clinical negligence	**7,764**	7,056
Research and development (excluding staff costs)	**3,436**	3,673
Education and Training	**444**	866
Change in Discount Rate	**109**	
Other	**2,065**	1,276
Total Operating expenses (excluding employee benefits)	**130,845**	114,341

Operating expenses includes expenditure accrued for which no invoice had been received by year end. In some cases it is necessary to use estimates based on knowledge of goods and services received. Wherever possible reference is made back to the value of orders but estimates and assumptions are applied in order to ensure the completeness of expenditure reported.

The level of expenditure accruals at year end was £8,809k. Any variation in outcome compared to the estimates used are accounted for in the next financial year. These estimates and assumptions are consistent with the previous year.

Employee benefits		
Employee benefits excluding Board members	**235,200**	235,786
Board members	**955**	1,058
Total employee benefits	**236,155**	236,844
Total operating expenses	**367,000**	351,185

9 Operating Leases

9.1 Trust as lessee

	Land £000s	Buildings £000s	Other £000s	2012-13 Total £000s	2011-12 £000s
Payments recognised as an expense					
Minimum lease payments	0	0	29	**29**	32
	0	**0**	**29**	**29**	32
Payable:					
No later than one year	0	0	30	**30**	34
Between one and five years	0	0	102	**102**	137
After five years	0	0	127	**127**	172
Total	**0**	**0**	**259**	**259**	343

9.2 Trust as lessor

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

10 Employee benefits and staff numbers

10.1 Employee benefits

	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	**200,773**	179,907	20,866
Social security costs	**15,461**	14,523	938
Employer Contributions to NHS BSA - Pensions Division	**19,890**	18,683	1,207
Termination Benefits	**259**	259	0
Total employee benefits	**236,383**	**213,372**	**23,011**
Less recoveries in respect of employee benefits (table below)	**(58)**	(58)	0
Total - Net Employee Benefits including capitalised costs	**236,325**	**213,314**	**23,011**
Employee costs capitalised	**228**	228	0
Gross Employee Benefits excluding capitalised costs	**236,155**	**213,144**	**23,011**
Employee Benefits 2012-13 - income			
Termination Benefits	**58**	58	0
TOTAL excluding capitalised costs	**58**	**58**	**0**

	Total £000s	Permanently employed £000s	Other £000s
Gross Employee Benefits & Net expenditure 2011-12			
Salaries and wages	201,583	178,791	22,792
Social security costs	14,862	13,891	971
Employer Contributions to NHS BSA - Pensions Division	20,391	19,060	1,331
Termination benefits	8	8	0
TOTAL - including capitalised costs	236,844	211,750	25,094
Employee costs capitalised	0		
Net Employee Benefits excluding capitalised costs	236,844		

10.2 Staff Numbers

	2012-13 Total Number	Permanently employed Number	Other Number	2011-12 Total Number
Average Staff Numbers				
Medical and dental	**707**	674	33	705
Ambulance staff	**0**	0	0	0
Administration and estates	**1,052**	969	83	1,019
Healthcare assistants and other support staff	**1,650**	1,408	242	1,675
Nursing, midwifery and health visiting staff	**1,825**	1,644	181	1,818
Nursing, midwifery and health visiting learners	**0**	0	0	0
Scientific, therapeutic and technical staff	**728**	702	26	739
Social Care Staff	**0**	0	0	0
Other	**4**	4	0	6
TOTAL	**5,966**	**5,401**	**565**	5,962
Of the above - staff engaged on capital projects	**4**	4	0	0

10.3 Staff Sickness absence and ill health retirements

	2012-13 Number	2011-12 Number
Total Days Lost	46,465	44,149
Total Staff Years	5,403	5,395
Average working Days Lost	9	8

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	**4**	9

	£000s	£000s
Total additional pensions liabilities accrued in the year	**246**	938

10.4 Exit Packages agreed in 2012-13

	2012-13			2011-12		
Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	0	0	0	0	0	0
£10,001-£25,000	2	0	2	1	0	1
£25,001-£50,000	1	0	1	0	0	0
£50,001-£100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost	**3**	**0**	**3**	1	0	1
Total resource cost (£)	**56,051**	**0**	**56,051**	11,000	0	11,000

This note provides an analysis of Exit Packages agreed during the year. Redundancy and other departure costs have been paid in accordance with the provisions of the Agenda for Change Terms and Conditions. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

10.5 Pension costs

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

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

a) Accounting valuation
A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

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

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

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

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

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

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

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

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

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

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

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

11 Better Payment Practice Code

11.1 Measure of compliance

	2012-13 Number	2012-13 £000s	2011-12 Number	2011-12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**101,866**	**96,491**	97,129	99,379
Total Non-NHS Trade Invoices Paid Within Target	**97,723**	**90,073**	93,123	96,309
Percentage of NHS Trade Invoices Paid Within Target	**95.93%**	**93.35%**	95.88%	96.91%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,922**	**28,067**	4,609	32,209
Total NHS Trade Invoices Paid Within Target	**2,671**	**17,765**	2,508	16,420
Percentage of NHS Trade Invoices Paid Within Target	**68.10%**	**63.29%**	54.42%	50.98%

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

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

	2012-13 £000s	2011-12 £000s
Amounts included in finance costs from claims made under this legislation	**0**	1
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**0**	1

12 Investment Income

	2012-13 £000s	2011-12 £000s
Interest Income		
Bank interest	**47**	28
Total investment income	**47**	28

13 Other Gains and Losses

	2012-13 £000s	2011-12 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	**(15)**	40
Gain (Loss) on disposal of assets held for sale	**194**	0
Total	**179**	40

14 Finance Costs

	2012-13 £000s	2011-12 £000s
Interest		
Interest on loans and overdrafts	**828**	501
Interest on obligations under finance leases	**173**	211
Interest on late payment of commercial debt	**0**	1
Total interest expense	**1,001**	713
Provisions - unwinding of discount	**61**	73
Total	**1,062**	786

15.1 Property, plant and equipment

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2012	**41,283**	**239,278**	**9,883**	**19,036**	**54,057**	**264**	**9,397**	**1,913**	**375,111**
Additions of Assets Under Construction				**3,673**					**3,673**
Additions Purchased	0	5,507	0		911	0	0	0	**6,418**
Additions Donated	0	757	0	0	796	0	0	140	**1,693**
Additions Government Granted	0	0	0	0	0	0	0	0	**0**
Additions Leased	0	0	0		0	0	0	0	**0**
Reclassifications	0	17,587	0	(19,730)	1,060	0	379	0	**(704)**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(783)	0	0	0	**(783)**
Upward revaluation/positive indexation	1,403	8,044	1,467	0	227	0	0	0	**11,141**
Impairments/negative indexation	(2)	(4,038)	(454)	0	0	0	0	0	**(4,494)**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**42,684**	**267,135**	**10,896**	**2,979**	**56,268**	**264**	**9,776**	**2,053**	**392,055**
Depreciation									
At 1 April 2012	**1,795**	**77,421**	**2,311**	**0**	**34,789**	**210**	**7,114**	**1,291**	**124,931**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	**0**
Disposals other than for sale	0	0	0	0	(766)	0	0	0	**(766)**
Upward revaluation/positive indexation	0	0	0	0	77	0	0	0	**77**
Impairments	1,673	18,559	767	0	0	0	0	0	**20,999**
Reversal of Impairments	(974)	(6,938)	0	0	0	0	0	0	**(7,912)**
Charged During the Year	0	8,553	156	0	3,817	18	861	182	**13,587**
At 31 March 2013	**2,494**	**97,595**	**3,234**	**0**	**37,917**	**228**	**7,975**	**1,473**	**150,916**
Net Book Value at 31 March 2013	**40,190**	**169,540**	**7,662**	**2,979**	**18,351**	**36**	**1,801**	**580**	**241,139**
Purchased	40,142	159,660	7,662	2,979	15,790	36	1,796	464	**228,529**
Donated	48	9,880	0	0	2,561	0	5	116	**12,610**
Total at 31 March 2013	**40,190**	**169,540**	**7,662**	**2,979**	**18,351**	**36**	**1,801**	**580**	**241,139**
Asset financing:									
Owned	40,190	169,540	5,702	2,979	17,508	36	1,801	580	**238,336**
Held on finance lease	0	0	1,960	0	843	0	0	0	**2,803**
Total at 31 March 2013	**40,190**	**169,540**	**7,662**	**2,979**	**18,351**	**36**	**1,801**	**580**	**241,139**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	4,783	14,339	1,172	0	1,813	0	0	30	**22,137**
Movements relating to revaluation and impairment	526	4,907	1,013	0	150	0	0	0	**6,596**
At 31 March 2013	**5,309**	**19,246**	**2,185**	**0**	**1,963**	**0**	**0**	**30**	**28,733**

Additions to Assets Under Construction in 2012-13

	£000's
Buildings excl Dwellings	2,784
Plant & Machinery	889
Balance as at YTD	**3,673**

15.2 Property, plant and equipment prior-year

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2011	41,672	236,490	9,883	3,807	49,585	264	9,172	1,837	352,710
Additions - purchased	0	(101)	0	15,686	1,671	0	258	76	17,590
Additions - donated	0	0	0	146	349	0	0	0	495
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	397	0	(603)	134	0	(2)	0	(74)
Reclassifications as Held for Sale and reversals	(389)	(211)	0	0	0	0	0	0	(600)
Disposals other than by sale	0	0	0	0	(362)	0	(31)	0	(393)
Revaluation & indexation gains	0	2,703	0	0	2,680	0	0	0	5,383
At 31 March 2012	41,283	239,278	9,883	19,036	54,057	264	9,397	1,913	375,111
Depreciation									
At 1 April 2011	1,795	73,023	1,356		29,779	181	6,048	1,118	113,300
Disposals other than for sale	0	0	0		(343)	0	(25)	0	(368)
Upward revaluation/positive indexation	0	638	0		1,356	0	0	0	1,994
Impairments	0	455	0	0	0	0	0	0	455
Reversal of Impairments	0	(4,530)	0	0	(50)	0	0	0	(4,580)
Charged During the Year	0	7,835	955	0	4,047	29	1,091	173	14,130
At 31 March 2012	1,795	77,421	2,311	0	34,789	210	7,114	1,291	124,931
Net book value at 31 March 2012	39,488	161,857	7,572	19,036	19,268	54	2,283	622	250,180
Purchased	39,440	152,617	7,572	18,890	16,831	54	2,275	542	238,221
Donated	48	9,240	0	146	2,437	0	8	80	11,959
Government Granted	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	39,488	161,857	7,572	19,036	19,268	54	2,283	622	250,180
Asset financing:									
Owned	39,488	161,857	5,572	17,740	19,268	54	2,283	622	246,884
Held on finance lease	0	0	2,000	1,296	0	0	0	0	3,296
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	39,488	161,857	7,572	19,036	19,268	54	2,283	622	250,180

15.3 Property, plant and equipment

The donated asset additions were provided by public donation and included contributions from the Love Your Hospital charity and the hospitals' Friends organisations.

Valuation
A full valuation of the estate was conducted on 31st March 2013, by the District Valuer, using the Modern Equivalent Asset (MEA) valuation method.

For plant and machinery, assumptions regarding applicability from the Health Service Cost Index are made in the absence of more specific valuation. The change in carrying value arising from the application of this index (1.49%) is £150k. This approach is as for past years.

Further information on valuation is set out within the accounting policies (see 1.7).

Asset Lives
Buildings (excl. dwellings): 1 to 90 years
Dwellings: 19 to 84 years
Plant & Machinery: 0 to 34 years
Transport Equipment: 2 years (minimum and maximum)
Information Technology: 0 to 34 years
Furniture & Fittings: 0 to 34 years

The above asset lives are the remaining economic lives attributable to specific non-current assets within each class. A revaluation exercise on buildings and dwellings was carried out by the Valuation Office Agency. For these assets, the remaining asset lives have been assigned as per their report. For other assets, as in previous years, the original life is estimated at the time of purchase using available information. These asset lives determine the depreciation value in any one period.

For any over-estimation of asset life, depreciation will be understated on an annual basis creating a charge to the Statement of Comprehensive Income in the year of disposal. For any under-estimation of asset life, depreciation will be overstated until the asset has no carrying value, even if in use.

Impairments
Details on the accounting for impairments and reversal are set out in Note 17.

Land
Land underlying or associated with dwellings was valued at £3,255k as at 31st March 2013.

16.1 Intangible non-current assets

2012-13	Software purchased
	£000's
At 1 April 2012	**4,425**
Additions - purchased	48
Reclassifications	704
At 31 March 2013	**5,177**
Amortisation	
At 1 April 2012	**3,154**
Charged during the year	610
At 31 March 2013	**3,764**
Net Book Value at 31 March 2013	**1,413**
Net book value at 31 March 2013 comprises:	
Purchased	1,378
Donated	35
Total at 31 March 2013	**1,413**

There is no revaluation reserve for intangible assets (2011/12 : £nil)

16.2 Intangible non-current assets prior year

2011-12	Software purchased
	£000s
Cost or valuation:	
At 1 April 2011	4,333
Additions - purchased	31
Reclassifications	74
Disposals other than by sale	(13)
At 31 March 2012	4,425
Amortisation	
At 1 April 2011	2,475
Disposals other than by sale	(9)
Charged during the year	688
At 31 March 2012	3,154
Net book value at 31 March 2012	1,271
Net book value at 31 March 2012 comprises:	
Purchased	1,271
Total at 31 March 2012	1,271

There is no revaluation reserve for intangible assets (2010/11 : £nil)

16.3 Intangible non-current assets

All intangible assets relate to purchased software and are carried at cost less depreciation, using an estimated economic life of 5 years and as such are not revalued. The remaining lives of these assets range from 0 to 5 years.

17 Analysis of impairments and reversals recognised in 2012-13

	2012-13 Total £000s
Changes in market price	13,087
Total charged to Annually Managed Expenditure	**13,087**
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve	
Changes in market price	4,494
Total impairments for PPE charged to reserves	**4,494**
Total Impairments of Property, Plant and Equipment	**17,581**
Total Impairments charged to Revaluation Reserve	**4,494**
Total Impairments charged to SoCI - DEL	**0**
Total Impairments charged to SoCI - AME	**13,087**
Overall Total Impairments	**17,581**
Of which:	
Impairment on revaluation to "modern equivalent asset" basis	0
Donated and Gov Granted Assets, included above	
PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL	0

18 Investment property

The Trust does not hold any investment properties (2011/12 : £nil)

19 Commitments

19.1 Capital commitments

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

	31 March 2013 £000s	31 March 2012 £000s
Property, plant and equipment	**1,045**	1,686
Intangible assets	**0**	0
Total	**1,045**	1,686

19.2 Other financial commitments

The Trust has no non-cancellable contracts. (31 March 2012: £nil)

20 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	3,621	0	5,464	0
Balances with Local Authorities	0	0	0	0
Balances with NHS bodies outside the Departmental Group	170	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,791	0	1,473	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	8,586	0	19,984	0
At 31 March 2013	**16,168**	**0**	**26,921**	**0**
prior period:				
Balances with other Central Government Bodies	5,688	0	1,328	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,554	518	1,670	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	11,427	(1)	26,153	0
At 31 March 2012	**19,669**	**517**	**29,151**	**0**

21 Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Other £000s	Total £000s
Balance at 1 April 2012	2,033	2,697	153	96	**4,979**
Additions	25,650	27,976	5	2,080	**55,711**
Inventories recognised as an expense in the period	(25,390)	(27,147)	(21)	(2,072)	**(54,630)**
Balance at 31 March 2013	2,293	3,526	137	104	**6,060**

As stated in Note 1.13, the use of the first-in first-out cost formula to value inventories is considered to be a reasonable approximation to fair value due to the high turnover of stocks. This approach is consistent with previous year.

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
NHS receivables - revenue	**6,088**	7,059	**0**	517
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**1,208**	1,184	**0**	0
Non-NHS receivables - revenue	**2,819**	3,040	**0**	0
Non-NHS receivables - capital	**760**	0	**0**	0
Non-NHS prepayments and accrued income	**3,071**	6,420	**0**	0
Provision for the impairment of receivables	**(780)**	(660)	**0**	0
VAT	**116**	46	**0**	0
Other receivables	**2,886**	2,580	**0**	0
Total	**16,168**	19,669	**0**	517
Total current and non current	**16,168**	20,186		
Included in NHS receivables are prepaid pension contributions:	**0**	0		

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.

As stated in Note 5, some accrued income is based on estimates in order to ensure the completeness of income reported. This occurred at year end so the level of trade and other receivables will reflect the same value. Any variation in outcome compared to the estimates used are accounted for in the next financial year. This approach is consistent with the previous year.

22.2 Receivables past their due date but not impaired

	31 March 2013 £000s	31 March 2012 £000s
By up to three months	**1,896**	1,948
By three to six months	**350**	374
By more than six months	**2,415**	2,091
Total	**4,661**	4,413

22.3 Provision for impairment of receivables

	2012-13 £000s	2011-12 £000s
Balance at 1 April 2012	**(660)**	(775)
Amount written off during the year	**0**	63
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(120)**	52
Balance at 31 March 2013	**(780)**	**(660)**

The provision is for non NHS debtors only. A provision of 12.6% (11/12: 10.5%) has been applied to injury cost recovery income due in line with national recommendations on provision setting. For other debts, provision for bad debts has been made based on the age of the debt as at the end of the financial year.

The impact of any over or under provision will be accounted for in the next financial year and be determined on the outcome of recovery. The basis for this provision is consistent with the previous year.

23 NHS LIFT investments

The Trust had no LIFT investments at year end (31 March 2012: £nil)

24 Other Financial Assets - Current

The Trust had no other financial non current assets at year end (31 March 2012: £nil)

25 Other current assets

The Trust had no other current assets at year end (31 March 2012 : £nil)

26 Cash and Cash Equivalents

	31 March 2013	31 March 2012
	£000s	£000s
Opening balance	**7,738**	2,326
Net change in year	**4,790**	5,412
Closing balance	**12,528**	7,738
Made up of		
Cash with Government Banking Service	**11,924**	7,724
Commercial banks	**588**	14
Cash in hand	**16**	0
Cash and cash equivalents as in statement of financial position	**12,528**	7,738
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**12,528**	7,738
Patients' money held by the Trust, not included above	**18**	16

27 Non-current assets held for sale

	Land	**Buildings, excl. dwellings**	**Total**
	£000s	**£000s**	**£000s**
Balance at 1 April 2012	389	211	**600**
Less assets sold in the year	(389)	(211)	**(600)**
Balance at 31 March 2013	**0**	**0**	**0**
Liabilities associated with assets held for sale at 31 March 2013	**0**	**0**	**0**
Balance at 1 April 2011	0	0	0
Plus assets classified as held for sale in the year	389	211	600
Balance at 31 March 2012	389	211	600

28 Trade and other payables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
NHS payables - revenue	**1,416**	2,998	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**474**	0	**0**	0
Non-NHS payables - revenue	**6,818**	6,538	**0**	0
Non-NHS payables - capital	**1,228**	806	**0**	0
Non-NHS accruals and deferred income	**8,433**	15,491	**0**	0
Social security costs	**2,349**	0		
Tax	**2,666**	0		
Other	**3,537**	3,318	**0**	0
Total	**26,921**	29,151	**0**	0
Total payables (current and non-current)	**26,921**	29,151		
Included above:				
to Buy Out the Liability for Early Retirements Over 5 Years	0	0		
number of Cases Involved (number)	0	0		
outstanding Pension Contributions at the year end	2,698	2,407		

Any estimation method used is selected based on the nature of the expense. The primary estimation methods are the use of contracted sums to for outstanding invoices or estimation based on average payments in prior periods.

The level of expenditure accruals at year end was £8,809k. Any variation in outcome compared to the estimates used are accounted for in the next financial year. These estimates and assumptions are consistent with the previous year.

29 Other liabilities

The Trust had no other liabilities at year end (31 March 2012: £nil)

30 Borrowings

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	**31 March 2013 £000s**	31 March 2012 £000s
Loans from Department of Health	**3,321**	4,555	**15,684**	19,005
Finance lease liabilities	**239**	451	**2,493**	2,724
Total	**3,560**	5,006	**18,177**	21,729
Total borrowings (current and non-current)	**21,737**	26,735		

Repayment of principal falling due in:

			31 March 2013
	Department of Health £000s	**Other (Finance leases) £000s**	**Total £000s**
0-1 years	3,321	239	**3,560**
1 - 2 Years	3,313	57	**3,370**
2 - 5 Years	2,700	103	**2,803**
Over 5 Years	9,671	2,333	**12,004**
TOTAL	**19,005**	**2,732**	**21,737**

31 Other financial liabilities

The Trust had no other financial liabilities at year ending 31st March 2013 (at 31st March 2012 : £nil)

32 Deferred income

	Current		Non-current	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2012	**58**	1,543	**0**	0
Deferred income addition	**41**	0	**0**	0
Transfer of deferred income	**0**	(1,485)	**0**	0
Current deferred Income at 31 March 2013	**99**	58	**0**	0
Total deferred income (current and non-current)	**99**	58		

33 Finance lease obligations as lessee

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 (Buildings)	**Minimum lease payments**		**Present value of minimum lease**	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000s	£000s	**£000s**	£000s
Within one year	**158**	146	**1**	1
Between one and five years	**632**	585	**3**	3
After five years	**11,665**	10,932	**2,075**	2,076
Less future finance charges	**(10,376)**	(9,583)		
Present value of minimum lease payments	**2,079**	2,080	**2,079**	2,080
Included in:				
Current borrowings			**1**	1
Non-current borrowings			**2,078**	2,079
			2,079	2,080

Amounts payable under finance leases (Other)	**Minimum lease payments**		**Present value of minimum lease**	
	31 March 2013	31 March 2012	**31 March 2013**	31 March 2012
	£000s	£000s	**£000s**	£000s
Within one year	**263**	489	**238**	450
Between one and five years	**223**	428	**157**	353
After five years	**295**	344	**258**	292
Less future finance charges	**(128)**	(166)		
Present value of minimum lease payments	**653**	1,095	**653**	1,095
Included in:				
Current borrowings			**238**	450
Non-current borrowings			**415**	645
			653	1,095

	31 March 2013	31 March 2012
Finance leases as lessee	**£000s**	£000s
Contingent Rents Recognised as an Expense	**(97)**	(88)

34 Finance lease receivables as lessor

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

35 Provisions

	Total	Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Redundancy	Other
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	**2,940**	80	1,273	275	69	1,243
Arising During the Year	**633**	4	61	119	272	177
Utilised During the Year	**(327)**	(7)	(119)	(97)	(11)	(93)
Reversed Unused	**(202)**	0	0	(145)	(57)	0
Unwinding of Discount	**61**	2	30	0	0	29
Change in Discount Rate	**109**	3	40	0	0	66
Balance at 31 March 2013	**3,214**	**82**	**1,285**	**152**	**273**	**1,422**
Expected Timing of Cash Flows:						
No Later than One Year	**640**	7	119	152	273	89
Later than One Year and not later than Five Years	**795**	26	433	0	0	336
Later than Five Years	**1,779**	49	733	0	0	997

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

As at 31 March 2013	**34,138**
As at 31 March 2012	26,658

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. By their very nature, provisions are estimates, though informed. For the calculation of pension and injury benefit liabilities, government actuary figures for expected mortality have been used and for legal claims, data provided by the NHS Litigation Authority.

Any variation in outcome compared to the provisions are accounted for in the next financial year.

The back to back arrangement with NHS West Sussex ceased at the end of March 2013 when a payment was received from them for the amount of £559k, matching the provision under this arrangement.

Other provisions relate to injury benefits administered by the NHS Business Services Authority.

The approach to provisions is consistent with past years.

£34,138k is included in the provisions of the NHS Litigation Authority at 31 March 2013 in respect of clinical negligence liabilities of the Trust (31st March 2012: £26,658k).

36 Contingencies

	31 March 2013	31 March 2012
	£000s	£000s
Contingent liabilities		
Legal Claims (not probable)	**(73)**	(68)
Net Value of Contingent Liabilities	**(73)**	(68)

Contingent Assets

The Trust did not have any contingent assets at year end (31st March 2012: £nil)

37 Financial Instruments

37.1 Financial risk management

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

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.

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 2013 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.

37.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	0			**0**
Receivables - NHS		7,296		**7,296**
Receivables - non-NHS		6,949		**6,949**
Cash at bank and in hand		12,528		**12,528**
Other financial assets	0	0	0	**0**
Total at 31 March 2013	**0**	**26,773**	**0**	**26,773**
Embedded derivatives	0			0
Receivables - NHS		8,760		8,760
Receivables - non-NHS		6,801		6,801
Cash at bank and in hand		7,738		7,738
Other financial assets	0	0	0	0
Total at 31 March 2012	0	23,299	0	23,299

37.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	0		**0**
NHS payables		1,890	**1,890**
Non-NHS payables		24,933	**24,933**
Other borrowings		19,005	**19,005**
PFI & finance lease obligations		2,732	**2,732**
Other financial liabilities	0	0	**0**
Total at 31 March 2013	**0**	**48,560**	**48,560**
Embedded derivatives	0		0
NHS payables		2,998	2,998
Non-NHS payables		26,248	26,248
Other borrowings		23,560	23,560
PFI & finance lease obligations		3,175	3,175
Other financial liabilities	0	0	0
Total at 31 March 2012	0	55,981	55,981

38 Events after the end of the reporting period

Decision to dispose part of Southlands Hospital

At its meeting in public on 25th April 2013, the Trust Board approved a Strategic Outline Case for the disposal of part of Southlands Hospital. The Case follows on from the Trust's original plans for the Southlands Hospital site under the Service Redesign for Quality (SRFQ) project that commenced in 2010/11. It is also integral to the Trust's overall Estates strategy in rationalising the estate portfolio and ensuring hospital accommodation is fit for purpose. A copy of the Strategic Outline Case is available in the public Board papers.

The Harness building and immediate appropriate area surrounding it; including the Ridings, Crèche, Warren Browne buildings and energy centre and associated land were declared surplus to requirements. These will be marketed in accordance with the approved ESTATECODE guidance.

At the same time it was agreed to consolidate and develop a service plan for the retained estate and develop a forward plan to consider a new build on the north eastern quadrant of the site.

Other than this, there have been no events to report as happening after the reporting period, either adjusting or non-adjusting.

39 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
	£	£	£	£
J Furmston, Non Executive Director (Note 1)	108,278	0	418	0

Note 1: Transactions between the Trust and BT plc. J Furmston is Director of Group Regulatory Compliance for BT. His wife worked for BT in the department supplying services to the NHS until 1st January 2013.

The Department of Health is regarded as a related party. During the year Western Sussex Hospitals NHT 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	48	1,848	48	100
West Sussex PCT	2,107	306,048	143	2,411
Portsmouth Hospitals NHS Trust	837	2,721	141	1,126
Brighton and Sussex University Hospital	3,030	7,436	526	498
Sussex Community NHS Trust	988	4,588	142	776
Sussex Partnership NHS Foundation Trust	753	3,394	0	961

Western Sussex Hospitals NHS Trust is sole corporate Trustee of Western Sussex Hospitals Charitable Trust, from whom the Trust has received revenue and capital payments. There are no guarantees given or received. No amounts were written off during the year and no provisions made for doubtful debt at year end.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
Western Sussex Hospitals Charitable Trust (Love Your Hospital)	0	1,079	0	142

40. Losses and special payments

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

	Total Value of Cases £	Total Numbe of Cases
Losses	**30,061**	**3**
Special payments	**85,994**	**56**
Total losses and special payments	**116,055**	**59**

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £	Total Numbe of Cases
Losses	62,867	161
Special payments	147,556	65
Total losses and special payments	210,423	226

41. Financial performance targets

41.1 Breakeven performance

	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s
Turnover	346,806	361,593	367,816	**367,758**
Retained surplus/(deficit) for the year	(57,368)	7,001	8,807	**(7,262)**
Adjustments for Impairments	61,506	(1,767)	(4,125)	**13,087**
Adjustments for impact of policy change re donated/government grants assets			668	**(791)**
Break-even in-year position	**4,138**	**5,234**	**5,350**	**5,034**
Break-even cumulative position	**4,138**	**9,372**	**14,722**	**19,756**

	2009-10 %	2010-11 %	2011-12 %	2012-13 %
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	1.45	1.45	**1.37**
Break-even cumulative position as a percentage of turnover	1.19	2.59	4.00	**5.37**

For each year reported, the break-even position has been in excess of 0.5% of turnover. The Trust has been required to generate surpluses of between £3.66m to £4.02m each year to repay working capital loans (see Note 30). It has also sought to improve its longer term liquidity to meet the requirements of Monitor's financial risk rating.

In calculating the break-even performance above, the impact of the change in policy regarding donated assets has been removed.

41.2 Capital cost absorption rate

The dividend payable on public dividend capital is based on the average relevant net assets and therefore the capital cost absorption rate is automatically 3.5%.

41.3 External financing

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

	£000s	**2012-13 £000s**	2011-12 £000s
External financing limit		**(6,834)**	8,861
Cash flow financing	**(9,700)**		3,754
Finance leases taken out in the year	**23**		257
External financing requirement		**(9,677)**	4,011
Undershoot		**2,843**	4,850

The undershoot has arisen from the rescheduling of some capital schemes to early in the next financial year.

41.4 Capital resource limit

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

	2012-13 £000s	2011-12 £000s
Gross capital expenditure	**11,832**	18,116
Less: book value of assets disposed of	**(617)**	(29)
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(1,785)**	(495)
Charge against the capital resource limit	**9,430**	17,592
Capital resource limit	**24,341**	26,878
Underspend against the capital resource limit	**14,911**	9,286

The underspend has arisen from capital schemes being rescheduled to early in the next financial year.

42 Third party assets

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

	31 March 2013 £000s	31 March 2012 £000s
Third party assets held by the Trust	**18**	16

Contact details

Western Sussex Hospitals NHS Trust

St Richard's Hospital	**Worthing Hospital**	**Southlands Hospital**
Spitalfield Lane	Lyndhurst Road	Upper Shoreham Road
Chichester	Worthing	Shoreham-by-Sea
West Sussex	West Sussex	West Sussex
PO19 6SE	BN11 2DH	BN43 6TQ
Main switchboard	Main switchboard	Main switchboard
01243 788122	01903 205111	01903 205111

www.westernsussexhospitals.nhs.uk

We hope you found the Trust's Annual Report and Accounts for 2011-2012 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:

Head of Communications and Engagement
Western Sussex Hospitals NHS Trust
Worthing Hospital
Lyndhurst Road
Worthing
West Sussex
BN11 2DH

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