

# HULL AND EAST YORKSHIRE HOSPITALS TRUST TRUST BOARD

**THURSDAY 25 MAY 2017, THE BOARDROOM, HULL ROYAL INFIRMARY 12PM – 1PM**

## **AGENDA: PART 1 – MEETING TO BE HELD IN PUBLIC**

### **OPENING MATTERS**

- |   |          |                               |
|---|----------|-------------------------------|
| 1. Apologies  | verbal   | Chair                         |
| 2. Annual Governance Report (KPMG)  | attached | Chief Financial Officer       |
| 3. Audited Accounts 2016-17   | attached | Chief Financial Officer       |
| 4. Letter of Representation   | attached | Chief Financial Officer       |
| 5. Annual Report 2016-17  | attached | Director of Corporate Affairs |
| 6. NHS Improvement Self -Assessment   | attached | Director of Corporate Affairs |
| 7. Any Other Business   |          |                               |
| 8. Date and time of the next meeting:<br>Tuesday 6 <sup>th</sup> June 2017, 2pm – 5pm, The Boardroom,<br>Hull Royal Infirmary |          |                               |

### **Attendance 2017/18**

	4/4	2/5	25/5	6/6	4/7	1/8	5/9	3/10	7/11	5/12	Total
T Moran	✓	✓									2/2
C Long	✓	✓									2/2
L Bond	✓	✓									2/2
A Snowden	✓	✓									2/2
M Gore	✓	✓									2/2
S Hall	✓	✓									2/2
M Wright	✓	✓									2/2
K Phillips	✓	✓									2/2
T Sheldon	x	✓									1/2
V Walker	✓	✓									2/2
T Christmas	✓	✓									2/2
E Ryabov	✓	✓									2/2
<b>In Attendance</b>											
J Myers	✓	✓									2/2
S Nearney	✓	✓									2/2
C Ramsay	✓	✓									2/2

## Attendance 2016/17

	28/4	26/5	28/6	28/7	29/9	27/10	24/11	22/12	26/1	7/03	Total
M Ramsden	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
C Long	x	✓	x	✓	✓	✓	✓	✓	✓	✓	8/10
L Bond	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
A Snowden	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
M Gore	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	9/10
S Hall	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
M Wright	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
K Phillips	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	9/10
T Sheldon	✓	✓	x	✓	x	✓	✓	✓	x	✓	7/10
V Walker	x	✓	x	✓	✓	✓	✓	x	✓	✓	7/10
T Christmas	✓	✓	x	✓	✓	✓	✓	✓	x	✓	8/10
E Ryabov	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
<b>In Attendance</b>											
J Myers	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	9/10
L Thomas	✓	✓	✓	✓	✓	✓	✓	-	-	-	7/7
S Nearney	✓	✓	x	x	✓	✓	✓	✓	✓	✓	8/10
C Ramsay	-	-	-	-	-	-	✓	✓	x	✓	3/4

**HULL AND EAST YORKSHIRE HOSPITALS NHS TRUST  
TRUST BOARD 25 MAY 2017  
ANNUAL REPORT AND ACCOUNTS 2016/17**

**1. PURPOSE**

The purpose of this paper is to present the final version of the Annual Accounts to the Trust Board for approval.

**2. AUDIT PROCESS**

The audit has been completed and the deadline for submission of the audit opinion to the Department of Health is 2 June.

The Audit Committee has reviewed the final version of the Accounts and has recommended their adoption by the Board. The Annual Accounts are attached as an appendix to this report.

**3. ANNUAL GOVERNANCE REPORT**

Our auditor KPMG has issued an Annual Governance Report, which details the findings arising from their audit. The report confirms that an unqualified audit opinion will be issued for the Trust's accounts, and an unqualified opinion will be issued for its value for money arrangements. The Audit Committee has noted the content of the report and has considered the adequacy of the response from Management.

A copy of the Annual Governance Report and management's response to the recommendations is attached as an appendix to this paper

**4. RECOMENDATION**

The Trust Board is asked to approve the Annual Accounts for 2016/17

**Lee Bond**  
Chief financial Officer  
25 May 2017

**HULL AND EAST YORKSHIRE HOSPITALS NHS TRUST**

**ANNUAL ACCOUNTS 2016/17**



**Statement of Comprehensive Income for year ended  
31 March 2017**

	NOTE	2016-17 £000s	2015-16 £000s
Gross employee benefits	7	(326,600)	(316,821)
Other operating costs	5	(222,261)	(215,178)
Revenue from patient care activities	3	508,983	496,105
Other operating revenue	4	52,145	30,148
<b>Operating surplus/(deficit) before impairments</b>		<b>12,267</b>	<b>(5,746)</b>
Impairments		0	(6,700)
<b>Operating surplus/(deficit)</b>		<b>12,267</b>	<b>(12,446)</b>
Investment revenue	9	31	55
Other gains and (losses)	10	658	8,300
Finance costs	11	(4,812)	(4,899)
<b>Surplus/(deficit) for the financial year</b>		<b>8,144</b>	<b>(8,990)</b>
Public dividend capital dividends payable		(5,456)	(5,962)
<b>Retained surplus/(deficit) for the year</b>		<b>2,688</b>	<b>(14,952)</b>

**Other Comprehensive Income**

	2016-17 £000s	2015-16 £000s
Net gain/ (loss) revaluations of property, plant and equipment	5,672	(16,270)
<b>Total comprehensive income for the year</b>	<b>8,360</b>	<b>(31,222)</b>

**Financial performance for the year**

Retained surplus/(deficit) for the year	2,688	(14,952)
IFRIC 12 adjustment (including IFRIC 12 impairments)	0	(11,623)
Impairments (excluding IFRIC 12 impairments)	0	18,323
Adjustments in respect of eliminated donated asset reserve	(72)	201
<b>Adjusted retained surplus/(deficit)</b>	<b>2,616</b>	<b>(8,051)</b>

The retained surplus is adjusted for the impact of introducing International Financial Reporting Standards and represents the reported position under UK GAAP.

The notes on pages 5 to 30 form part of this account.

**Statement of Financial Position as at  
31 March 2017**

		31 March 2017	31 March 2016
	NOTE	£000s	£000s
<b>Non-current assets:</b>			
Property, plant and equipment	13	276,720	265,895
Intangible assets	14	2,906	2,163
Investment property	15	9,011	8,371
Trade and other receivables	18	2,691	2,385
<b>Total non-current assets</b>		<u>291,328</u>	<u>278,814</u>
<b>Current assets:</b>			
Inventories	17	12,135	12,392
Trade and other receivables	18	28,129	21,131
Cash and cash equivalents	19	2,971	2,692
<b>Total current assets</b>		<u>43,235</u>	<u>36,215</u>
<b>Total assets</b>		<u>334,563</u>	<u>315,029</u>
<b>Current liabilities</b>			
Trade and other payables	20	(52,424)	(50,282)
Provisions	24	(192)	(233)
Borrowings	21	(1,684)	(1,886)
DH capital loan	21	(1,550)	(1,260)
<b>Total current liabilities</b>		<u>(55,850)</u>	<u>(53,661)</u>
<b>Net current assets/(liabilities)</b>		<u>(12,615)</u>	<u>(17,446)</u>
<b>Total assets less current liabilities</b>		<u>278,713</u>	<u>261,368</u>
<b>Non-current liabilities</b>			
Provisions	24	(708)	(722)
Borrowings	21	(52,331)	(53,987)
DH revenue support loan	21	(19,073)	(13,677)
DH capital loan	21	(18,243)	(15,727)
<b>Total non-current liabilities</b>		<u>(90,355)</u>	<u>(84,113)</u>
<b>Total assets employed:</b>		<u>188,358</u>	<u>177,255</u>
<b>FINANCED BY:</b>			
Public Dividend Capital		211,148	208,405
Retained earnings		(41,693)	(44,381)
Revaluation reserve		18,903	13,231
<b>Total Taxpayers' Equity:</b>		<u>188,358</u>	<u>177,255</u>

The notes on pages 5 to 30 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 25 May 2017 and signed

Chief Executive:

25 May 2017

**Statement of Changes in Taxpayers' Equity  
For the year ending 31 March 2017**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Total reserves £000s
<b>Balance at 1 April 2016</b>	<b>208,405</b>	<b>(44,381)</b>	<b>13,231</b>	<b>177,255</b>
<b>Changes in taxpayers' equity for 2016-17</b>				
Retained surplus/(deficit) for the year		2,688		2,688
Net gain / (loss) on revaluation of property, plant, equipment			5,672	5,672
Temporary and permanent PDC received - cash	2,743			2,743
<b>Net recognised revenue/(expense) for the year</b>	<b>2,743</b>	<b>2,688</b>	<b>5,672</b>	<b>11,103</b>
<b>Balance at 31 March 2017</b>	<b>211,148</b>	<b>(41,693)</b>	<b>18,903</b>	<b>188,358</b>
<b>Balance at 1 April 2015</b>	<b>208,378</b>	<b>(29,429)</b>	<b>29,501</b>	<b>208,450</b>
<b>Changes in taxpayers' equity for the year ended 31 March 2016</b>				
Retained surplus/(deficit) for the year		(14,952)		(14,952)
Net gain / (loss) on revaluation of property, plant, equipment			(16,270)	(16,270)
New PDC received - cash	1,027			1,027
PDC repaid in year	(1,000)			(1,000)
	27	(14,952)	(16,270)	(31,195)
<b>Net recognised revenue/(expense) for the year</b>				
<b>Balance at 31 March 2016</b>	<b>208,405</b>	<b>(44,381)</b>	<b>13,231</b>	<b>177,255</b>

**Information on Reserves**

**Public Dividend Capital** - Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities. Additional PDC may also be issued to NHS trusts by the Department of Health. A charge, reflecting the cost of capital utilised by the NHS foundation trust, is payable to the Department of Health as the public dividend capital dividend.

**Retained Earnings Reserve** - The balance of this reserve is the accumulated surpluses and deficits of the NHS trust.

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

**Statement of Cash Flows for the Year ended 31 March 2017**

	NOTE	2016-17 £000s	2015-16 £000s
<b>Cash Flows from Operating Activities</b>			
Operating surplus/(deficit)		12,267	(12,446)
Depreciation and amortisation	5	11,909	11,666
Impairments and reversals		0	6,700
Donated Assets received credited to revenue but non-cash (Increase)/Decrease in Inventories	4	(583)	(446)
(Increase)/Decrease in Trade and Other Receivables		257	(1,627)
Increase/(Decrease) in Trade and Other Payables		(5,093)	616
Provisions utilised		1,676	7,580
Increase/ decrease in movement in non cash provisions		(173)	(781)
		107	429
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>20,367</b>	<b>11,691</b>
<b>Cash Flows from Investing Activities</b>			
Interest Received		31	55
(Payments) for Property, Plant and Equipment		(17,723)	(12,048)
(Payments) for Intangible Assets		(1,733)	(505)
Proceeds of disposal of assets held for sale (PPE)		33	110
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>(19,392)</b>	<b>(12,388)</b>
<b>Net Cash Inform / (outflow) before Financing</b>		<b>975</b>	<b>(697)</b>
<b>Cash Flows from Financing Activities</b>			
Gross Temporary and Permanent PDC Received		2,743	1,027
Gross Temporary and Permanent PDC Repaid		0	(1,000)
Loans received from DH - New Capital Investment Loans		4,066	0
Loans received from DH - New Revenue Support Loans		13,855	27,677
Loans repaid to DH - Capital Investment Loans Repayment of Principal		(1,260)	(1,260)
Loans repaid to DH - Working Capital Loans/Revenue Support Loans		(8,459)	(14,000)
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI		(1,881)	(2,038)
Interest paid		(4,826)	(4,883)
PDC Dividend (paid)/refunded		(5,512)	(6,270)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)		583	446
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(691)</b>	<b>(301)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>284</b>	<b>(998)</b>
<b>Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period</b>		<b>2,687</b>	<b>3,685</b>
<b>Cash and Cash Equivalents (and Bank Overdraft) at year end</b>	19	<b>2,971</b>	<b>2,687</b>



## 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 Department of Health Group Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2014-15 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 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 Interests in Trading Companies

Interests in trading companies will be carried at market value, where that value can be measured. Where there is no market value available investments will be

#### 1.4 Charitable Funds

Following Treasury's agreement to apply IAS 27 to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the corporate trustee of the linked NHS Charity Hull and East Yorkshire Hospitals NHS Trust General Charitable fund, it effectively has the power to exercise control so as to obtain economic benefits. However the transactions are immaterial in the context of the group and transactions have not been consolidated. Details of the transactions with the charity are included in the related parties' notes.

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

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

The main uses of accounting estimates are in respect of:

- the lives and values of assets (notes 1, 13 and 14)
- provisions needed and the amounts of these (note 25)
- the current value of future costs under PFI and other finance lease contracts (note 28)
- amounts to be accrued as expenditure

Specific details are provided in the notes relating to these items. Where possible the trust makes use of professional skills where critical judgements are required for accounting purposes. These include:

- reliance on the Valuer to assess the value and probable lives of buildings and land, and
  - the use of assessments from the NHS Litigation Authority in making provision for liabilities
- Specific estimates and judgements are detailed separately.

The key assumption about the future is that the Trust continues to be a going concern. This assumption underpins the most significant areas of estimation uncertainty at the end of the reporting period, and if changed would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and other amounts reported in these accounts.

#### 1.6 Revenue Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. 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. 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.

## NOTES TO THE ACCOUNTS

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

#### 1.7 Employee Benefits

##### Short-term employee benefits

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

##### Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

#### 1.8 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.

#### 1.9 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. However there are some circumstances where an individual item with a value of less than £5,000 will be capitalised:
  - where 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.
  - PFI lifecycle costs.

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

##### Valuation

Property, plant and equipment is stated at fair value at the Statement of Financial Position date. Many of the Trust's buildings are of a specialised nature for which there is no readily available market information therefore the buildings are subject to full valuations every five years, with interim valuations also taking place after three years or where the Trust believes there has been an impairment in value. "Housekeeping" valuations are undertaken in between formal valuations where there has been significant capital expenditure.

Assets in the course of construction are valued at cost. Where the construction period spans more than one financial year the buildings are not re-valued until they are brought into use. These assets include land and buildings that are under the control of a contractor. Buildings currently provided by private finance initiative have been brought onto the Statement of Financial Position where they fulfil the criteria of a finance lease as set out in International Accounting Standard 17 (IAS 17). These buildings have been brought on to the Statement of Financial Position at depreciated replacement cost valuation, as determined by the valuers.

Operational equipment is carried at fair value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for fair value. Equipment surplus to requirements is valued at net recoverable amount.

##### 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.

##### Depreciation, amortisation and impairments

Property, plant, and equipment is depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets that are carried on the statement of financial position at a value that is not in excess of their residual value. Depreciation is charged quarterly, commencing in the quarter following the period in which the asset is brought into use. Useful lives are allocated on a per asset basis, within the following parameters and are subject to annual review:

Medical Equipment 5-17 years\*  
Plant and Machinery 5-30 years\*  
Buildings (incl internal fixtures & fittings) 1-88 years  
Transport 5-12 years  
IT Equipment 5-12 years\*



## NOTES TO THE ACCOUNTS

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

\*assets lives listed above do not reflect where assets have fully depreciated, but are still in use and have been brought back on to the Statement of Financial position with an appropriate life, usually 1-2 years.

Assets in the course of construction are not depreciated until the asset is brought into use.

Buildings, installations and fittings are depreciated, based on their fair value, over the remaining life of the asset as advised by the independent Valuer, Cushman and Wakefield. Leaseholds are depreciated over the primary lease term. Equipment is depreciated replacement cost (as a proxy for fair value), evenly over the estimated life of the asset. Impairment losses resulting from changes in price are taken to the revaluation reserve in so far as a balance exists for the impaired asset, with any residual value being charged directly to the Statement of Comprehensive Income. These include impairments resulting from the revaluation of buildings from their cost to their fair value when they become operational.

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 are 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

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 Intangible assets

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. The two main categories of intangible assets are computer software licences and development expenditure. Both are amortised over the shorter of the period of the licence, their useful economic life, or 20 years.

Intangible fixed assets are carried at depreciated historic cost, being a proxy for fair Value. Annual impairment reviews are undertaken where there is an indication that the fair value of intangible assets may have been impaired.

#### Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS trust expects to obtain economic benefits or service potential from the asset. This is specific to the NHS 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 NHS trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

#### 1.11 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.

#### Government grants

Government grant funded assets are capitalised at their fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

#### 1.12 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 the retained earnings reserve. 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.

## NOTES TO THE ACCOUNTS

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

#### 1.13 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

Where the terms of a lease for property plant or equipment fulfil the criteria of a finance lease, under the requirements of IAS17 (and IFRIC 4), the asset is recorded as an asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of Comprehensive Income over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. The same assessment criteria used for property plant and equipment leases, is used for land leases.

#### 1.14 Private Finance Initiative (PFI) transactions

Buildings currently provided by private finance initiative have been brought onto the Statement of Financial Position where they fulfil the criteria of a finance lease as set out in IAS 17, and IFRIC 12. These buildings have been brought on to the Statement of Financial Position at a value determined by the independent valuers, Cushman and Wakefield. The buildings are subject to a depreciation charge on the same basis as non PFI funded assets. The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

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

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs;

##### Services received

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

##### PFI Asset

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

##### PFI liability

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

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income. An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

##### Lifecycle replacement

Contracts for "Private Finance Initiative" assets include provision for the replacement and refurbishment of these assets. These "lifecycle replacement" costs form part of the Unitary Payment. That payment was determined by the contract, and is independent of the actual cost of works to the contractor. The cost of lifecycle maintenance costs to the Trust is the element of the unitary payment allocated for this purpose, and the Trust capitalises this element of the payment in respect of those assets. Assets held under Private Finance Initiative arrangements are revalued annually to ensure that these are carried at fair value, in line with the Trust's policy on valuing non-current assets.

##### Assets contributed by the NHS trust to the operator for use in the scheme

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

#### 1.15 Inventories

Inventory is valued using the AVCO method at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover. Partially completed contracts for patient services are not accounted for as work-in-progress. Where payment for inventory has been deferred, the additional cost of the inventory is recognised as an expense in the Statement of Comprehensive Income.

#### 1.16 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.

#### 1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 1.55% in real terms.



## NOTES TO THE ACCOUNTS

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

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.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### 1.18 Clinical negligence costs

The NHS Litigation Authority (NHS LA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHS LA which in return settles all clinical negligence claims. Although the NHS LA 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 NHS LA on behalf of the Trust is disclosed at note 24.

#### 1.19 Non-clinical risk pooling

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

#### 1.20 Carbon Reduction Commitment Scheme (CRC)

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

#### 1.21 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.

#### 1.22 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.

##### 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 formal valuation. 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.

#### 1.23 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. 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.

#### 1.24 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.

#### 1.25 Foreign currencies

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

#### 1.26 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 35 to the accounts. The Trust benefits from Charitable donations that are held separately to the Trusts own finances. The Trust has opted not to consolidate its charitable funds until such time that they are material to the accounts.

## NOTES TO THE ACCOUNTS

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

#### 1.27 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument. An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

#### 1.28 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)

#### 1.29 Changes in Accounting Policy

The Trust follows the requirements of IAS 8 and adopts a change in accounting policy where:

1. The change is required by an accounting standard or interpretation; or
2. Required by the Department of health or as part of the Treasury FREM; or
3. Results in the financial statements providing reliable and more relevant information about the effects of transactions

Where the change in accounting policy is required by a new IASB standard or interpretation, the change is accounted for as required by that new pronouncement. If the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component of the statement of financial position for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. However, where it is impracticable to determine either the period-specific effects or the cumulative effect of the change for one or more prior periods presented, the new accounting policy will be applied to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable. Where it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the new accounting policy will be applied prospectively from the earliest date practicable.

#### Associates

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

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

#### 1.30 Research and Development

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

#### 1.31 Investment Property

Investment are only recognised where it is probable that future economic benefits will flow to the Trust and the cost can be easily measured. Investments are initially measured at cost and uplifted to fair value as appropriate and in accordance with IAS40. In determining a fair value we take account of a professional valuation or use actual values where, for example, a formal offer has been made.

#### 1.32 Accounting Standards that have been issued but have not yet been adopted

The HM Treasury FREM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FREM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FREM: early adoption is not therefore permitted
- IFRS 15 Revenue from Contracts with Customers – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FREM: early adoption is not therefore permitted
- IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FREM: early adoption is not therefore permitted.



## 2. 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 - both activities	2016-17 £000s	2015-16 £000s
Income	4144	4,043
Full cost	3449	3,640
Surplus/(deficit)	695	403

Staff and Visitor Catering	2016-17 £000s	2015-16 £000s
Income	2568	2,489
Full cost	2565	2,793
Surplus/(deficit)	3	(304)

Parking for Staff and Visitors	2016-17 £000s	2015-16 £000s
Income	1576	1,554
Full cost	884	847
Surplus/(deficit)	692	707

## 3. Revenue from patient care activities

	2016-17 £000s	2015-16 £000s
NHS Trusts	304	209
NHS England	163,268	156,249
Clinical Commissioning Groups	336,797	320,765
Foundation Trusts	2,634	5,303
Department of Health	0	2,961
NHS Other (including Public Health England and Prop Co)	337	1,569
Additional income for delivery of healthcare services	0	2,000
Non-NHS:		
Local Authorities	395	0
Private patients	419	450
Overseas patients (non-reciprocal)	235	180
Injury costs recovery	2,367	2,381
Other Non-NHS patient care income	2,227	4,038
<b>Total Revenue from patient care activities</b>	<b>508,983</b>	<b>496,105</b>

## 4. Other operating revenue

	2016-17 £000s	2015-16 £000s
Recoveries in respect of employee benefits	2,355	1,564
Education, training and research	26,054	21,709
Charitable and other contributions to revenue expenditure -non- NHS	13	0
Receipt of charitable donations for capital acquisitions	583	446
Non-patient care services to other bodies	3,013	2,097
Sustainability & Transformation Fund Income	15,081	
Income generation (Other fees and charges)	5,046	4,332
<b>Total Other Operating Revenue</b>	<b>52,145</b>	<b>30,148</b>
<b>Total operating revenue</b>	<b>561,128</b>	<b>526,253</b>

**5. Operating expenses**

	2016-17 £000s	2015-16 £000s
Purchase of healthcare from non-NHS bodies	9,013	10,104
Trust Chair and Non-executive Directors	78	78
Supplies and services - clinical	128,821	125,934
Supplies and services - general	16,231	14,695
Consultancy services	56	402
Establishment	7,659	6,686
Transport	1,527	1,341
Service charges - ON-SOFP PFIs and other service concession arrangements	1,993	1839
Total charges - Off-SOFP PFIs and other service concession arrangements	81	81
Business rates paid to local authorities	2,929	2834
Premises	19,357	19,059
Hospitality	5	5
Insurance	481	494
Legal Fees	266	358
Impairments and Reversals of Receivables	0	327
Inventories write down	0	0
Depreciation	10,919	11,143
Amortisation	990	523
Internal Audit Fees	125	125
Audit fees	78	78
Other auditor's remuneration (quality accounts)	36	39
Clinical negligence	18,819	17,108
Research and development (excluding staff costs)	542	735
Education and Training	1,502	1,190
Change in Discount Rate	9	0
Other	744	0
<b>Total Operating expenses</b>	<b>222,261</b>	<b>215,178</b>
Impairments and reversals of property plant and equipment	0	6700
	<u>222,261</u>	<u>221,878</u>
<b>Employee Benefits</b>		
Employee benefits excluding Board members	325,543	315,752
Board members	1,057	1,069
<b>Total Employee Benefits</b>	<b>326,600</b>	<b>316,821</b>
<b>Total Operating Expenses</b>	<b>548,861</b>	<b>538,699</b>

\*Services from NHS bodies does not include expenditure which falls into a category below

**6. Operating Leases**

All leases disclosed below are in respect of the Trust as lessee.

Equipment leases are for medical equipment with varying lease terms from 1 to 10 years. Lease payments are fixed.

Any contingent rent is determined according to inflationary increases.

**7.1. Hull and East Yorkshire Hospitals NHS Trust as lessee**

	Buildings £000s	Other £000s	2016-17 Total £000s	2015-16 £000s
<b>Payments recognised as an expense</b>				
Minimum lease payments	81	2,028	2,109	2,671
<b>Payable:</b>				
No later than one year	81	1,850	1,931	1,374
Between one and five years	324	3,271	3,595	2,781
After five years	1,782	741	2,523	2,179
<b>Total</b>	<b>2,187</b>	<b>5,862</b>	<b>8,049</b>	<b>6,334</b>

## 7. Employee benefits

### 7.1 Employee benefits

	2016-17 Total £000s	2015-16 Total £000s
<b>Employee Benefits - Gross Expenditure</b>		
Salaries and wages	273,847	267,982
Social security costs	24,367	20,456
Employer Contributions to NHS BSA - Pensions Division	29,316	29,075
Other pension costs	4	19
Termination benefits	0	918
<b>Total employee benefits</b>	<u>327,534</u>	<u>318,450</u>
<b>Employee costs capitalised</b>	<u>934</u>	<u>1,629</u>
<b>Gross Employee Benefits excluding capitalised costs</b>	<u>326,600</u>	<u>316,821</u>

### 7.2 Retirements due to ill-health

During the year 9 people retired on the grounds of ill health (2015/16 - 13 people). The total of additional pension accruals in respect of ill health retirements is £484k (2015/16 - £664k). Where the Trust has agreed early retirements, the additional costs are met by the NHS Pension Scheme. Ill health retirement costs are met by the NHS Pension scheme and are not included in these accounts.

### 7.3 Pension costs

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

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

#### a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 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. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### b) Full actuarial (funding) valuation

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

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

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

#### c) Local Pension Scheme (NEST)

During the year the Trust paid £27k (2015/16 £29k) to the National Employment Savings Trust on behalf of employees that had opted out of the NHS pension scheme but were automatically enrolled into a workplace pension scheme.



## 8. Better Payment Practice Code

### 8.1 Measure of compliance

	2016-17 Number	2016-17 £000s	2015-16 Number	2015-16 £000s
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	106,459	380,324	106,954	233,731
Total Non-NHS Trade Invoices Paid Within Target	24,388	102,806	93,230	200,385
Percentage of NHS Trade Invoices Paid Within Target	22.91%	27.03%	87.17%	85.73%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	2,651	27,737	3,292	23,250
Total NHS Trade Invoices Paid Within Target	656	5,349	1,235	5,160
Percentage of NHS Trade Invoices Paid Within Target	24.75%	19.28%	37.52%	22.19%

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

### 8.2 The Late Payment of Commercial Debts (Interest) Act 1998

£3,008 was paid to suppliers in respect of claims under this legislation (2015/16 - £nil) and has been included in interest payable

## 9. Investment Revenue

Investment income consists of bank interest earned on short term deposits of surplus funds. During the year £xxx was earned (2015/16 - £54,691)

## 10. Other Gains and Losses

	2016-17 £000s	2015-16 £000s
Gain (Loss) on disposal of assets held for sale	18	78
Change in fair value of investment property	640	8,222
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
<b>Total</b>	<b>658</b>	<b>8,300</b>

## 11. Finance Costs

	2016-17 £000s	2015-16 £000s
<b>Interest</b>		
Interest on loans and overdrafts	905	875
Interest on obligations under finance leases	4	5
Interest on obligations under PFI contracts:	3,889	4,003
Interest on late payment of commercial debt	3	0
<b>Total interest expense</b>	<b>4,801</b>	<b>4,883</b>
Provisions - unwinding of discount	11	16
<b>Total</b>	<b>4,812</b>	<b>4,899</b>

## 12. Auditor Remuneration

### 12.1 Other auditor remuneration

	2016-17 £000s	2015-16 £000s
<b>Other auditor remuneration paid to the external auditor:</b>		
Audit of accounts of any associate of the trust	4	4
Audit-related assurance services	12	11
Taxation compliance services (VAT compliance)	9	13
Other non-audit services not falling within those listed above	11	11
<b>Total</b>	<b>36</b>	<b>39</b>

### 12.2 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2016/17 or 2015/16.

**13.1 Property, plant and equipment**

2016-17

	Land £000's	Buildings excluding dwellings £000's	Assets under construction & payments on account £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Total £000's
<b>Cost or valuation:</b>							
At 1 April 2016	11,718	216,803	5,653	71,878	437	12,046	318,535
Adjustments to opening balances	0	(4,237)		(14,724)	(87)	(112)	(19,160)
<b>Restated opening balances</b>	<b>11,718</b>	<b>212,566</b>	<b>5,653</b>	<b>57,154</b>	<b>350</b>	<b>11,934</b>	<b>299,375</b>
Additions of Assets Under Construction	0	0	7,764	0	0	0	7,764
Additions Purchased	0	0	0	6,481	0	1,259	7,740
Additions - Non Cash Donations (i.e. physical assets)	0	497	0	86	0	0	583
Disposals	0	10,614	(10,614)	(106)	0	0	(106)
Reclassifications	23	5,649	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	<b>11,741</b>	<b>229,326</b>	<b>2,803</b>	<b>63,615</b>	<b>350</b>	<b>13,193</b>	<b>321,028</b>
<b>Depreciation</b>							
At 1 April 2016	0	4,237	0	40,146	311	7,946	52,640
Adjustments to opening balances	0	(4,237)		(14,724)	(87)	(112)	(19,160)
<b>Restated opening balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,422</b>	<b>224</b>	<b>7,834</b>	<b>33,480</b>
Disposals other than for sale	0	0	0	(91)	0	0	(91)
Charged During the Year	0	3,802	0	6,025	38	1,054	10,919
<b>At 31 March 2017</b>	<b>0</b>	<b>3,802</b>	<b>0</b>	<b>31,356</b>	<b>262</b>	<b>8,888</b>	<b>44,308</b>
<b>Net Book Value at 31 March 2017</b>	<b>11,741</b>	<b>225,524</b>	<b>2,803</b>	<b>32,259</b>	<b>88</b>	<b>4,305</b>	<b>276,720</b>
<b>Asset financing:</b>							
Owned - Purchased	11,741	161,790	2,803	29,959	88	4,305	210,686
Owned - Donated	0	6,558	0	2,300	0	0	8,858
Held on finance lease	0	1,779	0	0	0	0	1,779
On-SOFP PFI contracts	0	55,397	0	0	0	0	55,397
<b>Total at 31 March 2017</b>	<b>11,741</b>	<b>225,524</b>	<b>2,803</b>	<b>32,259</b>	<b>88</b>	<b>4,305</b>	<b>276,720</b>
<b>Revaluation Reserve Balance for Property, Plant &amp; Equipment</b>							
At 1 April 2016	6,357	4,387	0	2,433	0	0	13,177
Revaluation of land and buildings	23	5,649	0	0	0	0	5,672
<b>At 31 March 2017</b>	<b>6,380</b>	<b>10,036</b>	<b>0</b>	<b>2,433</b>	<b>0</b>	<b>0</b>	<b>18,849</b>

All additions to assets under construction were in respect of buildings



**13.2 Property, plant and equipment prior-year**

2015-16

	Land £000's	Buildings excluding dwellings £000's	Assets under construction & payments on £000's	Plant & machinery £000's	Transport equipment £000's	Information technology £000's	Total £000's
<b>Cost or valuation:</b>							
At 1 April 2015	10,130	235,693	8,225	65,439	502	11,641	331,680
Adjustments to opening balances							
Additions of Assets Under Construction	0	0	2,915	0	0	0	2,915
Additions Purchased	0	0	0	8,115	50	808	8,973
Additions - Non Cash Donations (i.e. Physical Assets)	0	0	0	446	0	0	446
Reclassifications	0	5,487	(5,487)	0	0	0	0
Disposals other than for sale	(32)	0	0	(1,959)	(115)	(403)	(2,509)
Revaluation	1,620	(17,890)	0	0	0	0	(16,270)
Impairments/reversals charged to operating expenses	0	(6,487)	0	(213)	0	0	(6,700)
<b>At 31 March 2016</b>	<b>11,718</b>	<b>216,803</b>	<b>5,653</b>	<b>71,878</b>	<b>437</b>	<b>12,046</b>	<b>318,535</b>
<b>Depreciation</b>							
At 1 April 2015	0	422	0	35,883	380	7,289	43,974
Disposals other than for sale	0	0	0	(1,959)	(115)	(403)	(2,477)
Charged During the Year	0	3,815	0	6,222	46	1,060	11,143
<b>At 31 March 2016</b>	<b>0</b>	<b>4,237</b>	<b>0</b>	<b>40,146</b>	<b>311</b>	<b>7,946</b>	<b>52,640</b>
<b>Net Book Value at 31 March 2016</b>	<b>11,718</b>	<b>212,566</b>	<b>5,653</b>	<b>31,732</b>	<b>126</b>	<b>4,100</b>	<b>265,895</b>
<b>Asset financing:</b>							
Owned - Purchased	11,718	151,119	5,653	29,432	126	4,100	202,148
Owned - Donated	0	6,476	0	2,300	0	0	8,776
Held on finance lease	0	1,717	0	0	0	0	1,717
On-SOFP PFI contracts	0	53,254	0	0	0	0	53,254
<b>Total at 31 March 2016</b>	<b>11,718</b>	<b>212,566</b>	<b>5,653</b>	<b>31,732</b>	<b>126</b>	<b>4,100</b>	<b>265,895</b>

### **13.3 (cont). Property, plant and equipment**

Buildings and equipment to the value of £582,949 were donated to the Trust by the Hull and East Yorkshire Hospitals NHS Trust General Charitable Trust.

Land and Buildings were revalued at 31 March 2017 by independent RCIS qualified Valuers, Cushman and Wakefield . The impact of the valuation was an increase in value of £5.671m and a minimal change in asset lives. The increase in value is due to increases in general market prices.

The valuation of buildings has been undertaken with reference to the building's current condition and agreed obsolescence and assumed that over its life it will be maintained to its current condition. The valuation has been undertaken on a modern equivalent asset basis and reflects the current service potential of the Trust.

Assets lives for all categories of asset are shown in note 1 to these accounts.

The total gross book value of equipment with a nil net value is £9.484m (2015/16 - £9.811m)

#### 14. Intangible non-current assets

##### 14.1 Intangible non-current assets

	Intangible Assets
	£000's
2016-17	
<b>Cost</b>	
At 1 April 2016	5,504
Additions Purchased	1,733
At 31 March 2017	<u>7,237</u>
<b>Amortisation</b>	
At 1 April 2016	3,341
Charged During the Year	990
At 31 March 2017	<u>4,331</u>
<b>Net Book Value at 31 March 2017</b>	<u><u>2,906</u></u>

##### 14.2 Intangible non-current assets prior year

	Intangible Assets
	£000's
2015-16	
<b>Cost</b>	
At 1 April 2015	5,087
Additions - purchased	505
Disposals other than by sale	(88)
At 31 March 2016	<u>5,504</u>
<b>Amortisation</b>	
At 1 April 2015	2,906
Disposals other than by sale	(88)
Charged during the year	523
At 31 March 2016	<u>3,341</u>
<b>Net book value at 31 March 2016</b>	<u><u>2,163</u></u>

##### 14.3 Intangible non-current assets

Intangible assets comprise of software licences and internally generated developments, all are treated as purchased assets. They are shown on the Statement of Financial Position at depreciated historic cost, as a proxy for fair value. The lives of intangible assets are disclosed in note 1 to these accounts. The depreciation is based on the life of the asset, and is applied on a straight line basis

The total gross book value of intangible assets with a nil net value is £1.81m

## 15. Investment property

Not relevant for trust

	31 March £000s	31 March £000s
At fair value		
Balance at 1 April 2016	8,371	149
Gain from Fair Value Adjustments	640	8,222
<b>Balance at 31 March 2017</b>	<b><u>9,011</u></b>	<b><u>8,371</u></b>

## 16. Capital Commitments

At 31st March 2017 there are £1.236m of capital commitments in respect of building

## 17. Inventories

	Drugs £000s	Consumables £000s	Total £000s
Balance at 1 April 2016	3,821	8,571	12,392
Additions	65,139	60,656	125,795
Inventories recognised as an expense in the period	(65,139)	(60,913)	(126,052)
<b>Balance 31 March 2017</b>	<b><u>3,821</u></b>	<b><u>8,314</u></b>	<b><u>12,135</u></b>

All inventory is held at Cost , none is held at net realisable value

## 18.1 Trade and other receivables

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
NHS receivables - revenue	5,134	5,812	0	0
NHS prepayments and accrued income	11,697	3,524	0	0
Non-NHS receivables - revenue	3,100	3,548	255	255
Non-NHS prepayments and accrued income	3,862	4,488	0	0
PDC Dividend prepaid to DH	364	314		
Provision for the impairment of receivables	(1,271)	(1,257)	(719)	(525)
VAT	1,085	1,549	0	0
Interest receivables	0	0	0	0
Other receivables	4,158	3,153	3,155	2,655
<b>Total</b>	<b><u>28,129</u></b>	<b><u>21,131</u></b>	<b><u>2,691</u></b>	<b><u>2,385</u></b>
<b>Total current and non current</b>	<b><u>30,820</u></b>	<b><u>23,516</u></b>		

There are no prepaid pension contributions included in the values above

The great majority of trade is with Clinical Commissioning Groups as commissioners for NHS patient care services . As these are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary. NHS receivables include £3m as an estimate of amounts due from Clinical Commissioning Groups for incomplete treatments as at 31 March.

In determining this amount we have used data from our patient information systems, the average cost of treatments, and current

<b>18.2 Provision for impairment of receivables</b>	<b>2016-17</b>	<b>2015-16</b>
	<b>£000s</b>	<b>£000s</b>
Balance at 1 April 2016	(1,990)	(1,769)
Amount written off during the year	0	314
(Increase)/decrease in receivables impaired	0	(327)
<b>Balance at 31 March 2017</b>	<u><b>(1,990)</b></u>	<u><b>(1,782)</b></u>

The Trust assesses each debt on an individual basis with debts only being provided for where the debtor is untracable and all reasonable setps have been taken to recover the debt, including the use of both UK and international debt collection agencies.

## 19. Cash and Cash Equivalents

	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>£000s</b>	<b>£000s</b>
Opening balance	2,687	3,685
Net change in year	284	(993)
Closing balance	<u>2,971</u>	<u>2,692</u>
<b>Made up of</b>		
Cash with Government Banking Service	2,921	2,679
Commercial banks	35	0
Cash in hand	15	13
<b>Cash and cash equivalents in Statement of Financial Position</b>	<u><b>2,971</b></u>	<u><b>2,692</b></u>
Bank overdraft - commercial banks	0	(5)
<b>Cash and cash equivalents in Statement of Cash Flows</b>	<u><b>2,971</b></u>	<u><b>2,687</b></u>

None of the balances above include amounts that belong to third parties

## 20. Trade and other payables

	31 March 2017 £000s	31 March 2016 £000s
NHS payables - revenue	581	10,212
NHS accruals and deferred income	4,672	2,963
Non-NHS payables - revenue	9,418	9,021
Non-NHS payables - capital	2,584	4,386
Non-NHS accruals and deferred income	23,564	13,695
Social security costs	3,833	3,028
Accrued Interest on DH Loans	57	62
VAT	281	0
Tax	3,048	2,410
Other	4,386	4,505
<b>Total Payables</b>	<b>52,424</b>	<b>50,282</b>

Included in the above figures are outstanding pension contributions of £4.215m (2015/16 £4.153m). All payables are due within one year

## 21. Borrowings

	Current		Non-current	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Bank overdraft - commercial banks	0	5	0	0
Loans from Department of Health	1,550	1,260	37,316	29,404
PFI liabilities - main liability	1,629	1,826	50,252	51,853
Finance lease liabilities	55	55	2,079	2,134
<b>Total</b>	<b>3,234</b>	<b>3,146</b>	<b>89,647</b>	<b>83,391</b>
<b>Total other liabilities (current and non-current)</b>	<b>92,881</b>	<b>86,537</b>		

### Borrowings / Loans - repayment of principal falling due in:

	31 March 2017		
	DH £000s	Other £000s	Total £000s
0-1 Years	1,550	1,685	3,235
1 - 2 Years	15,227	1,834	17,061
2 - 5 Years	10,047	5,573	15,620
Over 5 Years	12,042	44,923	56,965
<b>TOTAL</b>	<b>38,866</b>	<b>54,015</b>	<b>92,881</b>



## 22. Deferred income

	Current	
	31 March 2017 £000s	31 March 2016 £000s
Opening balance at 1 April 2016	3,035	3,285
Deferred revenue addition	613	3,035
Transfer of deferred revenue	(3,035)	(3,285)
<b>Total deferred income at 31 March 2017</b>	<b>613</b>	<b>3,035</b>

All deferred income is current

## 23. Finance lease obligations as lessee

The Trust has only one finance lease, and also accounts for its 3 PFI facilities as finance leases.

The Daisy charity have constructed a PET CT facility on the Castle Hill site, the facility became operational from April 2014. The Trust is being charged a market rent by the Daisy charity until 2034 after which ownership of the building passes to the Trust. The Trust's obligations in respect of the PET facility and PFI buildings are set out below.

Amounts payable under finance leases (Buildings)	Minimum lease payments		Present value of minimum	
	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s
Within one year	55	55	55	55
Between one and five years	223	223	223	223
After five years	1,856	1,911	1,856	1,911
<b>Minimum Lease Payments / Present value of minimum lease payments</b>	<b>2,134</b>	<b>2,189</b>	<b>2,134</b>	<b>2,189</b>
Included in:				
Current borrowings			55	55
Non-current borrowings			2,079	2,134
			<b>2,134</b>	<b>2,189</b>

## 24. Provisions

	Total	Early Departure Costs	Legal Claims
	£000s	£000s	£000s
Balance at 1 April 2016	955	217	738
Arising during the year	158	26	132
Utilised during the year	(173)	(74)	(99)
Reversed unused	(60)	0	(60)
Unwinding discount	11	0	11
Change in discount rate	9	0	9
<b>Balance at 31 March 2017</b>	<b>900</b>	<b>169</b>	<b>731</b>
<b>Expected Timing of Cash Flows:</b>			
No Later than One Year	192	74	118
Later than One Year and not later than Five Years	551	80	471
Later than Five Years	157	15	142

At 31 March 2017 the NHS Litigation Authority held provisions in respect of the Trust's clinical negligence claims of £139m (2015/16 - £131m)

Included within Legal Claims are permanent injury benefits and Employer's Liability claims; these are linked with contingent liabilities relating to Employer's Liability as disclosed in note 26.

The timings and amounts of payments which relate to Employer's Liability do have a degree of uncertainty about them, and are based on figures provided by the NHSLA.

Payments made for Employer's Liability are the responsibility of the NHSLA and the Trust is only liable for the excess amount applicable to each claim.

## 25. Contingencies

	31 March 2017 £000s	31 March 2016 £000s
Contingent liabilities		
NHS Litigation Authority legal claims	(248)	(147)
Other - permanent injury benefits	(537)	(597)
<b>Net value of contingent liabilities</b>	<b>(785)</b>	<b>(744)</b>

There are no contingent assets (2015/16 - £nil)

## 26. Analysis of charitable fund reserves

The Trust acts as a corporate trustee to "Hull and East Yorkshire Hospitals NHS Trust General Charitable Trust." The Charity has net assets of £1.5m and income in 2016/17 of £0.77m. We have not consolidated the charity into the Trust's accounts.



## 27. PFI and LIFT - additional information

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

### Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI

	2016-17 £000s	2015-16 £000s
Total charge to operating expenses in year - Off SoFP PFI	0	81
Service element of on SOFP PFI charged to operating expenses in year	1,993	1,839
<b>Total</b>	<b>1,993</b>	<b>1,920</b>

### Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI

No Later than One Year	2,037	2,016
Later than One Year, No Later than Five Years	8,585	8,454
Later than Five Years	31,307	34,338
<b>Total</b>	<b>41,929</b>	<b>44,808</b>

Contingent rent recognised as an expense was £1.839m (2014/15 £1.744m). There are no restrictive clauses within the PFI or lease agreements.

### Imputed "finance lease" obligations for on SOFP PFI contracts due

	2016-17 £000s	2015-16 £000s
No Later than One Year	5,388	5,693
Later than One Year, No Later than Five Years	20,953	21,424
Later than Five Years	67,791	72,390
<b>Subtotal</b>	<b>94,132</b>	<b>99,507</b>
Less: Interest Element	(42,251)	(45,828)
<b>Total</b>	<b>51,881</b>	<b>53,679</b>

### Present Value Imputed "finance lease" obligations for on SOFP PFI contracts due

	2016-17 £000s	2015-16 £000s
Analysed by when PFI payments are due		
No Later than One Year	1,629	1,826
Later than One Year, No Later than Five Years	7,184	7,238
Later than Five Years	43,068	44,615
<b>Total</b>	<b>51,881</b>	<b>53,679</b>

The Trust has three on SOFP PFI schemes none of which have total commitments in excess of £500m

Under IFRIC 12, the following PFI schemes are treated as an asset of the Trust, and the substance of the contract is

#### Urology and Outpatients - Castle Hill Hospital Site

The PFI partner provides the Trust with hospital accommodation for Urology and Outpatient Services at the Castle Hill

#### Accommodation for Maternity Services - Hull Royal Infirmary site

The PFI partner provides the Trust with hospital accommodation for Maternity Services at the Hull Royal Infirmary

#### Queens Centre for Oncology and Haematology - Castle Hill Hospital site

The PFI partner provides the Trust with hospital accommodation for Oncology and Haematology services at the

**28. Impact of IFRS treatment - current year**

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

<b>Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (e.g PFI / LIFT)</b>	
Depreciation charges	748
Interest Expense	3,889
Impairment charge - AME	0
Other Expenditure	4,374
Impact on PDC dividend payable	52
<b>Total IFRS Expenditure (IFRIC12)</b>	<b>9,063</b>
Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease revenue)	(9,344)
<b>Net IFRS change (IFRIC12)</b>	<b>(281)</b>

**Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12**

Capital expenditure 2016/17	863
UK GAAP capital expenditure 2016/17 (Reversionary Interest)	1,178

**Revenue costs of IFRS12 compared with ESA10**

Depreciation charges	748		
Interest Expense	3,889		
Impairment charge - AME	0		
<b>Other Expenditure</b>			
Service Charge	1,993	9,344	10,352
Contingent Rent	1,518	1,840	
Lifecycle	863	0	
Impact on PDC Dividend Payable	52	(257)	
<b>Total Revenue Cost under IFRIC12 vs ESA10</b>	<b>9,063</b>	<b>9,344</b>	<b>10,352</b>
Revenue receivable from sub leasing			
<b>Net Revenue Cost/(income) under IDRIC12 vs ESA10</b>	<b>9,063</b>	<b>9,344</b>	<b>10,352</b>

The comparative numbers for 2015/16 have been restated

2016-17 Expenditure £000s	2015-16 Expenditure £000s
748	760
3,889	4,008
0	(11,623)
4,374	3,679
52	(257)
<b>9,063</b>	<b>(3,433)</b>
<b>(9,344)</b>	<b>(10,352)</b>
<b>(281)</b>	<b>(13,765)</b>

£000s	£000s
863	627
1,178	1,104

2016-17 Income/ Expenditure IFRIC 12 YTD £000s	2016-17 Income/ Expenditure ESA 10 YTD £000s	2015-16 Income/ Expenditure IFRIC 12 YTD £000s	2015-16 Income/ Expenditure ESA 10 YTD £000s
748		760	
3,889		4,008	
0		(11,623)	
1,993	9,344	1,839	10,352
1,518	1,840	1,840	
863		0	
52		(257)	
<b>9,063</b>	<b>9,344</b>	<b>(3,433)</b>	<b>10,352</b>
<b>9,063</b>	<b>9,344</b>	<b>(3,433)</b>	<b>10,352</b>

## 29. Financial Instruments

### 29.1 Financial risk management

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

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

#### Currency risk

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

#### Interest rate risk

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

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health (the lender) at the point borrowing is undertaken.

The Trust therefore has low exposure to interest rate fluctuations.

#### Credit risk

Because the majority of revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in the trade and other receivables note.

#### Liquidity risk

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

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### 29.2 Financial Assets

	Total £000s
Receivables - NHS	17,121
Receivables - non-NHS	11,008
Cash at bank and in hand	2,971
<b>Total at 31 March 2017</b>	<b>31,100</b>
Receivables - NHS	9,446
Receivables - non-NHS	14,143
Cash at bank and in hand	2,687
<b>Total at 31 March 2016</b>	<b>26,276</b>

### 29.3 Financial Liabilities

	Total £000s
NHS payables	4,030
Non-NHS payables	46,183
Other borrowings	38,866
PFI & finance lease obligations	54,015
<b>Total at 31 March 2017</b>	<b>143,094</b>
NHS payables	12,461
Non-NHS payables	37,894
Other borrowings	30,669
PFI & finance lease obligations	55,868
<b>Total at 31 March 2016</b>	<b>136,892</b>

All financial assets and liabilities are classified as "other."

## 30. Events after the end of the reporting period

No events have occurred after the reporting period which would have a material impact on the accounts

### 31. Related party transactions

Hull & East Yorkshire Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or key management staff or parties related to them has undertaken any material transactions with Hull & East Yorkshire Hospitals NHS Trust.

Professor Trevor Sheldon, non-executive member of the Trust Board, was the Dean of Hull York Medical School until 31 December 2016..

The Trust has an investment in ordinary shares in Vertual Ltd, a company registered in the United Kingdom. The Trust holds 15% of the company's shares, valued at £241,595. This has not been included in the accounts. The company's main activity is the sale of hardware and software used to train Radiotherapists. The , Mr D Haire sits on the board on behalf of the Trust.

The Trust also has an investment in Medipex Ltd, a company registered in the United Kingdom. The company's main activity is to assist the NHS in exploiting intellectual and industrial property rights. It is a company limited by guarantee and the Trust's liability under that guarantee is £100.

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

Calderdale And Huddersfield NHS Foundation Trust  
 Care Quality Commission  
 Doncaster CCG  
 East Riding Of Yorkshire CCG  
 Hambleton, Richmondshire And Whitby CCG  
 Health Education England  
 Hull CCG  
 Humber NHS Foundation Trust  
 Leeds West CCG  
 Lincolnshire East CCG  
 Lincolnshire West CCG  
 NHS Blood & Transplant  
 NHS Litigation Authority  
 NHS Property Services  
 North East Lincolnshire CCG  
 North Lincolnshire CCG  
 North Tees And Hartlepool NHS Foundation Trust  
 Northern Lincolnshire And Goole NHS Foundation Trust  
 Northumbria Healthcare NHS Foundation Trust  
 Scarborough And Ryedale CCG  
 Sheffield CCG  
 Sheffield Teaching Hospitals NHS Foundation Trust  
 Vale Of York CCG  
 Wakefield CCG  
 York Hospitals NHS Foundation Trust

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies.

The Trust has also received revenue and capital payments during the year from a number of charitable funds. The Trustee of these funds is the Trust Board. The amount included within the 2016/2017 accounts is £0.430m (2015/2016 £0.908m,) of revenue contributions, and £0.583m (2015/2016 £0.083m) of capital contributions.

### 32. Losses and special payments

The total number of losses cases in 2016-17 and their total value was as follows:

	Total Value of Cases £'s	Total Number of Cases
Losses	0	0
Special payments	72,811	35
Gifts	0	0
<b>Total losses and special payments</b>	<b>72,811</b>	<b>35</b>

The total number of losses cases in 2015-16 and their total value was as follows:

	of Cases £'s	Total Number of Cases
Losses	9,947	13
Special payments	95,431	46
<b>Total losses and special payments</b>	<b>105,378</b>	<b>59</b>

There were no individual cases more than £300,000



33. Financial performance targets

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

33.1 Breakeven performance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Retained surplus/(deficit) for the year	366,964	416,169	444,890	469,995	480,633	499,538	497,132	506,703	526,559	526,253	559,628
Adjustment for:	165	6,755	5,020	(49,542)	(1,628)	17,336	(4,947)	1,567	3,860	(14,952)	2,688
Timing/non-cash impacting distortions:											
Pre FDL(97)24 agreements	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Adjustments for impairments	0	0	0	0	5,678	(13,268)	9,762	4,150	(321)	6,700	0
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	169	209	226	(613)	201	(72)
Consolidated Budgetary Guidance - adjustment for dual accounting under IFRIC12*	0	0	0	14,851	651	641	396	0	0	0	0
Absorption accounting adjustment	0	0	0	0	0	0	0	0	0	0	0
Other agreed adjustments	0	0	0	42,292	0	0	0	0	0	0	0
Break-even in-year position	165	6,755	5,020	7,601	4,701	4,878	5,420	5,943	2,926	(8,051)	2,616
Break-even cumulative position	(8,595)	(1,840)	3,180	10,781	15,482	20,360	25,780	31,723	34,649	26,598	29,214

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

Materiality test (i.e. is it equal to or less than 0.5%):

Break-even in-year position as a percentage of turnover

Break-even cumulative position as a percentage of turnover

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
%	%	%	%	%	%	%	%	%	%	%	%
	0.04	1.62	1.13	1.62	0.98	0.98	1.09	1.17	0.56	-1.53	0.20
	-2.34	-0.44	0.71	2.29	3.22	4.08	5.19	6.26	6.58	5.05	4.95

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

**33.2 Capital cost absorption rate**

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

**33.3 External financing**

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

	<b>2016-17</b>	2015-16
	<b>£000s</b>	£000s
External financing limit (EFL)	8,937	11,446
Cash flow financing	9,363	11,850
Other capital receipts	(583)	(446)
External financing requirement	<b>8,780</b>	11,404
<b>Under spend against EFL</b>	<b><u>157</u></b>	<u>42</u>

**33.4 Capital resource limit**

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

	<b>2016-17</b>	2015-16
	<b>£000s</b>	£000s
Gross capital expenditure	17,820	12,835
Less: book value of assets disposed of	(15)	(32)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(583)	(446)
<b>Charge against the capital resource limit</b>	<b><u>17,222</u></b>	<u>12,357</u>
Capital resource limit	<b>17,240</b>	12,440
<b>Underspend against the capital resource limit</b>	<b><u>18</u></b>	<u>83</u>

**34. Third party assets**

The Trust did not hold any cash on behalf of patients or other third parties at 31 March 2017 (2015/16 £nil)





# External Audit Report Draft

Hull and East Yorkshire Hospitals NHS Trust

—  
25 May 2017

I confirm that this is the final version of our ISA 260 Audit Memorandum relating to our audit of the 2016/17 financial statements for Hull and East Yorkshire Hospitals NHS Trust. This document was discussed and approved by the Trust's Audit Committee on 25 May 2017.

.....  
John Graham Prentice FCCA MBA

Senior Statutory Auditor for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

Leeds

25 May 2017

Our audit opinions and conclusions:

Financial Statements: unqualified

Use of resource: clean

Quality Accounts (content): clean

Quality Accounts (indicators): clean



# Content

The contacts at KPMG in connection with this report are:

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We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Prentice, the engagement lead to the Trust, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 6948981, or by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

# Important Notice

This report is addressed to Hull and East Yorkshire Hospitals NHS Trust (the Trust) and has been prepared for your use only. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Audit Code (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Trust. External auditors do not act as a substitute for the Trust's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

**Basis of preparation:** We have prepared this External Audit Report (Report) in accordance with our appointment by Public Sector Audit Appointments Ltd.

**Purpose of this report:** This Report is made to the Trust's Audit Committee in order to communicate matters as required by International Auditing Standards (ISAs) (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report. This Report is subject to disclosure restrictions.

**Limitations on work performed:** This Report is separate from our audit opinion included in the Trust's Annual Reports and Accounts and does not provide an additional opinion on the Trust's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

**Status of our audit:** Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting but would highlight the following work is still outstanding:

- **Financial Statements audit:**

- PPE (Valuation Report – only received 18/5);
- NHS Debtors and Creditors awaiting clearance of the latest Agreement of Balances (AOB) mismatch report;
- Related Party Transactions;
- Annual Report disclosures;
- Non material notes;
- Final review and completion procedures;

- **Quality Account:**

- agree final version of the Quality Account which is awaiting stakeholder comments.



# Summary

## Financial Statements Audit

We intend to issue an unqualified audit opinion on the accounts following the Board adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We have also read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section 2 and appendix 2.
- We have agreed presentational changes to the accounts with Finance, mainly related to compliance with the Department of Health Group Manual for Accounts (GAM) 2016/17.
- We are asking for routine requests only in the management representations letter given the information already received from your going concern assessment.
- We have reviewed the annual report and have no matters to raise with you.

## Use of resources

In addition to our risk assessment, we examined two significant risks relating to achievement of break-even for 2016/17 and management of cash flow. Based on the findings of our work, we have concluded that the Trust has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Despite this conclusion, the Trust is facing fundamental issues in both areas:

- STF monies for 16/17 were non-recurrent which leaves a £14m gap for 17/18 which has not yet been bridged.
- Overspending by Health Groups is not being matched by additional activity and income.
- While the break even target was met, it is not generating the surplus and cash needed to ease cash pressures. The Trust has an underlying cash shortfall above £20m which means obligations to suppliers are not being met on time. External support will be needed but the Trust also needs to play its part internally.

## Quality Accounts

We have almost completed our audit of the Trust's Quality Account:

- You have achieved a clean limited assurance opinion on the content of your Quality Account which could be referenced to supporting information and evidence provided. This represents an unmodified audit opinion on the Quality Accounts.
- This year we have also tested Clostridium Difficile infections and Venous Thromboembolism (VTE) risk assessments as the two mandated indicators. Our detailed testing on the indicators has concluded that we are able to give a clean limited assurance opinion on the presentation and recording of these. We noted that VTE performance remains below target despite the increased direct recording on the Lorenzo system.

## Other Matters

We intend to issue an unqualified Group Audit Assurance Certificate to the NAO regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to Department of Health. The Trust made a resubmission to NHSE in line with the agreed closedown plan, which should address the mismatch issues identified.

We are satisfied that the Trust has addressed the recommendations raised in our 2015/16 report. We have made 2 recommendations as a result of our 2016/17 work. They key recommendations relate to Agreement of Balances and Controls management. All recommendations are shown in appendix 1.

In auditing the accounts of an NHS body auditors must consider whether, in the public interest, they should make a report on any matters coming to their notice in the course of the audit, in order for it to be considered by Trust members or brought to the attention of the public; and whether the public interest requires any such matter to be made the subject of an immediate report rather than at completion of the audit. There are no matters that we wish to report.





# Financial Statements Audit

## Section Two

# Financial Statements Audit

We audit your financial statements by undertaking the following tasks:

Work Performed	Accounts production stage		
	Before	During	After
<b>1. Business Understanding:</b> reviewed your operations	✓	✓	–
<b>2. Controls:</b> assessed the control framework	✓	–	–
<b>3. Prepared by Client Request (PBC):</b> issued our prepared by client request	✓	–	–
<b>4. Accounting standards:</b> agreed the impact of any new accounting standards	✓	✓	–
<b>5. Accounts Production:</b> reviewed the accounts production process	✓	✓	✓
<b>6. Testing:</b> tested and confirmed material or significant balances and disclosures	–	✓	✓
<b>7. Representations and opinions:</b> seek and obtain representations before issuing our opinions	✓	✓	✓

We have completed the first six stages shown above and report our key findings below:

1. Business Understanding	In our 2016/17 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We have provided an update on each of the risks identified later in this section.
2. Assessment of the control environment	We have assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively, although the Trust should increase its controls locally to improve accountability and reduce dependence on its service provider, East Lancs Financial Services (ELFS). We have made a recommendation which relate to monitoring the controls completed by ELFS on behalf of the Trust. We believe that this recommendation (which is shown in appendix 1) will strengthen your control environment. We have reviewed the work undertaken by Merseyside Internal Audit Agency (MIAA), your internal auditors, in accordance with ISA610 and used the findings to inform our planning and audit approach. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.
3. Prepared by client request	We produced this document to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Deputy Director of finance and this was issued as a final document to the finance team. Although this was the Trust's first year of working with ELFS, the working papers and audit information have been provided in a timely manner.
4. Accounting standards	We work with you to understand the changes to accounting standard and other technical issues. For 2016/17 these changes have had little impact on the Statement of accounts or annual report.

## Section Two

# Financial Statements Audit

5. Accounts Production	We received complete draft accounts by 26 April 2017 in accordance with the Department of Health's deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Department of Health. As in previous years, we will debrief with the Finance team to share views on the final accounts audit. In particular we would like to commend Trust finance staff who were available throughout the audit visit to answer our queries. We thank the finance team for their co-operation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.
6. Testing	We have summarised the findings from our testing of significant risks and areas of judgement within the financial statements on the following pages. During the audit we have identified presentation changes to the accounts along with audit adjustments to Trade and other receivables, and Trade and other payables which we have presented in appendix 2. Some of the matters arising reflect the limited time available for final checking. It is important to include a final review before submission for audit to ensure the draft accounts meet the standards you would expect. We have raised a recommendation which should reduce the risk of errors in the future.
7. Representations	You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representations letter to the Deputy CFO on 16 May 2017. We draw your attention to the requirement in our representations letter for you to confirm to us that you have disclosed all relevant related parties to us. We are not asking management to provide any specific representations.

We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest.

We have not identified any other matters to specifically report.

## Section Two

# Financial Statements Audit

### Results of our testing on areas of high audit risk

In our External Audit Plan 2016/17, presented to you in January 2017, we identified the areas assessed as significant risks in terms of their impact on our financial statements audit opinion. We have now completed our testing of these areas and over the next pages set out:

- The results of the procedures we performed over Property, Plant and Equipment; NHS Income and Receivables; and Provision of Ledger Services by ELFS which were identified as significant risks within our audit plan;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence you have applied to key balances within your financial statements.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Property, Plant and Equipment (PPE)	PPE £276m (PY £265m]	We have reviewed the professional valuation received and with our knowledge of the changes in the Trust during 2016/17 and movement in price indices we have gained sufficient assurance over the valuation of the Property Plant and Equipment.
NHS Income and Receivables	NHS income £501.8m (PY £487m)  NHS Receivables £16m (PY £9.3m)  Other Operating Revenue – STF £15.081m (PY £Nil)	We have reviewed the NHS Agreement of Balances exercise and gained sufficient assurance that the NHS income recorded in the statement of comprehensive income and expenditure is materially fairly stated.  We have followed through the NHS Agreement of Balances and gained sufficient assurance that the NHS receivables and NHS prepayments and accrued income are materially fairly stated.  We have reviewed the notification from the NHS Improvement for the Strategic Transformation Funding income indicating that the balance of this money will be paid following the end of the audit process. This provides us with sufficient assurance that this income is materially fairly stated.
New ledger and opening balances and the capacity of staff to deliver the financial statements on time	Pervasive	We have carried out sufficient substantive testing of the data migration from the Oracle system to the Efinancials Ledger system that is hosted by East Lancs Financial Services (ELFS), to provide us with sufficient assurance that the data migration to the new system was materially accurate.  The financial statements were produced on time and, subject to a number of presentational issues and those amendments highlighted earlier, the accounts production and audit working papers have been delivered on time.

## Section Two

# Financial Statements Audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
<p>Fraud risk from revenue recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We do not plan to rebut this risk.</p> <p>We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk.</p> <p>These incentives in the NHS include the regulatory pressure to meet agreed control totals as well as the incentive to report the delivery of specific targets which enable the Trust to secure Sustainability and Transformation funding or CQUIN monies.</p>	<p>Our work on NHS Income and Receivables, as set out above, addressed the risk of fraudulent revenue recognition in relation to this area of income.</p> <p>In relation to non-NHS income, we remained alert to the fraud risk through our audit of material non-NHS revenue balances, as well as other income.</p>
<p>Fraud risk from management override of controls</p>	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit. There is a heightened risk of management override of control based upon the incentives and performance oversight offered and deployed by NHSI during the 2016/17 period but this is separately covered by the significant risks around NHS income and receivables (financial statements) and achievement of the revenue control total targets (value for money).</p>	<p>Our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, did not identify any instances of fraud.</p>



## Section Two

# Financial Statements Audit

### Judgements in your financial statements

We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	Current year	Prior year	Balance (£m)	KPMG comment
Non NHS Accruals and deferred income	3	3	£22.9m PY£13.5m	The balances have increased during 2016/17 due to the levels of invoices received, however not approved for payment, needing to be accrued to help manage the cash position of the Trust. The accruals have been made on a balance basis in 2016/17.
NHS prepayments and Accrued income	3	3	£10.8m (PY:£3.5m)	This balance has been reviewed and the material change is due to the Strategic Transformation Funding that is paid in arrears at the year end; the values have been confirmed by NHSI.
Asset valuations	3	3	£237.8m (PY£220m)	The valuation carried out as at 31 March 2017 on the land and buildings is a balanced valuation.
Buildings – Depreciation charge	6	6	£3.8m PY:£3.7m	In line with the valuer's report, the Trust has maintained the asset design lives up to 90 years for buildings and consequently the Depreciation charge is at the optimistic range.

## Section Two

# Financial Statements Audit

### Annual report

We have read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Director's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.
- The part of the Remuneration Report that is required to be audited were all found to be materially accurate;
- The AGS is consistent with the financial statements and complies with relevant guidance subject to updates as outlined within section three; and

### Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning. Due to changes in ethical standards from 1 April 2017, your auditors will no longer be permitted to provide tax services to the Trust. As outgoing auditor, we have been liaising with your staff over transition arrangements until your 2016/17 audit is completed. This enabled us to complete existing assignments but does not yet allow us to engage on new work.

### Audit Fees

Our fee for the audit was £67,745 plus VAT (£71,117 in 2015/16). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in February 2017. Our fee for the external assurance on the Quality Account was £9,500 plus VAT (£9,500 in 2015/16). We are still awaiting approval from PSAA Ltd for the £3,000 scale fee adjustment in 2016/17. We have also completed other non audit work at the Trust during the year including VAT compliance, following approval from PSAA in 2015/16 which also covered 2016/17, and have included in appendix 4 confirmation of safeguards that have been put in place to preserve our independence.

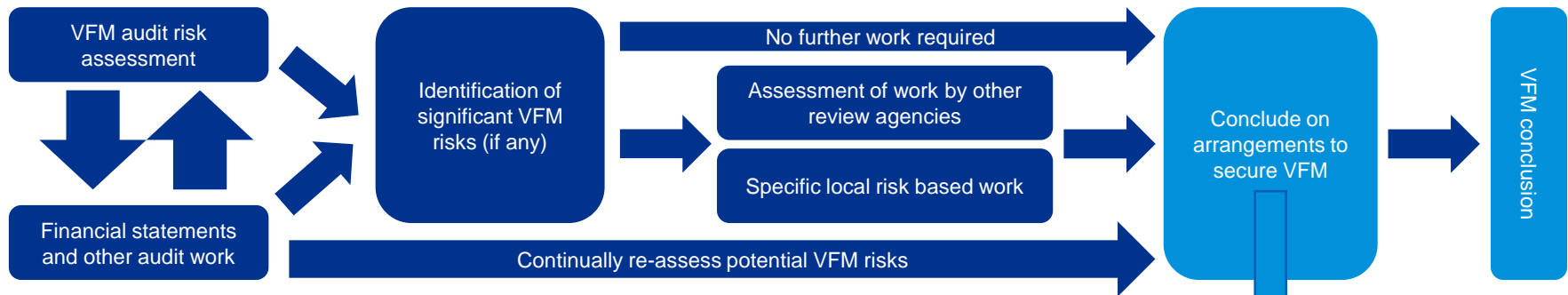


# Value for Money

## Section Three

# Value for Money

For 2016/17 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We identified two significant VFM risks which are reported overleaf. Although the Trust remains in a very difficult cash position, we are satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.



AGS review	Regulatory review	Other matters considered in risk assessment
<p>We reviewed the 2016/17 AGS and took into consideration the work of internal audit.</p> <p>We confirm that the AGS reflects our understanding of the Trust's operations and risk management arrangements.</p>	<p>We considered the outcomes of relevant regulatory reviews (NHS Improvement, CQC, etc.) in reaching our conclusion.</p> <p>The latest CQC inspection ratings show the Trust as requires improvement but no areas are rated inadequate. This is an improvement on 2015/16 when responsiveness was rated inadequate.</p> <p>Based on NHSI ratings (1 to 4), the Trust is improving some of its metrics but remains 3 overall. Liquidity is the biggest concern at 4 which is the worst score.</p>	<p>As part of our risk assessment we reviewed various matters, including:</p> <ul style="list-style-type: none"> <li>• forecast run rate position;</li> <li>• core assumptions in the 2016/17 Annual Plan;</li> <li>• Identification and delivery of recurrent cost improvement schemes;</li> <li>• current operational performance and contractual risks;</li> <li>• planned versus actual outturn;</li> <li>• significant items affecting the outturn position;</li> <li>• Management's assessment of the Trust's ability to continue as a going concern;</li> <li>• financial support received; and</li> <li>• partnership arrangements / relationships with key third parties.</li> </ul>

## Section Three

# Value for Money

### Significant risk based VFM audit work

The table below sets out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

Value for money risk	Why this risk is significant	Our audit response and findings
<p>Achievement of revenue control total targets</p>	<p>The Trust is at risk of not achieving its statutory main revenue target. At the end of month 8 the Trust reported an actual deficit of £0.5million with a projected year end deficit of £2.2million against a plan of break-even reflecting non delivery of key performance targets. Achievement of CRES plans remains a significant concern with the month 8 position showing a £3.1million shortfall against a £12million plan with an anticipated outturn of £4.7million below plan.</p>	<p>We reviewed your arrangements for delivery of the financial and CRES plans in 2016/17 as part of our work. We have performed specific procedures to:</p> <ul style="list-style-type: none"> <li>• Understand the Q4 judgements management reached which led to receipt of STF funding;</li> <li>• Review accounting judgements which impacted the reported outturn position;</li> <li>• Reconciled the year end performance to in year financial reports to ensure that divergence in performance can be understood and justified; and</li> <li>• Reviewed the year end cut off processes to ensure that revenue and expenditure items have been reflected within the correct period.</li> </ul> <p>Overspendings by Health Groups were not fully matched by increased activity and income. There was also a £4.2m shortfall in the delivery of cash releasing efficiency savings. A range of smaller actions were needed to achieve break-even. While appropriate action was taken for 2016/17, the Trust still needs to generate a surplus and achieve CRES to ease its pressures in 2017/18, particularly given the cash position reported below.</p> <p>The Trust has made some progress in addressing regulator concerns and addressing poor performance in key areas but achieving financial sustainability remains vital to its future. The Trust has not yet agreed its control total for 2017/18 and a £13.7m gap remains reflecting that STF monies were non-recurrent. Bridging the gap is the immediate priority but the solutions need to be sustainable.</p>



## Section Three

# Value for Money

### Significant risk based VFM audit work

The table below sets out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

Value for money risk	Why this risk is significant	Our audit response and findings
Cash flow management	The Trust has a serious cash shortfall that has built up over the past 5 years and analysis of 2016/17 to date suggests that this position is worsening and is currently in excess of £19million.	<p>Early work was undertaken at the request of the Chief Financial Officer and a report was issued in October 2016. We recommended improvements in the monitoring arrangements and the development of long term plans to address the shortfall. We reviewed progress on the recommendations and assessed the impact of the shortfall on the Trust's long term financial viability.</p> <p>The Trust has implemented two recommendations raised in the report and are looking to further develop these arrangements to maximise cash income.</p> <p>However the Trust has an underlying deficit position of £13.7m for 2017/18 and £9.5m for 2018/19 and currently have not been able to agree a control total of £11.5 deficit with the NHSI to attract the £11.95m STF funding. This position would have a significant impact on the worsening cash position.</p>



# Quality Account

## Section Four

# Quality Report

### Conclusion on content of Quality Accounts

Subject to carrying out our final checks to ensure you have reflected our comments in the Quality Account and reviewing changes made by the Trust after the date of this report, we are satisfied that there is sufficient evidence to provide a limited assurance opinion on the content of the quality accounts.

### Work performed and findings

We consider two criteria:

- Review of content to ensure it addresses the requirements set out in Quality Accounts Regulations; and
- Review of content in the quality accounts for consistency with other information required by the 'Detailed requirements for quality reporting for Foundation Trusts 2016/17'. While the guidance is for FTs, this also covers requirements for NHS Trusts as best practice quality reporting.

Our findings are set out below:

Issue considered	Findings
Inclusion of all mandated content	All areas of mandated content had been reflected in the draft report, however some were awaiting information to finalise the report. We will report to the Audit Committee formally when we have received and checked the final version.
Are significant matters in the specified information sources reflected in the quality accounts and significant assertions in the quality accounts supported by the specified information sources?	We identified that the Trust reflected its significant matters, relevant to the selected priorities from the specified information sources, in its Quality Account.  Significant assertions in the Quality Account are supported by the relevant information sources.  We are still awaiting the final version of the Quality Account report which will include stakeholder comments and any final performance information not yet available. We will confirm these to you when final version received.

## Section Four

# Quality Report

### Audit of indicators within the Quality Accounts

We carried out work on two indicators, which require a public opinion, chosen by the Trust from a list of three available indicators as specified by the Department of Health in its guidance:

- Percentage of patients risk assessed for venous thromboembolism (VTE); and
- Rate of clostridium difficile infections (CDiff).

### Conclusion

Our work on the two indicators has concluded that there is sufficient evidence to provide a limited assurance opinion in respect of VTE and CDiff.

Please note that the extent of the procedures performed is reduced for limited assurance. The nature of the procedures may be different and less challenging than those used for reasonable assurance. Therefore, our work was not a reasonable assurance audit of either the performance indicators or the processes used to collate and report them.

### Results of our work

We have set out overleaf the key findings from our work as described above in relation to the two locally selected indicators. In reaching our conclusions we are required to have assessed the design and operation of the systems of control over the data against the six data quality dimensions defined by the NAO. In reaching our conclusion we have assessed these arrangements to consider whether they can be graded as:

- **Green:** No improvement to achieve compliance with the dimensions of data quality noted.
- **Amber:** Opportunities to achieve greater efficiency or better control in compliance with the dimensions of data quality noted.
- **Red:** Concern that systems will not achieve compliance with one or more aspects of the dimensions of data quality and therefore a limited assurance opinion cannot be provided.

## Section Four

# Quality Report

Design of system and processes and operation				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
<p>Mandated Indicator: <b>Mandated indicator one: Percentage of patients risk-assessed for venous thromboembolism (VTE)</b></p> <p>Performance target: 95%</p> <p>Performance recorded in Quality Accounts: [actual performance]</p>					
<b>Accuracy</b>	●	●	Is accurate data used and reported? All relevant data is included with only VTE risk assessed admissions are included in the numerator.	<p>Random samples of 25 positive and 10 negative results were tested; the former covered all 12 months of the year. These were confirmed as appropriately included or excluded respectively.</p> <p>Summary figures were checked for each month and confirmed to NHSE uploads. Quarterly figures were agreed to those reported on the NHSE website.</p>	<p>We have not come across any indications that the data for this indicator is not produced in line with national guidance.</p> <p>Although reporting is much more accurate this year, we are still seeking an explanation for performance being below 95% eg 86.15% in Q3.</p>
<b>Completeness</b>	●	●	How is completeness ensured? Information Services send weekly reports to service managers for services to confirm on a continuous basis.		
<b>Relevance</b>	●	●	Is the information relevant for the reported purpose? Data is confirmed as relevant to the national reporting for the VTE indicator.		
<b>Reliability</b>	●	●	Is the information reported reliable insofar as it agrees to data source(s)? We confirmed there have been no significant changes to the system this year although completion of the assessment on the Lorenzo system rather than manually was much more extensive this year.		
<b>Timeliness</b>	●	●	Is real-time data used and is it reported on a timely basis? The data set is reported quarterly in line with the national timetable.		
<b>Validity</b>	●	●	What checks are performed to ensure that the data is valid? The information is recorded in compliance with the National VTE Risk Assessment tool.		
<b>Overall</b>	●	●	Appropriate arrangements in place to ensure the quality of data for this indicator? There were no matters arising so we are able to conclude that appropriate arrangements are in place.		



## Section Four

# Quality Report

Design of system and processes and operation 12 months of the				Results of our sample testing	Conclusion reached
Data quality dimension	Design	Operation	Commentary on ratings		
Mandated Indicator: Rate of clostridium difficile infections per 100,000 bed days for patients aged two or over.					
Performance target: [target performance]					
Performance recorded in Quality Accounts: [actual performance]					
<b>Accuracy</b>	●	●	Is accurate data used and reported? The indicator was recalculated and we confirmed the correct numerator and denominator were used.	Random samples of 25 positive and 10 negative results were tested; the former covered all 12 months of the year. Both inclusions and exclusions were confirmed as appropriate including community exclusions.  We recomputed monthly CDiff figures from CDiff reports and monthly bed days from the CHKS website. The outturn was confirmed as correctly calculated. Trust attributable figures were also confirmed to the Public Health England website.	We have not come across any indications that data for this indicator is not produced in line with national guidance.
<b>Completeness</b>	●	●	How is completeness ensured? We reconciled the records for all tests to the positives used in the indicator. A sample of items excluded were checked to confirm the exclusion was appropriate.		
<b>Relevance</b>	●	●	Is the information relevant for the reported purpose? All cases examined were confirmed to relate to clostridium difficile infections.		
<b>Reliability</b>	●	●	Is the information reported reliable insofar as it agrees to data source(s)? We confirmed there were no changes to the process. Results produced were agreed to data sources.		
<b>Timeliness</b>	●	●	Is real-time data used and is it reported on a timely basis? Recording was being done on a timely basis.		
<b>Validity</b>	●	●	What checks are performed to ensure that the data is valid? Details of a sample of positive and negative results were agreed to patient records.		
<b>Overall</b>	●	●	Appropriate arrangements in place to ensure the quality of data for this indicator? Our testing confirmed that appropriate arrangements are in place for this indicator.		



# Appendices

## Appendix 1

# Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
<b>1</b>	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	<b>2</b>	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	<b>3</b>	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
1	<b>2</b>	<p><b>NHS Agreement of Balances Reconciliation</b></p> <p>During the audit it was identified that the Agreement of Balances (AOB) submission was incorrect for the Maternity Pathways for the main commissioners. This led to additional audit work and further submissions by management.</p> <p><b>Recommendation:</b></p> <p>Ensure that at each submission of the AOB that a reconciliation between the submission and the general ledger is maintained to ensure that the submission is fully supported by the entries in the ledger.</p>	<p>Agreed. We will tighten up the AOB process as directed for the next AOB exercise which is January 2018</p> <p>Deputy Director of Finance</p>
2		<p><b>East Lancs Financial Services Management (ELFS)</b></p> <p>The responsibility for internal control is still with the Trust although the responsibility to carry out the control reconciliations has passed to ELFS. We have identified that although the reconciliations are being carried out by ELFS it is not clear how the Trust formally satisfies itself that the controls are operating effectively.</p> <p><b>Recommendation:</b></p> <p>We recommend that the Trust complete a monthly control matrix that formally documents that the ELFS controls have taken place and that results are reasonable to provide the Trust with the assurance that the controls are operating effectively.</p>	<p>Agreed. A Matrix approach will be introduced in June 2017</p> <p>Deputy Director of Finance</p>

## Appendix 1

# Recommendations raised and followed up

We have also followed up the three recommendations from the previous year's audit:

Total number of recommendations		Number of recommendations implemented	Number outstanding (repeated below):
3		3	0

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (May 2017)
<b>Financial Statements</b>				
1	2	<b>Staff and visitor catering</b> Catering showed a further loss of £0.3m in 2015/16. We recommended that the Trust should review its charging policy and/or consider whether this financial position is sustainable given the wider difficulties facing the Trust.	Alternative models of provision are currently being sourced with a view to eliminating this loss completely. Deputy Director of Finance March 2017	A surplus of £3k was achieved in 2016/17. Management have reviewed the provision and made a number of changes including removing staff subsidy, increasing prices, reviewing staff rotas and offering meal deals.
2	2	<b>Annual report</b> Whilst there is no requirement to produce the annual report at the same time as the accounts, ensuring it is completed within two weeks of the accounts deadline would assist the audit process significantly.	Agreed. Director of Governance April 2017	A version was received 16 May and this was substantially complete.
<b>Quality Account</b>				
3	1	<b>VTE risk assessments</b> Given the high error rate in the data held in the Lorenzo system, the Trust should confirm the revised process for logging on the Lorenzo system and the case files accurately record whether the VTE assessment has taken place.	A system change in Lorenzo has been introduced, which was approved through the Thrombosis Committee, to ensure accurate recording on Lorenzo. This will be audited through June/July to ensure the expected change has taken place. Dr Saleh, Consultant Anaesthetist and Deputy Medical Director 31 August 2016	Testing the Lorenzo system indicated that accurate recording and reporting is being achieved for 16/17. Performance has improved from 80% in Q1 of 16/17 to 86% in Q3. However, we understand that medical staff still think the Lorenzo system is still not being fully used. We have provided data to the Trust for further investigation – we have not received a response to date.

## Appendix 2

# Audit Differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. There are no unadjusted audit differences to report

Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£k)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Trade and Other Receivables	-	£2,211	The Maternity Pathways deferred income had been initially netted of Trade and Other Receivables instead of being shown as deferred income
	Cr Trade and Other Payables	-	£(2,211)	
Total		£ -	£ -	

There are a number of presentational adjustments that management have made to the disclosure notes. These have been detailed in the management report to the audit committee.



## Appendix 2

# Audit Differences

We are required to report any inconsistencies greater than £250,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component.

There are no inconsistencies between the audited accounts and the consolidation data. The initial Agreement of Balances exercise with results on 3 May showed 9 differences over £250k (4 I&E and 5 Drs / Crs). Following resubmission with results on 17 May, there was only 1 remaining difference as shown below.

We have provided details of this remaining matter that we are reporting to the NAO as follows:

Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
Hull CCG	Debtor / Creditor	£32	£1,361	£1,329	This is an error in the AOB submission by HEYH – Maternity Pathways.  It does not impact on the reported position in the Financial Statements.

## Appendix 3

# Auditor Independence

The purpose of this Appendix is to communicate all significant facts and matters that bear on KPMG LLP's independence and objectivity and to inform you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance*.

### Integrity, objectivity and independence

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

We have considered the fees paid to us by the Trust for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity. Where tax services have been provided to the Trust, these have been provided by a separate team. The scale of the tax work is not material to the Trust or the audit.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Board.

### Audit matters

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit of the accounts.

ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff.
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Trust's financial statements.
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the Trust's financial statements.

## Appendix 3

# Auditor Independence

- Material uncertainties related to events and conditions that may cast significant doubt on the Trust's ability to continue as a going concern.
- Disagreements with management about matters that, individually or in aggregate, could be significant to the Trust's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter.
- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at Audit Committees, commentary and reporting and, in the case of uncorrected misstatements, through our request for management representations.

### Auditor Declaration

In relation to the audit of the financial statements of the Trust for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and the Trust, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards in relation to independence and objectivity.

## Appendix 4

# Other Auditor Fees

We have summarised below the non-audit services that we have been engaged to provide, the estimated fee, the potential threats to auditor independence and the associated safeguards we have put in place to manage these.

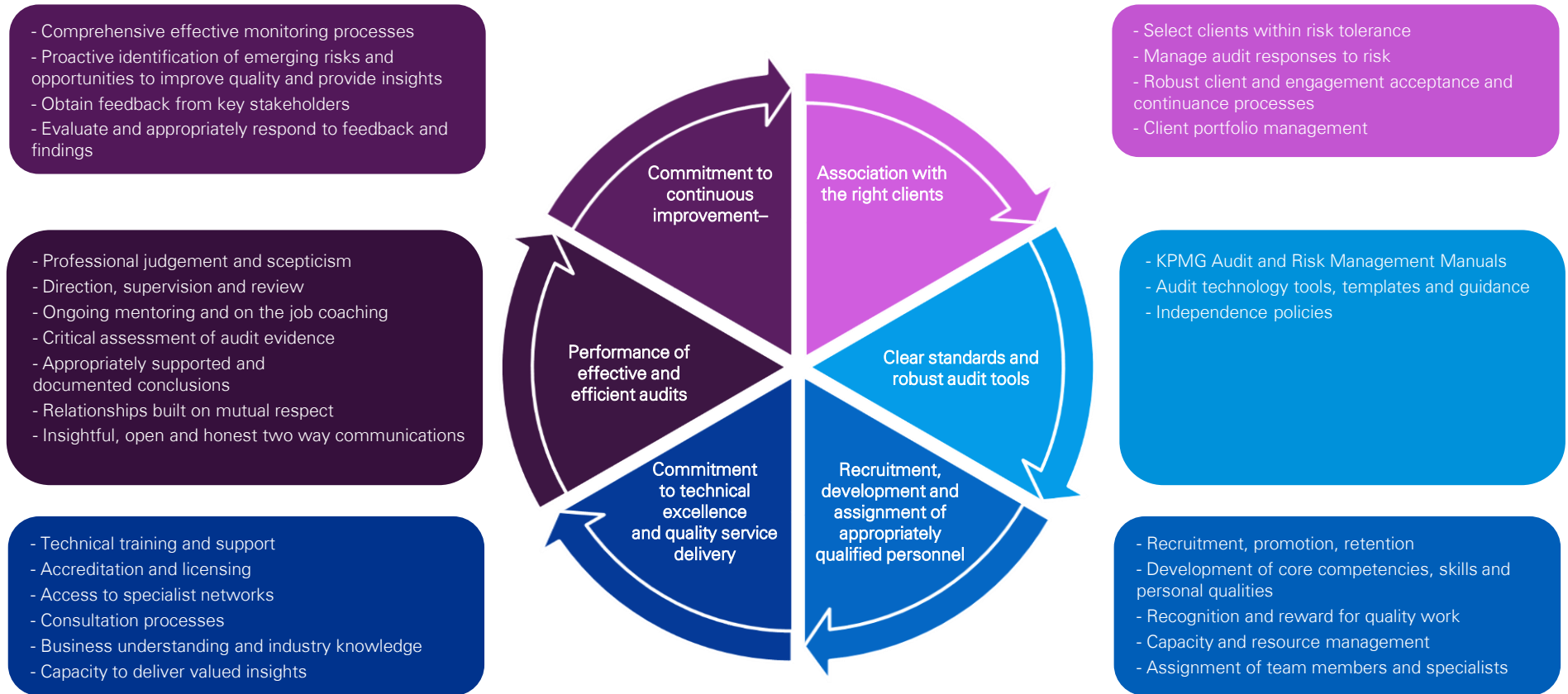
Description of non audit services	Estimated Fee 2016/17 (all excluding VAT)	Potential threat to auditor independence	Associated safeguards in place
Charitable Funds Audit	£3,150	Appointment is made by PSAA along with statutory audit	N/A
Quality Account Audit (PSAA appointment)	£9,500	While there is a separate engagement letter, this is work normally undertaken by the external auditor and is not regarded as a potential threat to auditor independence.	N/A
Taxation compliance services	£9,356	Specific approval was given for this work by PSAA in a previous year covering both 2015/16 and 2016/17. With regard to potential threats:  Self-review – potential conflict with audit work Management – take decisions for management Advocacy – adopt position compromising audit objectivity Intimidation – auditor is subject to intimidation Familiarity – personal relationships affect judgement Self-interest – fees could affect audit judgement.	Safeguards exist regarding all threats.  This work is undertaken by a tax team and their management entirely separate from the audit team.; the team provides advice only and the Trust remains responsible for taking decisions and pursuing recovery, claims are pursued on existing law and does not require new legal precedents to be pursued; the audit team is not aware of the outcome so it has no bearing on the audit, there are no personal relationships so judgement is not impaired; VAT compliance and recovery work and fees are not material to the audit.
Other Non-Audit Services – contract reviews	£10,916	Potential threats would remain as stated above.	Similar responses to above as work is again entirely undertaken by a team separate from the audit and not related to material areas in financial statements eg health roster / renal services.
Total fees	£32,922		
Total fees as a percentage of the external audit fees	48.6%		

We have considered the ratio of audit to non-audit fees as required by the APB Ethical Standards. The principal threat which arises from fees from non-audit services which are large in absolute terms of relative to the audit fee is the perception of self-interest and advocacy. In this regard, we do not consider that the above ratio creates such a self-interest or advocacy threat since the absolute level of non-audit fees is not significant to our firm as a whole and neither the audit partner nor members of the audit team are incentivised on, or rewarded in respect of, the provision of non-audit services to you. We believe that the question of perception is best addressed through appropriate disclosure as to use of the auditor for the provision of non-audit services in the Trust's annual report.

## Appendix 5

# KPMG Audit Quality Framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.



# **HULL AND EAST YORKSHIRE HOSPITALS NHS TRUST**

**EXTRAORDINARY TRUST BOARD 25 MAY 2017**

**LETTER OF REPRESENTATION FOR THE 2016/17**

## **ANNUAL ACCOUNTS**

**1. PURPOSE**

The Board is asked to formally acknowledge and consider the assurances given to the auditors by the Chief Financial Officer and Chair of the Audit committee on behalf of the Board. The assurances are in relation to the Annual Accounts for the year ending 31 March 2016.

**2. SUMMARY**

Auditing Standards require that auditors obtain written confirmation of representations from Management before they issue their opinion on the financial statements.

A copy of the letter containing the representations is attached as appendix one. The letter has been considered, and the representations acknowledged by the Audit Committee at their meeting on 25 May 2016,

**3. RECOMMENDATION**

The Board is asked to formally acknowledge the assurances given to the Auditors by the Chief Financial Officer and Chair of the Audit Committee on behalf of the Board.

**Lee Bond**  
**Chief Financial officer**

**25 May 2017**

Mr John Prentice  
KPMG LLP  
1 Sovereign Street  
Leeds  
LS1 4DA

25 May 2017

Dear John

**Management Representation for Hull and East Yorkshire Hospitals NHS Trust for 31 March 2017 Financial Statements**

This representations letter is provided in connection with your audit of the financial statements of Hull and East Yorkshire Hospitals NHS Trust (“the Trust”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- as to whether these financial statements give a true and fair view of the state of the financial position of the Trust as at 31 March 2017 and of the Trust’s income and expenditure for the financial year then ended; and
- whether the Trust’s financial statements have been prepared in accordance with the Department of Health Group Accounting Manual (GAM).

These financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Board has fulfilled its responsibilities for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Trust as at 31 March 2017 and of the Trust’s income and expenditure for that financial year; and
  - ii. have been prepared in accordance with the GAM 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. There are no uncorrected adjustments above £250k following the audit of the 2016/17 financial statements.

5. The Board has provided you with:
- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Board for the purpose of the audit; and
  - unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Board confirms the following:

- i. The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definition of fraud, including misstatement arising from fraudulent financial reporting and from misappropriation of assets.

- ii. The Board has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Trust and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

- b) allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Board has disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures. Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.
11. The Board confirms that all intra-NHS balances included in the Statement of Financial Position (SFP) at 31 March 2017 in excess of £100,000 have been disclosed to you and that the Trust has complied with the requirements of the Intra NHS Agreement of Balances Exercise. The Board confirms that Intra-NHS balances includes all balances with NHS counterparties, regardless of whether these balances are reported within those SFP classifications formally deemed to be included within the Agreement of Balances exercise.
12. The Board confirms that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Trust's ability to continue as a going concern as required to provide a true and fair view..
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Trust to continue as a going concern.
13. The Trust is required to consolidate any NHS charitable funds which are determined to be subsidiaries of the Trust. The decision on whether to consolidate is dependent upon the financial materiality and governance arrangements of the charitable funds. The Board confirms that, having considered these factors, it is satisfied that the charitable funds should not be consolidated.

This letter was tabled and agreed at the meeting of the Board of Directors on 25 May 2017.

Yours sincerely

Lee Bond

Martin Gore

Chief Financial Officer

Chair of Audit Committee

for and on behalf of the Board of Hull and East Yorkshire Hospitals NHS Trust

## **Appendix to the Board Representations Letter: Definitions**

### **Financial Statements**

IAS 1.10 states that a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the previous period; and
- a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

### **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

### **Related parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### **Related party transaction**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



# HULL AND EAST YORKSHIRE HOSPITALS NHS TRUST

## ANNUAL REPORT 2016-17

<b>Meeting date</b>	25 May 2017	<b>Ref</b>	2017-5-5			
<b>Director</b>	Chris Long – Chief Executive	<b>Author</b>	Carla Ramsay – Director of Corporate Affairs			
<b>Reason for the report</b>	To provide the final draft of the Annual Report to the Trust Board for approval. The remuneration and financial sections of the annual report have been subject to independent audit. The Annual Report has been written in accordance with national guidance requirements and is presented as a compliant document. This and a previous draft have been subject to review by the Audit Committee, who will make a recommendation as to whether to approve the Annual Report at today's meeting					
<b>Type of report</b>	Concept paper		Strategic options		Business case	
	Performance		Information		Review	✓

<b>1</b>	<b>RECOMMENDATIONS</b> The Trust Board is asked to approve the Annual Report					
<b>2</b>	<b>Key purpose</b>					
	Decision		Approval	✓	Discussion	
	Information		Assurance		Delegation	
<b>3</b>	<b>STRATEGIC OBJECTIVES</b>					
	<ul style="list-style-type: none"> <li>• Honest, caring and accountable culture</li> <li>• Valued, skilled and sufficient workforce</li> <li>• High quality care</li> <li>• Great local services</li> <li>• Great specialist services</li> <li>• Partnership and integrated services</li> <li>• Financial sustainability</li> </ul>					✓
<b>4</b>	<b>LINKED TO</b>					
	<b>CQC Regulation(s)</b>	Well-lead domain, including W2 - Governance				
	<b>Assurance Framework</b> Yes	<b>Ref:</b>	<b>Legal advice</b>	Not required		
<b>5</b>	<b>BOARD/BOARD COMMITTEE REVIEW</b> The draft annual report has had review by the Audit Committee and by Trust Board members as a draft and is subject to auditors' review. The Audit Committee is asked whether it can recommend the Annual Report to the Trust Board.					

# ANNUAL REPORT AND ACCOUNTS 2016/17



*Great Staff - Great Care - Great Future*

**REQUESTING DOCUMENT IN OTHER FOMATS AND LANGUAGES TO GO IN HERE**

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## PERFORMANCE REPORT

This section of our Annual Report provides information about the Trust including its vision and values, the services that we provide and who we provide those services to. It also contains an overview of the challenges we face and how we are addressing them.

### **Statement from the Chief Executive**

I am pleased to be reporting on our performance and achievements in 2016/17.

In last year's Annual Report, I was pleased to reflect on the progress we had started to make through a programme of cultural change, to create the right environment for our staff to be able to deliver excellent patient care to the people we serve. I consider that we have continued to make excellent progress in the last year and this is seen in the results of the national staff survey, the national patient survey and also our own quarterly staff cultural surveys.

We are seeing further benefits from our programme of cultural change being translated in to improved performance and staff morale. Following the opening of a new Emergency Department during the previous year, we have implemented new pathways and models of care, with a particular focus on the assessment and treatment of frail, elderly patients. We sustained good performance compared with the national picture during the winter months, due to robust leadership in the Emergency Department and the support of Health Groups and management teams across the organisation, as well as working more closely with our partner organisations. At the close of the year, saw Emergency Department performance at over 90%, surpassing NHS England's nationally-set target for performance at year-end. Our focus in 2017/18 will be to sustain performance above 90% each month, and to meet the national target of 95% at the end of March 2018.

We have also made steady progress in modelling our performance against the 18 week treatment standard and the cancer standards. Whilst we did not meet the 18-week trajectories agreed with NHS Improvement and commissioners, we have made progress against waiting times, including understanding and starting to address waiting list backlogs for follow-up patients. I am nevertheless sorry that some patients have had to wait longer than they should have. With the input of the Intensive Support Team, we have modelled our elective pathways to understand what our sustainable waiting list sizes and times should be, and will be working towards achieving updated RTT trajectories in 2017/18.

In June and July 2016, the Trust had a comprehensive inspection by the Care Quality Commission (CQC), which followed from the previous comprehensive inspection in 2014 and focussed re-inspection in 2015. The Trust is still rated as 'requires improvement' but received positive feedback from the CQC on progress that has been seen in the last two years. This is seen in the published report, wherein the Trust has no areas rated as 'inadequate' and has moved more ratings in individual areas to 'good'. Inspectors highlighted the improvement in the Emergency Department, and confirmed the quality of care as 'good' in Emergency care, end of life care and children and young people's services, and noted many areas of good practice. The Trust maintained a rating of caring as 'good' overall. The CQC identified 23 'must do' and 10 'should do' actions from the 2016 inspection and these are all included in the Trust's updated Quality Improvement Plan.

In relation to our financial performance, The Trust has delivered against all three of its statutory financial targets: delivery of break-even, the Capital Resource Limit and External Financing Limit. At the end of the year, the Trust reported a small surplus of £70,000, based on delivering a Trust surplus of £35,000, which is then matched by incentive funding from NHS Improvement. However, this year-end position was reached through the use of non-sustainable financial measures, therefore we do not under-estimate the financial challenge in the year ahead.

Our staff have reported that the Trust is a better place to work, and that the culture of the organisation has become more focussed on patient care and safety, continuous improvement and accountability. We know that there is more we must do to ensure more of our staff feel this too over the next year. Our vision of Great Staff, Great Care, Great Future, continues to drive the work we do and I am proud of the many Moments of Magic our staff have given to our patients, culminating in our annual staff Golden Heart awards. I am pleased with the progress we have made in 2016/17 and look forward to making further improvements for our patients in the forthcoming year.

**Chris Long**  
**Chief Executive**  
**May 2017**

## **Purpose and activities of the Trust**

### **1. Introduction**

Hull and East Yorkshire Hospitals NHS Trust (HEY Trust) is a large acute Trust situated in Kingston upon Hull and the East Riding of Yorkshire. The Trust was established in October 1999 through the merger of the former Royal Hull Hospitals and East Yorkshire Hospitals NHS Trusts. We employ just over 7,093 WTE staff, have an annual turnover of £555m and we have two main sites.

The two main hospital sites are the Hull Royal Infirmary and Castle Hill Hospital. Outpatient services are also delivered from locations across the local health economy area.

### **2. Services provided**

We provide a full range of urgent and planned general hospital services, covering the major medical and surgical specialties, routine and specialist diagnostic services and other clinical support services. These secondary care services are provided to a catchment population of approximately 600,000 in the Hull and East Riding of Yorkshire area.

The Trust also provides specialist and tertiary services to a catchment population of between 1.05 million and 1.25 million extending from Scarborough in North Yorkshire to Grimsby and Scunthorpe in North East and North Lincolnshire respectively. The only major services not provided locally are transplant surgery, major burns and some specialist paediatric services. The Trust is designated as a Cancer Centre, Cardiac Centre, Vascular Centre and, Major Trauma Centre.

The Trust is also a university teaching hospital and a partner in the Hull York Medical School.

In 2016/17 we provided the following services:

- We assessed 147,092 people who attended our Emergency Departments (131,805 attended Hull Royal Infirmary and 15,287 attended Beverly Minor Injuries Unit)
- We had 727,902 attendances at our outpatient clinics
- We admitted 153,370 patients to our wards
- A further 14,330 re-attended our wards for a planned review following treatment

### **2. Vision, values and goals of the Trust**

The vision of the Trust is '*Great Staff, Great Care, Great Future*'. We believe that by developing an innovative, skilled and caring workforce, we can deliver great care to our patients and a great future for our employees, our Trust and our community. We have developed seven long term goals

- Honest, caring and accountable culture
- Valued, skilled and sufficient workforce
- High quality care
- Great local services
- Great specialist services
- Partnership and integrated services
- Financial sustainability.

We have developed a set of organisational values – '*Care, Honesty, Accountability*' in conjunction with our staff and these form the basis of a Staff Charter which sets out the behaviours which staff expect from each other and what staff can expect from the Trust in return.



### **3. Our catchment population**

The local health system served by the Trust centres on the City of Kingston Upon Hull, its suburbs and the surrounding East Riding of Yorkshire, a rural area containing a number of market towns.

Hull is a geographically compact city of approximately 270,000 people. It was identified as the third most deprived local authority in England in 2015 (Index of Multiple Deprivation, Department of Communities and Local Government). The health of people in Hull is generally worse than the England average, with life expectancy for both men and women being lower than the England average.

The East Riding of Yorkshire is predominantly a rural area populated by approximately 342,000 people. The geography of the East Riding makes it difficult for some people to access services. Life expectancy for men is higher than the England average. A larger proportion of the East Riding population is over 65 years of age compared to Hull.

Whilst the ethnicity of the two populations is predominantly white, Hull has a higher percentage of residents who are either South Asian, Black, mixed race, Chinese or other origin.

Although the two local authority areas are very different in their patient populations, health profiles, geographical landscape and distribution, common themes have emerged in respect addressing health inequalities, prevention and management of long term conditions. The higher incidence of deprivation in Hull and the ageing and increasing population of the East Riding requires the Trust to tailor its services to meet the needs of these two very different patient populations.

In order to address these challenges, the Trust is working with Clinical Commissioning Groups (CCGs) and health and care provider colleagues to develop integrated patient care pathways. We recognise that in order to improve services that we have to work together. We want to improve services for the frail elderly, patients with cardiac problems, those who have had a stroke and people who need cancer care. We also recognise that not all care will be delivered in hospital settings and that care will be delivered from an increasing number of community settings across Hull and the East Riding of Yorkshire.

#### **Key issues and risks that could affect the Trust in delivering its objectives**

The Trust faced a challenging year in 2016/17 but has made some progress in addressing the key issues. This section of the annual report sets out the background to the issues, the risk that they pose and the action we are taking.

The Care Quality Commission undertook a comprehensive inspection of the Trust in June 2016. The Trust maintained its rating of 'requires improvement', however the CQC inspection team noted good progress had been made in addressing the recommendations from the focussed re-inspection in May 2015 and the previous comprehensive inspection since 2014; the three areas rated as 'inadequate' all improved their ratings in the 2016 inspection and the overall number of 'good' ratings improved. A constructive Quality Summit was held in March 2017 to receive the formal feedback of the CQC with partner organisations; the Trust recognises the risk that a CQC rating below 'good' poses to patient and staff confidence, and to the reputation of the Trust.

The Trust did not deliver all elements of the national waiting times targets in emergency care, for elective patients and for cancer patients. During the year, new pathways for emergency medical patients were introduced and positive progress was seen in the Emergency Care standards throughout the year, and in particular at the end of the year, which we plan to maintain and improve further, learning lessons from this year. We have also had external support to break down waiting times for our elective pathways, and to put in place plans to reach sustainable waiting list sizes and times in 2017/18. The growth in demand on our

services, and the impact this has had in being able to meet all NHS Constitutional standards has been acknowledged by our commissioners and regulator; we move in to 2017/18 with an Aligned Incentives Contract with our two local commissioners to work in more partnership to better manage within our local health economy resources.

In 2016, the Trust worked as a partner within the Humber Coast and Vale Sustainability and Transformation Plan (STP). The STP was published in September 2016 and the Trust is leading the acute trust work stream to support the work of the STP, and is also a member of the Hull Place Based Strategic Partnership Board and the East Riding Better Care Fund Transformation Board.

The Trust worked with a deficit position into 2016/17, which was managed through £14 million Sustainable Transformation Fund support, which was achieved through meeting financial and performance targets. Financial constraints will continue to be very challenging for health services in the coming years as the gap between forecast costs and the availability of funding is likely to grow. The Trust delivered 78% of its cost savings programme in 2016/17 and will need to find further savings in 2017/18, including work on the Trust's cost base. The Trust is working through recommendations of the Lord Carter Efficiency Review in addition to pursuing its own analysis of opportunities for increasing productivity and reducing cost.

The Trust faced difficulties in 2016/17 in recruiting staff in a number of key areas particularly Consultants in Emergency Medicine, Acute Medicine and Elderly Medicine. Whilst these problems are not unique to our Trust we have an additional challenge due to our relative geographic isolation. The Trust has seen positive benefits from its new approach to recruitment, through its *Remarkable People, Extraordinary Place* campaign, which will be used further in 2017/18 to recruit in target staff groups, particularly key nursing and medical staff groups

The Trust is has made positive progress in its major programme of cultural change. The culture and reputation of the Trust had had a negative impact on staff recruitment, retention and morale but staff and patient surveys in 2016/17 showed significant progress in addressing negative aspects of the Trust's culture and bringing about positive change. For the first time, the Trust had 13 of 22 responses in the national staff survey in the top 20 percent of Trusts and the Trust has shown improvement in its staff engagement scores in each quarterly local staff survey, as well as in the national staff survey. There is further work to do in 2017/18 to improve scores and better engage staff who are reporting lower levels of satisfaction, which will in turn have a positive impact on the Trust as a place to work and to deliver high-quality care.

### **Performance Summary**

The year-end performance against the Trust's key 'responsiveness' indicators met the required standards for the following areas\*:

- 12 hour trolley breaches
- Delayed Transfers of Care
- 31-day Cancer Standard
- 31-day Subsequent Radiotherapy cancer standard
- Stroke 60 minutes target
- Stroke Care

The year-end performance against the Trust's key 'responsiveness' indicators did not meet the required standards for the following areas\*:

- The 95% 4-hour Emergency Care Standard;
- The 31 day Subsequent Surgery Cancer Standard;
- The 62 day Referral to Treatment Cancer Standard;
- The 62 day Screening Referral to Treatment Cancer Standard;
- The RTT Incomplete standard;

- 52 week breach standard;
- Patients not treated within 28 days of last minute cancellation standard;
- Diagnostic 6 week wait standard

(\*Cancer data available up to February 2017 at the time of writing)

The year-end performance against the Trust's key "safe" indicators met the required standards for the following areas:

- Potential under-reporting of patient safety incidents
- Patient safety alerts outstanding
- Mixed sex accommodations breaches
- *clostridium difficile* cases
- Year-end position for emergency caesarean sections

The year-end performance against the Trust's key "safe" indicators did not meet the required standards for the following areas:

- VTE risk assessment

There were zero tolerance targets for 2016/17 against the following 'safe' indicators. The Trust did not have zero cases in either category:

- MRSA bacteraemia – 2 cases reported in 2016/17, one of which was attributed to another Trust by NHS England
- Never Events – 2 Never Events were reported in 2016/17

The year-end performance against the Trust's key "effective" indicators met the required standards for the following areas:

- Hospital Standardised Mortality Rate (HSMR) at year-end
- 30 day re-admissions

The year-end performance against the Trust's key "effective" indicators did not meet the required standards for the following areas:

- Hospital Standardised Mortality Rate (HSMR) weekends at year-end (this was met during the year but increased at the December 2016 measurement point in winter)

The year-end performance against the Trust's key "caring" indicators met the required standards for the following areas:

- Inpatient Friends and Family test scores above the NHS England average
- Year-end Friends and Family test score above the NHS England average for A&E
- Maternity Friends and Family test scores above the NHS England average

The year-end performance against the Trust's key 'caring' indicators did not meet the required standards for the following areas:

- None

There is more detailed analysis against performance further on in this annual report.

## **PERFORMANCE ANALYSIS**

This section of the Annual Report sets out our most important performance measures and tells you how we did against them in 2016/17. They have been presented under our Trust's vision: Great Staff, Great Care, Great Future

### **GREAT STAFF**

Our staff are our greatest asset. Valuing, engaging and developing our staff is by far the most powerful approach we can have to achieving our vision. In 2014, we began to work to improve our culture beginning with the development of a new set of values for the organisation and chosen by our staff. This work has continued over the last two years. Our Chief Executive has made improving the organisation's culture his top priority and launched an ambitious programme of initiatives designed to create an environment true to our new values. The positive impact of this work has been recognised in our staff in the 2016 national staff survey.

There are 32 key findings in the national staff survey and an overall staff engagement score. Possible scores for the overall engagement score range from 1 to 5, with one indicating that staff are poorly engaged (with their work, their team and their Trust) and 5 indicating that staff are highly engaged. This compares with our score in 2015 was 3.74 which in itself was a significant improvement in one year compared to 3.54 in 2014. Our performance is still just below the national average for acute trusts (3.79) and it is anticipated that this will improve further in the 2016 staff survey as our local survey results are showing positive progress.

When compared with similar type organisations for all 32 key findings the Trust's benchmarked performance has improved, with the number of scores in the top 20% increasing by over 100%:

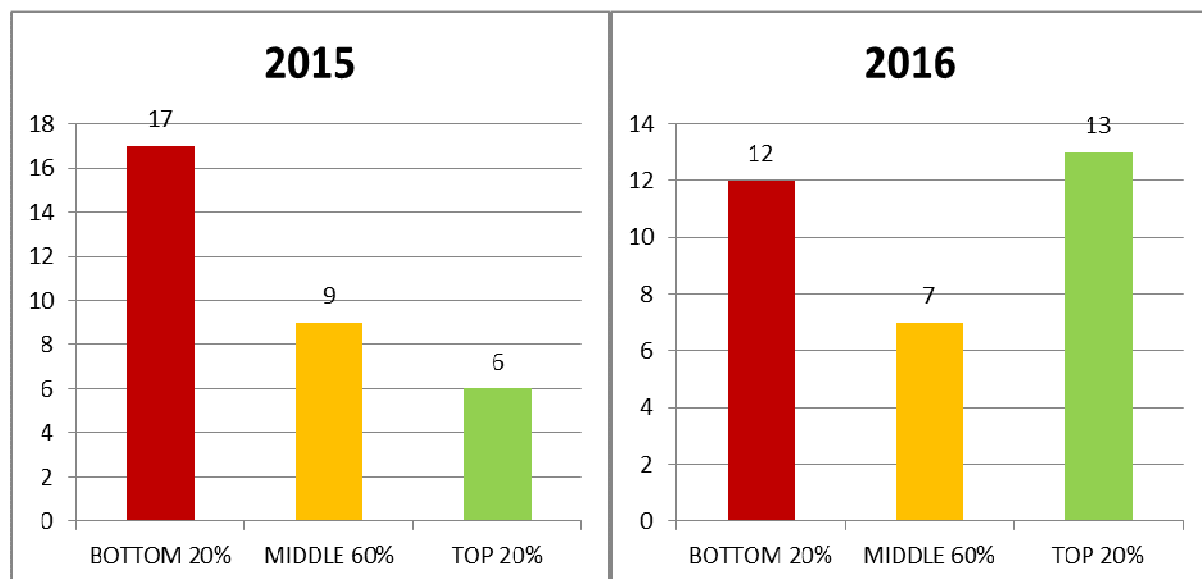
2016

In the **top 20% for 13** key findings  
In the middle 60% for 7 key findings  
In the bottom 20% **for 12** key findings

2015

In the **top 20% for six** key findings  
In the middle 60% for nine key findings  
In the bottom 20% **for 17** key findings

Performance is deemed to have improved significantly against five key findings:



The findings in which the Trust was in the top 20% of Trusts in 2016 are:

- Percentage of staff appraised in the last year
- Percentage of staff experiencing discrimination at work
- Percentage of staff believing the organisation provides equal opportunities
- Percentage of staff witnessing potentially harmful errors
- Fairness and effectiveness of procedures for reporting errors
- Staff confidence and security in reporting unsafe clinical practice
- Percentage of staff attending work despite feeling unwell
- Percentage of staff satisfied with flexible working opportunities
- Percentage of staff working extra hours
- Satisfaction with resourcing and support
- Satisfaction with quality of work they are able to deliver
- Percentage of staff experiencing physical violence from patients or the public
- Percentage of staff experiencing harassment, bullying or abuse from patients or the public

The Trust is deemed to have improved significantly against these findings:

- Percentage of staff attending work in the last 3 months despite feeling unwell because they felt pressure from their manager, colleagues or themselves
- Percentage of staff feeling unwell due to work related stress in the last 12 months
- Percentage of staff witnessing potentially harmful errors, near misses or incidents in last month
- Percentage of staff experiencing harassment, bullying or abuse from staff in last 12 months
- Percentage of staff appraised in last 12 months

The Trust's bottom five ranking scores were

- Percentage of staff staff experiencing harassment, bullying or abuse from staff in the last 12 months
- Organisation and management interest in and action on health and wellbeing
- Percentage of staff feeling unwell due to work related stress in the last 12 months
- Percentage of staff reporting potentially harmful errors, near misses or incidents in the last month
- Staff recommendation of the Trust as a place to work or receive care or treatment

Despite being one of the worst ranking scores KF26 (% staff experiencing harassment, bullying or abuse from staff in last 12 months), is one of the Trust's most improved scores, a statistically significant shift from 38% in 2015 to 31% in 2016. It nevertheless remains too high and we will continue to focus on improving our staff experience at work.

KF29 (% staff reporting errors in the last month) has also improved by two percentage points since the last survey from 87% to 89%, and is now only one percentage point behind the national average. To put this into context the Trust is in the middle 60% of Trusts in terms of volumes of incidents reported and harm caused to patients.

The Trust has not seen deterioration in any of the key findings in the staff survey.

In response to the 2016 results, three objectives have been approved by the Trust Board:

- Objective 1 - Trust performance in the National Staff Survey will be in the top 20% of trusts in the UK by February 2019, on publication of the 2018 survey results. The overall score for engagement will be the key performance indicator in this respect.
- Objective 2 - Medical and dental engagement will be in the top 20% trusts by February 2020 on publication of the 2019 results.

- Objective 3 - Scores for non-clinical staff (including Corporate and Estates, Facilities and Development) will be comparable to those of the best performing Health Group by publication of the 2018 results.

In order to achieve the objectives set out above, a Staff Survey Working Group has been established. This includes membership from all Health Groups and Directorates, and has been extended to include medical and nursing members. The Head of Therapies has also been invited to join the group in an effort to learn from areas of excellent practice and shift at some focus on to best practice. A standing agenda item for the group will be 'learning from excellence'. The group will meet monthly and report to the Workforce Transformation Committee. An action plan has been agreed and will be continuously updated following further discussions with specific areas of the workforce. These discussions will include "all staff" focus groups, workshops with our disabled workforce, a focus on good practice in therapies and specific interventions for the medical and dental workforce as well as the Estates, Facilities and Development directorate.

Senior manager briefing sessions will be held throughout May-August for the 800 band 7+ managers we employ. These will set out our intended objective and expectations of managers in all areas to deliver the objective.

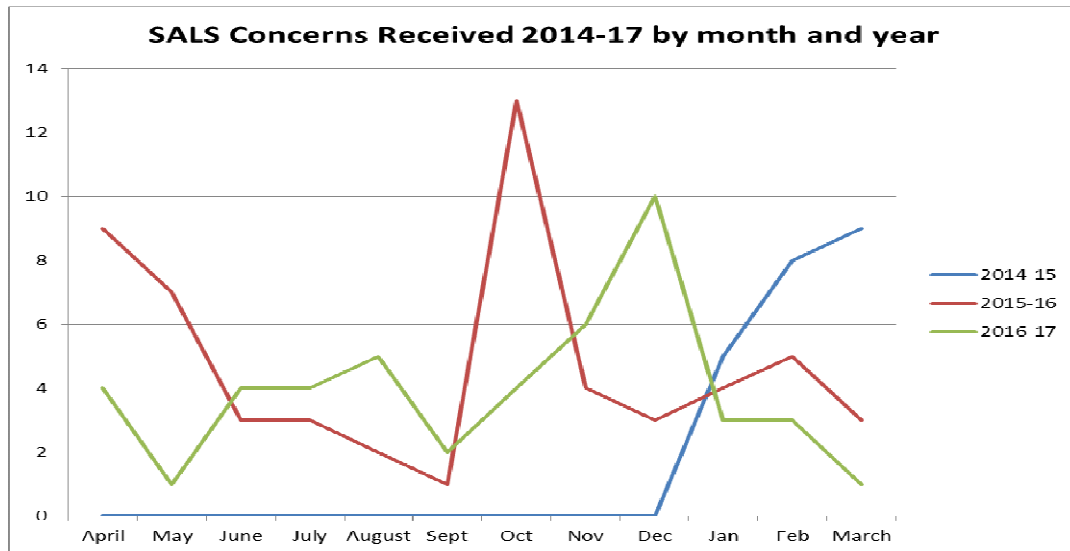
A separate group focusing specifically on medical engagement and accountability has been established with medical membership from all Health Groups. The first meeting of this group was held in March. The discussion built upon feedback from a workshop with triumvirates and clinical directors held in December, with five clear themes emerging:

- 1: Basic needs:** Car parking, office accommodation, admin/secretarial support, training and development, organisational respect, SPA time
- 2: Clarity of roles:** Job descriptions, appraisals, job planning/team planning
- 3: Structures:** Sharing the workload, clinical hierarchy
- 4: Relationships:** Secretaries, business/service managers, networking, consultants' forum, team working
- 5: Accountability:** Empowerment and authorisation, removal of centralised unilateral decision-making, hand back control over waiting lists

The group, led by the Chief Medical Officer and Director of Workforce and Organisational Development, will continue to meet monthly to develop a robust plan of action, based on the five themes. The action plan will be discussed by and approved at both the LNC and Trust Board.

## Staff Advice and Liaison Service (SALS)

Since the launch of SALS in January 2015 there have been 130 contacts in total, either via email, telephone or face to face and a total of 47 contacts have been received from April 2016 to March 2017, this is a decrease of 16% from the previous financial year. The most common themes continue to involve difficult working relations, work pressures causing significant impacts on stress levels and staff being discouraged from raising incidents.



Members of staff who contact the SALS service are able to speak in confidence regarding

ing their issues. Advice is given regarding further support available within the Trust and the caller is signposted to the most appropriate service for further help and support with consent.

### Golden Hearts nominations

The sixth annual Golden Hearts awards ceremony took place on 20<sup>th</sup> May 2016 to celebrate teams and individuals who go the extra mile for their patients, colleagues and services. Held at the Willerby Manor Hotel, more than 300 people attended to see 15 awards given out to our very worthy winners. A number of the awards handed out were new for this year, including the Lessons Learned Award, the PACT Award for Cultural Transformation and Team Spirit, and the Lifetime Achievement Award, which went to Palliative Care Nurse, Steve Morris. Fiona Dwyer of ITV Calendar News hosted the awards ceremony for us, and a total of £700 was raised during the interval for her chosen charity, the SAMMI Fund, which supports people affected by spinal injury.

Guests were also treated to two stunning performances from the HEY Let's Sing Choir. A full list of 2016 Golden Hearts winners and runners up can be found below:

#### 1. Making It Better

**Winner:** ED Pathology Diagnostics Team

**Runners up:**

- Critical Care Team
- Neurosurgical Physiotherapy Team

#### 2. Great Leader

**Winner:** Julie Nicholson, Sterile Services

**Runners up:**

- Nick Gregory, Programme Manager, Retinal Screening
- Donna Major, Clinical Skills Manager

#### 3. PACT Award for Positive Culture and Team Spirit

**Winner:** Nicola Gilchrist and the Physio Team



**Runners up:**

- 13th Floor, HRI
- Ward 10 Staff (Winter Ward)

**4. Lessons Learned**

**Winner:** Ward 9, HRI

**Runners up:**

- Matthew Smith, Paediatric Services
- Sam Davies, Ward 4

**5. Stronger Together: Partnership Working**

**Winner:** Chris Yates and the National Pathology Week Team

**Runners up:**

- Critical Care Support Group
- Orthotics Department

**6. Apprentice of the Year**

**Winner:** Jamie-Lee Lister, Estates Team

**Runners up:**

- Emily Clappison, Clinical Skills
- Alexander Bampton, Critical Care

**7. Mentor of the Year**

**Winner:** Kevin Liddall, Occupational Therapist

**Runners up:**

- Susan Smith, Ophthalmology Outpatients
- Tara Woffindin, Sister

**8. Proud of Our Staff: Moments of Magic**

**Winner:** Andrea Mellor, Mortuary & Bereavement Services

**Runners up:**

- Kirsty McKenna, Matron
- Sarah Padwick, Medical Secretary

**9. Outstanding Individual of the Year – Scientific, Technical and Therapeutic**

**Winner:** Dr Angela Green, Clinical Research Therapist

**Runners up:**

- Ann Kristensen, Senior Clinical Pharmacist
- Melanie Chudley, Senior Physiotherapist

**10. Outstanding Individual of the Year – Medical**

**Winner:**

- Mr Stephen Crank, Oral and Maxillofacial Consultant

**Runners up:**

- Dr Anita Samaan, Consultant Anaesthetist
- Peter Pairaudeau, Neonatal Consultant

**11. Outstanding Individual of the Year – Non Clinical**

**Winner:**

- Diane Carter, Ward Housekeeper

**Runners up:**

- Victoria Seaton, Admin Supervisor
- Lucy Ellyard, Project Officer

**12. Outstanding Individual of the Year – Nursing and Midwifery**

**Winner:** Chris Venton, Dementia Lead Nurse

**Runners up:**

- Christiana Oji, Midwife
- Jill Atkinson, Community Midwife

**13. Outstanding Team of the Year: Non-Clinical**

**Winner:** Patient Experience Team

**Runners up:**

- Humber Diabetic Eye Screening Team
- PaCT Steering Group

**14. Outstanding Team of the Year: Clinical**

**Winner:** Service Improvement Team, Theatres

**Runners up:**

- Operating Department Practitioners
- SABR Implementation Team

**15. Lifetime Achievement Award**

**Winner:** Steve Morris, Palliative Care Nurse

**Runners up:**

- Dr Ewan Masson, Consultant Endocrinologist
- Mr Verne Johnson, Consultant Orthopaedic Surgeon

Further information about our staff is set out in the Remuneration and Staff section of this Annual Report.

## GREAT CARE

The Trust uses a number of performance indicators to measure the quality of care that it provides to its patients. The Trust sets its own quality and safety priorities, following consultation with stakeholders and these are published in the Trust's Quality Accounts. In addition, the Trust Development Authority (now NHS Improvement) has a number of mandated indicators which cover patient safety, infection control, clinical effectiveness, maternity, patient experience and NHS Constitution standards.

### Quality Accounts 2016/17

Each year the Trust publishes its Quality Accounts. These contain the details of the quality and safety priorities for 2016/17 and how we performed against them. The Quality Accounts are published on NHS Choices webpage and also on the Trust's website. The Quality Accounts are published by 30 June and this Annual Report should be read in conjunction with the Quality Accounts.

## Patient Safety

### Single Oversight Framework (SOF) indicators 2016/17:

Domain	Indicator	Standard	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	2016/17
Safe	Occurrence of any Never Event	0	0	0	0	1	0	1	0	0	0	0	0	0	2
	Potential under-reporting of patient safety incidents (reported 6 months)	-	34.44					32.71							32.71
	VTE Risk Assessment	95%			80.61%			81.59%			86.15%			not yet published	82.79%
	Patient Safety Alerts Outstanding	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	MRSA Bacteraemias	0	0	0	0	0	0	0	0	1	1	0	0	0	2
	Clostridium Difficile	53	6	3	3	2	6	5	3	4	1	4	5	3	45
	Emergency C-section rate	<=12.1%	16.40%	16.90%	13.20%	13.70%	13.70%	14.30%	12.20%	10.80%	12.20%	14.40%	12.10%	11.30%	13.40%

The reports to the Trust's Board show that it is now reporting incidents at the same rate as the middle 60% of acute Trusts. The Trust has performed well on completing Patient Safety Alerts. The Trust has finished the year under trajectory for *clostridium difficile* cases, which follows previous years with strong performance in infection prevention and control for this area.

Areas where further improvements are required:

**Never Events:** The Trust reported 2 Never Events in 2016/17, which is two fewer than the previous year. The two Never Events were: one misplaced naso-gastric tube Never Event and one wrong site surgery Never Event. The wrong site surgery was a repeat Never Event; there have been previous Never Events of this nature in the clinical area (Neurosurgery). The Trust Board received a detailed briefing and assurance from the Neurosurgery team regarding Never Events in this clinical specialty; further detail on this assurance can be found later on in this annual report, in the Annual Governance Statement.

**Venous thromboembolism assessment (VTE):** The Trust's formal reporting systems showed an underperformance throughout the year against the target of 95%. New reporting arrangements using an electronic system were introduced in 2015 and not all the assessments have been recorded on this system. Steps to address this have been taken in 2016/17 and improvement in the quarterly figures has been seen. There has been a particular focus in quarter 4 against this measure. The Trust's Thrombosis Committee reviews any reported VTE case identified through the Trust's patient safety thermometer for assurance on compliance with the Trust's VTE procedures. It is anticipated that changes made in 2016/17, changes to the drug chart that are coming at the start of 2017/18 for all VTE risk assessments to only be recorded electronically, will mean that the Trust achieves this target, as it has done in previous years, consistently in 2017/18.

MRSA: please see infection control section below

Emergency Caesarean Section: the Trust has been reporting against the national best practice rate, to be at or below 12.1%. The national average rate is circa 15%. In 2016/17, the Trust reviewed the new national *Maternity Matters* recommendations and considered national recommendations for reducing still births. The Trust has a detailed maternity dashboard and action plan in place to constantly review the safety and delivery of maternity care.

#### Infection control:

The Trust measures 4 infections: *clostridium difficile*, Methicillin Resistant Staphylococcus Aureus (MRSA) bacteraemia, Meticillin Staphylococcus Aureus (MSSA) bacteraemia and Escherichia-coli (E.coli) bacteraemia.

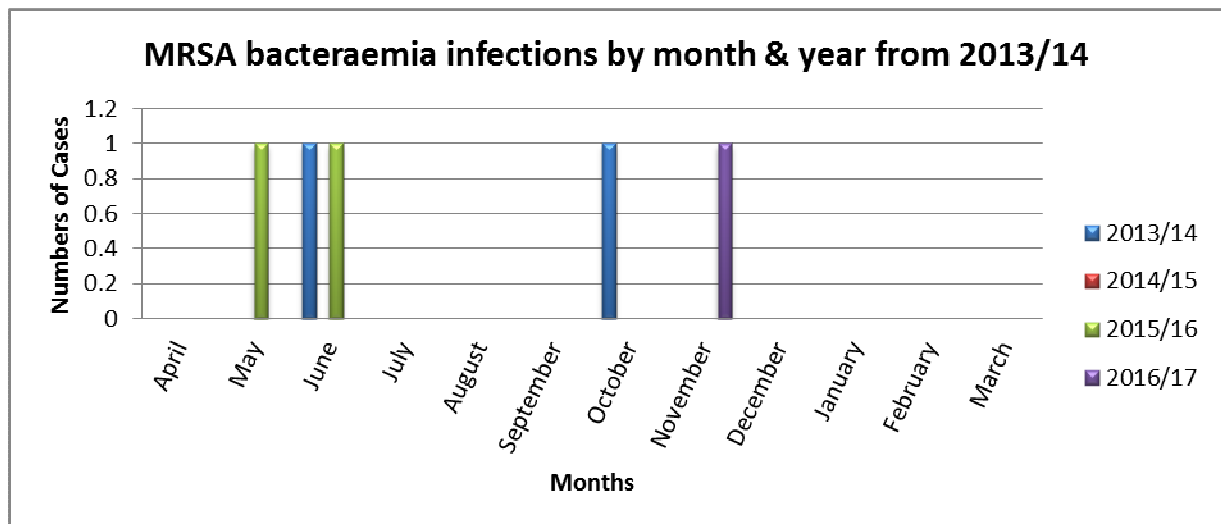
The Trust is required to report monthly on performance in relation to these four key Healthcare Associated or Acquired Infections (HCAI's). These are summarised in the following table along with the year-end performance against the upper threshold for each:

Organism	2016/17 Threshold	2016/17 Performance (Trust Apportioned)
Post 72-hour <i>Clostridium difficile</i> infections	53	45 (85% of threshold)
MRSA bacteraemia infections (post 48-hours)	Zero	1 (100% of threshold)
MSSA bacteraemia	46	44 (96% of threshold)
<i>E.coli</i> bacteraemia	95	81 (85% of threshold)

For *clostridium difficile* cases attributable to the Trust, the Trust reported 45 cases during 2016/17 against an upper threshold of 53. This represents a sustained reduction in cases year on year, which is very positive performance. This is particularly notable following the decision to close the dedicated *c.difficile* cohort area at Castle Hill Hospital in July 2016 and to nurse affected patients on base wards instead. For each case confirmed, root-cause analysis investigations are conducted for each infection and, whilst identifying minor areas of improvement, continue to demonstrate sustained positive management of patients with this infection. Cases of this infection are now investigated collaboratively with commissioners, reviewing 3 months of the patients' care contacts prior to the detection of the case. This is in line with the pending revised national reporting requirements for 2017/18.

For MRSA, the Trust declared two cases in 2016/17. One of these two cases was subsequently attributed to another NHS Trust, following independent arbitration by NHS England North Area team.

The following graph highlights that cases of this infection are now extremely rare, thanks to significant dedication and a zero-tolerance approach being in place for a number of years. The performance from 2013/14 to date and demonstrates the variability in numbers year on year.



MSSA bacteraemia ended the year within the Trust threshold number of cases. There are no national thresholds for this infection. Cases of patients with this infection are represented across Health Groups and provide an opportunity to investigate and further analyse any trends to improve practice. The Trust continues to see fluctuations in the number of cases reported throughout the year. The need for continued and sustained improvements regarding this infection remains a priority. Actions on device/ line management continue and are considered key in reducing rates of this infection

*E.coli* is now the commonest cause of bacteraemia reported to Public Health England. Most patients are admitted with this infection to hospital and have invariably acquired it whilst in the community. Sources of infection relate usually to a person's urinary tract, hepatobiliary (liver), respiratory system and/or a previous history of *E.coli* infection. There has been a 15% reduction in Trust apportioned cases during 2016/17 with year-end total of 81 against a threshold of 95, which is positive news.

New reporting for 2017/18: Gram negative bacteria are bacteria whose outer membrane contains a lipid that acts as an endotoxin. If gram-negative bacteria enter the circulatory system, this can cause a toxic reaction to the patient. This results in fever, an increased respiratory rate, and low blood pressure. This may lead to life-threatening condition of septic shock. NHS England and Public Health England have introduced a new set of measures from April 2017 to reduce the burden of gram negative bacteraemias. This includes two additional organisms that have not been required to be reported on previously. Surveillance of *E. coli* bacteraemias continues. However, alongside these, *Klebsiella* and *Proteus* bacteraemia cases will be reported on in the future.

Surveillance of the three types of gram negative bacteraemia commenced during January 2017 and continued until the end of March 2017 in order to establish baseline levels. *E.coli* remains the predominant gram negative organism detected in blood cultures in this Trust during this period. The requirement for 2017/18 is to reduce the number of these infections by 10% and, by 2020/21, to have reduced the total burden of gram negative bacteraemia by 50%. The Trust Board will be advised of the significance of these and performance going forward.

## Effectiveness

### Single Oversight Framework (SOF) indicators 2016/17:

Domain	Indicator	Standard	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	2016/17
Effective	HSMR	< 100	98.2	89.9	101.3	83.8	90.8	77.6	90.6	97.8	95.4	not yet published	not yet published	not yet published	92
	HSMR WEEKEND	< 100	90	87	87	67	81	83	100	101	108	not yet published	not yet published	not yet published	90
	SHMI	< 100	123.3	98	110.2	95.9	92.7	93.1	not yet published	not yet published	not yet published	not yet published	not yet published	not yet published	102
	30 DAY READMISSIONS	<=7.8%	7.8%	7.9%	7.8%	8.1%	7.8%	7.7%	7.8%	7.6%	7.8%	not yet published	not yet published	not yet published	7.80%

There are 4 mortality indicators that the Trust is measured against. Information on mortality is published a number of months in arrears. The latest information relates to December 2016, as above.

During 2016/17 the Trust introduced a systematic case note review with the support of the Improvement Academy, and in anticipation of the new mortality quality review requirements applicable from April 2017. The Trust Board Quality Committee reviewed the first themes and trends from the first tier mortality reviews completed in January 2017 and has been briefed on the tier two review process. The review process enables the Trust to identify occurring trends in patient care and highlighting areas that need improvement, as well highlighting areas of exemplary care. The structured review process is designed to help staff understand current status of avoidability of patient deaths as a more detailed analysis than standardised mortality data points (such as SHMI and RAMI). From the first 42 tier one reviews completed by January 2017, 93% of the reviews undertaken so far show that death was either unavoidable, or showed a very slight possibility of avoidance. Of this 93%, a number of cases highlighted learning points on the quality of care delivered – the structured case note review not only takes account of the circumstances of the patient's death, but also examines the quality of care in all cases, as this may identify learning points, even if the patient's death was not avoidable. The structured case note review approach has involvement of clinicians in primary care who are keen to engage in reviews as a learning opportunity for primary care, which is a positive development during 2016/17.

## Patient experience

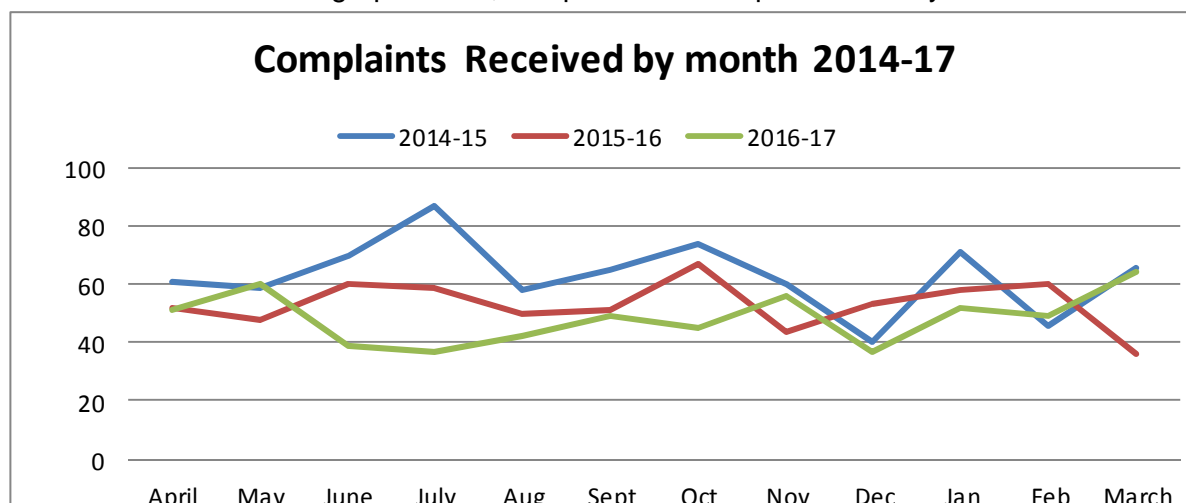
### Single Oversight Framework (SOF) indicators 2016/17:

Domain	Indicator	Standard	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	2016/17
Caring	Inpatient Scores from Friends and Family Test - % positive	-	96.71%	96.18%	96.38%	96.37%	96.83%	97.12%	96.85%	96.82%	95.79%	99.49%	100%	not yet published	97.05%
	A&E Scores from Friends and Family Test - % positive	-	86.36%	89.87%	87.76%	85.92%	84.62%	87.77%	86.28%	86.28%	84.80%	91.68%	97.58%	not yet published	88.16%
	Maternity Scores from Friends and Family Test - % Positive	-	no data	no data	100%	no data	94.17%	98.36%	100%	94.20%	100%	98.75%	100%	not yet published	98.29%
	Staff Surveys: FFT recommend the Trust as a place to work	-			67.0%			67.0%			58.0%			not yet published	61.84%
	Staff Surveys: FFT recommend the Trust as a place for care/treatment	-			80.0%			80.0%			66.0%			not yet published	72.84%
	Written Complaints Rate	Reduction	48	57	10	36	42	48	45	54	37	52	50	64	543
	Mixed Sex Accommodation Breaches	0	0	0	0	0	0	0	0	0	0	0	0	0	0

The Trust is committed to promoting an open culture of feedback, learning and improvement. Complaints and concerns (informal complaints) are a valuable source of feedback and should be used to inform learning and improvement in the experiences of patients. In addition, the National Patient Surveys, as well as information from the Friends and Family Test, can identify areas for improvement before they become concerns or complaints.

During 2016/17, the Trust received 581 formal complaints. This is a 9.5% decrease from 2015/16 when 642 complaints were received.

During the period 1 April 2016 to 31 March 2017, the Surgery Health Group (HG) received 221 (38%), Medicine HG – 207 (35%), Family and Women’s HG 119 (20%) and Clinical Support HG 33 (6%). 1 complaint was received for a non-HG area. A monthly breakdown of complaints received is shown on the graph below, compared with the previous two years.



Of the 581 complaints investigated, 388 were regarding treatment issues. Treatment, not satisfied with plan remains the highest (143), with treatment outcome of surgery (72), diagnosis incorrect (46) treatment outcome of treatment (33) and diagnosis delay (30) being the top 5 sub-subjects. 22 complaints were not investigated as the complainant had requested that it not be progressed; it was responded to as PALS or was escalated for a serious incident investigation. 194 were not upheld, 260 partly upheld and 105 upheld.

The table below indicates by health group the subject of complaints received in 2016/17.

Complaints by Health Group and Subject (primary)	General Advice	Attitude	Care and Comfort	Communication	Delays, Waiting times and cancellations	Discharge	Environment	Hotel Services	Safeguarding	Special Needs	Treatment	Total
Corporate Functions	0	0	0	0	1	0	0	0	0	0	0	1
Clinical Support Health Group	0	2	4	5	0	1	0	0	0	0	21	33
Family and Women's Health Group	1	5	3	8	15	0	0	1	1	0	86	119
Medicine Health Group	0	6	25	20	11	18	1	0	3	0	122	207
Surgery Health Group	0	10	7	11	20	13	0	0	0	1	159	221
<b>Totals:</b>	<b>1</b>	<b>23</b>	<b>39</b>	<b>44</b>	<b>47</b>	<b>32</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>388</b>	<b>581</b>

In 2016/17, 579 formal complaints were closed. The Trust aims to close complaints within 40 working days. The complaints team have worked closely with the health groups to improve the closing of complaints, which has shown improvement but is still outside the required timescale of 90%.



Improvements from 2014/15 and 2015/16 are shown in the table below:

Health Group	Totals closed within 40 days 2014/15	Totals closed within 40 days 2015/16	Totals closed within 40 days 2016/17
Surgery	30%	72.2%	50.5%
Medicine	67%	67.2%	71.1%
Family and Women's	40%	63.6%	64.7%
Clinical Support	54%	76.6%	58.6%

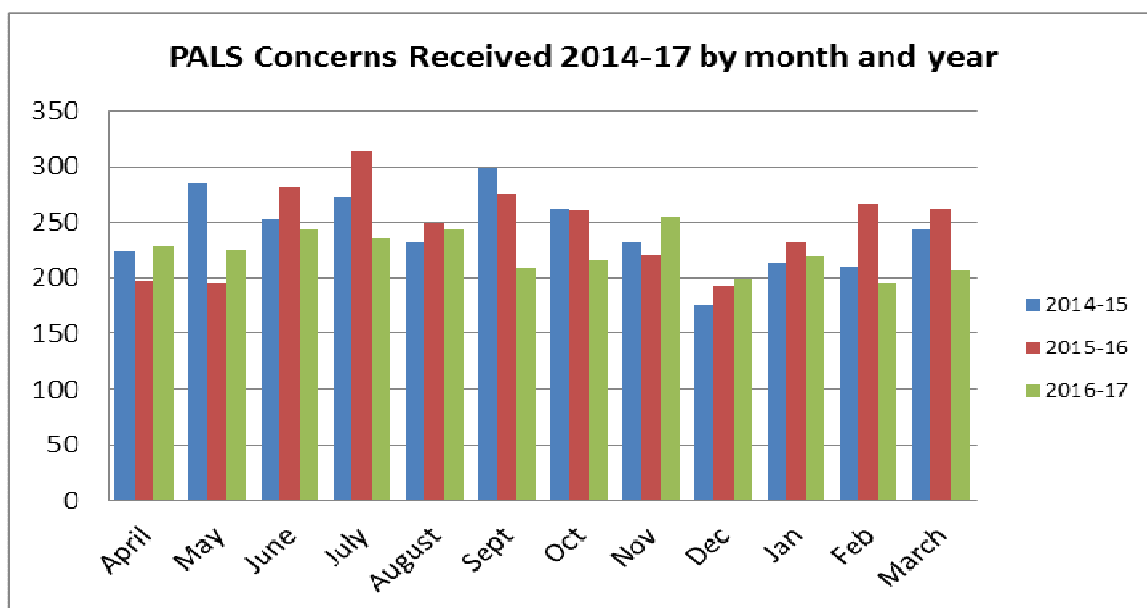
The complaints resolution process includes identifying and implementing appropriate actions.

If the complainant remains dissatisfied with the response they receive, they can ask the Parliamentary and Health Service Ombudsman to independently review their complaint. During 2016/17 there were 8 new cases referred to the PHSO, and from existing cases 9 were not upheld, 7 were partially upheld 10 were closed.

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

PALS offers support, information and help to patients, their families, carers and friends.

A total number of concerns, compliments, comments and general advice contacts received by the PALS team for April 2016 – March 2017 was 3935, an increase of 11% from the previous financial year. There has been a decrease of 11% in the number of concerns raised. The graph below indicates PALS activity 2014-17 by month:



- Of all the concerns raised, 70 were escalated to a formal complaint, a 6% increase from the previous year.
- 2 serious incidents were recorded in PALS.
- 3 patients requested an alternative provider.
- A total of 282 compliments were logged in PALS, an increase of 29% from 2015/16.
- Surgery Health Group had the most concerns raised in 2016/17

The top three areas of concerns raised were:

- Waiting times for outpatient appointments
- Not satisfied with plans for treatment
- Clinic appointment's being cancelled

In 2017/18, the PALS team will be contacting ward department areas to offer training and awareness sessions to all staff in the coming months, working closely with all charge nurses and senior staff to look at ways in which the Trust can improve patient care and implement lessons learned.

### Compliments

The PALS team received 282 compliments during 2016-17. Examples of the compliments are as follows:

Praise for the ECG department where the relative reported that her mother had an ECG and the process was 'slick and your staff were lovely. We were in and out in 25 minutes and my mother was really buoyed up by how kind and efficient the two staff who had dealt with her had been'.

A compliment was received for the Ambulatory Care Unit where a patient was referred by their GP with a possible Pulmonary Embolism (PE). The patient received a very thorough examination and whilst a PE was ruled out, another serious issue was diagnosed and the patient left with a full explanation and plan of care.

A patient attended the Cardiology Day Unit and reported the staff as being efficient but friendly. Even though there were some difficulties with the angiogram procedure, the sense of calm in the room helped the patient to remain calm also. The patient reports the unit as being bright, clean and smart.

These examples are used as part of the induction training presented by the Patient Experience Team to encourage new members of staff to aspire to the same standards in the care they provide.

The National Inpatient Survey 2016 was undertaken in August and surveyed patients who were in hospital in the month of July 2016 and was published by the CQC in April 2017. A total of 1250 patients from this Trust were sent the questionnaire and 1158 patients were eligible for the survey, of which 511 returned a completed questionnaire, giving a response rate of 44%. The average response rate for the 83 'Picker' trusts was 41%.

The Trust has performed significantly better in 12 areas in comparison to other large acute Trusts nationally and significantly worse in 2 areas.

Q	Question (lower scores are better)	HEY Score %	Large Acute Trust Average %	Picker Average %	Significantly better or worse
5	Planned admission: not offered a choice of hospitals	80	69	69	⊖
9	Admission: had to wait long time to get to bed on ward	38	42	36	⊕
17	Hospital: room or ward not very or not at all clean	1	3	3	⊕
18+	Hospital: toilets not very or not at all clean	4	6	5	⊕
22+	Hospital: food was fair or poor	37	41	39	⊕
23	Hospital: not offered a choice of food	18	22	20	⊕

24+	Hospital: did not always get enough help from staff to eat meals	30	39	36	+
32	Nurses: did not always know which nurse was in charge of care	49	54	51	+
41	Care: not always enough privacy when being examined or treated	7	10	9	+
43	Care: staff did not do everything to help control pain	27	32	29	+
59+	Discharge: did always get enough support from health or social care professionals.	54	47	46	-
61	Discharge: not given any written/printed information about what they should or should not do after leaving hospital	31	39	36	+
74+	Overall: rated experience as less than 7/10	14	18	15	+
76	Overall: did not receive any information explaining how to complain	60	64	60	+

#### Volunteering at Hull and East Yorkshire Hospitals

At the start of 2015, the Patient Experience Team embarked on a major piece of work to improve our volunteer service, the work of which has borne increased success in 2016/17. It was recognised the added value that volunteers bring into our organisation and provided opportunities for the public to volunteer in different departments other than clinical areas.

The Patient Experience team has been working to ensure the recruitment process is clearer and quicker for volunteers whilst remaining safe and that core principles of the Lampard enquiry (2015) are upheld when recruiting. Recent advertising at the local job centres, GP surgeries, health clubs and the NHS jobsite has seen an increase of 300 volunteers since the new approach has been adopted.

Speech and Language Therapy, Dietetics and Pathology all have shown an interest in recruiting volunteers into the departments, together with non-clinical departments such as estates and administration. The volunteer service is taking five applications forms each day for the new volunteers.

The Emergency Department (ED) has also welcomed the volunteers who provide support and reassurance to the patients and their families, providing refreshments and offering reassurance to them during what can be a very stressful time. The main reception at Hull Royal Infirmary has its own bank of volunteers, Monday to Friday providing sign posting and reassurance. Some patients find added value from the volunteers who help them with the check in service.

#### The Young Volunteers/ Young Health Champions

The young volunteers have been with us at Hull and East Yorkshire hospitals for the last fourteen months and their journey with the Trust has been an incredible experience for all those involved.

The team have met some incredible young adults who all have a personal story and a life goal to achieve.

Through the Young Health Champions the trust is offering volunteering opportunities to young people, some of whom have learning disability, experience social difficulties, or are otherwise struggling to find employment.

Young Health Champions enables the trust to showcase the sheer variety of NHS careers available, in particular those which do not require a university education, as well as to inspire young people’s career choices and offer some practical, hands-on experience. Work carried out by Active Humber showed that many of the young people they worked with were unaware of the non-clinical support roles required within hospitals.

Individual hospital departments such as catering, pharmacy and linen services rose to the challenge of creating opportunities by devising specific traineeship programmes to equip these young people with some of the skills needed to adapt to a working environment.

Now the trust is playing host to over one hundred Young Health Champions aged sixteen and upwards across both hospital sites.

Further work is underway to extend such opportunities to more young people across Hull and East Riding, including bi-monthly sessions whereby local school pupils and college’s also our local university is invited in to hear more about NHS careers and voluntary experiences.

Initiatives run by the volunteers to receive feedback to improve our services at the Trust include:

- Friends and Family Test
- Patient Reporting and Action for Safe Environment (PRASE)
- Patient Led Assessment of the Care Environment (PLACE)
- Secret Shopper
- Patient Council
- Patient Information Leaflets (PILS)
- Signage Group and Way finding

Our volunteer motto is “Born in Hull Raised by HEY”

**Responsive**

**Single Oversight Framework (SOF) indicators 2016/17:**

Domain	Indicator	Standard	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	2016/17
Responsive	Diagnostic Waiting Times: 6 Weeks	<=1%	2.06%	1.08%	0.89%	1.53%	3.42%	2.71%	3.44%	4.35%	6.88%	6.37%	3.59%	3.59%	3.28%
	Referral to Treatment Incomplete pathway	92%	86.0%	87.0%	87.0%	87.2%	87.9%	87.9%	87.1%	86.6%	85.0%	85.2%	84.5%	84.6%	86.30%
	A&E Waiting Times	95%	89.4%	85.9%	85.9%	82.5%	86.6%	86.8%	79.4%	80.7%	87.3%	81.4%	82.0%	94.4%	85.20%
	Cancer: 62 Day Standard	85%	82.0%	81.0%	80.4%	80.7%	81.6%	75.3%	78.3%	71.0%	76.7%	70.0%	81.7%	not yet published	78.02%
	Cancer: 62 Day Screening Standard	90%	82.1%	93.5%	96.2%	96.1%	92.9%	85.1%	80.7%	94.7%	92.5%	86.0%	89.7%	not yet published	89.50%

The Trust has been on a journey of improvement in 2016/17 against the ‘responsive’ national waiting times targets.

For A&E waiting times, a number of pathway changes and enablers were put in place during the year, which have incrementally impacted on performance. The focus is on sustaining waiting times above 90% each month, rising to 95% in March 2018, in line with the new national requirements set by NHS England 2017/18. The Trust has identified a number of pathway developments that will further support the ED position going in to 2017/18, including surgical assessment, developing the frailty pathway support, an updated Social Care pathway and other initiatives.

In relation to elective waiting times, the Trust reported a month 12 position of 84.6% against the STF trajectory of 92.9%. The trajectory total list size was 47,556 against a reported position of 52,691 (variance +5,135). The Trust was limited in its ability to deliver the 92% elective waiting time standard in 2016/17 by a number of factors:

- Staffing gaps in a number of key specialties throughout 2016/17, particularly ICU nurse staffing, theatre staffing, medical staffing in a number of specialties
- In quarter 4, the agreement with CCGs to monitor and control spend in the final quarter limited the additional session working to maintain and improve RTT standards

Going in to 2017/18, all vacancies in ICU nursing staff have been filled during the final quarter of 2016/17, which will impact on the ability to deal with high demand and acuity. Medical staff recruitment is underway in Upper GI surgery, Cardiology and Gastroenterology. Within cost constraints there is a concerted effort, across all Health Groups, to maximise over 18 week waits being treated to improve the overall experience for patients.

In addition, validation of waiting lists, outpatient reconciliation and diagnostic results has been undertaken in all health groups and the theatre scheduling review being undertaken at the end of 2016/17 has made recommendations on changes to increase capacity and throughput. These changes are out to consultation with a proposed introduction in July/August 2017.

Going in to 2017/18, all specialties have all agreed new trajectories with the Chief Operating Officer for 2017/18. This revised plan sees the majority of specialties achieve the target by the end of the financial year and a Trust achievement of 90.7%. Clinical Support Services and Medicine Health Groups have a trajectory to achieve 92% with Family and Women's and the Surgery Health Groups achieving 90%. The Trust has been advised by the Intensive Support Team (IST) to focus on the size of waiting lists and clearance times. Going in to 2017/18, and in the context of a fixed income and Aligned Incentives Contract with the Trust's two local commissioners in 2017/18, a new performance dashboard has been developed and will be used to support improvement work which will enable the Divisions to work towards delivery of the required standard. At the end of March, the Trust's clearance rate was 13.0 weeks (the IST recommends a clearance rate of 12 weeks or less for sustainability and delivery of the 92% standard).

For the cancer 62-days target, the Trust failed to achieve the 62 day RTT standard target. . Some breaches were outside the control of the Trust because of the lateness of the referral from partner organisations. In addition, significant pressure on diagnostics and the ability to deliver timely review impacted on the Trust's own delivery of this target. Internal pathways continue to be reviewed to improve the Trust's position; the lung pathway has been reviewed and actions have been identified for implementation including dedicated CT slots to allow patients to have this investigation prior to their first consultation; 4D CT scans in the planning stage of radical radiotherapy resulting in a reduction in time for planning treatment. In addition, the Trust Lead Cancer Manager continues to have open dialogue with referring Trust Cancer Managers to identify delays and pathway issues. Referring Trusts' are experiencing similar issues as the Trust insofar as timely access to some diagnostic tests prevent patients pathways progressing in a timely manner. Outputs from this work are slow but continue to be reviewed to support improvements

The Trust's achievement of the diagnostics 6 weeks standard came under particular pressure in 2016/17 from staff and equipment availability. The Trust reviewed a plan to increase MRI/CT capacity and replace aging equipment. At year-end, the position in MRI was improving, primarily due to the new MRI scanner at Hull Royal Infirmary, which delivers a faster and more reliable performance. The revised lumbar pain pathway in primary care also had a positive impact on MRI waiting times. The Trust had a backlog of Cardiac CT scans that were a particular factor in diagnostic waiting times and there is a plan going in to 2017/18 to review this service with the key stakeholders in order to ascertain what action can be taken to address the current backlog and to agree a plan for recovery. Cystoscopy equipment failure caused an in-

year pressure and number of waiting time breaches for diagnostics. A solution for this was put in place in year and the backlog was reducing at the end of 2016/17. A particular focus for the Trust in 2017/18 will be capacity and demand for diagnostics, as well as equipment replacement and partnership working on diagnostic capacity and requirements in the local health economy.

**Care Quality Commission Inspection**

The Trust received a comprehensive inspection by the Care Quality Commission (CQC) in June – July 2016. This followed a comprehensive inspection in 2014 and a follow up in May 2015 in response to concerns that had been identified in 2014 and subsequently.

The overall ratings from the June 2016 inspection were as follows:

	Safe	Effective	Caring	Responsive	Well-led
<b>Overall domain for the Trust</b>	Requires Improvement	Requires Improvement	Good	Requires Improvement	Requires Improvement
<b>Overall Trust rating</b>	Requires Improvement				

The Trust accepted all of the 32 recommendations made by the CQC following the inspection in June 2016. 22 of the recommendations were ‘must do’ actions and 10 were ‘should do’ actions. The Trust’s Quality Accounts for 2016/17 provide the breakdown of ratings between Hull Royal Infirmary and Castle Hill Hospital, and the full list of the 32 recommendations.

In response to the inspection, the Trust has closed its previous Quality Improvement Plan, which contained 29 separate projects to make progress against the areas identified by the previous CQC inspections.. These covered improving risk/incident management, safer staffing, improving infection control, improving patient nutrition, improving dementia care and improving medicines management and are fully detailed in our Quality Accounts. The Quality and Compliance team has reflected on the Quality Improvement Plan approach taken and identified that all the previous projects were in the right areas, but did not include actions that addressed the entirety of an issue. The updated Quality Improvement Plan is looks at both outputs and outcomes required to address the 32 recommendations, as well as actions that would take the Trust from ‘requires improvement’ to ‘good’ as soon as possible, and will by key in 2017/18 to monitor and manage quality improvement.

## **NHS Constitution Standards**

As detailed above, operational performance during 2016/17 presented significant challenges for the Trust and not all the standards were met. The table below details the Trust's performance against key indicators and national targets, comparing 2015/16 with 2016/17

<b>PERFORMANCE HEADLINES</b>					
<b>Metric</b>		<b>Threshold</b>	<b>2015/16</b>	<b>Threshold</b>	<b>2016/17</b>
MRSA		0	<b>2</b>	0	<b>2</b>
C. Difficile		53	<b>46</b>	53	<b>45</b>
Emergency Department < 4 hour wait	National	≥95%	<b>78.50%</b>	≥95%	<b>85.22%</b>
Referral to Treatment Time Pathway (18 weeks)	Admitted	≥90%	<b>73.04%</b>	≥90%	
	Non-admitted	≥95%	<b>87.38%</b>	≥95%	
	Incomplete	≥92%	<b>85.35%</b>	≥92%	<b>86.32%</b>
Diagnostic 6 week breaches		≤1.0%	<b>0.70%</b>	≤1.0%	<b>3.28%</b>
Cancer - GP 2 week wait	All cancers	≥93%	<b>92.31%</b>	≥93%	<b>94.19%</b>
	Breast	≥93%	<b>86.49%</b>	≥93%	<b>95.10%</b>
Cancer - 31 days to first treatment	All cancers	≥96%	<b>97.60%</b>	≥96%	<b>98.31%</b>
Cancer - 31 days to second or subsequent treatment	Drug	≥98%	<b>99.30%</b>	≥98%	<b>99.19%</b>
	Radiotherapy	≥94%	<b>97.42%</b>	≥94%	<b>97.49%</b>
	Surgery	≥94%	<b>94.17%</b>	≥94%	<b>95.34%</b>
Cancer - 62 days GP to first treatment	All cancers	≥85%	<b>77.55%</b>	≥85%	<b>78.02%</b>
Cancer - 62 days screening to first treatment	All cancers	≥90%	<b>87.92%</b>	≥90%	<b>89.50%</b>
Stroke - % of patients spending at least 90% of their time on a Stroke Ward		≥80%	<b>87.15%</b>	≥80%	<b>86.24%</b>
Stroke - % of patients admitted to a Stroke Ward within 4 hours via A&E		≥90%	<b>78.16%</b>	≥90%	<b>88.80%</b>
Stroke - TIA Service: % of high risk patients treated within 24 hours		≥60%	<b>98.90%</b>	≥60%	<b>96.23%</b>
Stroke - TIA Service: % of low-moderate risk patients receiving specialist assessment and brain scan within 7 days		≥95%	<b>100%</b>	≥95%	<b>100%</b>

The narrative and analysis for the targets not met is included in the sections above.



## Financial performance and organisational health

Domain	Indicator	Standard	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	2016/17
Organisational Health	WTEs in post	-	6987.4	6979.4	6973.2	6958.2	6981.4	7053.8	7064.8	7127	7118.5	7145.5	7172	7172.1	7172.1
	Sickness Absence Rates	<=3.9%	3.61%	3.60%	3.58%	3.58%	3.57%	3.59%	3.57%	3.64%	3.66%	3.64%	3.68%	3.68%	3.68%
	Executive Team Turnover	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Proportion of Temporary Staff	-	4.70%	4.17%	4.62%	4.41%	5.01%	5.13%	5.00%	5.10%	5.10%	5.10%	5.20%	4.60%	4.60%
	Cash Balance	<3 month	2648	1676	2284	1510	870	1042	1047	1272	1039	1178	996	2971	2971
	CRES Achievement Against Plan	£19.2m	803	953	904	815	1205	1276	1408	1542	1178	1500	1491	1933	15008
	Risk Rating	score 1-4	3	3	3	3	3	3	3	3	3	3	3	3	3
	Income & Expenditure (£000)	-	-832	-1489	641	-299	902	146	-360	331	-663	1534	-1888	2047	70

The Trust monitors a suite of organisational health indicators, which are consistent with the 'Great Staff' and cultural work undertaken throughout 2016/17. They show elements of stability in the workforce and in organisational leadership. There is further commentary on the financial indicators in the section below.

The Trust has maintained a Single Operating Framework risk rating of 3, out of a possible 4. This reflects the Trust's position on financial and waiting times performance throughout 2016/17.

The financial position at year-end was as follows:

1. The Trust has delivered against all 3 of its statutory financial targets: delivery of break-even, Capital Resource Limit and External Financing Limit.
2. At the end of month 12 the Trust is reporting a surplus of £70k. This is based on delivering a Trust surplus of £35k which is then matched by £35k of incentive funding from NHSI.
3. The position is based on the Trust receiving the full £14m Sustainability and Transformation Fund support as per NHS Improvement guidelines. The Trust has had formal confirmation of achievement of the first three quarters of the year and the final quarter funding is based solely on delivering the financial plan and hence has been built into the position.
4. The Trust's cash position remains weak. This is impacting on supplier relationships and has impacted on the Trust's performance against the Better Payment Practice Code. The Trust was £157k below its External Financing Limit.
5. The Trust delivered 78% of its Cash Releasing Efficiency Savings (CRES) target in 2016/17. This was a year-end shortfall of £4.2m shortfall against a £12.2m plan. Offsetting this, the Trust's financial plan included a risk provision (reserve) totalling almost £5m recognising the risk inherent within the CRES program. In addition, the plan made a further £5m allowance against the risk of non delivery of the RTT recovery plans.
6. In total the Trust is forecasting a deficit of approximately £6.2m against the planned activity targets. The bigger issue is the growth in the Health Group cost base above budgeted levels without delivering the funded levels of activity.
7. Agency spend totalled £13.1m for the year, £3.6m above the £9.5m NHSI set target.
8. The financial plan for 2017/18 has been agreed at Health Group level but a large deficit is identified and a full CRES programme is not yet identified, requiring £10.3m more to be identified going in to 2017/18, and a focus on reducing cost base. The Trust will join the FIP2 programme to provide help and support.

The full annual accounts are detailed further on in this annual report.

**Other performance - Sustainable development**

As an NHS organisation, and as a spender of public funds, we have an obligation to work in a way that has a positive effect on the communities we serve. Sustainability means spending public money well, the smart and efficient use of natural resources and building healthy, resilient communities. By making the most of social, environmental and economic assets we can improve health both in the immediate and long term even in the context of rising cost of natural resources. Demonstrating that we consider the social and environmental impacts ensures that the legal requirements in the Public Services (Social Value) Act (2012) are met.

In order to fulfil our responsibilities for the role we play, the Trust has the following sustainability mission statement located in our sustainable development management plan (SDMP):

*As a part of the NHS, public health and social care system, it is our duty to contribute towards the level of ambition set in 2014 of reducing the carbon footprint of the NHS, public health and social care system by 34% (from a 1990 baseline), equivalent to a 28% reduction from a 2013 baseline by 2020.*

Policies and Procedures

In order to embed sustainability within our business it is important to explain where in our process and procedures sustainability features.

Area	Is sustainability considered?
Travel	No
Business Cases	No
Procurement (environmental)	Yes
Procurement (social impact)	No
Suppliers' impact	Yes

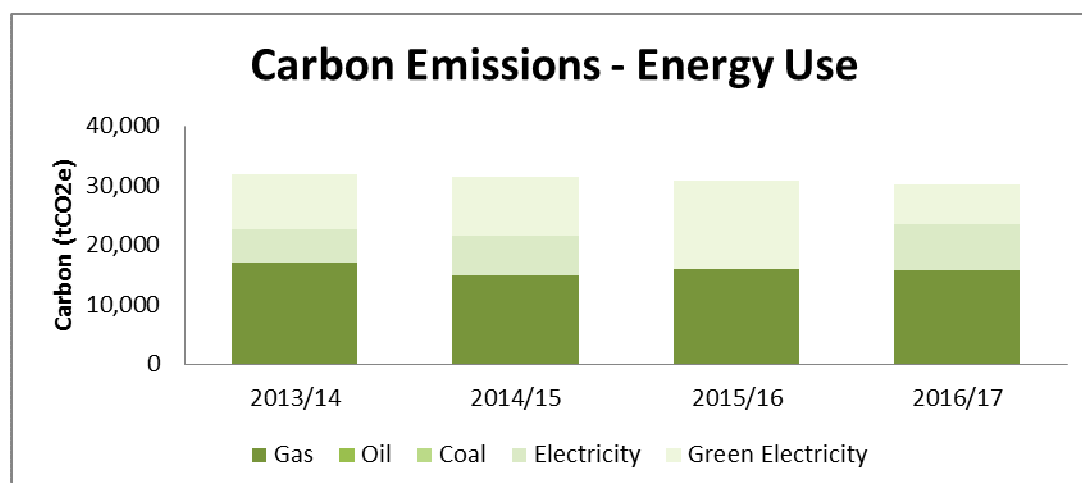
The Trust is working on an update to our SDMP; it has not been reviewed by the board in the last 12 months. The update will be complete early in 2017/18 following a full review of the previous Sustainable Healthcare Strategy.

The Trust has expanded the number of areas reported against this year. New areas include anaesthetic gasses, particularly usage in the maternity department, and the emissions from good and services procured by eClass category (see detail below).

As an organisation that acknowledges its responsibility towards creating a sustainable future, we help achieve that goal by running awareness campaigns that promote the benefits of sustainability to our staff. These involve Sustainability events together with poster and intranet information.

Climate change brings new challenges to our business both in direct effects to the healthcare estates, but also to patient health. Examples of recent years include the effects of heat waves, extreme temperatures and prolonged periods of cold, floods, droughts etc. The organisation has identified the need for the development of a board approved plan for future climate change risks affecting our area.

## Energy



Resource		2013/14	2014/15	2015/16	2016/17
Gas	Use (kWh)	80,729,427	71,368,422	76,389,427	75,731,540
	tCO <sub>2</sub> e	17,126	14,973	15,987	15,827
Electricity	Use (kWh)	10,104,829	10,534,199	0	14,635,689
	tCO <sub>2</sub> e	5,658	6,524	0	7,564
Green Electricity	Use (kWh)	16,578,639	16,202,456	25,664,100	12,978,818
	tCO <sub>2</sub> e	9,283	10,035	14,755	6,707
Total Energy CO <sub>2</sub> e		32,066	31,618	30,852	30,193
Total Energy Spend		£ 6,035,057	£ 5,150,982	£ 4,577,012	£ 4,679,322

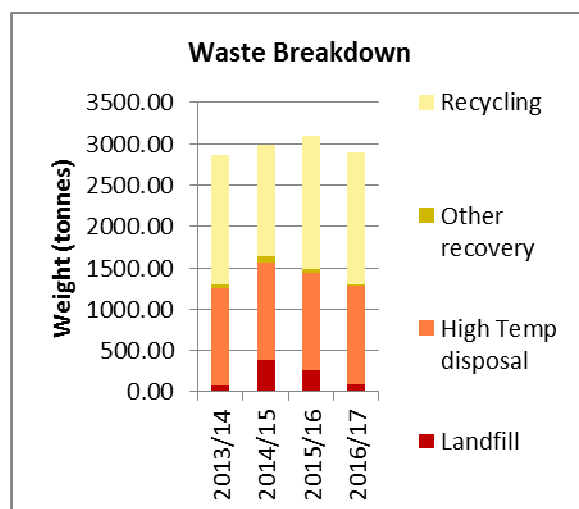
In 2016/17 the Trust has spent £4,679,322 on energy which is an increase of just over 2% on energy spend from last year. This was due to the increase in the total quantity of energy consumed, the average unit cost of energy has increased by less than 1% due to effective purchasing mitigating the increases seen both in the market and to the non-commodity elements such as levies and taxes.

The Trust has seen a small reduction in the quantity of gas consumed this is partially due to the warmer temperatures experienced during the year but also due to a reduction in the operational hours of the combined heat and power plant meaning less gas was consumed but consequently more electricity required to be imported from the grid. This combined with the warmer weather resulted in an increased demand for air conditioning meant the Trust consumed more electricity in 2016/17 than the previous year. However there was a reduction in total emissions from energy only for the second year running.

We are a lean organisation trying to realise efficiencies across the board for cost and carbon (CO<sub>2</sub>e) reductions. We support a culture for active travel to improve staff wellbeing and reduce sickness. Air pollution, accidents and noise all cause health problems for our local population, patients, staff and visitors and are caused by cars, as well as other forms of transport.

## Waste

Waste		2013/14	2014/15	2015/16	2016/17
Recycling	(tonnes)	1556.00	1353.00	1607.00	1599.00
	tCO <sub>2</sub> e	32.68	28.41	32.14	33.58
Other recovery	(tonnes)	54.00	83.00	47.00	25.00
	tCO <sub>2</sub> e	1.13	1.74	0.94	0.53
High Temp disposal	(tonnes)	1176.00	1173.00	1181.00	1190.00
	tCO <sub>2</sub> e	258.72	258.06	258.64	261.80
Landfill	(tonnes)	73.00	384.00	259.00	86.00
	tCO <sub>2</sub> e	17.84	93.86	63.30	26.66
Total Waste (tonnes)		2859.00	2993.00	3094.00	2900.00
% Recycled or Re-used		54%	45%	52%	55%
Total Waste tCO <sub>2</sub> e		310.37	382.07	355.02	322.56



The total volume of waste generated by the Trust has reduced as well as reducing the waste going to landfill, achieved through an increase in the use of an off-site Materials Recovery Facility. The percentage of waste recycled has increased to our highest level at 55% up from 52% last year. Other recovery consists of food waste; this has fallen over the last two years. There are new plans on how food waste can be segregated at source and the Trust will work to increase the amount of food waste diverted from landfill.

## Water

Water		2013/14	2014/15	2015/16	2016/17
Mains	m <sup>3</sup>	279,813	286,136	312,672	325,211
	tCO <sub>2</sub> e	255	261	285	296
Water & Sewage Spend		£ 570,315	£ 615,692	£ 635,024	£ 690,421

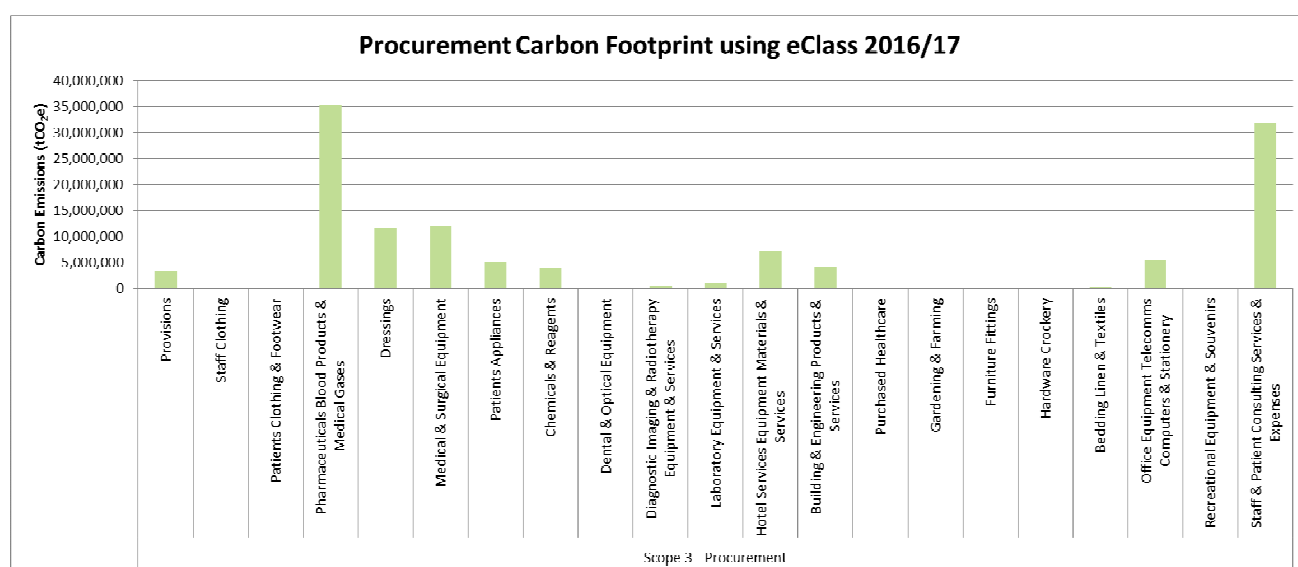
Water usage at the Trust increased again this year. The primary cause for this was a number of leaks across the Trust. The Trust worked to locate and repair the leaks quickly however some were in challenging locations requiring lengthy investigations and excavations.

## Transport

Category	Mode	2013/14	2014/15	2015/16	2016/17
Patient and visitor	miles	2,032,987	1,745,294	2,061,807	2,172,738
Travel	tCO <sub>2</sub> e	751.13	641.27	745.62	785.25
Business Travel and fleet	miles	1,425,097	1,292,816	1,780,197	1,850,450
	tCO <sub>2</sub> e	510.09	469.14	638.74	663.83

There has been an increase in both the patient and visitor travel. This may be due to activity and patient location however more work will be needed to establish this. The Trust continues to review its own vehicle fleet and invested in several electric vans to reduce on site emissions together with a financial saving.

## Procurement



This is the first year the Trust has reported carbon emissions from procurement. We have used the eClass categories and will use this to identify hot spots for further investigation. Excluding staff and patient consulting services and expenses, key areas for investigation are pharmaceutical blood products and medical gases, dressings and medical and surgical equipment.

## **GREAT FUTURE**

### **Supporting Improvement**

2016-17 has been a positive year for the HEY Improvement Team (HIP). The team started the year running the HEY Improvement Programme, supporting and facilitating operational service teams to improve their utilisation and systems to improve care for patients in outpatients and theatres, as well as in the wards. The work in theatres continues to grow and expand, leading to the planned launch of a Theatre Programme in 2017-18.

In July HIP also took on responsibility for providing programme and project management for the Urgent and Emergency Care Programme. As part of this HIP also provided dedicated improvement skills support to operational service teams within the wards, emergency department, assessment areas and the frailty team. This programme was aimed at improving the patient flow within and across the hospital systems to deliver the 4 hour emergency department target. Touching and involving every part of the hospital, and though great effort

from everyone, at all levels and within all services across the Trust, together we delivered the target and got to 11<sup>th</sup> place for performance in England.

To support developing even greater capacity within the Trust the team have become NHS Improvement Academy Fellows. Project Managers, the Programme Director and Director of Strategy and Planning all hold bronze and silver Improvement Academy Quality Improvement Certificates and have undertaken gold level training which enables them to train other staff in the Trust in the quality improvement methodology. This training is part the Trust's Leadership Programme.

In 2017-18 HIP will:-

- Provide programme and project management support for Theatre Improvement Programme, as well as improvement skills support to the operational service teams.
- Engage more and more frontline teams to help them make improvements, whilst coaching them to develop their own service improvement skills.
- Support teams across the Trust and provide a focus to achieve a commonality in our approach to improvement, focussing on using high quality tools with a strong evidence base.
- Support leadership development within the Trust facilitating Quality Improvement training within the Leadership Programmes offered through the Trust's Annual Development Programme.
- Launch a new intranet site that will be full of improvement resources and tools.

# ACCOUNTABILITY REPORT

## Directors' report

The Chairman of the Trust during 2016/17 was Mr Mike Ramsden and the Chief Executive was Mr Chris Long.

The Trust Board comprises the Chairman, six voting Non-Executive Directors and five voting Executive Directors. The five Executive Directors with voting rights are the Chief Executive, Chief Nurse, Chief Financial Officer, Chief Medical Officer and the Chief Operating Officer. Three other Directors attended the Trust Board in 2016/17 but they do not have voting rights. These were the Director of Strategy and Planning, the Director of Workforce and Organisational Development and the Director of Governance (to December 2016, succeeded by the Director of Corporate Affairs). Four Board members have a clinical background. These are the Chief Nurse, the Chief Medical Officer and two Non-Executive Directors (the Dean of the Hull York Medical School and a Non-Executive with a nursing background).

## **Terms of Office of Non-Executive Directors**

The Non-Executive Directors were appointed to the Board by the Trust Development Authority (TDA), now NHS Improvement. Non-Executive Directors can be appointed for a maximum of 3 terms (up to 9 years). All Non-Executive Directors apart from Mr Snowden are in their first terms of office. Details on appointment dates and when their current term of office comes to an end are set out below.

### **Terms of office – Non-Executive Directors**

<b>Name</b>	<b>Position</b>	<b>Term Commenced</b>	<b>Term Ends</b>
Mr M Ramsden	Chairman	February 2015	March 2017
Mr A Snowden	Non-Executive Director	April 2013	September 2017
Mr M Gore	Non-Executive Director	January 2015	June 2017
Mr S Hall	Non-Executive Director	January 2015	June 2017
Prof. T Sheldon	Non-Executive Director	January 2015	June 2017
Mrs V Walker	Non-Executive Director	July 2015	July 2017
Mrs T Christmas	Non-Executive Director	July 2015	July 2017

The biographies of the Chairman and the Chief Executive together with other Board members are set out below.

## **Chairman and Non-Executive Directors**

	<p><b>Mike Ramsden – Chair</b></p> <p>Mike was appointed in February 2015. He is Chair of Leodis Health and is a Director of Waring Health Ltd. He has previously held a number of senior executive positions, including Chief Executive of Leeds Health Authority between 1999 and 2002. He has established the Smartrisk Foundation UK which is a registered charity focusing on reducing injuries, particularly amongst young people. His more recent positions include Chair of Health and Social Care Information Centre (2005-13) and Chief Executive of the National Association of Primary Care (2006-12). Mike's term of office concluded with the end of this financial year. NHS Improvement has appointed a new Chair, who takes up office on 1 April 2017.</p>
	<p><b>Andy Snowden – Vice Chair</b></p> <p>Andy was appointed in January 2015 Vice Chair. He has been a Non-Executive Director with the Trust since April 2013 and before that was an Associate Non-Executive Director (appointed November 2011). Prior to this he was a Non-Executive Director at NHS Hull. He has been a corporate director with two local authorities (Hull City Council and Middlesbrough). He runs his own consultancy business which provides leadership and development expertise to health, local government and other organisations.</p>



	<p><b>Trevor Sheldon – Non-Executive Director</b></p> <p>Trevor was appointed in January 2015 after spending six months working with the Trust Board as an Associate Non-Executive Director. Trevor is a Professor of Health Services Research &amp; Policy at the University of York, with over 25 years' experience in this field. He was the Dean of the Hull York Medical School until January 2017 and Board Chair of the York Health Economics Consortium.</p>
	<p><b>Martin Gore – Non-Executive Director</b></p> <p>Martin was appointed in January 2015. His previous role was at the Humberside Probation Trust as a Director of Corporate Services. He is a qualified accountant. He brings with him more than 25 years' experience of working at board level and in senior finance roles, as well as extensive experience of the private sector.</p>
	<p><b>Stuart Hall – Non-Executive Director</b></p> <p>Stuart was appointed in January 2015. He spent a large part of his career working with FTSE 100 company, Santander. A fellow of the Chartered Institute of Bankers, Stuart is experienced in a range of areas from governance and HR to strategy development, and a Director of a Community Interest Company specialising in vocational training and end of life care.</p>
	<p><b>Vanessa Walker – Non-Executive Director</b></p> <p>Vanessa was appointed in July 2015. She was previously a Non-Executive Director with Humber NHS Foundation Trust. Vanessa has more than 30 years' experience working across the NHS, civil services and local government. She has a strong track record of leading strategic change programmes designed to improve organisational culture and performance. Vanessa is an elected member of East Riding of Yorkshire Council.</p>
	<p><b>Tracey Christmas – Non-Executive Director</b></p> <p>Tracey was appointed in July 2015. Tracey has extensive knowledge of both the public and private sectors, predominantly in finance and corporate services roles. Tracey is a Finance Business Partner for the Ministry of Justice/National Offender Management Service working within the Yorkshire Region at HMP Full Sutton and HMP Hatfield. She is also a past president of the ACCA Women's Society and International Assembly UK Representative, and is currently an elected representative for Yorkshire and the North East on the ACCA's Strategy Implementation Committee. Tracey has previously served as a Non-Executive Director of Eastern Hull NHS Primary Care Trust.</p>

### Executive Directors

	<p><b>Chris Long – Chief Executive Officer</b></p> <p>Chris has a wealth of NHS experience, including four years with the former Scarborough and North East Yorkshire Hospitals NHS Trust as Executive Director of Operations and, more recently, seven years as Chief Executive of Hull Teaching Primary Care Trust (PCT) between 2006 and 2013. Prior to joining the NHS, Chris spent 12 years in the Army, and before joining Hull and East Yorkshire Hospitals NHS Trust in 2014, he worked as the Area Director for NHS England's Locality Team in Yorkshire and the Humber.</p>
	<p><b>Lee Bond – Chief Financial Officer</b></p> <p>Lee was appointed in March 2013. Prior to this he was a Director of Business Delivery within the Trust and before that Director of Finance at Central Manchester University Hospitals NHS Foundation Trust. His previous financial posts include Sherwood Forest Hospitals NHS FT and Sheffield Children's NHS FT.</p>
	<p><b>Kevin Phillips - Chief Medical Officer</b></p> <p>Kevin commenced as Chief Medical Officer in 25 August 2015 following a short period in the interim post. Prior to this appointment has was the Medical Director of the Family and Women's Health Group within the Trust. He has been a Consultant at the Trust for 19 years in obstetrics/gynaecology with a special interest in keyhole gynaecological surgery. He has worked in many managerial roles as well as full time clinical roles. Nationally he recently received a term as President of the British Society for Gynaecological Endoscopy. He qualified from Leeds University in 1986 and pursued a career in obstetrics and gynaecology working in Leeds, Australia, New Zealand and Scotland before returning to Yorkshire to take up his Consultant post. He is committed to working for our local population</p>

	and bringing high quality safe care to our patients.
	<p><b>Mike Wright – Chief Nurse</b>  Mike was appointed in April 2015. His previous appointment was Chief Nurse and Deputy Chief Executive at County Durham and Darlington NHS Foundation Trust. He is a registered Nurse and has 34 years' experience working in clinical, managerial and leadership roles. These have included various clinical roles up to and including senior nurse manager level, four years Directorate Manager/Head of Nursing at Guy's and St Thomas' Hospital and three years as a Deputy Director of Nursing at Guy's and St Thomas' Hospital before his Chief Nurse role in 2003.</p>

### In attendance at Trust Board Meetings

	<p><b>Jacqueline Myers – Director of Strategy and Planning (non-voting)</b>  Jacqueline was appointed in July 2013 as Director of Strategy and Planning. She was previously Director of Planning at Leeds Teaching Hospitals NHS Trust and prior to this held the posts of Divisional General Manager and the Lead Cancer Manager. She has also held a range of general management and strategic positions at University College London Hospitals Foundation Trust and Guys and St Thomas's Foundation Trust. She is a Trustee of St Leonard's Hospice in York.</p>
	<p><b>Simon Nearney – Director of Workforce and Organisational Development (non-voting)</b>  Simon joined the Trust in September 2012 from his previous post as Director of Human Resources at Leicestershire County Council and took up post as Director of Workforce and Organisational Development in July 2015. Simon has held several senior HR and Organisational Development management roles in large public sector organisations. Simon has a track record of transforming services, leading major organisational change programmes and improving the customer experience.</p>
	<p><b>Liz Thomas – Director of Governance and Corporate Affairs (non-voting - to December 2016)</b>  Liz joined the Trust in 1992 having previously worked in the New Zealand health service for 8 years. She has worked in a number of operational management roles in both new Zealand and in Hull, leading medical and surgical services. More recently her role has included clinical governance responsibilities as well as fulfilling the role of Trust Secretary. She is a qualified Company Secretary (ICSA). Liz retired from the Trust in December 2016.</p>
	<p><b>Carla Ramsay – Director of Corporate Affairs (non-voting – from December 2016)</b>  Carla was appointed in December 2016. She worked previously as Head of Quality in NHS Yorkshire and Humber Commissioning Support and has held previous Board Secretary roles within NHS commissioning and in further education. She started her NHS management career at the Trust, and has held operational management posts in medicine and surgery previously. She is a Trustee and Honorary Treasurer to two local charities.</p>

### Trust Board meetings

The Trust Board met on 10 occasions during 2016/17. No meetings were held in August and December 2015. A record of attendance of kept for each Board meeting and the table below sets out the attendance of Board members during the year.

### Trust Board Attendance 2016/17

Name / Title	Total
M Ramsden – Chairman	10/10
A Snowden - Vice Chair /Non-Executive Director	10/10
T Sheldon – Non Executive Director	7/10
M Gore - Non Executive Director	9/10
S Hall - Non Executive Director	10/10
V Walker - Non Executive Director	7/10
T Christmas - Non Executive Director	8/10
C Long – Chief Executive Officer	8/10

L Bond – Chief Financial Officer	10/10
M Wright – Chief Nurse	10/10
K Phillips – Chief Medical Officer	9/10
E Ryabov – Chief Operating Officer	10/10
J Myers – Director of Strategy and Planning	9/10
S Nearney – Director of Workforce and Organisational Development	8/10
E Thomas – Director of Governance & Corporate Affairs (until December 2016)	7/7
C Ramsay – Director of Corporate Affairs (from December 2016)	3/4

### Board Committees

The Trust Board has established a number of committees to support it in discharging its responsibilities. These are an Audit Committee, Quality Committee, Performance and Finance Committee and a Remuneration Committee. The Trust also has a constituted Charitable Funds Committee. The Audit and Remuneration Committees are statutory requirements and the work of the committees is detailed below. Further detail on the work of the Quality Committee and Performance and Finance Committee can be found in the Annual Governance Statement within this annual report.

### Audit Committee

The Audit Committee comprises of 3 Non-Executive Directors. Other individuals attend the meeting but are not members of the committee. These are Internal Audit (MiAA), External Audit (KPMG), the Chief Financial Officer, the deputy Director of Finance and the Director of Governance (from December 2016, attendees have been the Director of Corporate Affairs and the interim Deputy Director of Quality Governance and Assurance).

The Audit Committee provides assurance on the Trust's systems of internal control, integrated governance and risk management. A tracking system of agreed actions is in place and the internal auditors follow up recommendations to provide assurance to the Audit Committee that the issues raised have been addressed. There were 6 meetings of the Audit Committee in 2015/16 which included 1 extra ordinary meeting to consider the Annual Accounts. All meetings were quorate.

Members	Attendance
Mr M Gore	6/6
Mr S Hall	6/6
Mrs T Christmas	5/6

The Committee reviewed relevant disclosure statements in particular the draft Governance Statement, financial Accounts and the Quality Accounts.

The internal audit programme for 2016/17 was informed by the Trust's own risk and assurance framework, discussion with a wide range of officers and the broader context of the NHS. It was developed around the Trust's strategic objectives and its business critical systems and was risk based. A draft Director of Audit Opinion and Annual Report 2016/17 gave an overall opinion of significant assurance. This was provided in the knowledge of the significant challenges that the Trust has faced over the year in terms of operational performance and financial pressures.

No critical actions were identified for those audits that received limited assurance. Limited assurance audits consisted medicines management, quality spot checks, bank and agency staffing, the Clinical Sciences locality review, and the Information Governance toolkit (going in to 2016-17).

Minutes and other updates from the work of the Quality Committee and the Performance & Finance Committee were considered by the Audit Committee which contributed to the overall view of governance and internal control.

Work to prevent or counter fraud continued and reports were received throughout the year. The Committee reviewed the Board Assurance Framework and other documents in respect of risk. These included Reference Costs, Losses and Special Payments and the Register of Gifts and Hospitality.

**Remuneration Committee**

The Board’s Remuneration and Terms of Service Committee is responsible for setting the pay and conditions for the voting Executive Directors (Chiefs) and the Directors who report to the Chief Executive/Chairman. The Remuneration Committee met 4 times during 2016/17. The Committee was quorate at all meetings. Membership of the Committee comprises the Trust Chairman and all Non-Executive Directors. The Chief Executive, Director of Workforce and Organisational Development and Director of Governance/Director of Corporate Affairs also attend the Committee. Non-Executive Director attendance is detailed below:

Member	Post	Meetings attended
M Ramsden	Trust Chairman	4/4
A Snowden	Non-Executive Director	4/4
M Gore	Non-Executive Director	4/4
S Hall	Non-Executive Director	4/4
V Walker	Non-Executive Director	4/4
T Christmas	Non-Executive Director	4/4
T Sheldon	Non-Executive Director	3/4

The Trust complies with the Trust Development Authority’s (TDA) guidance on pay for Very Senior Managers which was re-issued in September 2015 following new requirements set out by the Department of Health. Executive Directors are employed on contracts of service and are substantive employees of the Trust. Their contracts are open ended and can be terminated by the Trust by up to 6 months’ notice. The new guidance issued in 2015 requires NHS Trusts to include in the remuneration package an element of earn-back pay i.e. a requirement to meet agreed performance objectives. The Chief Medical Officer, the Chief Operating Officer and the Director of Workforce and Organisational Development have this requirement built in to their remuneration packages as they were appointed after the guidance was published. Other Executive Directors in post during the year did not have a component of performance related pay.

Key items discussed by the Committee during the year included the appointment terms of the Chief Operating Officer, salary review for the Chief Financial Officer, annual performance reviews, Directors’ earn-back, succession planning in anticipation of the retirement of the Director of Governance and Corporate Affairs and the top earners in the Trust. A summary of the Remuneration Committee is received in the closed session of the Trust Board.

Details of the remuneration, including salary and pension entitlements of the Directors is set out in the Accounts on **page XXXXXX** .

**Details of company Directorships which may conflict with management responsibilities**

None of the Trust Board hold company directorships that may conflict with management responsibilities. The Trust publishes the declared interests of its Trust Board members on its [website](#)

**Personal Data related incidents**

The Trust has Information Governance arrangements in place to ensure that information is handled in a secure and confidential manner. It covers personal information relating to service users and employees and corporate information, for example finance and accounting records.

Information Governance provides a framework in which the Trust is able to deal consistently with, and adhere to, the regulations, codes of practice and law on how information is handled,

for example the Data Protection Act 1998, the Freedom of Information Act 2000 and the Confidentiality NHS Code of Practice. The way in which the Trust measures its performance is via the Information Governance Toolkit. The Information Governance Toolkit is a performance tool produced by the Department of Health, which draws together the legal rules and guidance referred to above, as a set of requirements. In March each year NHS Organisations are required to submit a self-assessment return via the toolkit. The return and supporting evidence are independently audited. For 2016/17 the Trust was awarded 'significant assurance' for compliance level 2 or above by the Internal Auditors.

The Trust is required to score all Information Governance Incidents. Any incident that scores a Level 2 or above is required to be reported via the IG Toolkit Incident Reporting Tool which sends automatic notification to the Information Commissioner. The Information Governance Serious Incident requiring reporting to the Information Commissioner during 2016/17 are detailed below:

The Trust has reported four SIRs in 2016/17 to the Information Commissioner's Office

Two breaches were a result of ***data being lost in transit***

- A record requested from archive was found in the street by a member of the public and handed to the nearest GP Practice (Nov 2015, reported to the ICO in April 2016).

There was a delay in reporting as the severity of the incident was not clear at the time.

Outcome: The record was recovered. The Trust has appropriate policies governing the transfer of records. The incident was the result of human error of a suitably trained employee. Remedial actions have been identified and taken to minimise the risk of future occurrences. There have been no reported similar incidents.

The ICO closed the case with no further action

- A number of copy Immediate Discharge Letters (IDL) were found on the platform floor at the railway station (Jan 2016, reported to the ICO in April 2016).

There was a delay in reporting as the severity of the incident was not known until the incident had been investigated.

Outcome: The records were recovered quickly by security staff. The team reviewed the way audits are performed and supervised within the department to learn from this incident and prevent reoccurrence. This included the audit training, staff guidance and review of the way data is collected, handled, processed and stored during an audit.

Staff will be reminded of their IG responsibilities during audits using this incident as an example in department training, emails, safety huddles and monthly team talks

The ICO closed the case with no further action

Two breaches were a result of ***unauthorised access of personal data***

Both incidents are an offence under section 55 of the Data Protection Act. A global communication had been sent to all staff in May 2016 warning them against committing Section 55 offences.

- A staff member accessed a colleague's medical record (June 2016)

Outcome: The Trust investigation found the staff member committed an act of gross misconduct. If they had still been an employee of the Trust they would have been dismissed.

The Police were also involved in aspect of this case not covered in the Trust Investigation terms of reference. This resulted in a successful prosecution at Hull Magistrates' Court.

The staff member will be reported to their regulatory body.

The ICO closed the case with no further action

- A staff member accessed family member's record on Trust PAS System (September 2016)

Outcome: The staff member was on leave. On return they would have been informed that a disciplinary investigation would begin. The staff member resigned from the Trust having never returned from leave.

A note has been placed on their HR file in case any future employer contacts the Trust for a reference.

The ICO closed the case with no further action

<b>SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2016/17</b>		
<b>Category</b>	<b>Nature of Incident</b>	<b>Total</b>
A	Corruption or inability to recover electronic data	0
B	Disclosed in Error	31
C	Lost in transit	2
D	Lost or stolen hardware	0
E	Lost or stolen paperwork	7
F	Non-secure Disposal – hardware	0
G	Non-secure Disposal – paperwork	1
H	Uploaded to website in error	0
I	Technical security failing (including hacking)	0
J	Unauthorised access/disclosure	3
K	Other	6

### **Directors' disclosure**

Each Director knows of no information which would be relevant to the auditors for the purposes of their audit report and of which the auditors are not aware, and has taken all the steps that he/she ought to have taken to make himself/herself aware of any such information and to establish that the auditors are aware of it.

### **Statement of Accounting/Accountable Officer's responsibilities**

The Accounting Officer has overall responsibility for the financial statements. The statements are prepared through the Chief Financial Officer's office. The Audit Committee is updated on the progress in preparing the Accounts. The Chief Financial Officer prepared a report to the Audit Committee in April 2017 to discuss and review the Trust's status as a going concern. The Audit

Committee approved the Chief Financial Officer's recommendation that the Accounts should be prepared on a going concern basis.

As Accounting Officer I confirm that, as far as I am aware, there are no relevant Audit information of which the Trust's auditors are unaware and I have taken all the steps that I should take to make myself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

**Chris Long**  
**Chief Executive**  
**May 2017**



## **MODERN SLAVERY STATEMENT FOR THE FINANCIAL YEAR 1 APRIL 2016 TO 31 MARCH 2017**

### **Introduction**

This Statement sets out the steps that the Hull and East Yorkshire Hospitals NHS Trust have taken for the financial year; 1 April 2016 to 31 March 2017, to ensure that modern slavery (i.e. slavery and human trafficking), is not taking place in any part of its own business or any of its supply chains.

### **About the Trust**

Hull and East Yorkshire Hospitals NHS Trust is a large acute Trust situated in Kingston upon Hull and the East Riding of Yorkshire.

The Trust employs just over 8000 staff, has an annual turnover of over £500m and has two main sites; Hull Royal Infirmary and Castle Hill Hospital. Outpatient services are also delivered from locations across the local health economy area.

The Trust's organisational structures are available on the Trust internet site and also via the links below:

- [Board Committee Structure](#)
- [Executive Management Committee Structure](#)
- [Executive Structure](#)
- [Health Group Structure](#)

### **Policies**

The Trust has a number of internal policies and procedures in place to help safeguard against modern slavery which includes (but not exclusively) the following:

- Raising Concerns at Work (Whistleblowing) Policy CP169
- Recruitment and Selection Policy CP089
- Recruitment and Selection - Medical and Dental Consultant Staff CP190
- Criminal Record Checking (Disclosure) Policy CP088
- Health And Safety at Work Policy CP137
- Policy for the Safeguarding of Adults at Risk CP277
- Situations Where Abuse or Neglect of Children Is Suspected CP278
- Safeguarding Children and Adults Supervision Policy CP341

All the Trust's policies are available to staff via the Trust's intranet. The Trust is committed to reviewing policies on a regular basis and in line with changes to legislation.

### **Due Diligence**

The Trust is committed to preventing slavery and human trafficking in its corporate activities, and to ensuring that its supply chains are free from slavery and human trafficking. The Trust also has a responsibility to ensure that workers are not being exploited, that they are safe and that relevant employment (working hours etc.), health and safety, human rights laws and international standards are adhered to.

The Trust adheres to the National NHS Employment Checks Standards, which among others includes pre-employment checking which seek to verify that an individual meets the preconditions of the role they are applying for.

The Trust expects that the supply chains it works with have suitable anti-slavery and human trafficking policies and processes in place.

Throughout 2016, and continuing into 2017, the Trust extended a significant amount of effort into requesting affirmation that key suppliers of the Trust's supply chain comply with the Modern Slavery Act 2015. Additional processes have also been put in place in the relevant areas (e.g. agencies supplying Nurses) to capture this information on an ongoing basis. A key supplier list is also being developed.

Within Procurement, the Trust uses a Pre-Qualification Questionnaire (PQQ) which asks organisations to confirm whether they or any persons affiliated with them have been convicted of an offence under section 2 or section 4 of the Modern Slavery Act 2015. The Trust has now included this in the Selection Questionnaire document that is shared with appropriate suppliers when the Trust is going out to tender.

In 2017/2018, the Trust will undertake further work in its supply chain, to identify and understand any significant risks, in order for the Trust to continue to adhere to the requirements of the Modern Slavery Act 2015.

The Trust has a robust incident reporting system where modern slavery concerns can be raised, which are then brought to the attention of the safeguarding team. The team will then investigate the concern and determine whether a safeguarding alert should be made against the appropriate organisation. During 2016 the importance of having a robust reporting system was reaffirmed, when a human trafficking concern was raised and passed onto the safeguarding team, who followed up and dealt with the concern as required.

### **Training**

Modern Slavery is embedded into the Trust's mandatory Safeguarding training for all staff and forms part of the Trust's key performance indicators. To supplement this, the Trust also provides an 'Identifying and Supporting Victims of Modern Slavery' voluntary eLearning module to help frontline healthcare staff to identify victims of human trafficking and take appropriate action to address their health and safety needs.

Training continues to be improved upon and updated as necessary, such as, the Recruitment and Selection training has been updated to provide a brief overview of modern slavery and the key contacts. The Trust has also implemented a one hour mandatory training session on modern slavery for Midwives and is reviewing whether links to other appropriate modern slavery training (e.g. Salvation Army modern slavery training) can be added to the Trust's training website.

### **Awareness-raising Programme**

Following the obligation to produce the modern slavery annual statement, a Steering Group was formed within the Trust made up of key colleagues who represent the areas where there are potential links to modern slavery (HR/Procurement/Risk/Facilities/Training). The Steering Group facilitates the work that needs to be undertaken to ensure that the Trust is meeting its obligations under the Modern Slavery Act 2015. The Steering Group also reviews and updates this modern slavery statement on an annual basis and identifies new actions to further embed the requirements of the Modern Slavery Act 2015 in the Trust.

There is also a local partnership working group in place to specifically look at the processes for referral, led by the Safeguarding Adult Board and in which the acute Trust is represented.

Safeguarding Champions have been identified across the Trust, which provides individuals with an understanding of the fundamentals for good safeguarding (which includes modern slavery and human trafficking). The Safeguarding Champions ensure consistency of expertise in all teams, act as a role model in the workplace, provide information in order for staff to identify people at risk of harm and take action and ensure documentation is completed correctly, accurately, timely and forwarded to the right place.

Raising the profile of modern slavery continues to be a focus of the Trust, with posters being put up around the sites and an awareness campaign due to take place in 2017.

The Trust Board has considered and approved this statement and will continue to support the requirements of the legislation.

Signed \_\_\_\_\_  
Mr Terry Moran CB  
Chairman

Signed \_\_\_\_\_  
Mr Chris Long  
Chief Executive

Dated \_\_\_\_\_

Dated \_\_\_\_\_

## **Annual Governance Statement 2016/17**

### **Scope of Responsibility**

As Chief Executive and the Accountable Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's goals whilst safeguarding quality standards and public funds. I ensure that the Trust meets its three principal functions as set out in the Accountable Officer Memorandum. These are to:

- enter into and fulfil agreements with commissioning bodies
- meet statutory duties
- maintain and develop relationships with patients, local partner organisations and the wider local community, their commissioning agencies and their suppliers.

In carrying out these functions I am responsible for the proper stewardship of public funds and assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

### **The governance framework of the organisation**

The Trust Board is accountable for all aspects of the performance of the Trust. The Trust Board met in public on 10 occasions during 2016/17 and was quorate at all meetings. The attendance of each individual Board member is set out in the Trust's Annual Report and on each Trust Board agenda.

The Board has five committees which support it in discharging its responsibilities. In addition to the statutory requirement for an Audit Committee and a Remuneration and Terms of Service Committee, the Board has a Performance and Finance Committee and a Quality Committee. A Charitable Funds Committee is in place for the management of funds held on trust. All Board committees are chaired by a Non-Executive Director. An attendance record is kept for the Board and each of its committees.

The Audit Committee met 6 times during 2016/17, which is one more than the minimum set by its Terms of Reference and was quorate for all meetings. Its work plan for 2016/17 was received at its February 2016 meeting and was also periodically reviewed during the year to ensure it remained relevant and current. The first part of the Audit Committee agenda is comprised of standing items which include an overview of the work of the Quality Committee and the Performance and Finance Committee. There are standing agenda sections for the external auditor followed by the internal auditor update and reports. Other agenda items are scheduled at regular intervals during the year and these include the preparation and submission of the Annual Accounts and Quality Accounts, Going Concern status, review of the Board Assurance Framework, Board members' expenses, off payroll expenses, losses and special payments register and debts above £50,000. The Audit Committee also undertook a review of committee effectiveness, facilitated by the Internal Auditors, in October 2016, which did not find any significant gaps in governance and made recommendations for the committee's further development. The Audit Committee chair fed back to the Board key issues following each meeting. These included internal audit reports giving limited assurance: medicines management, quality spot checks, bank and agency staffing, the Clinical Sciences locality review, and the Information Governance toolkit (going in to 2016-17). This also included discussions on cash-flow, liquidity and timeliness on paying suppliers, and delays in completing recommendations and actions from previous internal audit reviews. The Audit Committee also lead a successful procurement process for external audit services from 1 April 2017. The Audit Committee has not escalated any serious gaps in control during the year.

The Performance and Finance Committee met on 12 occasions in line with its Terms of Reference and was quorate at all meetings. The focus of each meeting was on the detailed Integrated Performance report, specifically the Trust's underlying performance against the key NHS Constitution standards and the Trust's financial plan, which are standing agenda items discussed at each meeting. Other key issues during the year included the delivery of the

Trust's Cash Releasing Efficiency Savings programme, the financial position of the Trust and specifically health groups, capital expenditure, cash reserves, and a new proposed contract form with local commissioners as part of planning for 2017-18. The Non-Executive Chair of the meeting provided a briefing to the Board each month on these areas.

The Quality Committee met on seven occasions which is one meeting more than its Terms of Reference. The Committee agreed to meet monthly from January 2017 to provide more focussed review on quality, as is the case with performance and finance. Key issues discussed related to Quality Improvement Programme, Radiology and Neurosurgery Never Events, the Care Quality Commission comprehensive inspection, incident reporting, mortality, clinical audit, and the outpatient follow-up backlog. The Committee received annual reports relating to medicines optimisation, claims, serious incidents and safeguarding. Each meeting also received a briefing report on issues discussed at the Operational Quality Committee. The Board was advised of issues arising following each meeting by the Non-Executive Committee Chair.

The Remuneration Committee met four times during 2016/17 and was quorate for all meetings. Issues discussed included appointment terms of the Chief Operating Officer, annual performance reviews, Directors' earn-back and the top earners in the Trust. A summary of the Remuneration Committee is received in the closed session of the Trust Board.

The Board held five development sessions during the year. The Board used the 'Discovery Insights tool' together with a questionnaire on its performance to inform the development sessions. The Board recognises that there is a need to build a strong, unified team and is benefitting from a stable year in relation to Executive and Non-Executive turnover. The well-led framework has informed the content of the sessions. Time was given for the Board to consider the development of its strategy, challenges relating to the changing environment with the emerging work around Strategic Transformation Partnerships (STPs), and benefitted from the insight brought by an external speaker: Roy Lilley, NHS commentator.

Quality governance arrangements are in place, managed through a team of Quality Assurance specialists, which include clinical audit (delivering an annual clinical audit plan), risk management (with support provided in to each Health Group from a central team), compliance (including CQC, ward standards and support to safeguarding), claims and safety. The Trust has in place a Trust-wide Quality Improvement Plan, which has detailed projects to improve identified areas within the Trust. These are identified through internal compliance and quality checks, internal audit reports, CQC inspection reports and other internal processes. The Quality Improvement Plan has a governance and project management structure in place, which feeds up to the Trust Board Quality Committee. The Trust's quality governance arrangements culminate annually in the formulation, approval and publication of the Trust's Quality Accounts. The Quality Accounts signed off in June 2016 (relating to 2015-16) are reviewed by the Audit Committee, the Quality Committee and the external auditors. The external auditors, engaged to conduct a limited assurance review of the Quality Accounts, concluded that the 2015/16 Quality Accounts were prepared in a way that was consistent with guidance and Trust sources of information. The external auditors highlighted one area, in relation to data quality within electronic patient records for venous thromboembolism, on which they gave a qualified conclusion. This is being followed up in the Quality Accounts testing for 2016-17.

A Quality Report is received at each Board meeting. The report is divided into sections, which set out patient safety matters, healthcare associated infections, patient experience matters, incident reporting, levels of harm caused to patients and actions being taken. The report is detailed so as to account publically for the quality and safety of the Trust's services, including a ward-by-ward read-across of patient safety reporting. The patient safety matters section contains information about Never Events and action taken, Serious Incidents and improvement activities. In 2016/17 the Trust declared two Never Events: one misplaced naso-gastric tube Never Event and one wrong site surgery Never Event. The wrong site surgery was a repeat Never Event; there have been previous Never Events of this nature in the clinical area

(Neurosurgery). The investigation panel for this Never Event agreed that there needed to be a different investigation approach as previous actions introduced to prevent such incidents had not succeeded. The Deputy Chief Medical Officer undertook a simulation exercise with the team. This inclusive approach was welcomed by the team and resulted in further, new mitigating actions. The Trust Board received a detailed presentation at the conclusion of this learning process. The Trust Board and Quality Committee have also received follow-up detail on other Serious Incident issues during the year, providing assurance on the actions being taken and the steps already implemented to further mitigate against risks of future incidents. During the year, the Trust has put in place new processes for escalation and declaration of serious incidents, have reviewed templates for serious incident reports, and improved relations with our Commissioners to create a more open, transparent and honest dialogue on our SIs. Commissioners recently gave the Trust 'significant assurance' on its SI reporting.

Arrangements for the discharge of statutory functions have been checked for irregularities and were found to be legally compliant.

### **Risk assessment**

All risks are categorised using the same risk matrix and framework based on the likelihood of the risk occurring and the severity of impact, with the highest risk having a score of 25 (almost certain and catastrophic) and the lowest risk of 1 (rare and negligible). The Trust uses a web based system (Datix) and designated members of staff have authority to identify and enter risks on the risk register. Each Health Group has arrangements for the review of risks on the risk register and the outcome is recorded in Health Group governance meetings. The Non-Clinical Quality Committee reviews all risks within their Terms of Reference. The Trust strengthened the 'ward to board' risk escalation process in January 2017, defining a process by which operational risks were reviewed for inclusion on a corporate risk register. This is an inclusive process, escalating up corporate service and non-clinical risks through the Non Clinical Quality Committee, (NCQC) and a parallel process for clinical risks up from Health Groups to the Operational Quality Committee (OQC). The NCQC and OQC recommend high-level risks for consideration for the Trust's Corporate Risk Register, which is determined and agreed by the Executive Management Committee. The risks on the Corporate Risk Register are then in turn, are considered against the risk areas on the Board Assurance Framework, and whether these corporate risks impact of the achievement or show a deterioration of an issue linked to the achievement of the Trust's strategic goals as detailed on the Board Assurance Framework.

There were 224 risks on the risk register at the end of March 2017. Of these, 34 risks have been rated as high, 145 as moderate and 45 as low risk. The highest rated risks at the year-end were grouped on to the Corporate Risk Register against six themed areas. The corporate risk register themes with the highest levels of risk at year-end were workforce and financial management.

The risks that could threaten achievement of the Trust's strategic objectives are set out in the Board Assurance Framework which is reviewed by the Trust Board throughout the year. It is also reviewed by the Trust Board Committees quarterly in relation to the risks linked with the Committee's terms of reference and also by the Audit Committee as a governance mechanism. The Board Assurance Framework includes an assessment of the source and level of assurance received as well as gaps in assurance. Any increase or decrease in a risk score is agreed by the whole Board. There were 10 risks on the Board Assurance Framework at the start of 2016/17, which were then aligned to the Trust's aims from the Trust Strategy, approved by the Trust Board in April 2016. One risk (F2) was removed from the Board Assurance Framework (BAF) as repetition of risks already described in two other risks on the BAF. The highest-rated risks at the end of 2016/17 on the Board Assurance Framework related to resolution of the Trust's deficit, the potential impact of workforce on quality of care and the potential impact of the Strategic Transformation Plan. The year-end position was that there were three high rated and six medium-rated risks. At the year-end position, three risk areas had met their target risk rating.

The Trust has a number of controls in place to address the risks identified in the Board Assurance Framework. A Quality Improvement Programme was developed following the comprehensive CQC inspection in May 2015 and was further developed following the CQC inspection in 2016. This includes an Improvement Plan on lessons learned. The Trust's People Strategy and Workforce Development Plan detail the Trust's approach to tackling staffing and skills shortages, and good progress, including month-on-month increase in staffing figures have been seen in 2016/17. In respect of the two BAF risks relating to the Trust's finances, including the highest-rated risk (deficit position), the Board's Performance and Finance Committee has maintained close overview of the financial plan throughout the year. Health Groups have attended the meetings to provide information on the delivery and robustness of their financial plans and links to performance (such as overspend on agency to maintain safe staffing levels).

There were four Serious Incidents Requiring Investigation (SIRI) during 2016/17. Two of these related to data being lost in transit and two related to unauthorised access of personal data. The data lost in transit related to patient information being found in public places, which were retrieved quickly and action taken with staff involved. The two unauthorised access to personal data incidents involved two staff members who accessed medical records inappropriately, both of which resulted in disciplinary actions. Both employees are no longer with the organisation and notes have been kept on file should references be requested in the future. In all four cases, the Information Commissioner has responded to the Trust and is not taking any action against the Trust.

### **The risk and control framework**

The system of internal control is designed to manage risk to a reasonable level. All risks that are entered on the Trust risk management system are assigned initial, current and target risk rating. Controls are identified to mitigate the level of risk and where there are gaps in the controls, action plans are developed. Risks are identified and reviewed on an ongoing basis across Health Groups. Risks are identified from a number of different sources, including day to day operational working practices and trends arising from incidents, complaints and regulatory compliance. Line managers are responsible for on-going investigation and assessment of risks.

There is a mechanism for Health Groups and Directorates to escalate risks. New high level risks are notified to the Health Group triumvirates to be dealt with immediately whilst lower level risks are discussed at the Health Group Governance meetings. The Executive Management Committee reviews the highest rated risks. There is a process in place that reviews the risks on the risk register and aligns these to Board Assurance Framework risks. This process was strengthened in 2016/17, to incorporate escalated risks to the Executive Management Committee in to a corporate risk register, for high-rated risks that affected and/or could not be resolved by more than one Health Group. This updated process also provides the same escalation mechanism and consideration as corporate risks for non-clinical risks raised by the Non Clinical Quality Committee to the Executive Management Committee in order to recognise that key services and enablers in the organisation that impact on patient care will not always originate within Health Groups, such as Estates risks.

There are a number of mechanisms in place which are designed to prevent or minimise the potential of risks occurring. The Trust's incident reporting system records near misses as well as actual incidents. The learning from Serious Incidents is shared at Health Group Governance meetings and across the Trust through a Lessons Learned newsletter, cascade through the monthly Team Brief mechanism. The Trust's Mortality Committee commissions case note reviews and has put in place a new case note review process to identify patient deaths that have any flags for failure or impacts of care that could have been avoided, which have a more detailed review undertaken to identify lessons that could be learned. Training is provided to staff who use the Datix system. Root Cause Analysis training is provided to senior managers involved in investigating Serious Incidents. The Trust's intranet site contains information to support staff in managing risks. The Trust's formal communication systems are used to remind staff of their responsibilities and when specific initiatives or incidents have occurred. These

include anti-fraud activities relating to employment, bank or agency staff and publishing the outcome of investigations.

A fundamental nursing standards audit process is in place, which audits practice on each ward and is aligned to the Care Quality Commission's Key Lines of Enquiry. This gives a rating to each ward and identifies areas of potential risk. Risks are also identified from patient complaints, through the internal audit programme and the clinical audit programme.

A framework is in place for managing and controlling risks to data security. There is a Senior Risk Owner at Board level and a network of information risk owners across the organisation. Information Governance training is a mandatory requirement for all staff to complete. The Trust has achieved Level 2 in the NHS Information Governance toolkit in March 2017, following an internal audit giving limited assurance going in to 2016-17, demonstrating a focus on improvement in information governance standards. The Trust internal auditors undertook an internal audit of 15 information governance standards against the Information Governance toolkit requirements and gave an assurance rating of significant assurance.

The Trust continues to review current systems and processes to ensure that it can demonstrate the best standards in research governance and delivery. The Trust adheres to national Health Research Authority (HRA) systems to manage the studies in proportion to risk. A suite of standard operating procedures provide a framework to demonstrate adherence to the UK Clinical Trial Regulations and Research Governance Framework (RGF) and these procedures will be updated in line with the publication of the HRA UK Policy Framework for Health & Social Care Research in the summer of 2016. The Trust's third routine MHRA Good Clinical Practice (GCP) inspection was due in 2016 but did not take place. Usually these are every three years but are also based on relative risk compared to other organisations. The Trust has recently been asked to provide information on studies involving the Trust's labs so it is anticipated that a GCP lab inspection may take place in 2017-18. A risk based monitoring programme continued in 2016-17 to ensure compliance to Good Clinical Practice. Common findings from the monitoring include the need for dedicated research nurse support, ensuring participant research visits are appropriately documented and demonstrating that appropriate version control for research documentation is maintained. The Trust also creates action plans in response to each trial-specific monitoring visit reports for all for HEY-sponsored CTIMPs (drug trials). These action plans are monitored and actions addressed with each research team.

### **Review of the effectiveness of risk management and internal control**

The effectiveness of risk management and internal control has been determined through a number of mechanisms. The Trust's internal auditors has provided an opinion on the Trust's Assurance Framework and has confirmed that it meets the NHS requirements, is visibly used by the Board and clearly reflects the risks discussed by the Board.

The internal audit programme for 2016/17 was informed by the Trust's own risk and assurance framework, discussion with a wide range of officers and the broader context of the NHS. It was developed around the Trust's strategic objectives and its business critical systems and was risk based. The Director of Internal Audit Opinion and Annual Report 2016/17 gave an overall opinion of significant assurance that there is generally a sound system of internal control designed to meet the organisation's objectives and that controls are being applied consistently. The Trust's Board Assurance Framework was reviewed by the Trust's internal audit team, who provided an opinion of significant assurance that the Board Assurance Framework was appropriately structured to meet the needs of an NHS Trust, met all requirements to relevant guidance and was monitored and reviewed regularly by the Trust Board.

No critical actions were identified for those audits that received limited assurance. Limited assurance audits consisted quality spot checks, bank, locum and agency staffing, payroll/HR and NICE quality standards. In addition, one locality review, for clinical sciences, received limited assurance. Thirteen internal audits received significant assurance in 2016/17, including



safeguarding, information governance, data quality, medicines management, nurse revalidation, emergency preparedness, and treasury management.

The Audit Committee, comprising Non-Executive Directors, gives independent assurance to the Board. It receives all audit reports from internal and external auditors and monitors progress against agreed recommendations. Where gaps in control are identified management action is agreed. A tracking system of agreed actions was strengthened in 2016/17 and the internal auditors follow up completed action plans to provide assurance to the Audit Committee that the issues raised have been addressed.

The Trust Board had a year of stability 2016/17. The appointment of a permanent Chief Operating Officer commenced in April 2016 and there were no other changes in the Executive or Non-Executive Directors. In relation to non-voting Directors, the Trust's Director of Governance retired in December 2016. The Board's Remuneration Committee reviewed the skills and capacity required for corporate affairs and quality governance and assurance and determined that the combined Director of Governance post be split back in to two separate posts, both of which were recruited to prior to the retirement of the Director of Governance. In recognition of the need to build a strong unitary Board, time has been spent in the Board Development sessions specifically around building relationships, increasing knowledge and developing the Trust strategies.

There has been relative stability at Health Group level during 2016/17, with the only change being the recruitment of a new Nurse Director for the Family and Women's Health Group following retirement. This appointment was given to an internal candidate who was able to take up post with handover from the previous post holder. In addition, the Chief Executive has held a number of development sessions with the Trust's senior management teams. These have been used to discuss organisational priorities, listen to feedback from management teams and foster a way of working that extends beyond each individual Health Group.

The Trust's performance against the Emergency Department 4 hour wait target has resulted in continued external scrutiny. The Trust has received external support in developing its plans. The acute medical pathway has now been transformed and the Urgent and Emergency Care Board has monitored progress against a detailed project plan to implement improved pathways and patient flows. This includes investment in to the Trust's Site Team and implementation of a new Frailty Intervention Team (FIT) model to assess and prevent admissions of medical elderly patients. Following a challenging winter period nationally, the Trust's Emergency Department performance in March 2017 is in the top 20 nationally and met the national requirement of performance of at least 90% for the month on the four-hour Emergency Department target.

The Trust did not meet the 18 week referral to treatment time (incomplete pathway) or the full suite of cancer targets during 2016/17. Each service worked towards a trajectory to reduce waiting times overall and reduce the backlog of outpatient follow-up appointments, which showed overall steady improvement during 2016/17 until reaching a plateau on 18-week RTT performance in the last quarter of 2016/17. The Trust had input and support from the national Intensive Support Team on elective waiting times, as well as the Emergency Department. The IST work included interrogation and methods of validating waiting lists, with a view to moving to sustainable waiting list positions. On this basis, the Trust's plans for 2017/18 will focus on the wait for first outpatient appointment by ensuring that core capacity meets referral demand. This work is subject to detailed discussion and agreement of activity trajectories with local commissioners for 2017/18.

The Trust has continued to strive for improvement by embedding efficient and effective mechanisms for managing risks. Clearly defined processes are in place to ensure the Trust is continually "inspection ready" by providing high quality care. This is regularly assessed through the clinical audit programme, fundamental standard reviews, multi-disciplinary clinical reviews as well as internal ad-hoc reviews against the CQC's Key Lines of Enquiry as required. The

Trust through its Quality Improvement Programme put in place arrangements to deliver improvements identified through previous CQC inspections and by partners and stakeholders via reviews for the Quality Accounts, Serious Incidents, Claims and Complaints as well as the programme for Sign Up to Safety. The Quality Improvement Plan has project governance set up to monitor progress, reporting up in the organisation to Trust Board level.

The improvements achieved through this approach were evidenced by the CQC Comprehensive Inspection in June and July 2016. Whilst the Trust received an overall rating of “requires improvement”, key core services received improved ratings, namely Emergency Care, Children and Young People’s Services and End of Life Services. The Trust acknowledged with the CQC, NHS Improvement and key Partners at the Quality Summit in March 2017 that further work was required to continue the Trust’s improvement journey. Sector and region wide stakeholders were present at the event and signed up to delivering a Quality Improvement Plan that would lead to system wide change.

The Trust has committed to engaging regularly with key stakeholders and partners, including regular meetings with the CQC and NHS Improvement. During these meetings all parties will continue to monitor progress in an environment of openness and honesty.

In addition, the Trust uses benchmarking information from a variety of sources to gauge the effectiveness of its risk management and internal control processes. The 2016 national staff survey results demonstrated significant improvement. The response rate for the Trust was 44% (3,508 staff), against a national average of 43%. For the first time, the Trust had 13 responses in the top 20% of Trusts, compared with 6 in 2015, including significant improvements in the scores for staff attending work despite feeling unwell, staff feeling unwell due to work related stress, staff witnessing potentially harmful errors, near misses or incidents, staff experiencing harassment, bullying or abuse from staff and staff appraisal rates. There are some staffing groups and demographics requiring attention, an a focussed action plan is being brought together to address these specific areas. In addition, the initial feedback from the national inpatient survey also demonstrates that patients have responded positively to the way that care is being delivered and further improvements in patient care were noted in the CQC Comprehensive Inspection report published in February 2017.

Information is also used from external agencies visiting the Trust. The Trust received a peer review visit on its Major Trauma Centre, which demonstrated a much improved position from the previous peer review, and gave confidence in the Trust’s care and treatment of Major Trauma patients and its role in the Major Trauma network. The Stroke Service peer review at the end of 2016-17 highlighted some service provision issues that require consideration within the Trust, and also require the input of commissioners and other stakeholders, such as the level of rehabilitation services available within the local health economy.

2016/17 saw one visit to the Trust by the Health and Safety Executive, (HSE). This was a routine, planned inspection of the biological containment facilities within the Microbiology Laboratories. The visit concluded with no further actions. The Trust’s Safety Team reported 31 incidents to the HSE under the RIDDOR regulations in 2016/17, which represents the consolidation of the progress made last year (30) compared with the 40 that were reported in 2014/15. The number of new staff claims against the Trust fell again in 2016/17 to 14. 2015/16 had seen 17 new claims which was itself a significant improvement on the 36 claims made in 2014/15.

### **Significant issues**

Having reviewed the areas of risk I consider that the following are significant issues:

The Trust’s planned investment in new pathways and estate to improve performance against the Emergency Department 4 hour wait, has shown improvement in achieving the national ED target in the last part of this year. The Trust will show a year-end figure below the 95%

standard that was applied nationally but did show achievement of 90% as required by the end of March 2017. It is expected that this improved performance will be sustained and further improvements will be possible in 2017/18.

The Trust did not meet all of the remaining NHS Constitution standards. Whilst progress has been seen in individual services against the referral to treatment 18 week target, against trajectories agreed with commissioners and NHS Improvement, performance at the end of the year was 84.6% against a 92% target. In addition the 62 day cancer standard was also not met for the full year. Action plans have been developed and presented at the Board's Performance and Finance Committee, and Health Groups have been subject to detailed confirm and challenge at monthly performance reviews with the Executive team. Trajectories have been set and agreed for these targets in the forthcoming year but in the context with the Trust's two main local commissioners of working within a fixed-income and activity contract in 2017/18. This will mean that, although the Trust will continue to improve performance towards the 92% standard, this may not be achieved across the organisation by the end of 2017/18. Steady progress was made against the cancer standards with improvements in the two-week wait performance from Quarter 2 2016/17. The 62 day performance did not meet the expected delivery trajectory. A review of the diagnostic, lung and urology pathways is being undertaken. The Trust aims to deliver the 62 day standard from October 2017. Diagnostic capacity will be a specific factor in the ability to meet all waiting time standards in 2017/18 and beyond.

The Trust recorded a planned deficit, excluding Sustainability and Transformation funding, of £14 million for 2016-17. Whilst being in line with the Trust's financial plan, the achievement of the Trust's control target was achieved through the use of a number of non-recurrent measures. Looking forward to 2017-18, the Trust's financial plan looks to deliver a stepped improvement in terms of deficit reduction and an improvement in the underlying financial health of the organisation. The Trust is planning to do this whilst working within a fixed funding envelope with its two largest local commissioning bodies. Delivery of the financial plan in the context of a local health economy which is also currently very tightly constrained represents a significant risk.

The CQC inspection of the Trust in June/July 2016 resulted in an overall rating of 'requires improvement', with 23 'must do' actions and a further 10 'should do' actions. The report was published in February 2017 and the Quality Summit held with stakeholders in March 2017. The Trust responded with its action plan by 31 March 2017. At the Quality Summit, the CQC and NHS Improvement recognised that, although the Trust has not improved its overall rating, a number of areas within the Trust had improved since the last inspection and that the Trust has good foundations in place to move to a 'good' and 'outstanding' rating. A focus on improvement in quality and safety remains a key focus for the organisation going in to 2017-18.

The Trust Board acknowledges that 2017/18 will be a challenging year. The Trust welcomes a new Chairman on 1 April 2017 and is seeking to work more closely with partners to manage system challenges constructively. Board members within the Trust and across organisations need to build mutually supportive relationships to meet growing patient demand within limited resources. From this organisation's perspective, a programme is in place to support the development of the whole Board so that there is an appropriate balance of experience, skills and knowledge to meet the strategic needs of the organisation and to provide leadership during increasingly difficult times for the NHS.

Accountable Officer: Mr C Long  
Organisation: Hull and East Yorkshire Hospitals NHS Trust  
Signature  
Date

## **Remuneration and staff report**

This section of the Annual Report sets out the Trust's remuneration policy for directors and senior managers, reports on how that policy has been implemented and sets out the amounts awarded to directors and senior managers.

### **REMUNERATION TABLE - ANNUAL REPORT**

<i>This table has been subject to audit</i>	<b>Current year 2016/17</b>				<b>Prior Year: 2015/16</b>			
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>		<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	
	<b>Salary (bands of £5,000)</b>	<b>Expense payments (taxable) total to nearest £100</b>	<b>All pension - related benefits (bands of £2,500)</b>	<b>TOTAL (a to c) (bands of £5,000)</b>	<b>Salary (bands of £5,000)</b>	<b>Expense payments (taxable) total to nearest £100</b>	<b>All pension - related benefits (bands of £2,500)</b>	<b>TOTAL (a to c) (bands of £5,000)</b>
<b>£000</b>	<b>£00</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£00</b>	<b>£000</b>	<b>£000</b>	
Mike Ramsden: Chairman	35-40		-	35-40	35-40		-	35-40
Tracey Christmas: Non Executive Director	5-10		-	5-10	0-5		-	0-5
Martin Gore: Non Executive Director	5-10		-	5-10	5-10		-	5-10
Stuart Hall: Non Executive Director	5-10		-	5-10	5-10		-	5-10
Trevor Sheldon: Non Executive Director	5-10		-	5-10	5-10		-	5-10
Andy Snowden: Non Executive Director & Vice Chair	5-10		-	5-10	5-10		-	5-10
Vanessa Walker: Non Executive Director	5-10		-	5-10	0-5		-	0-5
Ellen Ryabov: Chief Operating Officer from 1 April 16	155- 160	80	-	165- 170	-	-	-	-
Chris Long: Chief Executive Officer	175- 180		35-37.5	215- 220	175-180	15	60-62.5	240- 245

Lee Bond: Chief Financial Officer	135-140		30-32.5	170-175	135-140		20-22.5	160-165
Kevin Phillips: Chief Medical Officer	210-215		180-182.5	395-400	165-170		340-342.5	510-515
Mike Wright: Chief Nurse	145-150		20-22.5	165-170	140-145		-	140-145
Jacqueline Myers: Director of Strategy and Planning	95-100		15-17.5	80-85	30-35	1	10-12.5	45-50
Liz Thomas: Director of Governance & Corporate Affairs to 31 December 2016	75-80	2	12.5-15	60-65	95-100		5-7.5	105-110
Simon Nearney: Director of Workforce & Organisational Development	105-110		7.5-10	100-105	105-110		72.5-75	175-180
Carla Ramsay: Director of Corporate Affairs from 19 December 2016	15-20		40-45	55-60	-	-	-	-

Notes:

Taxable expenses comprise of assets made available to office holders for private use and relocation expenses  
No contributions have been made by the Trust to a stakeholder pension in respect of anyone in the above table  
A recruitment incentive of £13,000 was paid to Ellen Ryabov and has been included in the table above as salary

Ellen Ryabov, Simon Nearney and Kevin Phillips have an element of earn-back included in their gross salary  
This is in accordance with NHS Improvement requirements for Very Senior Managers appointed after 1 June 2015 for Ellen Ryabov and Kevin Phillips, and has been applied on a voluntary basis for Simon Nearney  
These elements of earn-back have been confirmed as achieved by the Chief Executive and noted by the Remuneration Committee for 2016/17.  
The earn-back percentages of gross salary are: Ellen Ryabov 10%; Kevin Phillips 10% and Simon Nearney 5%.

No exit packages were agreed in 2016/17. Two compulsory redundancies were agreed, which were made in line with Trust policy and agenda for change terms and conditions. One was a result of internal restructure and no suitable alternative employment could be secured and one was due to cessation of external funding supporting the post and the cessation of the work involved.

## REMUNERATION REPORT - PENSIONS TABLE

*This table has been subject to audit*

NAME	(a) Real increase in pension at pension age (bands of £2,500)	(b) Real increase in pension lump sum at pension age (bands of £2,500)	(c) Total accrued pension at pension age at 31/03/2017 (bands of £5,000)	(d) Lump sum at pension age related to accrued pension at 31/03/2017 (bands of £5,000)	{e} CETV at 01/04/16	(f) Real increase in CETV	(g) CETV at 31/03/17
Chris Long	2.5-5	7.5-10	50-55	150-155	985,314.52	85,788.35	1,071,102.87
Lee Bond	2.5-5	0.00	40-45	110-115	597,443.46	41,173.65	638,617.11
Kevin Phillips	7.5-10	27.5-30	80-85	250-255	1,397,970.52	216,736.24	1,614,706.76
Michael Wright	0-2.5	5-7.5	60-65	190-195	1,176,167.71	68,591.88	1,244,759.59
Jacqueline Myers	0-2.5	5-7.5	25-30	65-70	388,058.00	2,166.57	390,224.57
Liz Thomas	-0-2.5	0-2.5	25-30	85-90	653,237.17	0.00	0.00
Simon Nearney	0-2.5	0	5-10	0.00	80,645.84	4,894.60	85,540.44
Carla Ramsay	0-2.5	0	5-10	0.00	9074.97	13887.35	58,287.41

## PAY MULTIPLES

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

The Trust's highest paid Board Director was the Chief Medical Officer. The banded remuneration of the highest paid Board Director in Hull and East Yorkshire Hospitals in the financial year 2016/17 was £210,000 - £215,000 (2015/16 - £210,000- £215,000). This was 7.6 times (2015/16 – 7.7 times) the median remuneration of the workforce, which was £28,096 (2015/16 - £27,778).

No employees received more than the highest paid Board Director in 2016/17 or 2015/16. Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

## Staff report

### Number of Senior Managers by Band

Band	WTE
Band 8b	12
Band 8c	11
Band 8d	5
VSM	9

### Staff Numbers

Staff Group	WTE Average 16/17
Medical and Dental	968
Ambulance Staff	1
Administration and Clerical	1395
Healthcare Assistants and Other Support Staff	634
Nursing, Midwifery and Health Visiting Staff	2780
Nursing, Midwifery and Health Visiting Learners	18
Scientific, Therapeutic and Technical Staff	843
Social Care Staff	0
Healthcare Science	424
Other Staff	1
Trust Total	7064

### Staff Composition

#### Trust Total

Gender	Headcount	%
Male	2034	23
Female	6789	77

#### Executive Director Grade

Gender	Headcount	%
Male	5	71
Female	2	29

### **Sickness Absence Data**

% Sickness (2016/17)	Average FTE 2016/17	FTE-Days Available 16/17	FTE-Days Lost to Sickness Absence 16/17	Average Sick Days per FTE
3.7%	7,064	2,576,200	94,928	13.4

#### **Staff policies applied during the financial year**

As part of the Trust's People Strategy 2016 to 2018, we continue to be committed to transforming the Trust's HR service provision and people management culture, to deliver great staff, great care, great future, which will enable us to achieve our strategic objectives.

The introduction of the new Employee Service Centre based at Castle Hill Hospital has given an opportunity for the Workforce and Organisational Development Teams to commence modernising the way we work, cross collaborate and to streamline policies, procedures and processes which impact across the Trust.

To support the People Strategy 2016 to 2018 and in particular, equality, diversity and inclusion, health and wellbeing and recruitment and retention work streams, working in partnership with staff side and management representatives, a number of policies have been updated over the past year, which includes:

#### **Disciplinary Policy and Procedure**

The policy was updated to introduce an 'Accepted Responsibility' approach, which deals with incidents that may have previously been dealt with under formal disciplinary procedures. The revised policy supports staff and gives them the opportunity to accept and learn from mistakes where they are openly acknowledged. The policy gives the opportunity for both individual and organisational learning, to work towards avoiding errors and the same mistakes happening again in the future. It enables issues that can be dealt with under the accepted responsibility approach to be dealt with quickly and without the need for lengthy investigations and formal processes.

#### **Raising Concerns at Work (Whistleblowing) Policy**

In April 2016, NHS Improvement published a standard integrated policy for raising concerns for NHS organisations in England to adopt as a minimum standard to help normalise the raising of public interest concerns. Therefore a comparison between the existing Trust's Raising Concerns at Work (Whistleblowing) Policy and the suggested national policy took place to ensure that all points were included. The revised policy clearly identifies the Trust's Freedom to Speak Up Guardian (Director of Corporate Affairs) and reflected Junior Doctors whistleblowing third party rights.

#### **Reserve Forces Training and Mobilisation Policy**

A Reserve Forces, Training and Mobilisation Policy was developed and published in May 2016. The policy confirms the Trust's commitment to employing volunteer reservists, shows flexibility towards releasing employees for reserve forces training and supports reservists when reporting for duty and returning from their period of mobilisation. Following that, in January 2017 the Trust received the Bronze award in national recognition of the commitment to Armed Forces and is now included on the NHS Employers footprint map <http://www.nhsemployers.org/reserveforcesmap>, which shows which NHS organisations in England have given support for the Reserve Forces.

#### **Managing Attendance Policy**

Following the ACAS Attendance Management and Disability workshop held in June 2015, the Trust agreed in partnership with staff side representatives to update the Managing Attendance



Policy and supporting documents. A number of positive changes to the policy were introduced which included the importance of employee health and well-being to the Trust, emphasising how the Trust can support employees at work or returning to work following absence and clarification around disabilities and attendance issues by providing a legal definition of disability in accordance with the Equality Act 2010.

### **Family Friendly Policies**

In addition to the above key policies, the Trust continues to promote a family friendly working environment and a number of policies were updated to support this for example:

- Adoption and Fostering Policy
- Flexible Working Policy
- Special Leave Policy

### **Health and Wellbeing**

A Steering Group has been created to lead and manage the health and wellbeing agenda which includes creating and promoting one health and wellbeing programme for staff on the Trust's intranet site and reviewing key issues such as smoking, alcoholism and mental health. As part of this work, the Smoke Free Policy is being revised to support the Trust's smoke free agenda.

### **Recruitment and Retention**

Using the Leaver and Employee Transfer Policy as a conduit, data is gathered from individuals leaving the Trust through leaver questionnaires. Reported on a bi-annual basis, the analysis of this data with other measures helps inform and monitor the delivery of the programme of cultural change, helps to understand and improve staff retention, and support the strategic workforce themes within the People Strategy 2016 to 2018.

### **Remuneration**

The remuneration for Executive Directors and those reporting directly to the Chief Executive are set by the Remuneration Committee, with terms of reference set through the Scheme of Delegation in Standing Orders. The work of the Remuneration Committee in 2016/17 is set out within this annual report. The remuneration for Very Senior Managers who do not fall under the Remuneration Committee is set by the Pay, Terms and Conditions Group, with agreed terms of reference, and who oversee the application of the Trust's Very Senior Managers contracts, terms and conditions. Remuneration for all other staff are set through nationally determined policies positions and agreements (agenda for change, consultant and medical staff contract and agreements). The Trust has in place relevant policies for the processes of recruitment and remuneration of staff.

### Consultancy Fees 2016/17

Description	Supplier	£000's	Percentage
Consultancy on theatre efficiency	James (Jim) Birrell	55.5	92.5%
Consultancy on TB	Health and Safety Executive	0.5	7.5%
Totals		60	100%

### Off payroll engagements

From time to time the Trust uses the services of individuals who are self employed or who trade through a personal services company. At 31 March 2017 the Trust received services from 13 such individuals. 11 of these individuals charged an equivalent daily rate of £220 or more and had been engaged by the Trust for more than 6 months. Those engagements are set out in the table below. The Trust has requested assurances and issued contracts to individuals in May 17 to seek assurances on tax, indemnity and professional registrations and will be securing sign up through June 2017.

2 individuals had a formal contract which is clear on the Trusts expectations in relation to paying tax in the UK and sets out the Trust's right to receive assurances that taxes have been paid appropriately.

	Number
Number of existing engagements at 31 March 2017	11
Of which, the number have existed :	
For less than 1 year at the time of reporting	1
For between 1 and 2 years at the time of reporting	4
For between 2 and 3 years at the time of reporting	1
For between 3 and 4 years at the time of reporting	3
For more than 4 years at the time of reporting	2

There has only been one new engagement during the 2016/17 financial year.

	Number
Number of new engagements between 1 April 2016 and 31 March 2017	1
Number of engagements which include contractual clauses giving the Trust the right to request assurance in relation to income tax and National Insurance obligations.	0
Number for whom assurance has been requested	0
Of which assurances received	0

The Trust is seeking to eliminate off payroll engagements during 2017/18.  
No Board members were engaged on an "off payroll" basis during 2015/16



**FINANCIAL STATEMENTS (SEE ANNUAL ACCOUNTS – DRAFT CIRCULATED SEPARATELY TO THE AUDIT COMMITTEE 27 APRIL 2017)**

**C Long signature**

**EXTERNAL AUDIT – LETTER OF REPRESENTATION**

# HULL AND EAST YORKSHIRE HOSPITALS NHS TRUST

## NHS IMPROVEMENT – SELF ASSESSMENTS

<b>Trust Board date</b>	25 May 2017	<b>Reference Number</b>	2017 – 5 - 6		
<b>Director</b>	Chairman – Terry Moran	<b>Author</b>	Director of Corporate Affairs – Carla Ramsay		
<b>Reason for the report</b>	The purpose of this report is to present two newly-required self-assessments and supporting evidence to the Trust Board for review and approval				
<b>Type of report</b>	Concept paper		Strategic options		Business case
	Performance		Information		Review
					✓

<b>1</b>	<b>RECOMMENDATIONS</b> The Trust Board is recommended to review and approve the self-certification for GC6 and FT4 and to approve publication of the same by 31 May 2017				
<b>2</b>	<b>KEY PURPOSE:</b>				
	Decision		Approval	✓	Discussion
	Information		Assurance		Delegation
<b>3</b>	<b>STRATEGIC GOALS:</b>				
	Honest, caring and accountable culture				✓
	Valued, skilled and sufficient staff				
	High quality care				
	Great local services				
	Great specialist services				
	Partnership and integrated services				
	Financial sustainability				
<b>4</b>	<b>LINKED TO:</b>				
	<b>CQC Regulation(s):</b> W2 - governance				
	<b>Assurance Framework</b> Ref: N/A	<b>Raises Equalities Issues?</b> N	<b>Legal advice taken?</b> N	<b>Raises sustainability issues?</b> N	
<b>5</b>	<b>BOARD/BOARD COMMITTEE REVIEW</b> The Trust Board is now required to provide two self-assessment declarations; this is a new requirement from NHS Improvement and mirrors the self-assessment process and standards that applied previously to NHS Foundation Trusts in previous years. With the merger of NHS regulators, these self-assessments apply the same requirements across the acute provider sector. These require Trust Board review and approval.				

# HULL AND EAST YORKSHIRE HOSPITALS NHS TRUST

## NHS IMPROVEMENT – SELF CERTIFICATION REQUIREMENTS

### 1. PURPOSE OF THIS REPORT

The purpose of the report is to present two self-certification templates and an assessment of supporting evidence to enable the Trust to self-certify against NHS improvement requirements that have just been brought in for year-end 2016/17.

### 2. BACKGROUND

Monitor, when it was the regulator of NHS Foundation Trusts, put in place a self-assessment process against the Monitor licence conditions. Although NHS trusts are exempt from needing the provider licence, directions from the Secretary of State require the NHS Trust Development Authority (NHS Improvement) to ensure that NHS trusts comply with conditions equivalent to the licence as it deems appropriate.

As stated by NHS Improvement:

*[The Trust is subject to] the Single Oversight Framework, which bases its oversight on the NHS provider licence. NHS trusts are therefore legally subject to the equivalent of certain provider licence conditions (including Condition G6 and Condition FT4) and must self-certify under these licence provisions.*

All Trusts are required to complete two self-certifications and have these confirmed by their Trust Boards. One is due for completion by end May 2017 and one by end June 2017. NHS Improvement will then select a number of Trusts for spot-check audits of these self-certifications in July 2017. The Trust is also required to publish one of the self-certification declarations.

### 3. SELF-ASSESSMENT REQUIREMENTS

The Trust needs to self-certify the following after the financial year-end that:

- The provider has taken all precautions necessary to comply with the licence, NHS Acts and NHS Constitution (Condition G6(3))
- The provider has complied with required governance arrangements (Condition FT4(8))

As this self-certification process was previously required of all NHS Foundation Trusts, the Director of Corporate Affairs has reviewed the approach taken on self-certification by such Trusts. Most Trusts undertook a review of the evidence to show compliance with the licence requirements, and commented on the compliance with the NHS Acts and NHS Constitution.

This report takes a similar approach and provides overview of evidence to enable the Trust to self-certify against both Condition G6 and Condition FT4.

The template declarations are included at Appendix 1 and Appendix 2.

The Director of Corporate Affairs has reviewed these requirements and the Trust's evidence against these and recommends that the Trust Board is able to self-certify as meeting the requirements of both self-certifications.

#### 3.1 Condition G6

- The provider has taken all precautions necessary to comply with the licence, NHS Acts and NHS Constitution (Condition G6(3))

#### NHS licence

Attached at Appendix 3 is a review of the Trust's position against the Monitor provider licence. Some of these requirements are specific to NHS Foundation Trusts and reference

the previous Monitor regime; where this is the case, the spirit and equivalent requirements in non-Foundation Trusts have been applied in the Trust's evidence.

The Trust meets all the requirements of the licence.

#### NHS Acts

For all its NHS services, the Trust has in place the NHS Standard Contract. This requires the Trust to act in accordance with relevant NHS Acts in the delivery of its services. These safeguard the public to receive NHS services free of charge at the point of delivery (except for charges agreed by Parliament, such as NHS prescription charges) and also require the Trust to act in accordance with relevant legislation (safeguarding, mental capacity act requirements, mental health act requirements, etc) and be subject to NHS regulatory requirements, including CQC registration requirements. These requirements are embedded in the daily delivery of the Trust.

Through delivery of services via the NHS Standard Contract, the Trust is compliant with relevant NHS Acts. The Trust is not currently under notice by its commissioners or regulators of any significant breach of contractual requirements relating to a specific NHS act.

#### NHS Constitution

The Trust is required to have regard of the NHS Constitution in the delivery of NHS services. This ensures equity of service access to all patients, and that providers must strive to deliver high quality services and provide value for money to the taxpayer. The Trust is able to demonstrate it has regard of the NHS Constitution and that it is continually working to further improve quality and efficiency. The Trust has published its performance data monthly during 2016/17 and shows that Trust has not consistently met the two waiting time standards that are included as rights to NHS patients, namely the 18-weeks Referral to Treatment standard and cancer two-week waits. The Trust met the two-week wait standard except for two months in 2016-17 and expects to achieve it consistently. The Trust can also demonstrate that it has regard to the NHS Constitution to improve waiting times for RTT, by agreeing last year and this year improvement trajectories for the 18-week waiting time standard, with a view to ending 2017-18 at 90.3%, in the national context where NHS England has relaxed the requirement to meet 92% - the Trust can demonstrate that, despite this national relaxation, it still plans and is working towards monthly improvement in RTT waiting times.

NB – this template references Conditions of Service 7 (CoS7); the guidance from NHS Improvement confirms that NHS Trusts do not need to self-declare against this standard but it is included in the standard template for NHS Foundation Trust.

#### **Condition FT4**

- The provider has complied with required governance arrangements (Condition FT4(8)) Condition FT4 is a more detailed governance self-certification for NHS Trusts. The attached appendix self-certification confirms that the Trust can confirm it meets all standards, with supporting information included, for Trust Board review and confirmation.

#### **4. RECOMMENDATION**

The Trust Board is recommended to review and approve the self-certification for GC6 and FT4 and to approve publication of the same by 31 May 2017

**Carla Ramsay**

Director of Corporate Affairs

May 2017



## Actions to ensure compliance with the Monitor licence

Condition	Action	Evidence	Completed	Party responsible
G1 provision of information	Monitor will request information from time to time which must be accurate, complete and not misleading.	All requests for documents and information submitted as required to regulators – e.g. evidence to CQC, information to support NHS Improvement discussions	Per request	Executive Team
G2 publication of information	As directed by Monitor the Trust must publish information	The Trust has published all required information on its website: <ul style="list-style-type: none"> <li>• Trust Board papers</li> <li>• Annual Reports</li> <li>• Quality Accounts</li> <li>• Modern Slavery Statement</li> <li>• Eliminating Mixed Sex Accommodation Statement</li> <li>• Safer Staffing</li> <li>• Public Sector Equality Duty</li> <li>• Publication Scheme</li> <li>• CQC rating and link to report</li> <li>• Freedom of Information Request guidance</li> </ul>	Per requirement	Director of Corporate Affairs
G3 payment of fees	Trust must pay Monitor fee as required within 28 days of it becoming payable	Trust not required to pay a Monitor fee as it is not an NHS Foundation Trust however the Trust has paid all relevant fees as an acute Trust – CQC fees, NHS Litigation Authority contributions	Per invoice	Chief Medical Officer Director of Corporate Affairs
G4 Fit and proper person	All those with the title of Director or equivalent shall complete the fit and proper person test and a register will be kept. This includes the Governors. This will be updated on an annual basis as part of the year end process.	Fit and Proper Persons Test updated and presented to the Trust Board April 2017 – no issues raised  As a non-FT, the Trust does not have any Governors	April 2017	Director of Corporate Affairs / Trust Board

<b>Condition</b>	<b>Action</b>	<b>Evidence</b>	<b>Completed</b>	<b>Party responsible</b>
G4 Fit and proper person	Term to be added to all Directors' employment contracts to state that a Director will have their employment as a Director summary terminated in the event of not being able to satisfy the fit and proper person test. This should be extended to those considered to be equivalent to a director, but not using the title.	Clause included in the updated Very Senior Manager contracts, agreed by the Remuneration Committee in April 2016; contract applicable to the most senior tier of trust management (not just Executive Directors)	April 2016	Director of Workforce and Organisational Development
G5 Monitor guidance	<p>When Monitor releases guidance, the Trust is required to comply with that guidance or explain why it cannot comply.</p> <p>On the release of guidance a review will be undertaken and if there are any areas where the Trust cannot comply they will be reported to the Board. Where necessary a statement will be sent from the Board to Monitor to explain why the Trust is not complying with the guidance.</p>	<p>The Trust has applied this to NHS Improvement guidance and, before this, to Trust Development Authority guidance</p> <p>No issues raised with compliance to date; most recent changes have been use of the Single Oversight Framework, which form t the basis of the Trust's Integrated Performance Report, reviewed and published monthly</p>	As per new guidance	Director of Corporate Affairs / Trust Board
G6 System for compliance	<p>The Trust is required to take reasonable precautions against the risk of failure to complying with the licence and the conditions imposed under the NHS acts and required to have regard to the NHS Constitution</p> <p>No later than 2 months from the end of the financial year, the Trust must prepare and submit to Monitor a certificate to the effect that the Trust during the previous financial year has complied with the conditions in the licence.</p> <p>Trust must publish each certificate within 1 month of submission to Monitor in such a manner as would bring to the attention of anyone who may be interested.</p>	<p>This self-assessment is being completed within the two month timescale – see cover paper for summary of compliance</p> <p>The Trust's Annual Governance Statement identifies risks to compliance with the NHS Contracts it has in place and to NHS Constitution rights</p> <p>The Trust will complete and publish its annual report including annual financial statements by end May 2017</p>	May 2017	Director of Corporate Affairs

<b>Condition</b>	<b>Action</b>	<b>Evidence</b>	<b>Completed</b>	<b>Party responsible</b>
G7 Registration with the CQC	Trust must at all times be registered with the CQC	The Trust has remained registered with the CQC at all times	In place	Chief Medical Officer
G7 Registration with the CQC	Trust to advise Monitor if the Trust does not maintain the CQC registration - the Trust must notify Monitor within 7 days	Not applicable – Trust has retained registration		
G8 Patient eligibility and selection criteria	Set transparent eligibility and selection criteria and apply those criteria in a transparent way to persons who, having a choice of person from whom to receive health care services.  Publish the criteria in such a manner as will make them accessible to those that are interested.	The Trust has the standard NHS Contract in place for all NHS services; patient choice arrangements are managed via local commissioners. The Trust provides a service to all patients referred under the NHS Contracts in place with commissioners. The Trust makes appointments available via Choose and Book at the point of choice and referral. The Trust is working towards new e-referral requirements in 16-17 and 17-18.	In place	Director of Corporate Affairs  Chief Operating Officer
G9 Application of Continuity of Services	Condition applies whenever the trust is subject to a contractual or other legally enforceable obligation to provide a service which is a Commissioner Requested Service	The Trust has Commissioner Requested Services included in contracts with local commissioners	In place	Chief Financial Officer
G9 Application of Continuity of Services	The Trust shall give Monitor not less than 28 days' notice of the expiry of any contractual obligation pursuant to which it is required to provide a Commissioner Requested Service to which no extension or renewal has been agreed.	The Trust would inform NHS Improvement if this were enacted – no such action taken for 16-17 or 17-18 contracts		Chief Financial Officer

Condition	Action	Evidence	Completed	Party responsible
G9 Application of Continuity of Services	The Trust shall make available free of charge to any person a statement in writing setting out the description and quality of service which it is under a contractual or other legally enforceable obligation to provide as a Commissioner Requested Service (CRS).	<p>The Trust publishes monthly such statements through its Trust Board papers, and also through publications such as the Quality Accounts, all of which are available free of charge on line.</p> <p>The Trust has in place the NHS Standard Contract, including description of service sand quality standards, in place for all NHS services provided</p>	In place	Director of Corporate Affairs / Trust Board
G9 Application of Continuity of Services	Within 28 days of a change to the description or quantity of services which the Trust is under a contractual obligation to provide as Commissioner Requested Services, the Trust shall provide to Monitor in writing a notice setting out the description and quantity of all services it is obliged to provide as CRS.	The Trust would inform NHS Improvement if this were enacted	In place	Chief Financial Officer
P1 Recording of information	<p>If required by Monitor the trust shall obtain, record and maintain sufficient information about the cost which it expends in the course of providing services for the purpose of the NHS and other relevant information.</p> <p>The Trust will establish, maintain and apply such systems and methods for the obtaining, recording and maintaining of such information about those costs and other relevant information.</p>	<p>The Trust publishes its accounts annually, which are subject to audit. The Trust can provide more detailed information on expenditure on request (and has done, for example, for commissioners).</p> <p>The Trust has in place relevant systems to upload and provide information to NHS Digital, used by commissioners and regulators.</p>	In place	Chief Financial Officer

<b>Condition</b>	<b>Action</b>	<b>Evidence</b>	<b>Completed</b>	<b>Party responsible</b>
P1 Recording of information	The Trust is required to use the cost allocation methodology and procedures relating to other relevant information set out in the Approved Guidance.	The Trust is compliant with relevant guidance, for example, application of PbR and new HRG requirements	In place	Chief Financial Officer
P1 Recording of information	If the Trust sub contracts to the extent allowed by Monitor the Trust shall ensure the sub-contractors obtains, records and maintains information about the costs which it expends in the course of providing services as a sub-contractor, and establishes, maintains and applies systems and methods for the obtaining, recording and maintaining of information. The sub-contractor will supply that information to Monitor as required within a timely manner.	The Trust has relevant processes in place for the sub-contracting it undertakes (i.e. using elective capacity in the private sector). The Trust, as a non-FT, does not submit this information to Monitor or NHS Improvement but provides information as required	In place	Chief Operating Officer  Chief Financial Officer
P1 Recording of information	The Trust will keep the information for not less than six years	All relevant Trust information available for more than six years – the Trust applies NHS Records Management Guidance to document and information retention	In place	Director of Corporate Affairs
P2 Provision of information	As G1 The Trust will supply Monitor with information as required.	Will do as and when required	In place	Chief Financial Officer
P3 Assurance report on submissions to Monitor	If Monitor requires the Trust to provide an assurance report in relation to a submission of information under P2 or by a third party.  An Assurance Report must be completed by a person approved by Monitor or qualified to act as an auditor.	Will do as and when required	In place	Chief Financial Officer

<b>Condition</b>	<b>Action</b>	<b>Evidence</b>	<b>Completed</b>	<b>Party responsible</b>
P4 Compliance with the National Tariff	The Trust shall only provide healthcare services for the purpose of the NHS at prices which comply with, or are determined in accordance with, the national tariff published by Monitor.	The Trust's contract management arrangements in place with local and specialised commissioners and the Trust's audited accounts confirm this is in place	In place	Chief Financial Officer
P5 Constructive engagement concerning local tariff modifications	The Trust is required to engage constructively with Commissioners, with a view to reaching agreement as provided in section 124 of 2012 Act (around price).	In place – local tariff agreed as part of NHS contracts in place	In place	Chief Financial Officer
C1 The right of patients to make choices	<p>The Trust shall ensure that at every point where a patient has a choice under the NHS Constitution or a choice of provider conferred locally by commissioners, the patient is notified of that choice and told where they can find that information.</p> <p>The information provided must not be misleading. The information cannot prejudice any patient.</p> <p>Note: The Trust is strictly prevented from offering or giving gifts, benefits in kind or pecuniary or other advantage to clinicians, other health professionals, Commissioners or their administrative or other staff as inducement to refer patients to commissioned services.</p>	<p>Choice is primarily lead by commissioners and choice is offered at the point of referral – the Trust is in receipt of the referrals after choice has been made</p> <p>The Trust includes information on the NHS Constitution on its website</p>	In place	Chief Operating Officer
C2 Competition oversight	The Trust shall not enter into any agreement or arrangement that prevents or distort competition in the provision of healthcare.	No such arrangements in place; NHS Standard Contract in place for all NHS services		Trust Board

Condition	Action	Evidence	Completed	Party responsible
IC1 Provision of Integrated Care	<p>The Trust shall not do anything that would be regarded as against the interests of people who use healthcare services.</p> <p>The Trust shall aim to achieve the objectives as follows:</p> <ul style="list-style-type: none"> <li>- Improving the quality of health care services <ul style="list-style-type: none"> <li>- Reduce inequalities between persons with respect to their ability to access services and the outcomes achieved for them.</li> </ul> </li> </ul>	<p>The Trust has in place a Quality Improvement Plan to make specific improvements in services across the Trust</p> <p>The Trust complies with the Public Sector Equality Duty in respect of access to services</p>	In place	<p>Chief Medical Officer</p> <p>Chief Operating Officer</p>
CoS1 Continuing provision of Commissioner Requested Services	<p>The Trust is not allowed to materially alter the specification or means of provision of any CRS services except:</p> <ul style="list-style-type: none"> <li>• By agreement in writing from the Commissioner</li> <li>• If required to do so by, or in accordance with its terms of authorisation.</li> </ul>	NHS Standard Contract in place, including clauses as to how amendments to the contract are made in agreement with commissioners	In place	Chief Financial Officer
CoS2 Restriction on the disposal of assets	<p>Keep an asset register up to date which shall list every relevant asset used by the Trust.</p> <p>The Trust shall not dispose of or relinquish control over any relevant asset except with consent of Monitor.</p> <p>The Trust will supply Monitor with a copy of the register if requested.</p>	<p>[Assets taken as Estates in this context]</p> <p>The Trust would inform commissioners and NHS Improvement if any action on estates were being taken that would prevent the continuation of an NHS services</p>	In place	Chief Financial Officer

Condition	Action	Evidence	Completed	Party responsible
CoS3 Standards of corporate governance and financial management	Trust is required at all times to maintain, adopt and apply systems and standards of corporate governance and of risk management which reasonably would be regarded as: Suitable for a provider of the CRS provided by the Trust Providing reasonable safeguards against the risk of the Trust being able to carry on as a going concern	<p>Audit Committee and Trust Board have oversight of governance.</p> <p>Audit Committee and Trust Board signed off preparation of accounts on a going concern basis</p> <p>Trust Board has oversight and sign-off of Annual Governance Statement, confirming adequate governance arrangements are in place</p> <p>Head of Internal Audit Opinion gives significant assurance for 16-17 year-end position</p>	May 2017	Chief Executive
CoS3 Standards of corporate governance and financial management	The Trust shall have regard to: Guidance from Monitor Trust rating using risk rating methodology Desirability of that rating being not less than the level regarded by Monitor as acceptable	<p>The Trust has regard for NHS Improvement and TDA requirements in this regard</p> <p>The Trust has in place monthly self-assessment against the Single Oversight Framework risk rating, included and published in the Integrated Performance Report; the risk rating has remained at 3 out of 4, which has not required further intervention by the Trust's regulator</p>	Monthly	Chief Financial Officer
CoS4 Undertaking from the ultimate controller	The Trust shall procure from each company or other person which the trust knows or reasonably ought to know is at any time its ultimate controller	Not applicable		



Condition	Action	Evidence	Completed	Party responsible
CoS5 Risk pool levy	The Trust shall pay to Monitor any sums required to be paid in consequence of any requirement imposed on providers, including sums payable by way of levy imposed and any interest payable. If no date given then within 28 days	Will be managed in line with the NHS standard contract, if applicable		Chief Financial Officer
CoS6 co-operation in the event of financial stress	<p>If Monitor gives notice in writing to the Trust that it is concerned about the ability of the Trust to carry on as a going concern,</p> <p>The Trust shall:  Provide information as Monitor my director to commissioners and to such other persons as Monitor may direct  Allow such persons as Monitor may appoint to enter premises  Cooperate with such persons</p>	<p>Such information exists and can be provided to NHS Improvement if such a concern was raised</p> <p>The Trust has a requirement under the NHS Standard contract to allow commissioners and regulators access to the Trust if significant concerns were formally raised</p>	<p>April 2017</p> <p>In place</p>	<p>Chief Financial Officer</p> <p>Chief Executive</p>
CoS7 Availability of resources	<p>The Trust will at all times act in a manner calculated to secure the required resources</p> <p>Trust not later than 2 months after the year end shall submit to Monitor a certificate as to the availability of the required resources for the period of 12 months commencing on the date of the certificated using one of the following statements:</p> <p>After making enquires the Directors of the Licensee have a reasonable expectation that the Licensee will have the Required Resources available to it after taking account distributions which might reasonably be expected to be declared or paid for the period of 12 months referred to in this certificate.</p>	<p>Going concern review submitted and accepted by the Audit Committee April 2017</p> <p>Annual audited accounts shared with Audit Committee April 2017</p> <p>On track for review and acceptance by Trust Board May 2017</p> <p>Annual report includes annual governance statement, including use of resources and anticipated risks to service delivery and resources</p>	May 2017	Chief Executive / Trust Board

	<p><b>or</b></p> <p>after making enquires the Directors of the Licensee have a reasonable expectation, subject to what is explained below, that the Licensee will have the Required Resources available to it after taking into account in particular (but without limitation) and distribution which might reasonably be expected to be declared or paid for the period of 12 months referred to in the certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the Licensee to provide CRS.</p> <p><b>or</b></p> <p>In the opinion of the Directors of the Licensee, the Licensee will not have the Required Resources available to it for the period of 12 months referred to in this certificate.</p> <p>The Trust shall submit to Monitor with that certificate a statement of the main factors which the Director of the Trust have taken into account in issuing that certificate.</p> <p>The certificate must be approved by a resolution of the BoD and signed by a Director the Trust pursuant to that resolution.</p> <p>Trust must tell Monitor immediately the Directors become aware of circumstances that cause them to no longer have the reasonable expectation referred</p>			
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<b>Condition</b>	<b>Action</b>	<b>Evidence</b>	<b>Completed</b>	<b>Party responsible</b>
FT1 Information to update the register of NHSFT	Trust must supply to Monitor or make sure they are available to Monitor the following:  Current version of the Constitution Most recent published accounts and auditor report on them Most recent annual report  Amended Constitutions must be supplied within 28 days  Comply with any Direction given by Monitor  When submitting documents to Monitor Trust must provide a short written statement describing the document and specifying its electronic format and advising that the document is being sent for the purpose of updating the register.	No such equivalent exists for non-Foundation Trust  The Trust publishes its annual report and accounts shortly after approval – this includes description of the Trust, its use of resources and audit opinion  The Trust has published its key strategy documents  The Trust publishes monthly performance, quality and financial information via Trust Board papers	In place	Trust Board
FT2 Payment to Monitor	Not applicable – equivalent requirements noted and evidenced above			
FT3 provision of information to advisory panel	Trust must comply with any request from Monitor	The Trust complies with requests from regulators (NHS Improvement, CQC) as and when received	In place	Chief Executive

Condition	Action	Evidence	Completed	Party responsible
FT4 NHSFT governance arrangements	<p>Trust will apply the principles, systems and standards of good corporate governance</p> <p>The Trust will have regard to such guidance as Monitor may issue.</p> <p>Comply with the following conditions - Trust will establish and implement:</p> <ul style="list-style-type: none"> <li>• An effective Board and committee structure</li> <li>• Clear responsibilities for its Boards and committees reporting to the Board and for staff reporting to the Board and those committees.</li> <li>• Have clear lines of accountabilities throughout the organisation</li> </ul> <p>The Trust shall establish and effectively implement systems and processes to:</p> <ul style="list-style-type: none"> <li>• Ensure compliance with the duty to operate efficiently, economically and effectively</li> <li>• For timely and effective scrutiny and oversight by the Board of the Trust's operations.</li> <li>• Ensure compliance with health care standards binding on the trust including but not restricted to standards specified by the SoS, the CQC and NHS Commissioning Board and statutory regulators of health care professionals</li> <li>• To identify and manage material risks to compliance.</li> </ul>	<p>The Trust's Annual Governance Statement and Annual Report set out the Trusts' governance structure, which includes a Board and committee structure that meets statutory and good governance requirements, clear reporting lines up to the Trust Board through Standing Orders, and a triumvirate system for Health Group management, with Executive oversight of Health Groups and corporate services</p> <p>The Trust has Standing Orders, Standing Financial Instructions and other relevant policies, such as the Managing Business Interests policy and financial management policies</p> <p>The Trust reports monthly and has a supporting committee structure in place for the scrutiny and management of quality in services, performance and financial oversight and accountability</p> <p>The Trust has in place policies and processes for financial management, deployment and management of human resources, which are subject to scrutiny by the Trust's internal and external auditors</p>	<p>In place</p> <p>Reviewed April – May 2017 as part of annual review and reporting requirements</p>	<p>Chief Executive/ Trust Board</p>

	<ul style="list-style-type: none"> <li>• To generate and monitor delivery of business plans.</li> <li>• To ensure compliance with all applicable legal requirements</li> <li>• To obtain and disseminate accurate, comprehensive, timely and up to date info for BoD and Committee decision making</li> <li>• For effective financial decision-making, management and control</li> </ul> <p>The Trust shall submit to Monitor within 3 months of the year end:</p> <ul style="list-style-type: none"> <li>• A corporate governance statement by and on behalf of its Board confirming compliance with this condition as at the date of the statement and anticipated compliance with this Condition for the next financial year, specifying any risks to compliance with this condition in the next financial year and any action it proposed to take to manage such risks.</li> <li>• If required by Monitor a statement from the External Auditors will be included.</li> </ul>	<p>The Trust updated its Risk Policy in April 2017 to include a more robust 'ward to board' process for the management or organisational risk</p> <p>The Trust has in place a process to generate and monitor business plans, whether these are the annual operational plan for the organisation, individual business cases for capital or revenue equipment, a rolling capital programme or Trust strategies.</p> <p>The Trust's monitoring of quality and finance includes compliance with legal and regulatory requirements</p> <p>The Board and Committee timings are set in advance to receive the most current data available</p> <p>The Trust will have completed and published its annual report, including its annual governance statement and assessment of risks for the coming financial year by the end of May 2017, and will publish this to be available to the public, stakeholders and regulators</p>		
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