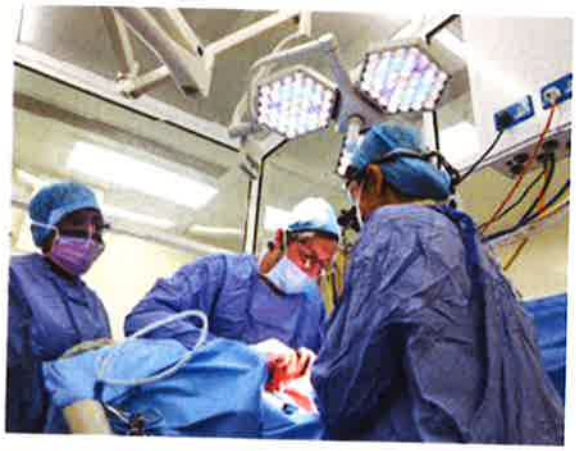


# Annual Report 2017/18

# FOREWORD

**Welcome to our Annual Report for 2017/18. It has been another really busy year for us, with our staff working tirelessly to deliver high quality care. This annual report provides an opportunity for us to reflect upon the many successes of the year; we've got so much to be proud of. However, we have also faced some significant challenges, particularly around our financial position and some of our constitutional targets.**

We have continued to experience ever increasing demand on our services and the pressures that this has brought to bear has meant that we have not always been able to treat our patients in as timely manner as we would like. We have to pay testimony to our staff as they have maintained a strong focus upon delivering services of the highest quality for patients in the face of this challenge. We are very proud that 98.5% people that responded to our patient satisfaction questionaire indicating that they would be likely or extemely likely to recommend our services to their friends and family.

The financial climate continues to present unprecendented challenges for us and we came into the year having being placed into Financial Special Measures (FSM) by our regulators at NHS Improvement (NHSI). This has meant that we have been under intense scrutiny and have been working extremely hard to deliver our Financial Recovery Plan (FRP), within which we had an incredibly challenging cost improvement target of £50m to deliver. Our financial challenges will continue throughout the coming year and we are so thankful to our staff for their continued efforts to deliver savings and avoiding unnecessary spend.

The Care Quality Commission (CQC) have visited the Trust during the year and although our overal rating of Requires Improvement remains unchanged, we are very pleased that the latest report acknowledges significant progress across both of our hospital sites. We are now rated as 'Outstanding' for being caring; a reflection of the remarkable dedication and compassion of our staff, 'Good' for our services being effective and well led; in recognition of the strong leadership within our clinical managerial teams and 'Requires Improvement' for our services being responsive and safe; acknowledging the effects of overcrowding and long waiting times in our emergency departments – all of which are improvements on our previous ratings. We are proud of the work that we have undertaken to improve our ratings and will continue to focus on improvement across the whole organisation over the coming year.

We have refreshed our 2025Vision during the year and launched our new values and strategic objectives at our Annual General Meeting. Our refreshed 2025Vision provides us with a clear strategic direction for the future and our values set out the behaviours, attitudes and approaches that our staff will exhibit. Our Organisational and People Development Team are supporting us to ensure that all staff 'live our values' in our day to day working lives.

We never cease to be humbled by the level of commitment, expertise and professionalism shown by so many of our staff, and we want to build on this strong foundation to prepare us for the years ahead. Our commitment to you is to build on our many achievements, reflect when we have fallen short of the ambitious goals we have set ourselves and to always put the healthcare needs of you and your family first.

Paula Clark
**Chief Executive**

S.R.T. Burgin
**Stephen Burgin**
**Acting Chairman**

# CONTENTS

# Part A: Performance Report

## OVERVIEW

## A1. Statement of Purpose and Activities of the Organisation

**University Hospitals of North Midlands NHS Trust is one of the largest and most modern in the country. In our state of the art facilities, we serve around three million people and we're highly regarded for our quality, teaching and research. We have around 1, 450 inpatient beds across our sites in Stoke-on-Trent and Stafford.**

We provide a full range of general acute hospital services for approximately 900,000 people locally in Staffordshire, South Cheshire and Shropshire. We have an 11, 000 strong workforce and we provide specialised services for three million people in a wider area, including neighbouring counties and North Wales.

We are one of the largest hospitals in the West Midlands and have one of the busiest emergency departments in the country, with more than 169,000 patients attending our Accident and Emergency departments last year. Many emergency patients are brought to us from a wide area by both helicopter and land ambulance because of our Major Trauma Centre status as we are the specialist centre for the North Midlands and North Wales.

As a university hospital, we work with Keele University and Staffordshire University and have strong links with local schools and colleges.

Royal Stoke University Hospital

County Hospital (Stafford)

Our specialised services include cancer diagnosis and treatment, cardiothoracic surgery, neurosurgery, renal and dialysis services, neonatal intensive care, paediatric intensive care, trauma, respiratory conditions, spinal surgery, upper gastro-intestinal surgery, complex orthopaedic surgery and laparoscopic surgery.

We are a key player in the Staffordshire Sustainability and Transformation Partnership (STP) and take an active part in the planning and discussions. The health economy plan remains focused on minimising admissions to and discharging as soon as possible from the major acute site at Royal Stoke University Hospital, with as much care as possible being delivered in community settings or at County Hospital.

We benefit from being able to attract and retain high quality staff. In order to do this we need to continue to maintain and expand our tertiary capabilities to service the populations of the North West Midlands, Derbyshire, Wales, South Manchester and the northern suburbs of Birmingham.

# A2. Our Vision, Values and Strategic Objectives

**In 2017, we refreshed our core strategy '2025Vision', which we launched at our Annual General Meeting in September 2017. The strategy sets out our vision, values and key priorities for moving forward and delivering services that our own families would choose should they need care, delivered by staff who take pride in everything they do.**

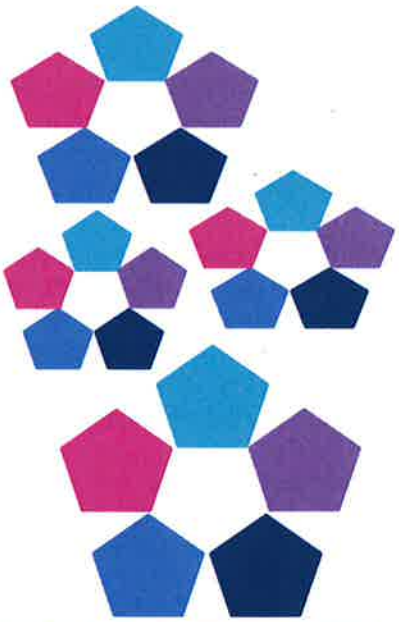
Our 2025Vision was developed to set a clear direction for the organisation to become a world class centre of clinical and academic achievement and care. One in which our staff all work together with a common purpose to ensure patients receive the highest standards of care and the place in which the best people want to work.

To achieve the 2025Vision we must respond to the changing requirements of the NHS as they emerge and as we move into ever more challenging times for the service. This requires us to think further than the here and now and look beyond the boundaries of our organisation for inspiration. This means that our involvement in the STP is crucial in enabling us to move towards our vision and become the sustainable healthcare provider of hospital services we want to be into the next decade.

Through our organisational development activities we will continue to encourage a compassionate culture through our set of shared values, which identify the behaviours, attitudes and approaches we exhibit.

Our full 2025Vision is available via our website: www.uhnm.nhs.uk . Our 'Plan on a Page' is shown below:





## A3. Statement from the Chief Executive

**2017/18 has been another extremely busy year for us, with demand for our services increasing to unprecedented levels over the winter period. The Annual Report provides an opportunity to look back and reflect on the achievements and challenges we have faced and to consider the opportunities and risks ahead of us.**

This was reflected in our latest CQC report, which, whilst it highlighted many things for us to be proud of, the report identified that safety needs further consideration, particularly in relation to Emergency and Urgent Care, as a result of our extreme and sustained pressures. This is why, despite our areas of improvement, our focus must remain firmly on mitigating these risks. Regardless of these pressures though, we remain clear that quality is our number one priority.

As a Board we are very much aware of the challenges facing us, and it is disappointing that the pressure on our services has meant that we have been unable to meet some of our statutory targets this year in relation to the 4 hour target in A&E, 62 day cancer waits and the Referral to Treatment (RTT) target. We have also had to make some very difficult decisions to cancel elective surgery; this was one of the many direct impacts that the pressures over winter. However, we have a number of initiatives underway to enable us to overcome these challenges and we will continue to work hard with our partners across the health and social care economy to address these.

Within this report you will find a detailed breakdown of the Trust's financial performance. With some external specialist support, we have been working very hard to deliver on our Financial Recovery Plan during the year and whilst we are very clear on the scale of the challenge, we are pleased with the progress we have made this year. It is our responsibility to reduce our deficit and this will continue to be a major focus for us. We must ensure that we get the balance right between making the necessary changes to the way that we work so that we are as efficient as possible and push back on areas where we need support from the system to help us achieve this.

In amongst all of these challenges through, we had some great successes this year with many things to be proud of and to celebrate. More information about these can be found with the report. None of this would be possible without the continued work and support of our amazing staff.

Excellent and safe patient care requires commitment, compassion and competence and I'm really pleased that despite our challenges, we have been able to maintain a high standard of performance against our key quality indicators during 2017/18.

Paula Clark

**Paula Clark, Chief Executive**
**25th May 2018**

## A4. Key Issues and Risks

**By the nature of our business, Risk Management is integral to everything we do and during 2017/18 we revised our Risk Management Policy and associated systems and processes to support our aims to embed a risk-aware, patient led culture. The improvements which we have made led to an improved assurance rating issued by our Internal Auditors when compared to 2016/17 but we recognise that we have more work to do to further embed and improve our processes during 2017/18.**

During 2017/18 we have reviewed and monitored all risks throughout the organisation and at the start of the year, the Board identified a set of key strategic risks which were monitored through the Board Assurance Framework. We categorised these key risks around our Strategic Objectives; summarised as follows:

### Strategic Objective 1: Provide safe, effective, caring and responsive services

- Uncontrolled demand for our services, exceeding capacity, which may compromise quality of care
- Availability of sufficiently trained clinical workforce, which may compromise quality of service provision
- 'Escalation areas' being open as a result of increased demand and our ability to staff these areas sufficiently

### Strategic Objective 2: Achieve NHS constitutional patient access standards

- Overcrowding within our emergency portals compromising patient flow through the organisation
- Availability of appropriately trained medical staffing to deliver an optimal service
- Ability to discharge / transfer medically fit patients in a timely manner as a result of insufficient community care capacity
- Capacity versus demand for elective care to achieve the Referral to Treatment (RTT) constitutional standard

### Strategic Objective 3: Achieve excellence in employment, education, development and research

- Levels of staff turnover and ability to recruit, which may impact upon sustainability of some services
- Promotion of education and research opportunities, which enable us to attract and retain staff

### Strategic Objective 4: Lead strategic change within Staffordshire and beyond

- Improvements in productivity to achieve our Financial Recovery Plan (FRP)
- Clinical Commissioning Groups (CCG's) unable to repatriate work leading to an inability to increase activity and associated income levels
- Health and Social Care being unable to provide admission avoidance schemes leading to a blockage in our resources
- Multi-service Community Providers not leading to the development of robust community services

### Strategic Objective 5: Ensure efficient use of resources

- Services not being delivered within agreed budgets leading to an inability to achieve the Financial Plan

The Board will be refreshing the Board Assurance Framework for 2018/19 and whilst this will continue to focus upon threats to the achievement of our Strategic Objectives, it will be enhanced to ensure a more robust approach to monitoring risks specifically associated with our Operational and Financial Plan.

## A5. Going Concern

**The 'going concern' assumption is a fundamental principle in the preparation of financial statements. An organisation under this assumption is viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that an organisation will be able to realise its assets and discharge its liabilities in the normal course of business. For the NHS, the Department of Health describes this as 'the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents'.**

We anticipate that it may take some time before we can achieve financial balance on a sustainable basis. The Board has carefully considered the principle of 'going concern' and concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Trust which may cast significant doubt about the ability to continue as a going concern.

Nevertheless, we have concluded that assessing the Trust as a going concern remains appropriate. We have agreed contracts with local commissioners for 2018/19 and services are being commissioned in the same manner in the future as in prior years and there are no discontinued operations. Similarly, no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board has a reasonable expectation that the Trust will have access to adequate resources in the form of support from the Department of Health (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

Subject to the receipt of the revenue funding within the 2018/19 financial plan, we consider that this provides sufficient evidence that we will continue as a going concern for the foreseeable future. On this basis, we have adopted the going concern basis for preparing the accounts and have not included the adjustments that would result if it were unable to continue as a going concern.

The assessment accords with the statutory guidance contained within the Department of Health and Social Care Group Accounting Manual.

# A6. Performance Summary: 2017 / 18 at a Glance

## Apr 17

Two new mothers thank staff on Neonatal Intensive Care Unit for their outstanding care and compassion, during traumatic circumstances.

## May 17

The Cardiology team were rated No.1 in the country after winning the prestigious British Medical Journal (BMJ) 'Cardiology team of the year' award.

## Jun 17

For the first time, we treated over 1,000,000 patients in a single year.

## Jul 17

We awarded a special Honorary 'UHNM Hero' Award to a former nurse who helped save the life of a woman suffering a cardiac arrest.

## Aug 17

Our maxillofacial cancer surgery and anaesthetic team became the first in the country to offer 3D computer modelling, printing and reconstructive surgery all under one roof.

## Sep 17

Staff were recognised at The Sentinel's annual Our Heroes awards evening on Thursday 28 September.

## Oct 17

Our very own Professor Jim Nolan and Professor Mamas Mamas successfully hosted a two-day 'Transradial Masterclass' conference in Manchester.

## Nov 17

Staff descended on the Moat House Hotel to celebrate the 'Night Full of Stars' staff awards event. The 14 categories recognised some of the outstanding work going on each and every day.

## Dec 17

The Short Stay Unit at Royal Stoke has been helping vulnerable patients by providing them with fresh clothes to wear when they are discharged.

## Jan 18

Dr Tirej Brimo, a Foundation Trainee Doctor at Royal Stoke University Hospital, named as one of Medscape's Physicians of the Year for 2017.

## Feb 18

Robina Johnstone, Midwife at UHNM celebrated 50 years in the NHS. In that time she will have helped care for over 50,000 babies and their families.

## Mar 18

The Critical Care team were shortlisted for a HSJ Value award in the 'Acute Service redesign' category for their Transformation Programme.

## A7. Celebrating our Achievements – Our Awards

**During 2017/18, our staff have been gaining recognition, both internally and externally, for their efforts and expertise from judges, panellists and patients alike. The nominations, awards and special presentations have been received by staff right across the Trust, showcasing the professionalism, quality and talent of our workforce.**

Here is just a snapshot of some of the many things we have achieved and of which we are proud

### Staff Awards November 2017

**Joe Potts**
Employee of the Year

**Katie Knowles**
Leading with Compassion

**Jenny Dodimead**
Volunteer of the Year

**Pathology Clinical Trials Team**
UHNM Research Impact

**Adam Farmer**
Rising Star

**Teresa Wilson**
UHNM Charity Award

**Elizabeth Handford**
Learner of the Year

**Radiotherapy Team**
Clinical Team of the Year

**Bariatric Team**
Improving Care through Innovation

**Organisational Development/CWD**
Engagement Initiative of the Year

**Endoscopy**
Innovation in Education & Learning

**SAFFRON Team**
Non-Clinical Team of the Year

**Placenta Accreta MDT**
Organisational Improvement through Innovation

## National Recognition

We've had another great year with national awards too, which are a great boost for our staff. Here are just some of our achievements.

Our 'Centre of Excellence', which supports people with Multiple Sclerosis (MS) was crowned the 2017 MS Professional of the Year at the MS Society Awards, which took place in London.

The Leading with Compassion Shropshire and Staffordshire Leadership Leads Group were winners in the HPMA Academi Wales Award for Excellence in Organisational Development 2017

The Cardiac Assessment Nurses (CAN) team swooped the 'British Heart Foundation Team of the Year' award at the British Cardiac Society meeting in Manchester, after also receiving Team of the Year accolade at the BMJ awards in May 2017.

The Critical Care Unit won a national award for monitoring patient outcomes as part of the Case Mix Programme (CMP) Quarterly Prize for their work in Critical Care.

The redevelopment of County Hospital won a prestigious, regional construction award at the 'Celebration Construction 2017 West Midlands Awards' with Kier.

Anaesthetic Registrar, Dr Felicity Jayne Avann, has received the prestigious 'Harvey Grant Prize' after showcasing an audit into experience of treatment stroke patients to the Neuro Anaesthesia & Critical Care Society of Great Britain and Ireland (NACCISGBI).

Dr Ranjan Sanyal and Dr Girish Muddegowda, Consultant Stroke Physicians won Joint UHNM Clinical Teacher of the Year. Mr Sriram Rajagopalan finished runner up.

## A8. UHNM in Numbers 2017/18

**169,885**
Emergency Department Attendances

**1,233,856**
calls to our switchboard

**1,342**
new starters

**7,318,692**
views of our Facebook page

**264**
Staff Trained in Service Improvement

**3191**
Patients Recruited into Research Studies

Up to **50**
Award Nominations

**6**
Care Excellence Framework Platinum Awards

Sign up to ..... SAFETY
LISTEN LEARN ACT

**70**
Care Excellence Framework Visits

#Red2Green
& SAFER - Caring for ALL our patients

#Red2Green
& SAFER - Caring for ALL our patients

#Red2Green
& SAFER - Caring for ALL our patients

**1,047,649**
total patients treated

**14,266**
Elective inpatients

**7,200**
staff vaccinated with flu jab

**2,137,600**
Twitter impressions


**468,264**
visitors to our website

**836,693**
outpatient appointments

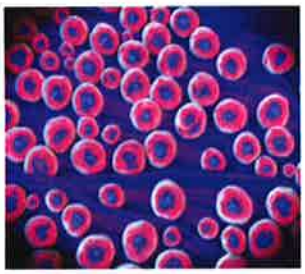
**1** patient attends the Emergency Department every **3** minutes


**11**
Board Meetings held in Public


**16**
Awards Given our at Awards Evening

**71**
C Difficile Infections

**0**
cases of MRSA reported



# PERFORMANCE ANALYSIS

## A9. How we Measure Performance

**We measure our performance using the NHS Improvement (NHSI) single oversight framework. This framework is comprised of 35 metrics across 6 domains of:**

- **Finance and use of resources**
- **Operational performance**
- **Organisational health**
- **Caring**
- **Safe**
- **Effective**

We report our performance to the Trust Board on a monthly basis and we are also monitored closely by the NHSI. A series of triggers have been identified by our regulators which range from 'maximum provider autonomy' to 'special measures'. These triggers are used to identify potential concerns and as a consequence of our financial position, we are currently in the category of 'special measures'.

Our monthly performance report provides the Board with an overview of latest performance against the key metrics and identifies exceptions, including position exceptions, where performance has outperformed usual tolerances, or where a target has been failed. Within the Single Oversight Framework are five constitutional standards. This means they are set out within the NHS Constitution as standards which we pledge to achieve. Whilst pledges are not legally binding, they represent a commitment by the NHS to provide comprehensive high quality services.

These standards are:

- A&E 4 hour wait
- Diagnostic six week waits
- Referral to Treatment 18 - weeks
- All cancer 62 day waits
- 62 day waits from screening service referral

# A10. How we have Performed During 2017/2018

**An overwhelming theme for our performance during 2017/18 was the increase in demand for non-elective services. The number of patients choosing us for their treatment and care remained high, and we in turn expanded services where possible to meet this demand.**

A clear indicator of this was the increase in new outpatient appointments and additional day case procedures performed.

The number of non-elective inpatients also increased and for some services this meant a considerable loss in managing to treat as many routine patients as we would have liked, particularly during the winter months. Also affected were the number of patients who could not have their cancelled operation re-scheduled within the 28 day standard and the deterioration of the Referral to Treatment performance. We have plans to increase the size and scale of our services further for 2018/19 as more patients continue to choose our services.

This year was an incredibly challenging year for the Emergency Centre team, seen in the four-hour wait performance, which was significantly below the 95% target. The most powerful indicator of this was the number of greater than 12 hour trolley waits, which this year slightly decreased to 508, most of which occurred between December 2017 and March 2018.

We have achieved and sustained the diagnostic wait time standard of 6 weeks. This is essential in ensuring patients have an early diagnosis.

We faced huge challenges in meeting the Referral to Treatment standard and failed to achieve the 92% standard in any month of 2017/18. The key specialties experiencing extreme pressures are Trauma and Orthopaedics (a considerable amount of capacity has been lost due to non-elective trauma demand); Neurosurgery (due to the number of spinal patients requiring surgery); General Surgery; Dermatology and Plastic Surgery (both due to the high demand from the initial cancer 2ww referral).

We worked hard to try to continue to meet our obligation to cancer patients during 2017/18. However, we were unable to meet the 62 day wait from GP referral to treatment Cancer Wait Time (CWT) standards for the year and we apologised for this. The reason for this was mainly due to the high demand for emergency care and cancer services.

The 31 day diagnosis to treatment was achieved along with the 2 weeks from referral to first appointment.

## 10.1 Operational Performance

| Performance Metric | National Target | Our Performance last year 2016/17 | Our Performance this year 2017/18 | What our Performance Means |
|---|---|---|---|---|
| **Operational Performance** | | | | |
| A&E - % patients admitted, transferred or discharged within 4 hours | 95% | 78.46% | 77.62% | Target not achieved |
| Diagnostics – % patients seen within 6 weeks | 99% | 99.22% | 99.31% | Target achieved |
| Referral to Treatment - % patients within 18 weeks | 92% | 85.57% | 71.73% | Target not achieved |
| Cancer - % patients seen within 2 weeks from referral to first appointment | 93% | 93.10% | 98.30% | Target achieved |
| Cancer - % patients diagnosed being treated within 31 days | 96% | 95.10% | 97.40% | Target not achieved |
| Cancer - % patients being seen from urgent GP referrals | 85% | 71.00% | 78.50% | Target not achieved |
| **Activity and Waiting Lists** | | | | |
| Number of elective inpatients treated | n/a | 14,913 | 14,266 | n/a |
| Number of elective day cases | n/a | 83,952 | 86,909 | n/a |
| Number of emergency inpatients | n/a | 108,067 | 109,781 | n/a |
| Number of new outpatient appointments | n/a | 287,997 | 310,019 | n/a |
| Number of outpatient follow up appointments | n/a | 555,432 | 526,674 | n/a |
| Total number of patients on inpatient waiting list – first attendance | n/a | 8948 | 8370 | n/a |
| Total number of patients on outpatient waiting list | n/a | 25,214 | 29,246 | n/a |
| Number of operations cancelled at short notice for non-clinical reasons | n/a | 1403 | 1845 | n/a |
| Number of cancelled operations not rearranged within the target timescale of 28 days | 0 | 172 | 197 | Target not achieved |
| **Emergency Department** | | | | |
| Number of emergency attendances | n/a | 175,801 | 169,885 | n/a |
| Number of 12 hour trolley waits | 0 | 590 | 508 | Target not achieved |

## 10.2 Quality Performance

### Stakeholder Engagement

Each year we hold a Stakeholder Engagement Workshop where members of staff along with partners from local councils, Clinical Commissioning Groups and Healthwatch are invited to help us to share our priorities for quality improvement. In our Quality Account 2016/17, we identified a number of Quality Priorities and these have been a key focus for us during 2017/18 where we have made strong progress:

- Reduction in overall harm from Patient Safety Incidents
- Reduction in total patient falls reported and reduction in overall rate of falls per 1000 bed days
- Reduction in harm to patients as result of falls
- Exceeding the 95% National Target throughout 2017/18 for 'Safety Thermometer'
- The percentage of staff saying they perceived an experience of bullying, harassment or abuse from other staff in the last 12 month (colleagues and managers) reduced from 28% to 27% although this remained at 26% from patients and the public.
- Elective Surgery (Bariatric and Trauma & Orthopaedics) has been significantly increased at County Hospital
- Reductions in complaints received at both Royal Stoke University Hospital and County Hospital compared to 2016/17

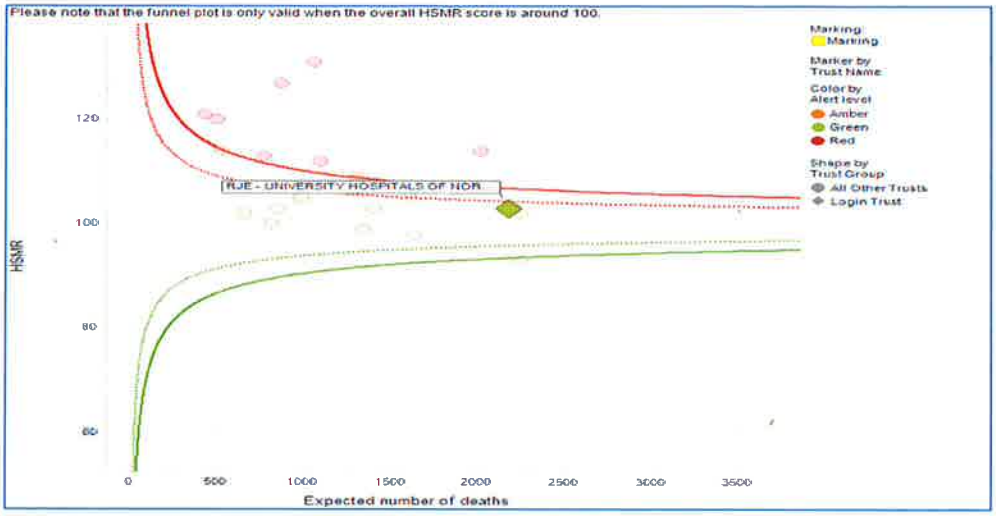
### Key Quality Performance Indicators

| Performance Metric | Target | Our Performance last year 2016/17 | Our Performance this year 2017/18 | What our Performance Means |
|---|---|---|---|---|
| **Infection Control** | | | | |
| Clostridium Difficile Infection – number | 82 | 92 | 71 | Target achieved |
| Avoidable MRSA Cases | 0 | 1 | 0 | Target achieved |
| **Incidents** | | | | |
| Never Events | 0 | 3 | 2 | Target not achieved |
| Falls Resulting in Harm | n/a | 796 | 1003 | n/a |
| Medication Errors: Rate per 10, 000 bed days | n/a | 33.58 | 38.2 | n/a |
| Falls resulting harm: Rate per 1,000 bed days | n/a | 1.56 | 2.23 | n/a |
| | | | | |
| Pressure Ulcers – Hospital Acquired Grades 2 & 3 reportable (avoidable) | 145 | 156 | 150 | Target not achieved |
| Pressure Ulcers – Hospital Acquired Grades 4 | 0 | 0 | 1 | Target not achieved |
| Emergency C Section Rate as a % Total Births | | | 13.32% | n/a |
| **Screening** | | | | |
| VTE Risk Assessments | 95% | 97.13% | 95.5% | Target achieved |

- The target rate reduction for falls was 10% reduction in rate per 1000 bed days rather than raw numbers as we have had more beds opened during 2017/18 and this allows for activity variations
- We also use moderate harm and above from falls which shows improvement rate from 0.23 (2016/17) per 1000 bed days to 0.21 (2017/18)
- We have seen increases in reported falls but seeing lower rate of serious harm as a result of the falls

## Mortality

Our mortality rate with current HSMR for 2017/18 year to date (April 2017 – December 2017) reported at 103. This means that our number of in hospital deaths is within expected range based on the type of patients that have been treated.




UHNM continues to compare well against Midlands peers during 2017/18

## Complaints

The total number of complaints opened at Royal Stoke University Hospital during 2017/18 is 646 which is a decrease of 5.7% over the same period in 2016/17 when the Trust saw 685 complaints opened. The total number of complaints opened at County Hospital was 122 in 2017/18, which is an 11.6% reduction from 2016/17 with 138 complaints received.

During 2017/18, the Complaints Team have made a number of improvements to the complaints process, summarised as follows:

- Categorisation of complaints to assist in analysis of trends and themes
- Alignment of processes across both of our sites to ensure consistency in working practices
- Improvement in the timeliness of responses from receipt of complaint to final response with an average of 42.5 days during 2017/18 compared to 53.9 days in 2016/17
- Improved consistency and quality of responses
- Development of a Trust wide Peer Review Programme which provides consistency of approach to reviewing complaints across both hospital sites and forms an integral part of our governance processes for identification of learning lessons

## Research and Development – Performance Summary

**2916**
patients participated in clinical research studies

**384**
Studies were open or in follow up across 33 clinical speciality areas, including 40 active commercial studies sponsored by pharmaceutical companies

**153**
Expressions of Interest for new commercial studies submitted, attracting £1.1m of commercial clinical trial income

**49**
Active innovation projects being overseen by the Embedded Intellectual Property Manager; the highest level of activity across the West Midlands

Academically we have submitted bids to the value of around **£8m**; a record achievement with a total academic income of **£1.2m.**

**278**
Year-end total of academic publications in medical and scientific journals

**82.3**
Full time equivalent staff in the Research and Development Directorate

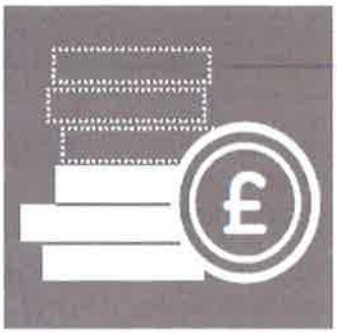
## Anti-Bribery and Fraud

We are absolutely committed to maintaining an honest, open and well-intentioned atmosphere, so as to best fulfil the objectives of the Trust and of the NHS. Our Anti-Bribery & Anti-Fraud Policy sets out our approach and advice to employees in actively dealing with detected or suspected fraud, bribery or corruption, and the avoidance of such activity as directed by the NHS Counter Fraud Authority. This policy details the arrangements for such concerns to be raised by employees, those who do business with the Trust or members of the public.

We adhere to the NHS Counter Fraud Authority Standards for Providers, other directions and procedures published by the NHS Counter Fraud Authority, and the NHS Counter Fraud Authority NHS Anti-Fraud Manual when investigating cases and imposing sanctions.

## 10.3 Financial Performance

**In 2017/18 the Trust agreed a financial plan with NHS Improvement to deliver a year end deficit of £68.9m. Within this the plan the Trust was required to achieve CIP savings of £50m and would receive £24.8m of Deficit Support and a refund of contractual fines of c£10m. The Trust was unable to agree to the Control Total set by NHSI and did not therefore receive any Provider Sustainability Funding in 2017/18.**



At the end of the financial year the Trust has a deficit of £71.3m against the planned deficit of £68.9m. The deterioration in the position was mainly due to the cost of additional capacity and lost elective activity over Winter totaling £7.8m, which was partly mitigated by national funding for the costs of Winter at £2.1m. Additional mitigation came from the over achievement of CIP schemes.

The Trust set itself a challenging CIP target for 2017/18 of £50m, equal to 6.5% of costs in the plan. The Trust was able to make £52.6m of savings in year. The main areas of savings in year related to reductions in workforce expenditure, specifically from premium pay reductions and skill mix efficiencies. Improvements were also made in clinical optimisation schemes, various income opportunities, and efficiencies from procurement and other non-pay savings.

2017/18 was also a challenging year for our commissioners and the Trust contract management agenda was challenging for both provider and commissioning organisations across the Local Health Economy. The significant unscheduled care and winter pressures, which materialised in year, placed a considerable operational pressure on the Trust and meant that the Trust was unable to deliver patient activity to the levels planned and as a result earn the levels of income set out in the financial plan at the start of the year.

2018/19 Financial Plan shows a further improvement in the financial position from 2017/18. The Trust has a planned deficit for 2018/19 of £44.8m. This deficit has been agreed with NHSI as part of the trajectory to return the Trust to a break even position and release the Trust from being in financial special measures. In order to achieve the planned deficit of £44.8m in 2018/19 the Trust is required to make new Cost Improvements totaling £51.9m. The Trust also expects to receive £24.8m Deficit support as a continuation of the support agreed following the integration of County Hospital to the Trust in November 2014.

The Board of UHNM is the Corporate Trustee for the UHNM Charity. Charitable income received for the year from donations, legacies and investments amounted to £1.7m. During the year £1.7m was spent on advanced medical equipment, staff development, high quality research and enhancing the hospital environment. To enable the clinical teams to take advantage of developments in medical science and technology, substantial purchases have been made in many areas, including £747k for an Electronic Observations and Monitors System (EOBS) to capture real time data on the physiology of patients and to prioritise treatment; £60k for an ultrasound scanner in the Neo natal Intensive Care Unit to improve service delivery and £37k on 9 new theatre trolleys.

## 10.4 Statement of Comprehensive Income Account: Year Ended 31 March 18

| | 2016/17 | | 2017/18 | |
|---|---|---|---|---|
| | £'000 | % | £'000 | % |
| Revenue from patient care activities | 602,589 | 81.5% | 610,684 | 87.7% |
| Other operating revenue | 136,690 | 18.5% | 85,946 | 12.3% |
| **Total revenue** | **739,279** | **100.0%** | **696,630** | **100.0%** |
| Operating expenses | (770,128) | 97.5% | (736,512) | 97.2% |
| **Operating surplus / (deficit)** | **(30,849)** | **(4.2%)** | **(39,882)** | **(5.4%)** |
| Other gains and losses | 7 | (0.0%) | (5) | 0.0% |
| **Surplus / (deficit) before interest** | **(30,842)** | **(4.2%)** | **(39,887)** | **(5.4%)** |
| Investment revenue | 50 | (0.0%) | 64 | (0.0%) |
| Finance costs | (15,518) | 2.0% | (19,336) | 2.6% |
| **Surplus / (deficit) for the financial year** | **(46,310)** | **(6.3%)** | **(59,159)** | **(8.0%)** |
| Public dividend capital dividends payable | (3,925) | 0.5% | (2,119) | 0.3% |
| Transfers by absorption – net gains / (losses) | 0 | 0.0% | 0 | 0.0% |
| **Retained surplus / (deficit) for the year** | **(50,235)** | | **(61,278)** | |

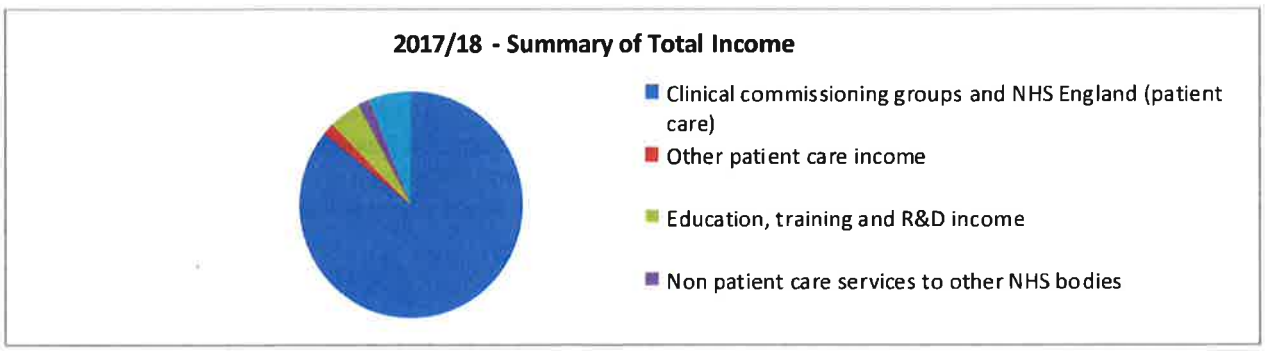
## 10.5 Performance against Breakeven Duty

| | 2016/17 | 2017/18 |
|---|---|---|
| | £'000 | £'000 |
| Retained support / (deficit) under IFRS | (50,235) | (61,278) |
| Impairments | 22,174 | (8,583) |
| Adjustments for donated asset/gov't grant reserve elimination | 288 | 144 |
| **Actual surplus under UK GAAP** | **(27,773)** | **(69,717)** |

## 10.6 Revenue

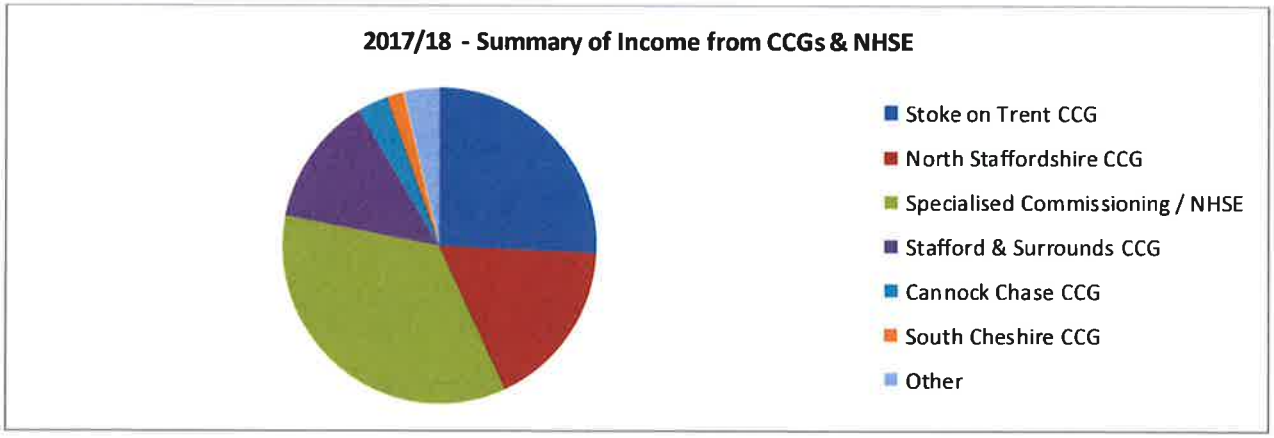
Income in 2017/18 totalled £697m. The majority of the Trust's income (£598m, 86%) was delivered from Clinical Commissioning Groups and NHS England in relation to healthcare services provided to patients during the year. Other operating revenue relates to services provided to other Trusts, training and education and miscellaneous fees and charges.

## 10.7 Summary of Total Income



| | 2016/17 | 2017/18 |
|---|---|---|
| | £m | £m |
| Clinical Commissioning Groups and NHS England (patient care) | 582.8 | 598.1 |
| Other patient care income | 19.8 | 12.5 |
| Education, training and R&D income | 32.6 | 32.4 |
| Non patient care services to other NHS bodies | 23.7 | 11.8 |
| Other | 80.4 | 41.8 |
| **Total revenue** | **739.3** | **696.6** |

## 10.8 Summary of Income from CCG's




| | 2016/17 | | 2017/18 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| Stoke on Trent CCG | 161 | 27% | 157 | 26% |
| North Staffordshire CCG | 112 | 19% | 106 | 17% |
| Specialised Commissioning / NHSE | 212 | 35% | 214 | 35% |
| Stafford and Surrounds CCG | 63 | 11% | 81 | 13% |
| Cannock Chase CCG | 21 | 4% | 19 | 3% |
| South Cheshire CCG | 10 | 2% | 11 | 2% |
| Other | 21 | 4% | 23 | 4% |
| **Total CCG income** | **600** | **100%** | **611** | **100%** |

| | 2016/17 | 2017/18 | % change |
|---|---|---|---|
| | £m | £m | % |
| **Revenue from clinical activities** | **602.6** | **610.7** | **1.35%** |
| Other revenue: | | | |
| Medical school (SIFT) | 8.0 | 8.6 | 7.50% |
| Junior doctor training (MADEL) | 14.0 | 14.0 | 0.00% |
| WDD funding | 4.3 | 4.4 | 2.33% |
| Research and development | 6.3 | 4.7 | (25.40%) |
| Non patient care services to other NHS bodies | 23.7 | 11.8 | (50.21%) |
| Other Income | 80.4 | 42.4 | (47.26%) |
| **Total other revenue** | 136.7 | 85.9 | (37.16%) |
| **Total revenue** | 739.3 | 696.6 | (5.77%) |

## 10.9 Operating Expenditure

In accordance with the requirement to annually revalue the estate and the hospital the Trust commissioned an independent valuer to carry out a valuation exercise in March 2018 on the whole estate. This resulted in an overall net upwards revaluation of £54m.

| Summary of Operating Expenditure | 2016/17 | 2017/18 | % change |
|---|---|---|---|
| | £m | £m | % |
| Staff costs | 458.4 | 461.1 | 0.59% |
| Other costs | 77.5 | 70.5 | (9.03%) |
| Clinical supplies and services | 142.4 | 145.4 | 2.11% |
| Depreciation | 27.3 | 27.2 | (0.37%) |
| Premises costs | 26.2 | 20.0 | (23.66%) |
| Clinical negligence | 16.1 | 20.9 | 29.81% |
| **Total operating expenditure before impairments** | **747.9** | **745.1** | **(0.37%)** |
| Impairments | 22.2 | -8.6 | (138.74%) |
| **Total operating expenditure** | **770.1** | **736.5** | **(4.36%)** |

## 10.10 Performance Indicators

The measure of the overall financial performance of the Trust can be expressed using NHSI's Single Oversight Framework (SOF). This consists of 5 financial metrics where a score of 1 is the highest score and 4 is the lowest score.

The metrics and scores are:

- Liquidity Ratio (score 3)
- Capital Servicing Capacity (score 4)
- I&E Margin (score 4)
- I&E Margin Distance from Plan (score 2)
- Agency spend (score 1)

## 10.11 Capital

In recent years the Trust has invested heavily in capital and received funding relating to Integrating Hospital Services in Staffordshire. The overall capital funding available reduced in 2017/18 however the Trust continued to invest in the retained estate with overall capital expenditure of £18.34m (£50.5m in 2016/17). The main areas of investments were:

| Capital Spend | 2017/18 £'000 |
|---|---|
| **Medical Assets:** | |
| Haemodialysis Machines: In-centre replacement machines | 299 |
| Neonatal Ventilator Replacement | 152 |
| PCA (patient controlled analgesia) pumps | 262 |
| Other Medical assets | 2,302 |
| **Total medical assets** | **3,015** |
| | |
| **ICT Schemes:** | |
| Strategic Infrastructure Development (Servers) | 460 |
| Central Replacements of PCs, Laptops and handheld Devices | 573 |
| Cyber security | 547 |
| Other ICT Schemes | 1,713 |
| **Total ICT Schemes:** | **3,293** |
| | |
| **Other Schemes** | |
| PFI capital | **2,923** |
| Service Reconfiguration schemes | **2,763** |
| PFI beds/NIV | **2,727** |
| Estates and General works | **3,619** |
| | |
| **Total:** | **18,340** |

The capital spend has been funded by a combination of internally generated funds, donations, grants and PDC funding for Cyber Security and the Urgent Treatment Centre.

# A11. Sustainable Performance and Development

**We are committed to demonstrating leadership in sustainability and developing a world-class healthcare system that is financially, socially and environmentally sustainable. In order to deliver this, our Sustainability team continues to implement the Sustainable Development Management Plan (SDMP): *'Our 2020 Vision: Our Sustainable Future'*. Here we provide you with some of the key initiatives undertaken during the financial year 2017/18.**

## Waste Management – Innovation and Contractual Change

Our Sustainability Team has been working hard to improve the quality of waste segregation and safely declassify a large proportion of waste from 'hazardous' to 'non-hazardous'. This has enabled a huge opportunity and freedom to transport and dispose of waste in a different way; no longer requiring the use of a specialist, clinical (hazardous) waste disposal contractor and disposal facility.

With this opportunity, the Trust have partnered and entered into a contract with a local waste haulier and Stoke (municipal) Waste to Energy plant to accept non-hazardous waste (offensive and domestic) as a 'mixed' waste stream for disposal. This disposal facility produces energy from household waste on behalf of local authorities and for the first time the NHS, with UHNM being the first Trust to achieve this nationally.

In order to realise this opportunity, it was essential to ensure the safe and efficient storage of offensive and domestic waste as a 'mixed' waste stream prior to disposal. As such, we received delivery of two new waste compactors at the Royal Stoke site in order to replace the existing antiquated infrastructure.

Project benefits include:

- Cost savings through negating the requirement for a clinical waste contractor
- Use of a local transport company means fewer transport miles and emissions
- Use of local transport and disposal facility bolsters the local economy
- Storing waste as 'mixed' means easier handling and efficient use of space within the service yards.

## Energy and Water Efficiency Schemes

Our Sustainability and Operational Estates teams have worked in partnership to implement a portfolio of small (revenue funded) energy and water efficiency schemes across both the Royal Stoke and County Hospital sites. Schemes include; installation of additional LED lighting, pipe insulation, urinal controls and secondary glazing.

In partnership with colleagues from Infection Prevention, Facilities Management and Estates Capital, 56 high efficiency hand dryers have been installed within the retained estate non-clinical bathroom areas. Resultant savings are based on reduced paper towel usage, therefore offsetting both purchase and disposal costs.

## Saving Lives with Solar - Community Energy Scheme

In 2016, the award winning 'Saving Lives with Solar' Community Energy scheme installed over 1,000 roof-mounted Solar Photovoltaic (PV) panels on the Royal Stoke and County Hospital roofs. Uniquely, the project value of £335,600 was entirely funded by investment from the public.

The scheme is a first of its kind for the NHS and has only been possible due to the partnership between UHNM, Southern Staffordshire Community Energy Limited (SSCEL) and local fuel poverty charity 'Beat the Cold'.

Vulnerable patients (those identified with a health condition that is at risk of becoming exacerbated by living in a cold and damp home) are now being referred by clinical teams in Respiratory and Elderly medicine to Beat the Cold.

The solar panels are now generating as expected, and the solar energy Feed-in-Tariff revenue is accumulating into a 'Community Fund', used by Beat the Cold to provide referred patients with a home visit upon discharge in order to help facilitate a safe temperature and affordable warmth.

Due to the innovative and high profile nature of the scheme, Beat the Cold has attracted additional funding from both public and private sector organisations to expand the delivery of the intervention. This means that the team are challenged with ensuring that sufficient numbers of patients are referred in order to meet the funding requirements.

## NHS Sustainability Day – Campaign Roadshow

Our Sustainability Team were delighted to host a national NHS Sustainability Day Campaign Roadshow. UHNM were one of four trusts hosting this national event, making UHNM the focus of a wide range of Estates and Sustainability professionals from other health care providers within the Midlands and beyond.

The event allowed the Sustainability team the opportunity to showcase key projects and innovations whilst also networking, gathering best practice ideas and benchmarking ourselves against others to enable future project development.

# A12. 2017/18 Highlights Overview

## Care Quality Commission Inspection

The Care Quality Commission inspected our services in October 2017 and whilst our overall rating of 'Requires Improvement' had not changed since our previous inspection in 2015, the inspection team acknowledged that a number of significant improvements had been made. We were delighted that they rated us as 'Outstanding' across all core services within the Caring domain. Improvements were also realised in the Effective and Well Led domains where we were rated as Good and the Responsive domain had advanced from Inadequate to Requires Improvement. Our ratings are shown below:

| Overall rating | Requires improvement |
|---|---|
| Are services safe? | Requires improvement |
| Are services effective? | Good |
| Are services caring? | Outstanding |
| Are services responsive? | Requires improvement |
| Are services well led? | Good |

## New £1m Radiology Day Case Unit

**We opened a new £1m Radiology Day Case Unit at our Royal Stoke University Hospital site at the beginning of the year.** The unit, which treats vascular, stroke, neurology and oncology patients requiring Interventional Radiology, was officially opened by Dr Nicola Strickland, President of the Royal College of Radiologists.

We're delighted to have this outstanding new facility for patients who require Interventional Radiological treatment.

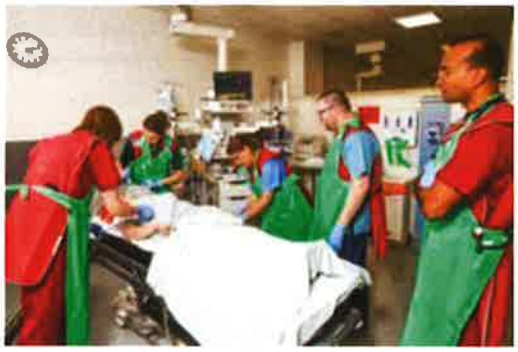
The area can treat up to nine patients at a time, which means not only will it vastly improve patient experience, but we can carry out an additional 750 day case procedures a year, which would otherwise have occupied an inpatient bed.

Dr Nicola Strickland, President of The Royal College of Radiologists, said that she was delighted to be able to open the new Radiology Day Case Unit as it is a real exemplar of good practice in the United Kingdom. She said that the unit should act as a beacon for other centres around the country and that patients will continue to benefit enormously from all the expertise at the hospital.

## Major Trauma Centre

**Our Major Trauma Centre was rated for having the best total rolling survival rates of any adult major trauma single site centre since 2013.** The figures published by the Trauma Audit and Research Network (TARN) show that for every 1,000 major trauma patients treated at UHNM, 13 more survived who would otherwise not have been expected to.

In addition, the Centre also had the best survival rates for adult major trauma in 2015/16.



## Stoke International live Endoscopic Retrograde Cholangio-Pancreatography (ERCP) Symposium

**Some of our clinicians hosted a live international endoscopy symposium in late April 2017.** The Endoscopic Retrograde Cholangio-Pancreatography (ERCP) symposium, the second international event to have been organised by the Endoscopy team, is the only one of its kind to be held in the UK. An ERCP is a type of x-ray and camera examination that enables examination and/or treatment of conditions of the biliary system (liver, gall bladder, pancreas, pancreatic and bile ducts).

This dedicated ERCP symposium is one of its kind in the UK. Live ERCP cases were beamed from Royal Stoke University Hospital, the Asian Institute of Gastroenterology in Hyderabad and St Thomas Hospital in London. The internationally renowned ERCP expert Dr Nageshwar Reddy was part of the faculty and the symposium has received excellent feedback. This will become a bi-annual event and really puts UHNM at the forefront of sharing our experience with colleagues from across the world.

## Our AMU Nursing Team are Sepsis Champions

**A special team of nurses are helping to save lives.** Our Sepsis Champions take the lead in raising awareness of and enabling staff to identify the potentially deadly condition. Based on the Acute Medical Unit (AMU), the Champions also work with staff across the Trust to enhance education and adherence to essential guidelines. Sepsis is a rare but serious complication of an infection. Without quick treatment, it can lead to multiple organ failure and death.

The Sepsis Champions were given the Team of the Month award following their achievements and their dedication towards increasing the quality of care for our patients.

## UHNM and Keele host Suturing Course

**With our faculty support, the Keele Surgical Society (KSS) hosted a historic regional event aimed at suturing and surgical skills.**

Over 40 delegates from across the Midlands attended an all-day suturing and tissue handling surgical skill course. The event, which was held in our Clinical Education Centre, was delivered by 15 surgical faculty members. The one day course ended with a competitive suturing competition, where all delegates showed passion and perseverance during the day to master the basic suturing techniques.

Delegate feedback was extremely positive towards conducting further events in the future and so we aim to do this in order to raise the profile of our medical school, KSS and ourselves.

## Long Service Recognised at Awards

**In May 2017, more than 325 staff celebrated landmark years of service at University Hospitals of North Midlands.**

Over 100 of the staff attended Long Service and Retirement Awards in front of an audience of 200 people.

Amongst those recognised audiologist Neal Ratcliffe (pictured) holds the record for the longest service with over 45 years and received his retirement award on the day.

We are extremely proud of our people's commitment and loyalty. Our long service and retirement awards is one of the ways in which we celebrate and recognise the great contribution that our people have made over many years. The event involves presenting awards for staff who have worked at the Trust for 20, 30 and 40 years' service without any breaks in service, which is a fantastic testament to their commitment.

We also issue retirement awards for people who have completed a minimum of 20 years continuous service without any breaks in service within any NHS organisation. The event is held annually and those attending were there to both celebrate the service of our staff and to catch up with old friends and colleagues.

## County Hospital Bariatric Surgery – 100 Patients

**In June 2017, we reported that our Bariatric Surgery service at County Hospital in Stafford had completed 100 surgical procedures.** This was an important milestone demonstrating the safety of the service since it began in December 2016, which has now moved to a new permanent seven bed unit at the hospital.

The success of the department has resulted in it being approached to take patients from across the West Midlands and North West.

The unit operates 23 hours a day and treats 350 patients a year. With this, the unit at County hospital will be the leading bariatric centre in the West Midlands with potential to become a centre of excellence in the country. There are four bariatric consultants at County Hospital with a 50-strong support team of specialist nurses, dieticians, endocrinologists, anaesthetists and secretarial staff.

## Physiotherapy Staff Service Launch

**In August, we launched a physiotherapy service for our staff which aims to support staff health and wellbeing.** Staff are able to self-refer for Physiotherapy assessment and treatment of acute musculoskeletal problems.

The staff service includes physiotherapy for:

- Musculoskeletal (MSK) injuries with a history of less than two weeks
- Immediate Post-operative Orthopaedic surgery
- Immediate Post-fracture
- Acute flair ups of more chronic musculoskeletal conditions

## 'Operation' Came to Royal Stoke

**A giant version of the classic board game 'Operation' came to our Royal Stoke sit in September 2017 to help promote organ donation.**

NHS Blood and Transplant brought their larger than life sized version of the game to our main entrance and players were able to use giant tweezers to remove organs from Cavity Sam whilst trying to avoid the dreaded buzzers.

The purpose of this game was to encourage players to talk about organ donation with their families.

## First for Onsite 3D Model, Print and Surgery

**Our maxillofacial cancer surgery and anaesthetic team became the first in the country to offer 3D computer modelling, printing and reconstructive surgery all under one roof.** The innovative technology, which is used as part of facial reconstruction in cancer patients, enables clinicians to restore features using exact, customised models. The same team also introduced an airway management technique called 'THRIVE', which uses high flow and humidified oxygen to safely sedate and maintain oxygenation during the prolonged apnoeic period before patients go to sleep.

## Surgical Nurse Practitioners Help to Improve Care

**Our surgical nurse practitioners (SNPs) now form part of a fully integrated service for patients, relatives, nursing and medical staff at the Trust.**

SNPs have provided a high level of patient-centred care for over 20 years, but this year the team has developed from its original remit as an out-of-hours service providing only emergency treatment to one which is operational 24-hours-a-day, seven days-a-week.

## International Recognition for Cardiology Research

**Recognition of the Cardiology Research taking place here is growing globally and will continue to do so as one of our Professors presented the findings of a worldwide study at an international meeting in Paris.**

EuroPCR, the annual meeting of the European Association of Percutaneous Cardiovascular Interventions (EAPCI) was held in May 2017. The meeting sees 12,000 delegates in attendance each year from around the world.

We were named the highest recruiting site in the UK to the 'e-ULTIMASTER' trial, which looks at patients who have received treatment with the Ultimaster Coronary Stent. Our success in this trial shows that cardiology research here is world class and data from the study will facilitate research that will improve patient care and clinical outcomes.

## Lymphoedema Nurse Puts us on the Map!

**One of our nurse specialists has enhanced our reputation on a national scale by speaking at several high-profile conferences in 2017, including the British Lymphology Society Annual Conference, the British Journal of Community Nursing Annual Lymphoedema Conference and the Internal Vein Congress.**

Rebecca has also won an award from the British Journal of Nursing, published a number of articles in highly-regarded medical journals and helped to develop the lymphoedema service at the Trust.

Lymphoedema is a distressing and disabling condition which affects people of all ages and for a variety of reasons.

## First of a Kind Nutrition Conference was a Success

**Patients and staff gathered at the Moat House Hotel in Stoke-on-Trent in October 2017 for a first of its kind UHNM Nutrition and Dietician conference.** The conference was aimed at raising awareness around promoting good nutrition and healthy eating for patients and staff.

This conference was set up to celebrate and showcase the diversity of dietetics here. We're committed to educating our staff about some of the frequently asked nutrition questions and also highlighted how important nutrition can be in a patient's recovery.

## Children in Need Pudsey Visited

**We were delighted to welcome Pudsey from BBC Children in Need to Royal Stoke University Hospital.**

He travelled around the hospital and met with lots of children and staff.

Photos were published via our Facebook page and our Newsletter.

## HRH the Duchess of Cornwall Visited

**We were delighted to welcome HRH The Duchess of Cornwall in November 2017, who visited to learn about the vital role the NHS plays in tackling domestic abuse.**

During the visit the Duchess met UHNM staff and patients in Children's A&E and Adult Minor Injuries on a tour of A&E.

SafeLives, a national domestic abuse charity, and local charity, Arch, hosted the Duchess on her visit. During the visit, the Duchess spent time with domestic abuse professionals from the local service, specialist domestic abuse charity Arch.

Her Royal Highness also met people affected personally by domestic abuse and took the time to talk to survivors as well as those who have lost a loved one to domestic abuse.

## Christmas Appeal for the Elderly

**At Christmas we witnessed the grace and generosity of the people of Stoke-on-Trent and Staffordshire.**

It took us four weeks to count, sort and deliver all of the presents donated to our Elderly Patients Christmas Appeal but when we were done, Stoke-on-Trent and Staffordshire had given our elderly patients 5,500 Christmas presents.

We were absolutely delighted with the response!

## Keep Stoke Smiling

**Our Orthodontic team launched a #keepstokesmiling campaign on.** The team, who are internationally famous for producing nice smiles, wanted to make sure the smiles match the good nature of the people of Stoke. The five-strong consultant-led team have treated thousands of children and adults from across the North Midlands, transforming both their teeth and their lives.

The department strives for excellence and its motto of 'good enough is not good enough' is very apparent when you visit the clinic. They've covered the walls and display cabinets display with certificates and trophies for the straightest teeth and perfect smiles.

## Happy Integration Day County Hospital!

**Wednesday 1 November 2017, marked the third year since County Hospital was integrated into University Hospitals of North Midlands.**

In that time County Hospital has seen a wholesale transformation following a record £47m investment programme, which has enhanced and improved patient care and services. We produced an exclusive County Celebration magazine to highlight the fantastic work that has gone on over the past three years at County Hospital.


Paula Clark

**Paula Clark, Chief Executive**
**25th May 2018**

# Part B: Accountability Report

## CORPORATE GOVERNANCE

## B1 Corporate Governance Report

**The Trust Board is responsible for the running of our Trust, setting its strategy and overseeing the way it operates. The establishment of the Board is a Chairman and six Non-Executive Directors along with six Executive Directors, who are full-time employees of the Trust. A number of other Directors also sit with the Board but do not have voting rights.**

During 2017/18 and up to the signing of the Annual Report and Accounts, the composition of our Trust Board included all Executive and Non-Executive Directors shown overleaf. The Chairman of the Trust between 1 April 2017 and 3 August 2017 was John MacDonald. Stephen Burgin then took up the role of Acting Chairman from 4 August 2017 for the remainder of the financial year.

Reporting directly into our Trust Board are five key committees, each Committee is chaired by a Non-Executive Director. Details of Committee membership are shown overleaf, along with a description of any directorships or other significant interests held.

# Directors Report – Voting Members of the Trust Board (Non-Executive)

## John MacDonald, Chair
*From August 2011 to August 2017*

**Committees:**
Nomination & Remuneration Committee (Chair)

**Interests Declared:**
- MacDconsult Ltd providing management consultancy services to the NHS.
- Previous System Leader for the Staffordshire Sustainability and Transformation Programme.
- Chair of Sherwood Forrest NHS FT

## Stephen Burgin, Acting Chair (Non-Executive Director)
*From September 2014 (Acting Chair August 17 to April 18)*

**Committees:**
- Finance & Performance Committee (Chair)
- Audit Committee (temporarily stood down during period of Acting Chair)
- Nomination & Remuneration Committee (Acting Chair)

**Interests Declared:**
- Non-Executive Director of Off Grid Energy Ltd.
- Deputy President of French Chamber of Great Britain
- Chair of South Staffordshire College
- Director / Co-Founder of IEI Group

## Andrew Smith, Non-Executive Director
*From March 2012*

**Committees:**
- Quality Assurance Committee (Chair)
- Audit Committee
- Nomination and Remuneration Committee

**Interests Declared:**
- Sole Owner of Sund Sammen Ltd
- Trustee of Ministry at Work, Frontline Dance
- Governor of Abbey Hill Sperial School
- Msc Student at Keele University

## Nicholas Young, Non-Executive Director
*From September 2014*

**Committees:**
- Professional Standards & Conduct Committee (Chair)
- Quality Assurance Committee
- Charity Committee

**Interests Declared:**
None

## Sonia Belfield, Non-Executive Director
*From July 2016*

**Committees:**
- Professional Standards & Conduct Committee
- Quality Assurance Committee
- Nomination & Remuneration Committee

**Interests Declared:**
HR and Board Director of Adient UK Ltd.

## John Marlor, Non-Executive Director
*From September 2011*

**Committees:**
- Charity Committee (Chair)
- Audit Committee (Chair)
- Finance & Performance Committee
- Nomination & Remuneration Committee

**Interests Declared:**
Trustee (Chair of Audit Committee) Catch22 Charity Limited

## Andy Hassell, Non-Executive Director
*From April 2017*

**Committees:**
- Quality Assurance Committee

**Interests Declared:**
Head of School of Medicine at Keele University

# Directors Report – Voting Members of the Trust Board (Executive)

**Paula Clark, Chief Executive**
*From October 2016*

**Committees:**
Trust Executive Committee (Chair)

**Interests Declared:**
Trustee of NHS Providers.

**Ro Vaughan, Director of Human Resources**
*From December 2014*

**Committees:**
- Trust Executive Committee
- Quality Assurance Committee
- Professional Standards & Conduct
- Finance & Performance Committee

**Interests Declared:**
Governor at Stoke on Trent College

**Liz Rix, Chief Nurse**
*From August 2009*

**Committees:**
- Trust Executive Committee
- Quality Assurance Committee

**Interests Declared:**
Nothing to declare.

**Helen Ashley, Chief Officer – Finance & Performance**
*From January 2017*

**Committees:**
- Trust Executive Committee
- Finance & Performance Committee

**Interests Declared:**
Nothing to declare.

**Richard Beeken, Chief Operating Officer**
*From May 2017 to February 2018*

**Committees:**
- Trust Executive Committee
- Finance & Performance Committee
- Quality Assurance Committee

**Interests Declared:**
Nothing to declare.

**John Oxtoby, Medical Director**
*From May 2017*

**Committees:**
- Trust Executive Committee
- Quality Assurance Committee
- Professional Standards and Conduct

**Interests Declared:**
- Director of Dawn River PLC
- Married to Julie Oxtoby, Vice Chair of North Staffs GPS Federation

# B2. Annual Governance Statement (AGS)

## 3.1 Scope of Responsibility

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

## 3.2 The Purpose of the System of Internal Control

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

## 3.3 Capacity to Handle Risk

The Trust's Risk Management Policy was rewritten during 2017/18 as part of an improvement programme entitled 'Risk Management Improvement Collaborative'. This improvement programme focussed on five key objectives:

- Agreeing 'key principles' for Risk Management
- Revising the Risk Management Policy
- Strengthening the role and function of the Executive Risk Oversight Group
- Provision of education and training to support implementation of the revised Policy
- Improving the quality of Risk Registers through direct support with Divisions

An ongoing programme of Risk Management Training, using a 'workshop' based approach is available to staff; whilst open to all, this is targeted at those with specific roles in risk assessment and management. The sessions are led by the Corporate Governance Team. These 'action based' learning sessions walk candidates through the Risk Management Process, giving clarity on all aspects of Risk Assessment with opportunities for group work to apply learning. Evaluated feedback has proven this to be a successful approach.

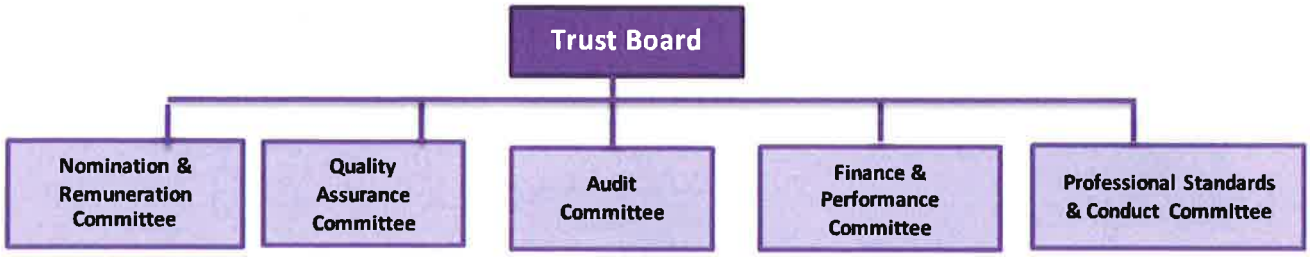
An ongoing programme of quarterly audits has been established to monitor implementation of the policy. These are reported to the Executive Risk Oversight Group. Good practice is identified and shared with Risk Owners as a means of providing ongoing support in implementing the Risk Management Policy.

Our risk management framework has been reviewed by our Internal Auditors who have concluded their report with a 'significant assurance' rating. Whilst this recognises the improvements that have been made, our key focus for 2018/19 will be around a refresh and further improvement to our Board Assurance Framework and processes to ensure identification of risk are robust, which we expect will be reflected in an increase in the number of risks on our risk register.

## 3.4 The Risk and Control Framework

### Reporting Lines between the Board, its Committees and the Executive Team

The reporting lines between the Board and its Committees are illustrated below:




The Board comprises a Chair and six Non-Executive Directors. The Chief Executive is accountable to the Chairman and there are six Executive Directors who are accountable directly to the Chief Executive.

### Key Elements of the Risk Management Policy

The Risk Management Policy sets out a clear framework for the management of risk and includes a number of key elements, which are described below.

The Risk Management Policy sets out a 'dual' approach to the **identification of risk**:

- Proactive risk identification focuses on our objectives with consideration given to any risks which may threaten achievement of those objectives
- Reactive risk identification is undertaken in the event of an adverse incident or ongoing issue and provides opportunity to consider and to identify future risk (i.e. recurrence of an adverse incident)

**Evaluation of risk** is undertaken through utilisation of a risk scoring matrix. We use the National Patient Safety Agency tool, which we have modified slightly in respect of information security. Risk is evaluated using the following components of scoring:

- Likelihood of the event occurring
- Impact or consequence of the event occurring

**Control of risk** is undertaken through the implementation of 'risk reduction action plans'. Controls are described as any measure designed to reduce likelihood and / or impact of risk. These are monitored as part of the Risk Register and in accordance with our risk escalation, oversight and reporting framework.

Setting an agreed **risk appetite** is the responsibility of the Trust Board. A Trust Board Seminar was held in January 2018, which engaged Board members in the development of a Risk Appetite Statement, to be used alongside the Board Assurance Framework (BAF) during 2018/19.

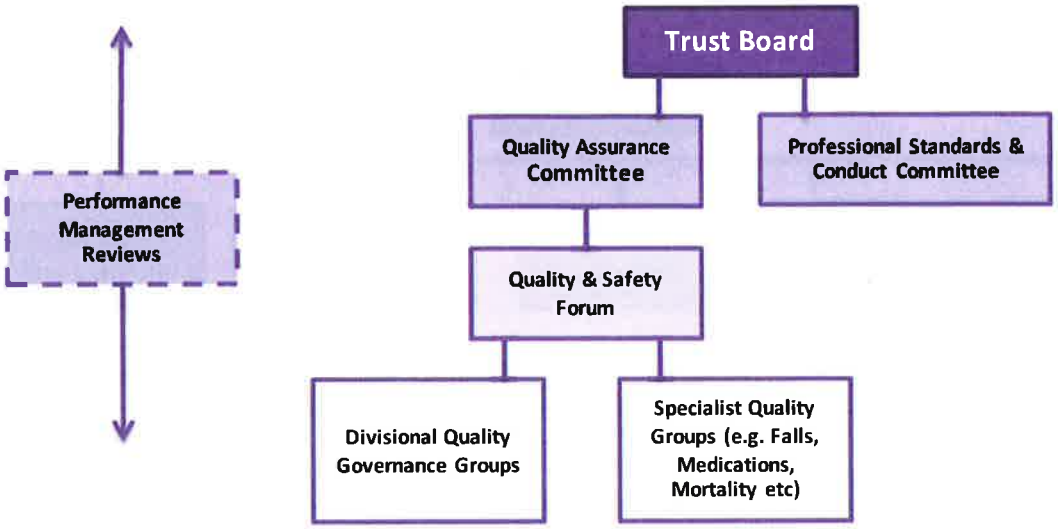
### Performance Management

Performance information is assessed at a variety of levels throughout the organisation. The Trust Board receive a monthly Integrated Performance Report covering all aspects of performance under the headings of Finance, Quality, Workforce and Operational Delivery. In addition, specific performance related reports in respect of finance, quality and workforce are scrutinised by the Board. The Integrated Performance Report is also presented to the Finance & Performance Committee and executively at the Trust Executive Committee.

Our Performance Management Framework is well established, with monthly Performance Management Reviews held with each of the four clinical divisions each month. These are chaired by the Chief Executive, with an Executive Review Panel comprising the Chief Operating Officer, Chief Nurse, Medical Director, Director of Human Resources and Director of Business Development. Divisional Management Teams also hold Performance Management Reviews with each of their Directorates.

## Quality Governance Arrangements

Our Corporate Quality Governance structure is well established and embedded, with multidisciplinary engagement across the organisation. The following provides an illustration of this structure:




During the year our Internal Auditors reviewed our Divisional Governance arrangements and in particular their application of our 'Divisional Rules of Procedure'. Whilst it was recognised that the Rules of Procedure provide a clear governance framework for our Divisions, it was clear that the framework is not yet being universally applied and that there is a need for us to review the effectiveness of these structures and to ensure that duplication is removed. In view of this, we will be revisiting our governance arrangements in order to address the findings of this review.

## Data Quality

Our Data Quality Team have a suite of reports to assure that risks to the quality and accuracy of our data are minimised and our Internal Auditors conduct annual audits, which provide us with a source of assurance.

However, we have faced particular difficulties with the accuracy and reliability of our elective waiting list information following the 'go live' of our new IT system in 2016/17. This has presented data quality concerns around the reporting of our 18 week Referral to Treatment information. We have been in dialogue with our regulators around this issue and have a programme of work in place to improve the quality of reporting.

Risks associated with the accuracy and reliability of our elective waiting list information are featured within our Corporate Risk Register and are being managed in accordance with our Risk Management Policy.

## Care Excellence Framework (CEF)

Our Care Excellence Framework (CEF) is the means by which assurance on compliance with Care Quality Commission standards is obtained on a routine basis. The CEF is a unique, integrated tool of measurement, clinical observations, patient and staff interviews, benchmarking and improvement. It is an internal accreditation system providing assurance from ward to board around the CQC domains of Caring, Safety, Effectiveness, Responsive and Well Led. The framework provides an award system for each domain and an overall award for the ward / department based on evidence.

The CEF is supported by a bespoke IT system, acting as a data warehouse to store a suite of measures, with the ability to triangulate and present high level and granular information at ward/departmental level therefore ensuring that ward visits are intelligence driven and tailored. Managers are able to interrogate the system and benchmark themselves against others. The measures provide robust information to identify areas for improvement and areas of good practice. The clinical area is supported to develop and deliver a bespoke improvement plan and spread good practice.

Every ward has at least one Excellence visit per year reviewing all domains and receives ad hoc visits throughout the year to seek assurance with regards to individual domains. The CEF is delivered in a supportive style fostering a culture of learning, sharing and improving, and reward and recognition for achievement. The IT system demonstrates improvements and trends over time and helps to benchmark and spread excellence across the organisation.

Ahead of our inspection by the Care Quality Commission, our Internal Auditors undertook a readiness assessment, which was undertaken in the format of a 'mock-inspection'. This review recognised that the CEF aims to improve and standardise services and confirmed that wards and departments were able to describe their rating and plans for improvement. The review concluded with an assurance rating of 'Significant Assurance with Minor Improvements', which was reported to our Audit Committee.

The Care Quality Commission recognised the CEF as a 'robust quality improvement process which had been fully embedded and was driving improvements and encouraging excellence in all areas'.

We are fully compliant with the registration requirements of the Care Quality Commission.

### Risks to Data Security

Our Information Security Policy sets out high level guidance intended to preserve aspects of our information and our information systems, including confidentiality, integrity and availability. The Information Security Policy is part of a collective assurance framework which is used in conjunction with a range of other policy.

Breaches in information security are regarded as adverse incidents and are managed and monitored in accordance with our Incident Reporting Policy. Future risks associated with Information Security are included on our Risk Register and are managed in accordance with our Risk Management Policy.

The Information Governance Steering Group, responsible for oversight of our compliance with the Information Governance Toolkit, has responsibility for overseeing mitigation of risks relating to information security.

### Significant Risks

Significant risks are identified in accordance with our Risk Management Policy and are overseen by the Trust Board and its Committees through the Board Assurance Framework. Significant risks are defined as those which would threaten the achievement of our Strategic Objectives and are captured within our Board Assurance Framework. Risk assessments are updated regularly and at least on a quarterly basis, reflecting both in year and future risks. Risk Assessments include clear risk reduction plans which identify the actions that will reduce their likelihood and / or impact alongside the individuals responsible for taking action. The risks identified below provide a summary of those set out within our Board Assurance Framework:

| Strategic Objective 1: Provide safe, effective, caring and responsive services | | |
|---|---|---|
| **Summary of Risk** | **Risk Level** | **Key Actions** |
| Uncontrolled demand for our services, exceeding capacity, which may compromise quality of care | **Extreme 20** | • Implementation of the Local Health Economy System Led Review (by CQC) Action Plan.<br>• Review of feedback from independent external reviews and identification of further actions to be taken. |
| Availability of sufficiently trained clinical workforce, which may compromise quality of service provision | **High 12** | To enhance the reporting capability to cover all areas as the current report only covers ward staffing and reflects nursing and midwifery. |
| 'Escalation areas' being open as a result of increased demand and our ability to staff these areas sufficiently | **Extreme 16** | Undertake review of staffing levels on nursing staff and less frequently for other groups. |
| **Strategic Objective 2: Achieve NHS constitutional patient access standards** | | |
| **Summary of Risk** | **Risk Level** | **Key Actions** |
| Overcrowding within our emergency portals compromising patient flow through the organisation | **Extreme 16** | • Review of UHNM and LHE escalation and winter plans on-going with A&E Delivery Board.<br>• Patient Safety Summit with ED MDT to be organised.<br>• The outcome of the Patient Safety Summit will be discussed at the next or an extraordinary QAC. |

| | | |
|---|---|---|
| | | • A&E Delivery Board to formally evaluate the Winter Plan Schemes and whether they have mitigated risks. |
| Availability of appropriately trained medical staffing to deliver an optimal service | Extreme 16 | • Continued implementation and review of workforce plans and Divisional recruitment strategies.<br>• Reduction of agency / locum usage balanced with clinical safety across all areas.<br>• Approval of ED Workforce Strategy and Acute Medicine Strategy. |
| Ability to discharge / transfer medically fit patients in a timely manner as a result of insufficient community care capacity | Extreme 15 | • Continued work on LHE capacity planning with partners via A&E Delivery Board to work to close capacity deficits in and out of hospital.<br>• Resetting evidence based discharge targets per day for the LHE. |
| Capacity versus demand for elective care to achieve the Referral to Treatment (RTT) constitutional standard | Extreme 16 | • Continued rollout of the ITV programme and associated business cases. 31/3/18<br>• Development of Performance Management Processes around Planned Care Recovery through the AD role.<br>• As part of the Annual Planning Process, implementation of the IST demand and capacity model by speciality. |
| **Strategic Objective 3: Achieve excellence in employment, education, development and research** | | |
| **Summary of Risk** | **Risk Level** | **Key Actions** |
| Levels of staff turnover and ability to recruit which may impact upon sustainability of some services | Moderate 6 | No further action at present unless there is a change in the data / trends. |
| Promotion of education and research opportunities which enable us to attract and retain staff | Moderate 6 | • To improve reporting to the Trust Board via bi-annual undergraduate report<br>• To introduce reporting from Postgraduate Training to the Trust Board |
| **Strategic Objective 4: Lead strategic change within Staffordshire and beyond** | | |
| **Summary of Risk** | **Risk Level** | **Key Actions** |
| Improvements in productivity to achieve our Financial Recovery Plan (FRP) | Extreme 20 | To provide sufficient resources to Divisions in order to implement responsibilities over and above day to day requirements |
| Clinical Commissioning Groups (CCG's) unable to repatriate work leading to an inability to increase activity and associated income levels | Extreme 20 | To work with the STP to develop planned care networks |
| Health and Social Care being unable to provide admission avoidance schemes leading to a blockage in our resources | Extreme 25 | • To provide accurate data as to what the demand in hospital is<br>• To ensure that Red2Green operates optimally. |
| Multi-service Community Providers not leading to the development of robust community services | High 12 | To provide support of acute expertise to other Alliance Boards once established |
| **Strategic Objective 5: Ensure efficient use of resources** | | |
| **Summary of Risk** | **Risk Level** | **Key Actions** |
| Services not being delivered within agreed budgets leading to an inability to achieve the Financial Plan | Extreme 20 | Governance associated with C3 Panel to be enhanced from mid-February 2018 onwards. |

### NHSI Well Led Framework

In October and November 2017 the Good Governance Institute undertook an assessment as to whether our services are well led in accordance with NHS Improvement's Well Led Framework. The findings were positive, with some themed areas identified for further development. These have been used by the Board to shape its improvement priorities, with work around strategy development and integrated performance reporting already underway at the end of the financial year 2017/18.

Following our inspection by the Care Quality Commission, we received an improved rating of 'good' for the Well Led domain. They found that there was a positive culture that supported and valued staff with a sense of common purpose and a focus on patient quality and safety. They found that managers at all levels had the right skills and abilities; that governance systems were well embedded with a systematic approach to monitoring and they found services to be well engaged with staff and the public.

However, they found that staff within theatres felt less engaged and supported than other areas of the organisation and so this is a key area of focus for our Organisational Development plan.

### Incident Reporting

Our Policy for Reporting and Management of Incidents aims to provide, so far as is reasonable practicable, an environment which is free from risks to health and safety. Our staff are required to behave in a manner which will not pose a risk to their or anyone else's health and safety.

Our policy is designed to openly encourage that all adverse incidents and near miss events are promptly reported, accurately documented, properly investigated and any learning shared and acted upon. Serious Incidents where there are opportunities for Trust wide learning are reviewed by our Risk Management Panel which is chaired by our Deputy Medical Director. Analysis and trends associated with adverse incident reporting is monitored at various levels within our quality governance framework, including a high level analysis to the Trust Board.

In July 2017, our Internal Auditors reported on our processes with regard to the management of Serious Incidents and assessed whether our policies were effective for staff to respond to a Serious Incident. The report identifie d a number of areas for improvement associated with incident reporting and investigation, policies, ensuring that lessons are learned, monitoring and reporting of Key Performance Indicators and training. Whilst work has been undertaken to make improvements in these areas during 2017/18, this continues to be a key area of focus going into 2018/19.

### NHS Provider Licence

The principal risks to compliance with the NHS provider licence are in relation to our financial position and these are reflected within our Risk Register and Board Assurance Framework. We have developed a Financial Recovery Plan (FRP) which sets out how we will mitigate those risks and bring the organisation back into financial balance. The Finance and Performance Committee and the Recovery Programme Board have a key role in oversight of the FRP and ongoing scrutiny by our regulators at NHS Improvement continues in accordance with the requirements of being in Financial Special Measures.

In our annual declaration against the NHS Provider Licence, the Board has reflected on a number of significant challenges in respect of our constitutional targets; the impact of non-achievement of the 62 day cancer standard, 4 hour wait and Referral to Treatment. In addition to this the Trust Board recognises the implications of our significantly challenged financial position which has resulted in us being placed into Financial Special Measures and has therefore taken a decision that we have not met the requirements of our licence and must ensure a robust approach to operational and financial recovery.

### Equality Impact Assessments

Our Equality and Diversity Policy aims to promote equality and diversity and value the benefits this brings. It is our aim to ensure that all staff feel valued and have a fair and equitable quality of working life. Equal opportunities and the embracing of diversity are central to everything we do as an organisation to create a workplace in which people feel valued, treating people fairly and with dignity and respect at all stages of the employment process from recruitment to termination of employment; access to learning and development and career progression.

Our policy ensures that Equality Impact Assessments are integrated into core Trust business, including on services, organisation change and on appropriate policies/procedures. These are monitored by our Human Resources Directorate.

### NHS Pension Scheme

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

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

### Sustainability

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

## 3.5 Review of Economy, Efficiency and Effectiveness of the Use of Resources

In 2017/18 the Board agreed a financial plan with NHSI to deliver a year end deficit of £68.9m. Within this the plan we were required to achieve CIP savings of £50m and would receive £24.8m of Deficit Support and a refund of contractual fines of c£10m.

As we came into the financial year, we were issued with formal notification from NHSI that we had been placed into Financial Special Measures because although we had agreed a control total within the plan, there was a significant negative variance against the control total plan with a large deficit being forecast. NHSI outlined particular concerns in relation to the size of the planned 2017/18 deficit.

At the end of the financial year the Trust has a deficit of £71.3m against the planned deficit of £68.9m. The deterioration in the position was mainly due to the cost of additional capacity and lost elective activity over Winter totalling £7.8m, which was partly mitigated by national funding for the costs of Winter at £2.1m. Additional mitigation came from the over achievement of CIP schemes.

The Trust set itself a challenging CIP target for 2017/18 of £50m, equal to 6.5% of costs in the plan. The Trust was able to make £52.6m of savings in year. The main areas of savings in year related to reductions in workforce expenditure, specifically from premium pay reductions and skill mix efficiencies. Improvements were also made in clinical optimisation schemes, various income opportunities, and efficiencies from procurement and other non-pay savings.

Being placed into Financial Special Measures meant that a number of requirements were placed up on us including; a rapid diagnostic assessment to understand the underlying causes of our deficit, development and Board approval of a Financial Recovery Plan, intense oversight by NHSI of our activities and progress for the duration of being in Financial Special Measures and the appointment by NHSI of a Financial Improvement Director to oversee progress, provide challenge as appropriate and to determine further actions required.

In addition to measures outlined above, our existing governance framework, starting with the Board, performs an integral role in maintaining the system of internal control, supported by the Board Committees and internal and external audit.

The Finance & Performance Committee, chaired by a Non-Executive Director plays a key role oversight, scrutiny and seeking assurance in relation to ensuring economy, efficiency and effective use of resources. The Finance & Performance Committee reports directly to the Board after each meeting. The Audit Committee is responsible for reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control. In addition, a Recovery Programme Board has been established to provide specific oversight and scrutiny of the delivery of our Cost Improvement Programme.

The Internal Audit Plan is agreed by the Audit Committee and is focused on key risk areas, identified through the Board Assurance Framework and via escalation processes from other board committees. Follow up audits are also included in the plan to ensure that actions are implemented and improvements sustained.

Our external auditors give an expert and independent opinion on whether our financial statements are a true and fair view of the Trust's financial position at the end of the financial year. They also provide an expert and independent opinion on whether the financial statements comply with relevant laws. In carrying out their audit, they must have regard to aspects of corporate governance and securing economy, efficiency and effective use of resources.

During 2017/18 the Board has continued to receive a quarterly report on Key Performance Indicators. This includes trend data on a number of measures of efficiency and use of resources such as the sickness absence, bank usage, external agency usage, vacancy rates, delayed transfers of care and letter turnaround times. Reporting is by exception and focusses on the key areas of risk to achievement of targets, particularly in relation to NHSI's Single Oversight Framework (SOF).

## 3.6 Information Governance

All information governance breaches are reported via our incident management system. The Information Governance Team continues to monitor and review incidents to ensure these are investigated and where deemed serious, a root cause analysis is undertaken. From April 2017 to March 2018 the Information Commissioner's Office (ICO) was informed of a serious data breach relating to a subject access request. The request for the set of patient notes was processed accordingly. However, on receipt of the notes the recipient identified another set of notes had been incorrectly attached. The ICO has written to the Trust requesting further information.

## 3.7 Annual Quality Account

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. In order to ensure that our Quality Account presents a balanced view, we engage internal and external stakeholders in its development before presenting to the Quality Assurance Committee who will provide further scrutiny. The Quality Account is subject to external audit with the findings being shared as a source of assurance to the Audit Committee.

As with all of our performance data, controls are in place to ensure the quality and accuracy of information, which includes pre-validation, data quality review and Executive sign off. During the year, our Internal Auditors have undertaken a specific review of our elective waiting time data.

## 3.8 Review of Effectiveness

KPMG LLP were appointed as our Internal Auditors as of 29 July 2016. The objectives as set out in the Internal Audit Plan include ensuring the economical, effective and efficient use of resources and this consideration is applied across all of the work streams carried out. The findings of internal audit are reported to the Board through the Audit Committee and any recommendations arising from internal audit are tracked centrally to ensure that they are acted upon.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the Internal Auditors, clinical audit and the executive directors and clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the Quality Account and other performance information available to me. My review is also informed by comments made by the External Auditors in their annual audit letter.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committee, Internal Audit and External Audit. The system of internal control is reviewed and plans to address any identified weaknesses and ensure continuous improvement of the system are put in place. The process applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The maintenance of a view of the overall position with regard to internal control by the Board through its routine reporting processes and its work on corporate risks;
- Review of the Board Assurance Framework and Risk Management and the receipt of internal and external reports on the Trust's internal control processes by the Audit Committee;
- Personal input into the controls and risk management processes from all Executive Directors and senior managers and individual clinicians; and

- Quarterly reports from the Quality, Safety and Compliance Department regarding national and local audit.

The Board's review of the risk and internal control framework is supported by the Head of Internal Audit Opinion, which provides me with an opinion on the overall arrangements for gaining assurance through the Board Assurance Framework and on the controls reviewed as part of internal audit's work.

The Head of Internal Opinion on the overall adequacy and effectiveness of the Trust's framework of governance, risk management and control has given **partial assurance** for the period 1 April 2017 to 31 March 2018.

Internal Audit produce an annual risk based audit plan, which included the Executive team actively considering areas where there were either potential or known issues to incorporate. The Board Assurance and Risk Management review has contributed to the Trust's Risk Management Improvement Programme, which is described within this report. It is appropriate to focus on the use of Internal Audit resources on such areas and this has allowed the Trust to identify further issues and leverage best practice from other organisations.

They provide reports on a number of areas, specifically highlighting the potential risks have informed their work and opinions. For the financial year 2017/18, our Internal Auditors have issued four reports concluding with 'partial assurance with improvements required' (amber-red) and 'no assurance' (red). These conclusions included 18 high priority recommendations which are being used to inform our improvement programme for 2018/19.

- Treatment Initiative Payments (Waiting List Payments)
- Serious Incident Reporting
- Divisional Governance
- Financial Systems

In addition to this, our Internal Auditors have undertaken some 'advisory reviews' in respect of data quality. These have provided us with a more in depth understanding of the completeness of our data quality issues and are being used to shape and inform our improvement plan going forward.

## 3.9 Conclusion

As outlined within this report, there have been some key achievements during the year, particularly around our quality standards for infection prevention and VTE assessment, improvements to our risk management processes, our Care Excellence Framework process and achievement of Outstanding for Care in our inspection by the Care Quality Commission. However, we have continued to experience major issues in respect of our financial position, data quality and in particular the validation required to determine our position with regard to the Referral to Treatment target. We have been unable to achieve the 62 day cancer standard and have been unable to achieve the 4 hour target for our Emergency Department.

**Paula Clark**
**Chief Executive**
**25th May 2018**

# B3 Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust

**The Secretary of State has directed the Chief Executive as Accountable Officer to prepare for each financial year a statement of accounts as set out in the Accounts Direction. The accounts are prepared on an accruals basis and give a true and fair view of the state of affairs at University Hospitals of North Midlands NHS Trust and of its net resource outturn, application of resources and cash flows for the financial year.**

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual an in particular to:

- Observe the Accounts Direction issued by the Department of Health, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out within the manual have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The responsibilities of an Accountable Officer, including the responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding University Hospitals of North Midlands NHS Trust's assets, are set out in Managing Public Money published HM Treasury.

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum. These include ensuring that:

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

**I, as Accountable Officer, can confirm that, as far as I am aware, there is no relevant audit information of which the auditors are unaware. To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.**

**In producing this Annual Report, all Directors and I have taken the necessary steps required to make ourselves aware of any relevant information and to establish that the Trust's auditors are aware of that information. In addition, I can confirm that this Annual Report and Accounts as a whole, is fair, balanced and understandable. I take responsibility for the judgment required in determining that these are fair, balanced and understandable.**

**Paula Clark, Chief Executive**
**25th May 2018**

# B4 Remuneration and Staff Report

## 4.1 Remuneration Policy

**Remuneration and terms of service for Executive Directors (i.e. Board voting and non-voting members), the Chief Executive and posts assigned to the 'Very Senior Manager framework' are agreed, and kept under review by the Trust Nominations and Remuneration Committee. This Committee monitors and evaluates the annual performance of individual directors, with the advice of the Chief Executive.**

The annual work programme for the Committee includes an evidence based review and benchmarking of Executive Director salaries in comparison to national lower and upper quartile benchmarks. This exercise is undertaken in order to maintain awareness of arrangements in other organisations, which may be of relevance and any changes to Executive Director salaries are considered by the Committee on receipt of this information.

Where there is a vacancy in a permanently established post, it is usual practice to make a permanent appointment. All senior managers have a notice period of three months and Executive Directors have a notice period of six months. Non-Executive Directors are appointed with NHS Improvement on fixed-term contracts, which may be renewed. Compensation for early termination of Executive Directors provides payment in lieu of notice, except in cases of summary / immediate dismissal. Any termination payments which fall outside the standard provisions of the Contract of Employment must be approved internally by the Committee. Severance packages which fall outside the standard provisions of the Contract of Employment must be calculated using standard guidelines and any proposal to make payments outside of the current guidelines are subject to the approval of HM Treasury, via NHS Improvement.

## 4.2 Remuneration Salaries and Allowances

The table below sets out the amounts awarded to all Board members and where relevant, the link between performance and remuneration.

There have been no performance pay or bonuses paid to any of the Directors in either financial year.

The remuneration information disclosed in the tables 4.2, 4.3, 4.4 and 4.8 below have been subject to audit.

| Board Member | 2016/17 Salary Bands of £5000 | 2016/17 Expense Payments (taxable) total to nearest £100 | 2016/17 All pension related benefits Bands of £2500 | 2016/17 Total: Bands of £5000 | 2017/18 Salary Bands of £5000 | 2017/18 Expense Payments (taxable) total to nearest £100 | 2017/18 All pension related benefits Bands of £2500 | 2017/18 Total: Bands of £5000 |
|---|---|---|---|---|---|---|---|---|
| **Current Board Members:** | | | | | | | | |
| Paula Clark **Chief Executive** | 120-125 | 42 | 12.5-15.0 | 135-140 | 195-200 | | | 195-200 |
| Liz Rix **Chief Nurse** | 145-150 | - | 37.5-40.0 | 185-190 | 150-155 | | 7.5-10.0 | 160-165 |
| Ro Vaughan **Director of HR** | 120-125 | - | 52.5-55.0 | 175-180 | 125-130 | | 25.0-27.5 | 150-155 |
| Helen Ashley **Chief Officer – Finance & Performance** | 35-40 | - | 27.5-30.0 | 65-70 | 155-160 | | 37.5-40.0 | 195-200 |
| John Oxtoby **Medical Director** | 115-120 | - | 0.0-2.5 | 115-120 | 215-220 | | 20.0-22.5 | 235-240 |
| Stephen Burgin **Non-Executive Director** | 5-10 | - | - | 5-10 | 25-30 | | | 25-30 |
| Andrew Smith **Non-Executive Director** | 5-10 | - | - | 5-10 | 5-10 | | | 5-10 |
| Jean Challiner **Non-Executive Director** | 5-10 | - | - | 5-10 | 5-10 | | | 5-10 |
| John Marlor **Non-Executive Director** | 5-10 | - | - | 5-10 | 5-10 | | | 5-10 |
| Nicholas Young **Non-Executive Director** | 5-10 | - | - | 5-10 | 5-10 | | | 5-10 |
| Sonia Belfield **Non-Executive Director** | 0-5 | - | - | 0-5 | 5-10 | | | 5-10 |
| Andrew Hassell **Non-Executive Director** | | | | | | | | |
| **Previous Board Members:** | | | | | | | | |
| Robert Courteney-Harris **Medical Director / Deputy / Acting Chief Executive** | 215-220 | - | 30.0-32.5 | 250-255 | - | - | - | - |
| Sarah Preston **Director of Finance** | 95-100 | - | 20.0-22.5 | 115-120 | - | - | - | - |
| John MacDonald **Chairman (to 30/08/17)** | 35-40 | - | 0.0-2.5 | 35-40 | 10-15 | | | 10-15 |
| Helen Lingham **Chief Operating Officer** | 115-120 | - | 10.0-12.5 | 125-130 | - | - | - | - |
| David Donegan **Chief Operating Officer** | 140-145 | - | 0.0-2.5 | 140-145 | - | - | - | - |
| Richard Beeken **Chief Operating Officer** | 120-125 | - | - | - | 120-125 | | | - |
| Robert Collins **Non-Executive Director** | 0-5 | - | - | 0-5 | - | - | - | - |
| Andrew Garner **Non-Executive Director** | 5-10 | - | - | 5-10 | - | - | - | - |
| David Simons Non-Executive Director | 0-5 | - | - | 0-5 | - | - | - | - |

## 4.3 Exit Packages for Staff Leaving in 2017/18

- Redundancy and other departure costs have been paid in accordance with standard NHS terms and conditions
- This disclosure reports the number and value of exit packages agreed with staff during the year.

| | 2016/17 | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| Exit Package Cost Band (including any special payment element) | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
| Less than £10,000 | 2 | 0 | 2 | 2 | 17 | 19 |
| £10,001-£25,000 | 2 | 0 | 2 | 4 | 10 | 14 |
| £25,001-£50,000 | 1 | 0 | 1 | 1 | 9 | 10 |
| £50,001-£100,000 | 0 | 0 | 0 | 1 | 2 | 3 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001 - £200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| >£200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total number of exit packages by type** | **5** | **0** | **5** | **8** | **38** | **46** |
| **Total resource cost (£'000)** | **87** | **-** | **87** | **184** | **732** | **916** |

## 4.4 Pensions

| | 2017/2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Board Member | Real increase / (decrease) in pension at age 60 | Real increase / (decrease) in pension lump sum at age 60 | Total accrued pension at age 60 as at 31 March 2018 | Lump sum at age 60 related to accrued pension at 31st March 2018 | Cash Equivalent Transfer Value as at 31 March 2017 | Real Increase in Cash Equivalent Transfer Value | Cash Equivalent Transfer Value as at 31 March 2018 | Employers contribution to stakeholder pension |
| | Bands of £2,500 | Bands of £2,500 | Bands of £5,000 | Bands of £5,000 | £000 | £000 | £000 | £000 |
| **Liz Rix** Chief Nurse | 0-2.5 | 2.5-5 | 55-60 | 170-175 | 1,053 | 66 | 1,150 | |
| **John Oxtoby** Medical Director/ (Deputy) | 0-2.5 | 5-7.5 | 55-60 | 170-175 | 1,159 | 78 | 1,269 | |
| **Ro Vaughan** Director of HR | 2.5-5 | 5-7.5 | 50-55 | 160-165 | 1,007 | 76 | 1,116 | |
| **Helen Ashley** Chief Officer – Finance & Performance | 2.5-5 | 0-2.5 | 50-55 | 135-140 | 824 | 33 | 888 | |
| ***Richard Beeken** Chief Operating Officer | | | 45-50 | 115-120 | | | 740 | |

- As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.
- The pensions information disclosed in the table above has been subject to audit.

*There are no opening figures available for Richard Beeken and therefore we have been unable to recalculate the real increases in his pension, lump sum and CETV

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV reflects the increase in CETV effectively funded by the employer. This calculation does not take account of any increase due to inflation or contributions paid by the employee.

## 4.5 Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director in the Trust in the financial year 2017/18 was £215,000 to £220,000 (2016/17 was £240,000 to £245,000). This is based on a full time equivalent, annualised calculation. This was 8 times (2016/17: 9 times) more than the median remuneration of the workforce, which was £ 26,848 (2016/17 was £26,945). 13 employees (2016/17 seven employees) received remuneration in excess of the highest paid director. The Range of staff remuneration during 2017/18 was £0 - £5,000 to £295,000 - £300,000 (2016/17 £0 - £5,000 to £325,000 - £330,000). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind. It does not include employer pension contributions, the cash equivalent transfer value of pensions or severance payments.

## 4.6 Staff Report

As a large acute Trust we face many challenges. In order to meet those challenges and seize opportunities for the future it is essential that we have the right people in the right jobs with the right skills mix at the right time. Our People Strategy supports all that we do to attract, recruit, develop, retain, support and reward our staff and teams to meet our future goals and aspirations. The Human Resources Department has a major role in driving the people agenda but it requires each and every one of us to play our part in making UHNM a great and successful place to work.

Ro Vaughan
Director of Human Resources

### Our Workforce

At 31 March 2018, we had a workforce of 9,548.33 WTE (10,871 headcount). This is excluding Bank Staff and Honorary contracts. Our staffing is made up of a variety of roles and payscales. This section provides you with an overview of our workforce.

### Senior Managers

Analysis of our senior managers is listed below:

| | Headcount | | WTE | |
|---|---|---|---|---|
| Pay scale | Female | Male | Female | Male |
| Band 8a | 55 | 32 | 53.26 | 31.80 |
| Band 8b | 21 | 12 | 21.00 | 12.00 |
| Band 8c | 9 | 6 | 8.92 | 6.00 |
| Band 8d | 7 | 5 | 6.11 | 5.00 |
| Band 9 | 5 | 4 | 5.00 | 4.00 |
| Director | 8 | 3 | 8.00 | 2.80 |

### Staff Numbers

| Staff Group* | Full Time Equivalents (WTE) | | |
|---|---|---|---|
| | Permanent | Other | Total |
| Professional Scientific and Technical | 344.10 | 10.68 | **354.78** |
| Clinical Services | 2120.12 | 56.82 | **2176.94** |
| Administrative and Clerical | 1677.54 | 95.86 | **1773.40** |
| Allied Health Professionals | 448.20 | 5.91 | **454.11** |
| Estates and Ancillary | 455.81 | 7.21 | **463.02** |
| Healthcare Scientists | 284.62 | 5.81 | **290.43** |
| Medical and Dental | 549.90 | 542.68 | **1092.58** |
| Nursing and Midwifery Registered | 2884.16 | 54.89 | **2939.05** |
| Students | | 4.00 | **4.00** |
| Grand total: | 8764.46 | 783.86 | 9548.32 |

*excludes bank, agency and staff out on secondment.

## Staff Composition

| Staff Group | Part Time | | Full Time | | Total |
|---|---|---|---|---|---|
| | Male | Female | Male | Female | |
| Director | 1 | 0 | 1 | 7 | **9** |
| Senior Managers (Band 8a – 9) | 8 | 89 | 123 | 260 | **480** |
| Other employees | 366 | 3849 | 1860 | 4307 | **10382** |
| Grand total: | 375 | 3938 | 1984 | 4574 | 10,871 |

## Sickness Absence

The sickness rate at 31 March 2018 (cumulative for the 12 months from 1 April 2017 to 31 March 2018) was 4.33%.

## Staff Policies applied during the Financial Year

Our People Strategy outlines how we will lead and support staff to achieve our 2025Vision and sets out our aims to provide a positive work environment that promotes an open, supportive and fair culture which helps our staff to do their job to the best of their ability and ensure delivery of high quality care.

We have a number of policies in place to ensure that as an organisation, we fulfil our obligations under equality, diversity and human rights legislation. We want staff to work to the very highest standards, to be able to communicate openly in an organisation which respects people's views, and values individuals and teams. We encourage and recognise high performance in a results-driven environment and will support individual and team development to deliver the organisations goals.

We know that excellent staff experience leads to excellent patient experience and improved patient outcomes. The People Strategy is supported by the Trust's workforce plan, and is aligned to both the learning and education strategy and the organisational development strategy.

We operate a full suite of HR policies, 47 in total, covering the whole employee life cycle. These can be made available to the public and our website http://www.uhnm.nhs.uk, provides guidance on how to access them.

- HR08 Recruitment and Selection Policy: We believe that unlawful discrimination is unacceptable and we are committed to recruiting staff in accordance with our Equality and Diversity Policy. Applicants are selected solely on objective, job related criteria and their ability to do the job applied for with no discrimination on the grounds of ethnic origin, nationality, disability, gender, gender reassignment, marital status, age, sexual orientation, trade union activity or political or religious beliefs. We provide appropriate assistance to ensure equality for all.
- For Appointments Advisory Committees to recruit to permanent Consultant posts, all members of the panel are required to have received training in Equal Opportunities.
- HS17 Occupational Health Policy - The role of occupational health is to help protect and promote the health and wellbeing of staff in the workplace. Workplace Health Assessment checks are also carried out to provide advice to managers, where necessary, on employee needs or any reasonable adjustments required to the work environment or structure in accordance with the Equality Act 2010.
- HR12 Equality and Diversity Policy: As a major employer and service provider we are committed to building a workforce which is valued and whose diversity reflects the community it serves, enabling it to deliver the best possible healthcare service to those communities
- Appropriate mandatory training is provided to ensure that staff and managers understand their responsibilities under the Policy. Equality, diversity and inclusion themes are integrated into other Trust learning and development programmes as appropriate
- The principles of the Equal Opportunities Policy are incorporated into the Trust's Corporate Induction course and included in all local induction packages for newly appointed employees. This is also included in statutory and mandatory training as outlined in Trust policy HR53 Statutory, Mandatory and Best Practice and the Training Needs Analysis. All training should be recorded within staff personal record ideally on our electronic staff record.

## 4.7 Consultancy

Expenditure on consultancy services for the year 2017/18 was £5.4m for, compared to £5.8m in 2016/17

## 4.8 Off Payroll Engagements

As part of the Treasury's Annual Reporting Guidance 2012-13, Government Departments are required to report information relating to off-payroll engagements. Therefore NHS bodies are required to include information on any such engagements allowing for consolidation.

For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last longer than six months:

| Off Payroll Engagement Longer than 6 Months | Number |
|---|---|
| **Number of existing engagements as of 31 March 2018** | 0 |
| *Of which, the number that have existed:* | |
| for less than one year at the time of reporting | 0 |
| for between one and two years at the time of reporting | 0 |
| for between 2 and 3 years at the time of reporting | 0 |
| for between 3 and 4 years at the time of reporting | 0 |
| for 4 or more years at the time of reporting | 0 |

All existing off-payroll engagements have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax.

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last longer than six months:

| New Off-payroll Engagements | Number |
|---|---|
| **No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018** | 3 |
| *Of which, the number that have existed:* | |
| No. assessed as caught by IR35 | 0 |
| No. assessed as not caught by IR36 | 3 |
| No. engaged directly (via PSC contracted to department) and are on the departmental payroll | 0 |
| No. engagements reassessed for consistency / assurance purposes during the year | 0 |
| No. engagements that saw a change to IR35 status following the consistency review | 0 |

Confirmation that all existing off-payroll engagements have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

# B5 The Modern Slavery Act 2015

**Section 54 of the Modern Slavery Act 2015 requires our organisation to prepare a 'slavery and human trafficking statement' for each financial year, setting out the steps that have been taken during the year to ensure that slavery and human trafficking is not taking place in its supply chains or its own business.**

## Anti-Slavery Statement

This statement, made pursuant to section 54(1) of the Modern Slavery Act 2015, sets out the approach taken by University Hospitals of North Midlands NHS Trust to understand all potential modern slavery risks related to its business, and the actions undertaken to mitigate any such risks during the financial year ended 31 March 2018.

Our Board is committed to delivering high standards of corporate governance and a key element of this is managing the Trust in a socially responsible way. We are committed to preventing slavery and human trafficking in our corporate activities and through our supply chains and we expect the same high standards from those parties with whom we engage. During the course of the year, we have emphasised our commitment through a number of mechanisms:

### Recruitment and Selection

Our policies and procedures in relation to recruitment and selection of staff ensure that we comply with all employment, equalities and human rights legislation. This includes the prevention of slavery and human trafficking.

### Safeguarding Arrangements

Modern Slavery was identified as a separate category of abuse in the Care Act 2014 and as such sits within our safeguarding agenda for adults who have care and support needs. Our policy and procedures in relation to safeguarding refer to Modern Slavery including Human Trafficking and identifies possible indicators for staff to lookout for and sets out the procedure of how to raise safeguarding concerns.

We deliver mandatory safeguarding awareness training to all staff which includes identifying Modern Slavery as a category of abuse. In addition to this we provide an enhanced level of safeguarding training to all of our qualified clinical staff which discusses in more depth the categories of abuse including Modern Slavery.

### Supply Chain

Our Supply Chain is made up of a number of large multi-national companies, Small to Medium Enterprises (SME's) and small local suppliers who make up a total of 2,975 live suppliers to the Trust at this current time. The location of supplier premises and manufacture locations are spread globally but the vast majority are situated in the European Union, where it is estimated that several hundred thousand people work for the aforementioned suppliers although not all these people work on UHNM related goods and services.

We have ensured that Anti-Slavery related provision is contained in both our Standard Terms and Conditions of Purchase which are issued with every Purchase Order and all tender documentation issued by the Trust.

Due to the nature of our business and our approach to governance and risk management, we assess that there is low risk of slavery and human trafficking in our business and supply chains. However we will continue to periodically review the effectiveness of our relevant policies, procedures and associated training to ensure that the risk remains low.

We do not have key performance indicators in relation to slavery or human trafficking as any instance would be expected to be a breach of law, our supplier standards and/or our local policies and therefore acted upon accordingly.

Paula Clark

**Paula Clark, Chief Executive**
**25th May 2018**

## B6 Signature of Accountable Officer

**This Annual Report is approved by:**

**Paula Clark**
**Chief Executive Officer**
**25th May 2018**

# Part C: Financial Statements


A commentary on our financial position is included earlier in this report in our headline finances. The following pages are our Summary Financial Statements.

The Statement of Comprehensive Income shows how much money we earned and how we spent it. The main source of our income is from local commissioners, with which we have agreements to provide services for their patients.

Our biggest expense is on the salaries and wages of our staff. On average during this year we employed the equivalent of 9,497 full-time staff (compared with 9,760 last year). The actual number of people working for the Trust is more because a number work part-time (therefore, the full-time equivalent is less).

We also spend money buying services from other parts of the NHS, mainly ambulance transport for our patients.

We buy clinical and general supplies, maintain our premises, some of the costs of which are payable to our PFI partner and pa y for gas and electricity, rent and rates. We also allow for depreciation, the wearing out of buildings and equipment which need to be replaced.

Our Statement of Financial Position summarises our assets and liabilities. It tells us the value of the land, buildings and equipment we own and of supplies we hold in stock for the day to day running of the hospital. It also shows money owed to us and the money we owe to others, mainly for goods and services received but not yet paid for. Under International Financial Reporting Standards it also shows buildings and equipment that are legally owned by our PFI partner and related borrowings which will be settled through the unitary payments we make over the term of the PFI contracts.

The Better Payment Practice Code shows how quickly we pay our bills.

## C1 Statement of Comprehensive Income for the Year Ended 31 March 2018

| | 2016/17 £000 | 2017/18 £000 |
|---|---|---|
| Operating income from patient care activities | 602,589 | 610,684 |
| Other operating income | 136,690 | 85,946 |
| Operating expenses | (770,128) | (736,512) |
| **Operating surplus/(deficit) from continuing operations** | **(30,849)** | **(39,882)** |
| | | |
| Finance income | 50 | 64 |
| Finance expenses | (15,518) | (19,336) |
| Public dividend capital dividends payable | (3,925) | (2,119) |
| **Net finance costs** | **(19,393)** | **(21,391)** |
| Other gains / (losses) | 7 | (5) |
| **Surplus/(deficit) for the year** | **(50,235)** | **(61,278)** |
| | | |
| **Other Comprehensive Income** | | |
| Impairments | (98,967) | 0 |
| Revaluations | 33,635 | 45,549 |
| **Total comprehensive income / (expense) for the period** | **(115,567)** | **(15,729)** |
| | | |
| **Financial Performance for the year** | | |
| Surplus/(deficit) for the year | **(50,235)** | **(61,278)** |
| IFRIC 12 adjustments | 9,728 | 0 |
| Add back I&E impairments | 12,446 | (8,583) |
| Less capital donations | 288 | 144 |
| CQUIN adjustment | 0 | (1,608) |
| **Reported NHS financial position** | **(27,773)** | **(71,325)** |

## C2 Statement of Financial Position as at 31 March 2018

| | 2016/17 £000 | 2017/18 £000 |
|---|---|---|
| **Non-current assets:** | | |
| Property, plant and equipment | 485,018 | 532,326 |
| Intangible assets | 20,143 | 18,625 |
| Trade and other receivables | 3,032 | 0 |
| **Total non-current assets** | **508,193** | **550,951** |
| **Current assets:** | | |
| Inventories | 13,298 | 12,682 |
| Trade and other receivables | 37,817 | 65,940 |
| Other current assets | 247 | 0 |
| Cash and cash equivalents | 13,566 | 12,646 |
| **Total current assets** | **64,928** | **91,268** |
| **Total assets** | **573,121** | **642,219** |
| | | |
| **Current liabilities** | | |
| Trade and other payables | (78,454) | (71,811) |
| Provisions | (5,713) | (3,601) |
| Borrowings | (21,950) | (18,820) |
| **Total current liabilities** | **(106,117)** | **(94,232)** |
| **Non-current assets plus/less net current assets/liabilities** | **467,004** | **547,987** |
| | | |
| **Non-current liabilities** | | |
| Provisions | (983) | (980) |
| Borrowings | (333,032) | (428,662) |
| **Total non-current liabilities** | | (8) |

| | | |
|---|---|---|
| **Total Assets Employed:** | **(334,015)** | **(429,650)** |
| | **132,989** | **118,337** |
| **FINANCED BY:** | | |
| Public Dividend Capital | 389,225 | 390,302 |
| Retained earnings | (332,878) | (393,986) |
| Revaluation reserve | 76,642 | 122,021 |
| **Total Taxpayers' Equity:** | **132,989** | **118,337** |

## C3 Statement of Cash Flows for the Year Ended 31 March 2018

| | 2016/17 £000 | 2017/18 £000 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Operating surplus/(deficit) | (30,849) | (39,882) |
| **Non-cash income and expense:** | | |
| Depreciation and amortisation | 27,251 | 27,212 |
| Net impairments | 22,174 | (8,583) |
| Income recognised in respect of capital donations | (452) | (594) |
| (Increase)/decrease in inventories | (930) | 616 |
| (Increase)/decrease in receivables and other assets | 22,856 | (25,325) |
| Increase/(decrease) in payables and other liabilities | (14,846) | 2,363 |
| Increase/(decrease) in provisions | (3,610) | (2,115) |
| **Net cash generated from / (used in) operating activities** | **21,594** | **(46,308)** |
| | | |
| **Cash flows from investing activities** | | |
| Interest received | 50 | 64 |
| Purchase of intangible assets | (4,608) | (2,447) |
| Purchase of property, plant and equipment | (38,504) | (26,554) |
| Sales of property, plant and equipment | 0 | 59 |
| Receipt of capital donations to purchase capital assets | 31 | 594 |
| **Net Cash Inflow/(Outflow) from Investing Activities** | **(43,031)** | **(28,284)** |
| | | |
| **Cash flows from financing activities** | | |
| Public dividend capital received | 26,650 | 1,077 |
| Movement on loans from the Department of Health and Social Care | 29,362 | 101,760 |
| Movement on other loans | 46 | (293) |
| Other capital receipts | 7 | 0 |
| Capital element of finance lease rental payments | (367) | (461) |
| Capital element of PFI, LIFT and other service concession payments | (9,392) | (9,273) |
| Interest paid on finance lease liabilities | (180) | (126) |
| Interest paid on PFI, LIFT and other service concession obligations | (14,752) | (14,917) |
| Other interest paid | (586) | (2,967) |
| PDC dividend (paid) / refunded | (5,828) | (1,128) |
| **Net cash generated from / (used in) financing activities** | **24,960** | **73,672** |
| | | |
| **Increase / (decrease) in cash and cash equivalents** | **3,523** | **(920)** |
| | | |
| **Cash and cash equivalents at 1 April - brought forward** | **10,043** | **13,566** |
| | | |
| **Cash and cash equivalents at 31 March** | **13,566** | **12,646** |

## C4 Statement of Changes in Taxpayers Equity for the year ended 31 March 2018

| | Pubic Dividend Capital (PDC) £000 | Income and Expenditure Reserve £000 | Revaluation Reserve £000 | Total £000 |
|---|---|---|---|---|
| **Taxpayers equity at 1 April 2017 - brought forward** | 389,225 | (332,878) | 76,642 | 132,989 |
| Surplus/(deficit) for the year | | (61,278) | | (61,278) |
| Impairments | | | 0 | 0 |
| Revaluations | | | 45,549 | 45,549 |
| Transfer to retained earnings on disposal of assets | | 170 | (170) | 0 |
| Public dividend capital received cash | 1,077 | | 0 | 1,077 |
| **Taxpayers equity at 31 March 2018** | **390,302** | **(393,986)** | **122,021** | **118,337** |
| **Taxpayers equity at 1 April 2017 - brought forward** | 389,225 | (332,878) | 76,642 | 132,989 |

## C5 Better Payment Practice Code

| Measure of Compliance | 2016/17 | | 2017/18 | |
|---|---|---|---|---|
| | Number | £000 | Number | £000 |
| Total non NHS trade invoices paid in the year | 117,000 | 348,574 | 128,930 | 383,834 |
| Total non NHS trade invoices paid within target | 93,631 | 303,643 | 104,319 | 332,834 |
| Percentage of non NHS trade invoices paid within target | 80.0% | 87.1% | 80.9% | 86.7% |
| | | | | |
| Total NHS trade invoices in the year | 2,567 | 28,907 | 2,766 | 30,457 |
| Total NHS trade invoices paid within target | 1,450 | 21,563 | 1,619 | 22,417 |
| Percentage of NHS trade invoices paid within target | 56.5% | 74.6% | 58.5% | 73.6% |

The Better Payment Practice Code requires that Trusts aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. We have not signed up to the Prompt Payments Code.

## C6 Cumulative Breakeven Position

| Year | Turnover | Surplus / (Deficit) |
|---|---|---|
| 1997/98 | 152,393 | (1,199) |
| 1998/99 | 165,535 | (1,246) |
| 1999/00 | 182,744 | 1,279 |
| 2000/01 | 193,823 | 1,225 |
| 2001/02 | 212,576 | 18 |
| 2002/03 | 235,801 | 4 |
| 2003/04 | 257,641 | 3 |
| 2004/05 | 295,327 | 41 |
| 2005/06 | 299,619 | (15,059) |
| 2006/07 | 333,855 | 311 |
| 2007/08 | 393,915 | 3,990 |
| 2008/09 | 371,299 | 3,008 |
| 2009/10 | 408,938 | 5,312 |
| 2010/11 | 418,078 | 4,141 |
| 2011/12 | 426,319 | 1,050 |
| 2012/13 | 473,558 | 235 |
| 2013/14 | 475,330 | (19,301) |
| 2014/15 | 623,835 | 3,782 |
| 2015/16 | 702,917 | (26,936) |
| 2016/17 | 739,279 | (27,773) |
| 2017/18 | 696,630 | (69,717) |
| **Cumulative Breakeven Position:** | | **(136,832)** |

## C7 Staff Sickness Absence

| | 2016/17 | 2017/18 |
|---|---|---|
| Total days lost | 90,520 | 83,399 |
| Total staff years | 9,427 | 9,522 |
| **Average working days lost** | **9.60** | **9.40** |

## C8 Carrying Amount versus Market Value of Land

Our land was valued as at 31 March 2018 at £19.2m. These values are reflected in the Trust's Statement of Financial Position.

## C9 Our External Auditor

To demonstrate that we are running our Trust properly we are required to publish a number of statements which are signed by our Chief Executive on behalf of our Trust Board. These statements cover our financial affairs as well as a number of other aspects of managing our Trust.

Our external auditor also checks our accounts and other aspects of our work and we are required to publish statements from them confirming that they are satisfied with what we have done. These formal statements are reproduced on these pages and the directors confirm that they know of no information which would be relevant to the auditors for the purposes of their report which has not been disclosed.

Our accounts are externally audited by Grant Thornton to meet the statutory requirements of the Department of Health. They received fees of £97k for audit services.

Grant Thornton

## C10 Pension Costs

NHS Pensions

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the secretary of State, in England and Wales. As a consequence it is not possible for our Trust to identify our share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

## C11 Full Accounts

A full set of audited accounts for University Hospitals of North Midlands NHS Trust is available on request or can be viewed and downloaded on our website www.uhnm.nhs.uk.

## C12 Statement of Director's Responsibilities in Respect of the Accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

25.5.18 Date ..... Chief Executive

25.5.18 Date ..... Chief Officer – Finance & Performance

# Provider accounts - single entity accounts

**Inputs**

| | |
|---|---|
| MARSID | NORTHMIDLANDS |
| Name of trust | University Hospitals of North Midlands NHS Trust |
| Provider status | Trust |
| Date of year end | 31/03/2018 |
| Start of current year | 01/04/2017 |
| Comparative year end | 31/03/2017 |
| Start of comparative year | 01/04/2016 |
| Year for financial reporting | 2017/18 |
| Year for comparative year | 2016/17 |
| Year for year end | 2018 |
| Year for comparative year | 2017 |
| Opening Year | 2016 |
| Next financial year | 2018/19 |
| Date of approval of financial statements | 25/05/2018 |

University Hospitals of North Midlands NHS Trust

Annual accounts for the year ended 31 March 2018

# Statement of Comprehensive Income for the year ended 31 March 2018

| | Note | 2017/18 £000 | 2016/17 £000 |
|---|---|---|---|
| Operating income from patient care activities | 3 | 610,684 | 602,589 |
| Other operating income | 4 | 85,946 | 136,690 |
| Operating expenses | 6, 8 | (736,512) | (770,128) |
| **Operating surplus/(deficit) from continuing operations** | | **(39,882)** | **(30,849)** |
| Finance income | 11 | 64 | 50 |
| Finance expenses | 12 | (19,336) | (15,518) |
| PDC dividends payable | | (2,119) | (3,925) |
| **Net finance costs** | | **(21,391)** | **(19,393)** |
| Other gains / (losses) | 13 | (5) | 7 |
| **Surplus / (deficit) for the year** | | **(61,278)** | **(50,235)** |
| **Other comprehensive income*** | | | |
| **Will not be reclassified to income and expenditure:** | | | |
| Impairments | 7 | - | (98,967) |
| Revaluations | 16 | 45,549 | 33,635 |
| **Total comprehensive income / (expense) for the period** | | **(15,729)** | **(115,567)** |

**Financial Performance for the year**

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| Adjusted financial performance surplus / (deficit) (control total basis) | (61,278) | (50,235) |
| IFRIC 12 adjustment (including IFRIC 12 impairments) | - | 9,728 |
| Add back all I&E impairments / (reversals) | (8,583) | 12,446 |
| Remove capital donations / grants I&E impact | 144 | 288 |
| CQUIN Risk Reserve - 1617 CT non achievement adjustment | (1,608) | - |
| Adjusted financial performance surplus / (deficit) | **(71,325)** | **(27,773)** |

*Other Comprehensive Income shows other non-cash net gains/(losses) that are not included as either operating revenue or expenditure, and as such does not impact on the financial outturn of the Trust.

The notes on pages 8 to 55 form part of this account

## Statement of Financial Position as at 31 March 2018

| | Note | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 14 | 18,625 | 20,143 |
| Property, plant and equipment | 15 | 532,326 | 485,018 |
| Trade and other receivables | 18 | - | 3,032 |
| **Total non-current assets** | | **550,951** | **508,193** |
| **Current assets** | | | |
| Inventories | 17 | 12,682 | 13,298 |
| Trade and other receivables | 18 | 65,940 | 37,817 |
| Other assets | 19 | - | 247 |
| Cash and cash equivalents | 20 | 12,646 | 13,566 |
| **Total current assets** | | **91,268** | **64,928** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | (65,823) | (72,970) |
| Borrowings | 23 | (18,820) | (21,950) |
| Provisions | 25 | (3,601) | (5,713) |
| Other liabilities | 22 | (5,988) | (5,267) |
| **Total current liabilities** | | **(94,232)** | **(105,900)** |
| **Total assets less current liabilities** | | **547,987** | **467,221** |
| **Non-current liabilities** | | | |
| Borrowings | 23 | (428,662) | (333,032) |
| Provisions | 25 | (980) | (983) |
| Other liabilities | 22 | (8) | (217) |
| **Total non-current liabilities** | | **(429,650)** | **(334,232)** |
| **Total assets employed** | | **118,337** | **132,989** |
| **Financed by** | | | |
| Public dividend capital | | 390,302 | 389,225 |
| Revaluation reserve | | 122,021 | 76,642 |
| Income and expenditure reserve | | (393,986) | (332,878) |
| **Total taxpayers' equity** | | **118,337** | **132,989** |

The notes on pages 8 to 55 form part of these accounts.

The financial statements on pages 3 to 55 were approved by the Board on 25 May 2018 and signed on its behalf by

**Chief Executive:**  **Date** 25.5.18

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

| | Public dividend capital | Revaluation reserve | Income and expenditure reserve | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Taxpayers' equity at 1 April 2017 - brought forward** | **389,225** | **76,642** | **(332,878)** | **132,989** |
| Surplus/(deficit) for the year | - | - | (61,278) | **(61,278)** |
| Impairments | - | - | - | - |
| Revaluations | - | 45,549 | - | **45,549** |
| Transfer to retained earnings on disposal of assets | - | (170) | 170 | - |
| Public dividend capital received cash* | 1,077 | - | - | **1,077** |
| **Taxpayers' equity at 31 March 2018** | **390,302** | **122,021** | **(393,986)** | **118,337** |

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

| | Public dividend capital | Revaluation reserve | Income and expenditure reserve | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Taxpayers' equity at 1 April 2016 - brought forward** | **362,575** | **143,679** | **(284,348)** | **221,906** |
| Surplus/(deficit) for the year | - | - | (50,235) | **(50,235)** |
| Other transfers between reserves | - | (1,705) | 1,705 | - |
| Impairments | - | (98,967) | - | **(98,967)** |
| Revaluations | - | 33,635 | - | **33,635** |
| Public dividend capital received * cash | 26,650 | - | - | **26,650** |
| **Taxpayers' equity at 31 March 2017** | **389,225** | **76,642** | **(332,878)** | **132,989** |

*The increase in Public Dividend Capital of £1.077m relates to capital funding for the Urgent Treatment Centre and Cyber Security. In 2016/17 £26.65m relates to Integrating Hospital Services in Staffordshire (IHSS) funding received as a result of of the integration of Mid Staffordshire Foundation Trust on 1 November 2014.

| **Reconciliation of movement on retained earnings to adjusted deficit** | |
|---|---|
| Net recognised revenue/(expense) for the year | (61,108) |
| Impairments excluded from financial performance | 8,583 |
| Adjustments in respect of donated gov't grant asset reserve elimination | (144) |
| Transfer from revaluation reserve in respect of assets disposal. | 170 |
| Adjusted financial performance (deficit) | (71,325) |
| Adjustment for CQUIN reserve | 1,608 |
| **Total** | **(61,108)** |

**Information on reserves**

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

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

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

# Statement of Cash Flows for the Year ended 31 March 2018

| | Note | 2017/18 £000 | 2016/17 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating surplus / (deficit) | | (39,882) | (30,849) |
| **Non-cash income and expense:** | | | |
| Depreciation and amortisation | 6.1 | 27,212 | 27,251 |
| Net impairments | 7 | (8,583) | 22,174 |
| Income recognised in respect of capital donations | 4 | (594) | (421) |
| (Increase) / decrease in receivables and other assets | | (25,325) | 22,856 |
| (Increase) / decrease in inventories | | 616 | (930) |
| Increase / (decrease) in payables and other liabilties | | 2,363 | (14,846) |
| Increase / (decrease) in provisions | | (2,115) | (3,610) |
| **Net cash generated from / (used in) operating activities** | | **(46,308)** | **21,625** |
| **Cash flows from investing activities** | | | |
| Interest received | | 64 | 50 |
| Purchase of intangible assets | | (2,447) | (4,608) |
| Purchase of property, plant, equipment and investment property | | (26,554) | (38,504) |
| Sales of property, plant, equipment and investment property | | 59 | - |
| Receipt of cash donations to purchase capital assets | | 594 | - |
| **Net cash generated from / (used in) investing activities** | | **(28,284)** | **(43,062)** |
| **Cash flows from financing activities** | | | |
| Public dividend capital received | | 1,077 | 26,650 |
| Movement on loans from the Department of Health and Social Care | | 101,760 | 29,362 |
| Movement on other loans | | (293) | 46 |
| Other capital receipts | | - | 7 |
| Capital element of finance lease rental payments | | (461) | (367) |
| Capital element of PFI, LIFT and other service concession payments | | (9,273) | (9,392) |
| Interest paid on finance lease liabilities | | (126) | (180) |
| Interest paid on PFI, LIFT and other service concession obligations | | (14,917) | (14,752) |
| Other interest paid | | (2,967) | (586) |
| PDC dividend (paid) / refunded | | (1,128) | (5,828) |
| **Net cash generated from / (used in) financing activities** | | **73,672** | **24,960** |
| **Increase / (decrease) in cash and cash equivalents** | | **(920)** | **3,523** |
| **Cash and cash equivalents at 1 April - brought forward** | | **13,566** | **10,043** |
| **Cash and cash equivalents at 31 March** | 20.1 | **12,646** | **13,566** |

## Notes to the Accounts

### Note 1 Accounting policies and other information

### Note 1.1 Basis of preparation

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

#### Note 1.1.1 Accounting convention

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

#### Note 1.1.2 Going concern

International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. Paragraphs 4.11 and 4.16 of the Department of Health and Social Care Group Accounting Manual identify that the continuation of the service is sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector. In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

The Trust reported a deficit of £27.773m in 2016/17. The Trust's financial performance in 2017/18 was £69.717 million deficit which is the breakeven duty financial performance net of the £1.608 million CQUIN risk reserve in the Statement of Comprehensive Income. As at 31 March 2018, the Trust has received cash support for its revenue position of £143.6m. Of this £101.8m was received in 2017/18 for its revenue position and £41.8m over the preceding two years (£12.5m in 2015/16 and £29.3m in 2016/17). The Trust's financial plan for 2018/19 forecasts the delivery of a further deficit of £44.8m, necessitating further revenue cash borrowing using the Department of Health's Uncommitted Single Currency Interim Revenue Support Facility Agreement. The planned cash support in 2018/19 has been approved by the Trust Board as part of the overall financial plan for the year. In order for the Trust to access this facility, the Department of Health must approve the Trust's daily cash flow forecast for 13 weeks from the date of each drawdown.

The Directors are seeking additional support from NHS Improvement in 2018/19 of £42.4m. This consists of new borrowing of £67.2m and the repayment of £24.8m 2017/18 deficit report where the cash has been received in May 2018 as required by NHSI. The Financial Plan submitted to NHS Improvement on 30 April 2018 includes the requirement for £42.4m cash support. NHS Improvement has not, at this point, confirmed this support for the full amount, however in April 2018 the Trust has received cash support from NHS Improvement in line with the Financial Plan.

The Trust anticipates that it may take some time before it can achieve financial balance on a sustainable basis. The Board of Directors has carefully considered the principle of "going concern" and the Directors have concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Trust which may cast significant doubt about the ability of the Trust to continue as a going concern.

Nevertheless, the Directors have concluded that assessing the Trust as a going concern remains appropriate. The Trust has agreed contracts with local commissioners for 2018/19 and services are being commissioned in the same manner in the future as in prior years and there are no discontinued operations. Similarly no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust will have access to adequate resources in the form of support from the Department of Health (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

Subject to the receipt of the revenue funding within the 2018/19 financial plan, the Directors consider that this provides sufficient evidence that the Trust will continue as a going concern for the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the accounts and has not included the adjustments that would result if it were unable to continue as a going concern. The assessment accords with the statutory guidance contained within the Department of Health and Social Care Group Accounting Manual.

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

## Income recognition

It is the Trust's accounting policy to recognise income when performance occurs. In some instances the income that the Trust receives is not readily attributable to performance or the achievement of certain targets cannot readily be ascertained. The key judgements in relation to income recognition are detailed below at 1.2.1.

**Estate Valuation**
The Trust's management have elected to have a desk top valuation of the Trust's land and buildings as at 31 March 2018. This option was elected as providing the best assurance that the values are not materially misstated at the balance sheet date. The value of the Trust's Land, buildings and dwellings as at 31 March 2018 is £470,570,320. If the Trust's management had not revalued the estate, at 31 March 2018 the value of Land, Buildings and Dwellings would have been £451,648,000.

The Trust obtains valuations for its land, buildings and dwellings from a qualified independent valuer. These valuations are performed at a point in time and take into account conditions and circumstances relevant to that date. In future years, conditions may change resulting in uplifts or impairments being required to the value of land, buildings and dwellings. The valuation has been completed based on the depreciated replacement cost and the remaining useful economic life of the assets.

**PFI Assets**
The Trust's PFI scheme is deemed under International Financial Reporting Standards to be classed as on Statement of Financial Position on the basis that the asset is under the control of the Trust and all risks and rewards sit with the Trust. This is deemed to be a critical judgement that impacts on the financial statements.

The Trust's PFI assets have been valued using the modern equivalent asset method at depreciated replacement cost excluding VAT. By excluding VAT the Trust is accurately reflecting the depreciated replacement cost as a replacement asset would also be funded by PFI and, by the nature of the contract, have VAT recovered. This valuation is the same methodology and assumptions as in the prior year.

**Operating leases/finance leases**

The Trust has two buildings which are leased to a third party. The Trust has deemed that this is an operating lease where the risks and rewards of the asset remain with the Trust and as such are recognised on the Trust's Statement of Financial Position as assets. This is deemed to be a critical judgement as if the transaction was deemed to be a finance lease the assets would not be reflected in the Statement of Financial Position and the property, plant and equipment balance would be £15,794,514 lower if these assets were not included.

**Note 1.2.1 Sources of estimation uncertainty**
The Trust do not consider that there are any major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following are assumptions about the future and other major sources of estimation uncertainty that have been assessed.

**Income recognition**
In 2008-09 the requirement to account for patient care spells that were in progress but not complete as at 31 March was introduced. The value put on this activity is estimated using an average tariff, rather than the specific tariff relevant for each patient. The total value of the accrual for patient care is £5,656,173 and therefore a change of 1% between the average tariff applied and the actual tariff due would affect income assumptions by £56,562.

In 2013-14 the Payment by Results (PbR) rules regarding maternity pathways changed. The key element of this change is that the Commissioners make one payment per pregnancy covering the whole of the maternity pathway at the point at which the woman first presents for treatment. As providers of the treatment, the Trust defers the element of income which has been received in advance of the care being provided. The Trust estimates the income to be deferred based on the number of weeks of maternity care remaining for the patients who have attended the Trust. The Trust estimates the average antenatal phase for each patient and calculates the proportion of the antenatal phase which has not been completed by 31 March 2018 based on the average antenatal phase. The Trust then defers this element of income. The value of income deferred relating to maternity pathway is £3,117,655 and therefore a change of 1% to the value deferred would affect the income assumptions by £31,177.

**Valuation of liabilities**

As at 31 March 2018 the Trust recognised £38,745,000 of accruals and deferred income within trade and payables liability. The Trust's management has made the best estimate of the value of the liability based on information available at the reporting date. The value of these accruals may differ from the values estimated and since the value is high a difference of only 1% between the estimate and actual value would result in a change to the Trust's expenditure of £38,745. However, since none of the accruals are individually material and the Trust has provided at the most likely value (rather than with a bias towards a more or less favourable outturn) it is unlikely that the difference between actual and estimated values would be significant.

The Trust has obtained professional advice where applicable for the value that should be recognised in respect of provisions and contingent liabilities. The value of these liabilities is uncertain and values are likely to differ from those estimated. A difference of 1% between the estimated provision and actual value would result in a change to the Trusts position of £45,810. However, the Trust has provided at what it estimates the likely value would be based on information available.

**Valuation of assets**

As at 31 March 2018 the Trust recognised trade and receivables assets of £65,940,000. The Trust reviews and provides where necessary for income invoices more than 180 days past the due date, for RTA accruals at the prescribed rate of 22.84% and individually for any other debts which Trust management has reason to believe the Trust may not receive. The Trust's management considers that this is a reasonable estimate of the value of asset.

**PFI**

The Trust uses appropriate estimations to allocate the annual unitary payment into the relevant component parts. The Trust obtained professional advice at the beginning of the PFI contract to review and allocate the payments appropriately as set out in note 28.

**Note 1.3 Charitable Funds**

The divergence from the Government Financial Reporting Manual (FReM) that NHS Charitable Funds are not consolidated with NHS Trust's own financial statements has been removed for 2017-18. Under the provisions of IFRS 10 Consolidated Financial Statements, those Charitable Funds that fall under common control with NHS bodies should be consolidated within the entity's financial statements. The Trust has a Charitable Fund, the 'UHNM Charity' that falls under the definition of common control. Common control is defined within IFRS 10 as "the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities". Control is presumed to exist where a parent owns directly or indirectly more than half of the voting power of an entity, including where a body acts as a corporate trustee. The Trustees of the Charitable Fund are all members of the Trust Board. The purpose of an NHS Charity is to assist NHS patients, and HM Treasury view this as the "benefit" link as per the IFRS 10 guidance. The Trust has reviewed the financial statements of the 'UHNM Charity' and it is deemed that the income, expenditure, assets and liabilities of the Charitable Fund are not material. IAS 1 Presentation of Financial Statements states that specific disclosure requirements set out in individual standards or interpretations need not be satisfied if the information is not material. The consolidation of the Charitable Fund would not have a material impact on the financial statements of the Trust and has therefore not been consolidated into the Trust's financial statements.

**Note 1.4 Income**
Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the trust is contracts with commissioners in respect of health care services. At the year end, the trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

The NHS 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 NHS 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.

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

The value of the benefit received when accessing funds from the the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

**Note 1.5 Expenditure on employee benefits**
**Short-term employee benefits**
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees.

**Pension costs**
*NHS Pension Scheme*
Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. There, the schemes are accounted for as though they are defined contribution schemes.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the trust commits itself to the retirement, regardless of the method of payment.

**Note 1.6 Expenditure on other goods and services**
Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

**Note 1.7 Property, plant and equipment**

**Note 1.7.1 Recognition**
Property, plant and equipment is capitalised where:

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

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

**Note 1.7.2 Measurement**
**Valuation**
All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use. Assets that were most recently held for their service potential but are surplus are measured at fair value where there are no restrictions preventing access to the market at the reporting date.

Land and buildings are stated in the Statement of Financial Position (SOFP) at their revalued amounts, being the fair value at the date of revaluation less any impairment. Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:
- Land and non-specialised buildings – market value for existing use.
- Specialised buildings – depreciated replacement cost (DRC).

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

All land and buildings are restated to current value using independent professional valuations in accordance with IAS16 at least every five years, with interim revaluations carried out annually also by independent professional valuers. The full asset valuation includes a full site inspection by the professional valuer whilst interim valuations only include a site inspection where deemed necessary due to significant changes in the year. The last full asset valuations were undertaken at the prospective valuation date at 1st April 2016 which included a site visit in early 2016. An interim valuation was carried out at 31 March 2018 which included a review of capital expenditure, market conditions and asset lives.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The property valuations are carried out primarily on the basis of (DRC) for specialised operational property (e.g. NHS patient treatment facilities) and Existing Use Value (EUV) for non-specialised operational property. The value of land for existing use purposes is assessed at EVU. For non-operational land including surplus land, the valuations are carried out at Market Value.

The Department of Health has adopted the Modern Equivalent Asset (MEA) approach for its DRC valuations rather than the previous identical replacement method. The MEA approach used to value the property will normally be based on the cost of a modern equivalent asset that has the same service potential as the existing asset and then adjusted to take account of obsolescence. In the past, functional obsolescence has not been reflected in asset valuations for the NHS.

Functional obsolescence examines a building's design or specification and whether it may no longer fulfil the function for which it was originally designed or whether it may be much more basic than the MEA. The asset will still be capable of use but at a lower level of efficiency than the MEA, or may be capable of modification to bring it up to a current specification. Other common causes of functional obsolescence include advances in technology or legislative change. The obsolescence adjustment will reflect either the cost of upgrading, or if this is not possible, the financial consequences of the reduced efficiency compared with the modern equivalent.

The Trust's PFI assets have been valued using the modern equivalent asset method at depreciated replacement cost excluding VAT. By excluding VAT the Trust is accurately reflecting the depreciated replacement cost as a replacement asset would also be funded by PFI and, by the nature of the contract, have VAT recovered. This valuation is the same methodology as in the prior year.

The MEA approach incorporates the Building Cost Information Service Index to determine an increase or decrease in building costs which impact on the asset valuation.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

The carrying values of PPE are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The Trust's land and building valuation was carried out by the Trust's current valuer DVS, on a MEA "Optimised Alternative Site" method valuation, and applied on 1st April 2016, with an interim valuation at 31 March 2018.

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance. The Trust has valued its land and buildings at fair value - non-specialised assets at existing use value and specialised operation assets at depreciated replacement cost.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

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

***Subsequent expenditure***

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

***Depreciation***

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

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

***Revaluation gains and losses***
Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating expenditure as a reversal.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

***Impairments***
In accordance with the *GAM*, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.
Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

**Note 1.7.3 Derecognition**
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:

- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

**Note 1.7.4 Donated and grant funded assets**
Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

**Note 1.7.5 Private Finance Initiative (PFI) transactions**
PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with IAS 17, the underlying assets are recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

**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 or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

**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 initial value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

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

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

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

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

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

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

**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 NHS trust's Statement of Financial Position.

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

**Note 1.7.6 Useful economic lives of property, plant and equipment**

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives are shown in the table below:

| | Min life Years | Max life Years |
|---|---|---|
| Buildings, excluding dwellings | 15 | 80 |
| Dwellings | 20 | 80 |
| Plant & machinery | 5 | 15 |
| Transport equipment | 4 | 7 |
| Information technology | 3 | 10 |
| Furniture & fittings | 5 | 15 |

Finance-leased assets (including land) are depreciated over the shorter of the useful economic life or the lease term, unless the trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

**Note 1.8 Intangible assets**

**Note 1.8.1 Recognition**

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the trust and where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

***Internally generated intangible assets***

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use
- the trust intends to complete the asset and sell or use it
- the trust has the ability to sell or use the asset
- how the intangible asset will generate probable future economic or service delivery benefits, eg, the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the trust to complete the development and sell or use the asset and
- the trust can measure reliably the expenses attributable to the asset during development.

***Software***

Software which is integral to the operation of hardware, eg an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, eg application software, is capitalised as an intangible asset.

**Note 1.8.2 Measurement**

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

Intangible assets held for sale are measured at the lower of their carrying amount or "fair value less costs to sell".

***Amortisation***

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

**Note 1.8.3 Useful economic lives of intangible assets**

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of useful economic lives for software licences is between 2 and 15 years

**Note 1.9 Inventories**
Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method. This is considered to be a reasonable approximation to the fair value due to the high turnover of stocks.

**Note 1.10 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 NHS Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

**Note 1.11 Financial instruments and financial liabilities**
***Recognition***
Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

All other financial assets and financial liabilities are recognised when the trust becomes a party to the contractual provisions of the instrument.

***De-recognition***
All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

***Classification and measurement***
Financial assets are categorised as "fair value through income and expenditure", loans and receivables or "available-for-sale financial assets".

Financial liabilities are classified as "fair value through income and expenditure" or as "other financial liabilities".

***Financial assets and financial liabilities at "fair value through income and expenditure"***
Financial assets and financial liabilities at "fair value through income and expenditure" are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Trust does not hold Financial assets and finanical liabilities at "fair value through income and expenditure"

***Loans and receivables***
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

The trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and "other receivables".

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

***Available-for-sale financial assets***
Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the trust intends to dispose of them within 12 months of the Statement of Financial Position date.

The Trust does not hold any Available-for-sale financial assets.

***Other financial liabilities***
All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

***Impairment of financial assets***
At the Statement of Financial Position date, the trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

**Note 1.12 Leases**
Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

**Note 1.12.1 The trust as lessee**

***Finance leases***
Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

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

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

***Leases of land and buildings***
Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

**Note 1.12.2 The trust as lessor**

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

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

**Note 1.13 Provisions**
The trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

***Clinical negligence costs***
NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS resolution on behalf of the trust is disclosed at note 25.2 but is not recognised in the Trust's accounts.

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

**Note 1.14 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 26 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 26, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

**Note 1.15 Public dividend capital**

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

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

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated assets (including lottery funded assets),
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

**Note 1.16 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.

**Note 1.17 Subsidiaries**
Material entities over which the NHS trust has the power to exercise control are classified as subsidiaries and are consolidated. The NHS trust has control when it is exposed to or has rights to variable returns through its power over another entity. The income and expenses; gains and losses; assets, liabilities and reserves; and cash flows of the subsidiary are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the NHS trust or where the subsidiary's accounting date is not co-terminus.

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

From 2013-14, the Trust is required under IFRS10 to consolidate the results of 'UHNM Charity' Charitable Funds over which it considers it has the power to exercise control in accordance with IFRS10 requirements. The Trust however deems that the income, expenditure, assets and liabilities of the Charitable Fund are not material to the Trust's financial statements and in line with IAS1, which states that specific disclosure requirements set out in individual standards or interpretations need not be satisfied if the information is not material, the Trust has not consolidated the Charitable Fund.

**Note 1.18 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. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM*.

**Note 1.19 Losses and special payments**

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

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

**Note 1.20 Early adoption of standards, amendments and interpretations**

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

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

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2017-18. 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. It is not considered that this change will have a material impact on the accounts nor materially amend accounting policies
- 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. It is not considered that this change will have a material impact on the accounts nor materially amend accounting policies

- 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. The Trust is working through the implications of this change and awaiting guidance on the interpretation within the DoHSC Group Accounting Manual.

**Note 2 Operating Segments**

IFRS 8 requires reporting entities to separate out the financial performance of each segment of the business, on the basis reported to the Chief Operating Decision Maker (CODM). The Trust considers that the Trust Board is the CODM of the organisation. The Trust Board receives financial performance data for the Trust as one 'healthcare' segment and makes decisions on this basis.

| | Healthcare Per SOCI | | Healthcare Reported to Trust Board | | Healthcare Variance | |
|---|---|---|---|---|---|---|
| | **2017-18** | 2016-17 | **2017-18** | 2016-17 | **2017-18** | 2016-17 |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Income | 696,694 | 739,336 | 696,100 | 738,604 | 594 | 732 |
| Pay costs | (461,050) | (458,461) | (461,050) | (458,181) | 0 | (280) |
| Non pay costs | (305,361) | (308,648) | (304,767) | (308,196) | (594) | (452) |
| Reported breakeven performance | (69,717) | (27,773) | (69,717) | (27,773) | 0 | 0 |
| Net Assets: | | | | | | |
| Segment net assets | 118,337 | 132,989 | 118,337 | 132,989 | 0 | 0 |

The financial performance of the Trust is reported to Board on a breakeven basis. A reconciliation of the Trust's breakeven performance to the retained surplus/(deficit) reported in the Statement of Comprehensive Income.

Since all the business of the Trust is deemed to be one 'healthcare' segment there is no difference between the financial performance of this segment and the financial performance of the Trust. The variances above are in relation to income and depreciation in respect of governement granted and donated assets which is not included in the figures for income and expenditure.

## Note 3 Operating income from patient care activities

| Note 3.1 Income from patient care activities (by nature) | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Acute services** | | |
| Elective income | 102,858 | 106,632 |
| Non elective income | 188,598 | 173,401 |
| First outpatient income | 34,991 | 30,239 |
| Follow up outpatient income | 29,185 | 35,227 |
| A & E income | 21,283 | 19,024 |
| High cost drugs income from commissioners (excluding pass-through costs) | 50,870 | 50,830 |
| Other NHS clinical income | 181,122 | 185,354 |
| **All services** | | |
| Private patient income | 1,349 | 1,618 |
| Other clinical income | 428 | 264 |
| **Total income from activities** | **610,684** | **602,589** |

## Note 3.2 Income from patient care activities (by source)

| Income from patient care activities received from: | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| NHS England | 211,449 | 193,180 |
| Clinical commissioning groups | 386,694 | 389,578 |
| Department of Health and Social Care | 685 | - |
| Other NHS providers | 26 | 434 |
| NHS other | 275 | 7,764 |
| Non-NHS: private patients | 1,349 | 1,618 |
| Non-NHS: overseas patients (chargeable to patient) | 428 | 264 |
| NHS injury scheme | 3,077 | 3,377 |
| Non NHS: other | 6,701 | 6,374 |
| **Total income from activities** | **610,684** | **602,589** |
| **Of which:** | | |
| Related to continuing operations | 610,684 | 602,589 |

Other non NHS revenue mainly relates to income received from NHS bodies within Wales which are classified as non NHS as such bodies are outside NHS England.

**Note 3.3 Overseas visitors (relating to patients charged directly by the provider)**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Income recognised this year | 428 | 264 |
| Cash payments received in-year | 298 | 143 |
| Amounts added to provision for impairment of receivables | 180 | 221 |
| Amounts written off in-year | 28 | 8 |

**Note 4 Other operating income**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Research and development | 4,657 | 6,224 |
| Education and training | 27,730 | 26,400 |
| Receipt of capital grants and donations | 594 | 452 |
| Charitable and other contributions to expenditure | 205 | 238 |
| Non-patient care services to other bodies | 11,765 | 23,657 |
| Support from the Department of Health and Social Care for mergers* | 9,900 | 63,275 |
| Sustainability and transformation fund income | - | 8,883 |
| Rental revenue from operating leases | 896 | 1,301 |
| Income in respect of staff costs where accounted on gross basis | 479 | 677 |
| Other income ** | 29,720 | 5,583 |
| **Total other operating income** | **85,946** | **136,690** |
| **Of which:** | | |
| Related to continuing operations | 85,946 | 136,690 |

* Support from the Department of Health and Social Care for mergers relates to additional income received as transistional support for the Mid Staffordshire NHS Foundation Trust integration. The funding received is £9.9m from the DoHSC.

Funding received of £14.9m from NHS England relating to deficit funding and £2.10m in relation to Winter Funding is included in other income detailed below.

**A breakdown of Other income is show in the table below:

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Car Parking income | 3,413 | 2,702 |
| Catering | 75 | 1 |
| Pharmacy sales | 35 | 7 |
| Staff accommodation rental | 830 | 898 |
| 2017/18 deficit report NHS England | 14,870 | - |
| 2017/18 NHS England Winter Funding | 2,110 | - |
| Contribution to the costs of the modular theatre and wards | 2,800 | - |
| EU Emissions | 302 | - |
| Other income not identified above | 5,285 | 1,975 |
| | **29,720** | **5,583** |

**Note 5 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 - aggregate of all schemes** | **2017/18 £000** | **2016/17 £000** |
|---|---|---|
| Income | 3,573 | 3,567 |
| Full cost | (2,465) | (2,670) |
| **Surplus / (deficit)** | **1,108** | **897** |

**Note 6.1 Operating expenses**

| | **2017/18 £000** | **2016/17 £000** |
|---|---|---|
| Purchase of healthcare from NHS and DHSC bodies* | 7,787 | 13,257 |
| Purchase of healthcare from non-NHS and non-DHSC bodies | 3,359 | 6,849 |
| Purchase of social care | - | 1,611 |
| Staff and executive directors costs | 457,086 | 453,999 |
| Remuneration of non-executive directors | 88 | 89 |
| Supplies and services - clinical (excluding drugs costs) | 72,011 | 70,112 |
| Supplies and services - general | 8,037 | 7,690 |
| Drug costs (drugs inventory consumed and purchase of non-inventory drugs) | 73,373 | 71,693 |
| Inventories written down | 541 | 47 |
| Consultancy costs | 5,431 | 5,768 |
| Establishment | 4,642 | 4,732 |
| Premises | 19,995 | 25,406 |
| Transport (including patient travel) | 3,514 | 3,616 |
| Depreciation on property, plant and equipment | 23,247 | 23,474 |
| Amortisation on intangible assets | 3,965 | 3,777 |
| Net impairments | (8,583) | 22,174 |
| Increase/(decrease) in provision for impairment of receivables | 390 | (1,619) |
| Audit fees payable to the external auditor | | |
| audit services- statutory audit | 90 | 133 |
| other auditor remuneration (external auditor only) | 7 | 12 |
| Internal audit costs | 154 | 198 |
| Clinical negligence | 20,891 | 16,085 |
| Legal fees | 57 | 26 |
| Insurance | 79 | 54 |
| Research and development (staff costs) | 3,964 | 4,462 |
| Education and training | 1,537 | 1,865 |
| Rentals under operating leases | 4,236 | 4,376 |
| Charges to operating expenditure for on-SoFP IFRIC 12 schemes (PFI) on IFRS basis | 31,237 | 31,813 |
| Hospitality | 72 | 85 |
| Other | (695) | (1,656) |
| **Total** | **736,512** | **770,128** |
| **Of which:** | | |
| Related to continuing operations | 736,512 | 770,128 |

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

**Note 6.2 Other auditor remuneration**

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Other auditor remuneration paid to the external auditor:** | | |
| 1. Audit of quality accounts | 7 | 12 |
| 2. Other assurance services | - | - |
| **Total** | **7** | **12** |

**Note 6.3 Limitation on auditor's liability**

The limitation on auditor's liability for external audit work is £2m (2016/17: £0m).

**Note 7 Impairment of assets**

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Net impairments charged to operating surplus / deficit resulting from:** | | |
| Unforeseen obsolescence | 48 | 964 |
| Changes in market price | (8,631) | 21,210 |
| **Total net impairments charged to operating surplus / deficit** | **(8,583)** | **22,174** |
| Impairments charged to the revaluation reserve | - | 98,967 |
| **Total net impairments** | **(8,583)** | **121,141** |

The reversal of impairments relates to the impact of the interim valuation of the Trusts land and building assets at 31 March 2018 and is a result of an increase in build costs and the Staffordshire location factor during 2017/18.

**Note 8 Employee benefits**

| | 2017/18 Total £000 | 2016/17 Total £000 |
|---|---|---|
| Salaries and wages | 364,747 | 355,365 |
| Social security costs | 34,571 | 33,445 |
| Apprenticeship levy | 1,773 | - |
| Employer's contributions to NHS pensions | 42,329 | 41,382 |
| Pension cost - other | 25 | - |
| Termination benefits | 618 | 425 |
| Temporary staff (including agency) | 18,487 | 29,885 |
| **Total gross staff costs** | **462,550** | **460,502** |
| Recoveries in respect of seconded staff | - | - |
| **Total staff costs** | **462,550** | **460,502** |
| **Of which** | | |
| Costs capitalised as part of assets | 1,500 | 2,041 |
| **Gross Employee Benefits excluding capitalised costs** | **461,050** | **458,461** |

**Note 8.1 Retirements due to ill-health**

During 2017/18 there were 6 early retirements from the trust agreed on the grounds of ill-health (6 in the year ended 31 March 2017). The estimated additional pension liabilities of these ill-health retirements is £305k (£259k in 2016/17).

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

**Note 9 Pension costs**

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

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

**a) Accounting valuation**

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

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

**b) Full actuarial (funding) valuation**

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

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

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

**Other pension schemes**

In line with the Governments auto enrolment pension roll out, from 1st April 2013 the Trust offered the NEST pension scheme to employees who may not be eligible to join the NHS Pension Scheme. The NEST scheme is a defined contribution scheme. The Trust (employers) contributions to this scheme during 2017/18 were £25k (£22k in 2016/17)

## Note 10 Operating leases

### Note 10.1 University Hospitals of North Midlands NHS Trust as a lessor

This note discloses income generated in operating lease agreements where University Hospitals of North Midlands NHS Trust is the lessor.

The Trust receives rental income from commerical retail outlets with the Hospital reception areas and from rental of buildings owned by the Trust.

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Operating lease revenue** | | |
| Minimum lease receipts | 896 | 1,301 |
| **Total** | **896** | **1,301** |

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Future minimum lease receipts due:** | | |
| - not later than one year; | 445 | 440 |
| - later than one year and not later than five years; | 977 | 973 |
| - later than five years. | 426 | 426 |
| **Total** | **1,848** | **1,839** |

### Note 10.2 University Hospitals of North Midlands NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where University Hospitals of North Midlands NHS Trust is the lessee.

The Trust leases various medical and office equipment assets under operating leases. The terms of the leases are standard equipment leases for between 5-7 years. The Trust does not sub-let these assets.

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| **Operating lease expense** | | |
| Minimum lease payments | 4,236 | 4,376 |
| **Total** | **4,236** | **4,376** |

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Future minimum lease payments due:** | | |
| - not later than one year; | 4,094 | 4,194 |
| - later than one year and not later than five years; | 6,352 | 9,915 |
| - later than five years. | - | - |
| **Total** | **10,446** | **14,109** |

**Note 11 Finance income**

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

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Interest on bank accounts | 64 | 50 |
| **Total** | **64** | **50** |

**Note 12.1 Finance expenditure**

Finance expenditure represents interest and other charges involved in the borrowing of money.

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| **Interest expense:** | | |
| Loans from the Department of Health and Social Care | 4,293 | 586 |
| Finance leases | 126 | 180 |
| **Interest on obligations under PFI contracts** | | |
| Main finance costs on PFI and LIFT schemes obligations | 8,068 | 8,834 |
| Contingent finance costs on PFI and LIFT scheme obligations | 6,849 | 5,918 |
| **Total interest expense** | **19,336** | **15,518** |
| **Total finance costs** | **19,336** | **15,518** |

The interest expense has increased in 2017/18 due to the Trust requiring revenue cash borrowing using the Department of Health's Uncommitted Single Currency Interim Revenue Support Facility Agreement of £101.76m. The interest rate paid by the Trust in the year is between 1.5% and 6%.

**Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Compensation paid to cover debt recovery costs under this legislation | 1 | 2 |

**Note 13 Other gains / (losses)**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| Gains on disposal of assets | - | 7 |
| Losses on disposal of assets | (5) | - |
| **Total gains / (losses) on disposal of assets** | (5) | 7 |
| **Total other gains / (losses)** | **(5)** | **7** |

**Note 14.1 Intangible assets - 2017/18**

| | Information & technology £000 | Total £000 |
|---|---|---|
| **Valuation / gross cost at 1 April 2017 - brought forward** | **34,181** | **34,181** |
| Additions | 2,447 | **2,447** |
| **Gross cost at 31 March 2018** | **36,628** | **36,628** |
| | | |
| **Amortisation at 1 April 2017 - brought forward** | **14,038** | **14,038** |
| Provided during the year | 3,965 | **3,965** |
| **Amortisation at 31 March 2018** | **18,003** | **18,003** |
| | | |
| **Net book value at 31 March 2018** | **18,625** | **18,625** |
| **Net book value at 1 April 2017** | **20,143** | **20,143** |

Information and technology assets are the only category of intangible asset held by the Trust. These assets have not been revalued as amortised historic cost is deemed to be a reasonable proxy for fair value.

The useful economic life of the asset is determined by the duration the asset will be used by the Trust.

**Note 14.2 Intangible assets - 2016/17**

| | Information & technology £000 | Total £000 |
|---|---|---|
| **Valuation / gross cost at 1 April 2016 - as previously stated** | **26,610** | **26,610** |
| Additions | 4,614 | **4,614** |
| Impairments | (3,337) | **(3,337)** |
| Reclassifications | 6,294 | **6,294** |
| **Valuation / gross cost at 31 March 2017** | **34,181** | **34,181** |
| | | |
| **Amortisation at 1 April 2016 - as previously stated** | **11,855** | **11,855** |
| Provided during the year | **3,777** | **3,777** |
| Impairments | (1,594) | **(1,594)** |
| **Amortisation at 31 March 2017** | **14,038** | **14,038** |
| | | |
| **Net book value at 31 March 2017** | **20,143** | **20,143** |
| **Net book value at 1 April 2016** | **14,755** | **14,755** |

**Note 15.1 Property, plant and equipment - 2017/18**

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valuation/gross cost at 1 April 2017 - brought forward** | **19,235** | **398,514** | **1,955** | **908** | **132,840** | **742** | **23,786** | **9,512** | **587,492** |
| Additions | - | 7,311 | - | 2,399 | 5,478 | - | 1,016 | 283 | **16,487** |
| Impairments | - | - | - | - | (216) | - | - | - | **(216)** |
| Reversals of impairments to operating expenses | - | 7,462 | - | - | - | - | - | - | **7,462** |
| Revaluations | - | 35,965 | 75 | - | - | - | - | - | **36,040** |
| Disposals / derecognition | - | - | - | - | (10,970) | (41) | (192) | (989) | **(12,192)** |
| **Valuation/gross cost at 31 March 2018** | **19,235** | **449,252** | **2,030** | **3,307** | **127,132** | **701** | **24,610** | **8,806** | **635,073** |
| **Accumulated depreciation at 1 April 2017 - brought forward** | - | - | - | - | **78,228** | **742** | **17,510** | **5,994** | **102,474** |
| Provided during the year | - | **10,645** | **33** | - | **9,887** | - | **2,032** | **650** | **23,247** |
| Impairments | - | - | - | - | (168) | - | - | - | **(168)** |
| Reversals of impairments | - | (1,169) | - | - | - | - | - | - | **(1,169)** |
| Revaluations | - | (9,476) | (33) | - | - | - | - | - | **(9,509)** |
| Disposals / derecognition | - | - | - | - | (10,906) | (41) | (192) | (989) | **(12,128)** |
| **Accumulated depreciation at 31 March 2018** | - | - | - | - | **77,041** | **701** | **19,350** | **5,655** | **102,747** |
| **Net book value at 31 March 2018** | **19,235** | **449,252** | **2,030** | **3,307** | **50,091** | - | **5,260** | **3,151** | **532,326** |
| **Net book value at 1 April 2017** | **19,235** | **398,514** | **1,955** | **908** | **54,612** | - | **6,276** | **3,518** | **485,018** |

Included withing the land value is £5,675,000 (£5,675,000 2016/17) relating the land at the Royal Infirmary site with has been identified as a surplus asset. There are restrictions on this site which would prevent access to the market at the reporting date and as a result the land has been valued at market value through applying an adaptation of IAS16, rather than being valued at fair value under IFRS13.

**Note 15.2 Property, plant and equipment - 2016/17**

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valuation / gross cost at 1 April 2016 - as previously stated** | **38,710** | **437,442** | **2,150** | **12,312** | **122,422** | **752** | **23,084** | **9,108** | **645,980** |
| Additions | - | 29,054 | - | 1,609 | 13,384 | - | 1,859 | 404 | **46,310** |
| Impairments | (19,475) | (105,365) | (195) | - | (583) | - | (60) | - | **(125,678)** |
| Revaluations | - | 28,312 | - | 25 | - | - | - | - | **28,337** |
| Reclassifications | - | 9,071 | - | (12,976) | (1,307) | - | (1,082) | - | **(6,294)** |
| Disposals / derecognition | - | - | - | (62) | (1,076) | (10) | (15) | - | **(1,163)** |
| **Valuation/gross cost at 31 March 2017** | **19,235** | **398,514** | **1,955** | **908** | **132,840** | **742** | **23,786** | **9,512** | **587,492** |
| **Accumulated depreciation at 1 April 2016 - as previously stated** | **-** | **14** | **-** | **-** | **70,176** | **751** | **15,339** | **5,374** | **91,654** |
| Provided during the year | - | **10,672** | **33** | - | **9,911** | **1** | **2,237** | **620** | **23,474** |
| Impairments | - | (5,878) | (33) | - | (334) | - | (35) | - | **(6,280)** |
| Revaluations | - | (5,298) | - | - | - | - | - | - | **(5,298)** |
| Reclassifications | - | 490 | - | - | (474) | - | (16) | - | - |
| Disposals/ derecognition | - | - | - | - | (1,051) | (10) | (15) | - | **(1,076)** |
| **Accumulated depreciation at 31 March 2017** | **-** | **-** | **-** | **-** | **78,228** | **742** | **17,510** | **5,994** | **102,474** |
| **Net book value at 31 March 2017** | **19,235** | **398,514** | **1,955** | **908** | **54,612** | **-** | **6,276** | **3,518** | **485,018** |
| **Net book value at 1 April 2016** | **38,710** | **437,428** | **2,150** | **12,312** | **52,246** | **1** | **7,745** | **3,734** | **554,326** |

**Note 15.3 Property, plant and equipment financing - 2017/18**

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net book value at 31 March 2018** | | | | | | | | | |
| Owned - purchased | 19,235 | 224,103 | - | 1,277 | 36,414 | - | 5,224 | 3,138 | **289,391** |
| Finance leased | - | - | 2,030 | - | 1,129 | - | - | - | **3,159** |
| On-SoFP PFI contracts | - | 221,965 | - | 1,892 | 8,507 | - | 5 | - | **232,369** |
| Owned - government granted | - | - | - | 4 | 223 | - | 6 | 13 | **246** |
| Owned - donated | - | 3,184 | - | 134 | 3,818 | - | 25 | - | **7,161** |
| **NBV total at 31 March 2018** | **19,235** | **449,252** | **2,030** | **3,307** | **50,091** | **-** | **5,260** | **3,151** | **532,326** |

**Note 15.4 Property, plant and equipment financing - 2016/17**

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Net book value at 31 March 2017** | | | | | | | | | |
| Owned - purchased | 19,235 | 200,484 | - | 908 | 37,591 | - | 6,219 | 3,504 | **267,941** |
| Finance leased | - | - | 1,955 | - | 1,333 | - | - | - | **3,288** |
| On-SoFP PFI contracts | - | 195,189 | - | - | 11,250 | - | 7 | - | **206,446** |
| Owned - government granted | - | 408 | - | - | 239 | - | 27 | - | **674** |
| Owned - donated | - | 2,433 | - | - | 4,199 | - | 23 | 14 | **6,669** |
| **NBV total at 31 March 2017** | **19,235** | **398,514** | **1,955** | **908** | **54,612** | **-** | **6,276** | **3,518** | **485,018** |

The UHNM Charity donated £391,000 (£421,000 in 2016/17) of assets to the Trust in 2017-18 in respect of assets acquired in the financial year. The Trust has also acquired £203,000 (£32,000 in 2016/17) in respect of Government Granted assets.

**Note 16 Revaluations of property, plant and equipment**

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuation information in 2017/18 was carried out by a qualified independent from the District Valuation Service.

As set out in the accounting policies the Department of Health has adopted the Modern Equivalent Asset (MEA) approach for its DRC valuations rather than the previous identical replacement method. The MEA approach used to value the property will normally be based on the cost of a modern equivalent asset that has the same service potential as the existing asset and then adjusted to take account of obsolescence. In the past, functional obsolescence has not been reflected in asset valuations for the NHS.

Functional obsolescence examines a building's design or specification and whether it may no longer fulfil the function for which it was originally designed or whether it may be much more basic than the MEA. The asset will still be capable of use but at a lower level of efficiency than the MEA, or may be capable of modification to bring it up to a current specification. Other common causes of functional obsolescence include advances in technology or legislative change. The obsolescence adjustment will reflect either the cost of upgrading, or if this is not possible, the financial consequences of the reduced efficiency compared with the modern equivalent.

The MEA approach incorporates the Building Cost Information Service Index to determine an increase or decrease in building costs which impact on the asset valuation. The Trust's land and building valuation was carried out by the Trust's current valuer DVS, on a MEA "Optimised Alternative Site" method valuation.

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance.

All land and buildings are restated to current value using independent professional valuations in accordance with IAS16 at least every five years, with interim revaluations carried out annually also by independent professional valuers. The full asset valuation includes a full site inspection by the professional valuer whilst interim valuations only include a site inspection where deemed necessary due to significant changes in the year. The last full asset valuations were undertaken at the prospective valuation date at 1st April 2016 which included a site visit in early 2016. An interim valuation was carried out at 31 March 2018 which included a review of capital expenditure, market conditions and asset lives.

The value of land, buildings and dwelling assets provided by the valuer at 31 March 2018 was £470,517,320 and is reflected in note 15.1. This reflects an increase of £50.8m from the previous desk top valuation at 31 March 2017 and reflects and increase in buildings costs during the year and increases in the location factor applied relating to the Staffordshire area.

The useful economic life of an asset is determined individually for each asset, but generally falls within the following range:

| | Min Life Years | Max Life Years |
|---|---|---|
| Buildings | 15 | 80 |
| Dwellings | 20 | 80 |
| Plant & Machinery | 5 | 15 |
| Transport Equipment | 4 | 7 |
| Information Technology | 3 | 10 |
| Furniture & Fittings | 5 | 15 |

The asset lifes relating to buildings and dwellings are provide as part of the independent valution of the Trusts assets by the external valuer.

The Trust leases two buildings which are used for medical education to Keele University. The following values within the property, plant and equipment and expense disclosures relate to these buildings:

| | 2017-18 £000 | 2016-17 £000 |
|---|---|---|
| Gross carrying amount | 14,002 | 14,128 |
| Additions | 0 | 9 |
| Depreciation in period | (415) | (391) |
| Revaluation/(impairment) | 2,208 | 256 |
| Net Book Value | **15,795** | **14,002** |

**Note 17 Inventories**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| Drugs | 4,514 | 4,231 |
| Work In progress | - | - |
| Consumables | 8,047 | 8,973 |
| Energy | 121 | 94 |
| Other | - | - |
| **Total inventories** | **12,682** | **13,298** |

Inventories recognised in expenses for the year were £157,111k (2016/17: £151,963k). Write-down of inventories recognised as expenses for the year were £541k (2016/17: £47k).

**Note 18.1 Trade receivables and other receivables**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 36,143 | 22,655 |
| Accrued income | 26,169 | 10,795 |
| Provision for impaired receivables | (3,003) | (2,706) |
| Prepayments (non-PFI) | 2,992 | 3,839 |
| PDC dividend receivable | 452 | 1,443 |
| VAT receivable | 3,187 | 1,791 |
| **Total current trade and other receivables** | **65,940** | **37,817** |
| | | |
| **Non-current** | | |
| Accrued income | - | 3,032 |
| **Total non-current trade and other receivables** | **-** | **3,032** |
| | | |
| **Of which receivables from NHS and DHSC group bodies:** | | |
| Current | 48,225 | 25,873 |
| Non-current | - | - |

**Note 18.2 Provision for impairment of receivables**

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| **At 1 April as previously stated** | **2,706** | **4,355** |
| Increase in provision | 647 | 2,123 |
| Amounts utilised | (93) | (30) |
| Unused amounts reversed | (257) | (3,742) |
| **At 31 March** | **3,003** | **2,706** |

The Trust reviews and provides where necessary for income invoices more than 180 days past the due date, for RTA accruals at the prescribed rate of 22.84% (21.99% in 2016/17) and individually for any other debts which Trust management has reason to believe the Trust may not receive. The Trust's management considers that this is a reasonable estimate of the value of asset.

The increase or decrease in impairment of receivables is reviewed on a monthly basis and increased or decreased dependent upon the value of receivables deemed to be potentially at risk of being collected in full by the Trust. The Trust may go on to recover balances provided for at a future date and this is reflected within the amount recovered during the year.

**Note 18.3 Credit quality of financial assets**

| | 31 March 2018 | | 31 March 2017 | |
|---|---|---|---|---|
| | Trade and other receivables | Investments & Other financial assets | Trade and other receivables | Investments & Other financial assets |
| **Ageing of impaired financial assets** | £000 | £000 | £000 | £000 |
| 0 - 30 days | 64 | - | 73 | - |
| 30-60 Days | 61 | - | 62 | - |
| 60-90 days | 98 | - | 99 | - |
| 90- 180 days | 77 | - | 48 | - |
| Over 180 days | 2,703 | - | 2,424 | - |
| **Total** | **3,003** | **-** | **2,706** | **-** |
| **Ageing of non-impaired financial assets past their due date** | | | | |
| 0 - 30 days | - | - | - | - |
| 30-60 Days | 1,480 | - | - | - |
| 60-90 days | 4,801 | - | 4,596 | - |
| 90- 180 days | 4,477 | - | 4,368 | - |
| Over 180 days | 3,099 | - | 343 | - |
| **Total** | **13,857** | **-** | **9,307** | **-** |

The great majority of trade is with CCGs. As CCGs are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

**Note 19 Other assets**

| | 31 March 2018 | 31 March 2017 |
|---|---|---|
| **Current** | **£000** | **£000** |
| EU emissions trading scheme allowance | - | 247 |
| **Total other current assets** | **-** | **247** |

**Note 20.1 Cash and cash equivalents movements**

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

| | 2017/18 | 2016/17 |
|---|---|---|
| | £000 | £000 |
| **At 1 April** | **13,566** | **10,043** |
| Net change in year | (920) | 3,523 |
| **At 31 March** | **12,646** | **13,566** |
| **Broken down into:** | | |
| Cash at commercial banks and in hand | 6 | 6 |
| Cash with the Government Banking Service | 12,640 | 13,560 |
| **Total cash and cash equivalents as in SoFP** | **12,646** | **13,566** |
| **Total cash and cash equivalents as in SoCF** | **12,646** | **13,566** |

**Note 20.2 Third party assets held by the trust**

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

| | 31 March 2018 | 31 March 2017 |
|---|---|---|
| | £000 | £000 |
| Bank balances | 5 | 12 |
| **Total third party assets** | **5** | **12** |

**Note 21 Trade and other payables**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Trade payables | 21,284 | 18,831 |
| Capital payables | 3,446 | 13,642 |
| Accruals | 32,757 | 25,844 |
| VAT payables | - | 121 |
| Other taxes payable | 222 | 9,220 |
| Accrued interest on loans | 1,364 | 20 |
| Other payables | 6,750 | 5,292 |
| **Total current trade and other payables** | **65,823** | **72,970** |

Included within other payables is £5,826,000 (£5,668,000 in 2016/17) in relation to outstanding pension contributions at the year end.

| | | |
|---|---|---|
| **Of which payables from NHS and DHSC group bodies:** | | |
| Current | 17,797 | 4,017 |
| Non-current | - | - |

**Note 22 Other liabilities**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Deferred income | 5,988 | 5,267 |
| **Total other current liabilities** | **5,988** | **5,267** |
| | | |
| **Non-current** | | |
| Deferred income | 8 | 217 |
| **Total other non-current liabilities** | **8** | **217** |

**Note 23 Borrowings**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Current** | | |
| Loans from the Department of Health and Social Care | 12,450 | 12,450 |
| Other loans (SALIX) | 258 | 258 |
| Obligations under finance leases | 456 | 470 |
| Obligations under PFI contracts | 5,656 | 8,772 |
| **Total current borrowings** | **18,820** | **21,950** |
| | | |
| **Non-current** | | |
| Loans from the Department of Health and Social Care | 131,122 | 29,362 |
| Other loans (SALIX) | 345 | 638 |
| Obligations under finance leases | 2,188 | 2,004 |
| Obligations under PFI contracts | 295,007 | 301,028 |
| **Total non-current borrowings** | **428,662** | **333,032** |

## Note 24 Finance leases

### Note 24.1 University Hospitals of North Midlands NHS Trust as a lessor

The Trust has no finance leases where it acts as lessor.

### Note 24.2 University Hospitals of North Midlands NHS Trust as a lessee

Obligations under finance leases where University Hospitals of North Midlands NHS Trust is the lessee.

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Gross lease liabilities** | **3,254** | **3,849** |
| of which liabilities are due: | | |
| - not later than one year; | 601 | 595 |
| - later than one year and not later than five years; | 2,151 | 2,417 |
| - later than five years. | 502 | 837 |
| Finance charges allocated to future periods | (610) | (1,375) |
| **Net lease liabilities** | **2,644** | **2,474** |
| of which payable: | | |
| - not later than one year; | 456 | 470 |
| - later than one year and not later than five years; | 1,710 | 1,216 |
| - later than five years. | 478 | 788 |

The Trust has a finance lease for one building. The final repayment will be made in 2025.
The lease liability in the Trust's Statement of Financial Position is £1,153,000 split between £117,000 due in less than one year and £1,036,000 due in more than one year. This liability represents the sum of the rental payments due in respect of the property (£1,318,000) less the element deemed to be interest (£165,000) which is recognised as an expense in the year that the payment is made.

The Trust has finance leases for pathology equipment and printers. The final repayments will be made in 2022.
The lease liability in the Trust's Statement of Financial Position is £1,491,000 split between £339,000 due in less than one year and £1,152,000 due in more than one year. This liability represents the sum of the rental payments due in respect of the equipment (£1,936,000) less the element deemed to be interest (£445,000) which is recognised as an expense in the year that the payment is made.

**Note 25.1 Provisions for liabilities and charges analysis**

| | Pensions - early departure costs | Legal claims | Equal Pay (including Agenda for Change) | Redundancy | Other | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **At 1 April 2017** | **1,124** | **204** | **1,198** | **1,655** | **2,515** | **6,696** |
| Transfers by absorption | - | - | - | - | - | - |
| Change in the discount rate | - | - | - | - | - | - |
| Arising during the year | 40 | 304 | - | 445 | 180 | **969** |
| Utilised during the year | (75) | (40) | - | (176) | - | **(291)** |
| Reclassified to liabilities held in disposal groups | - | - | - | - | - | - |
| Reversed unused | - | (74) | (363) | (567) | (1,789) | **(2,793)** |
| Unwinding of discount | - | - | - | - | - | - |
| **At 31 March 2018** | **1,089** | **394** | **835** | **1,357** | **906** | **4,581** |
| **Expected timing of cash flows:** | | | | | | |
| - not later than one year; | 109 | 394 | 835 | 1,357 | 906 | **3,601** |
| - later than one year and not later than five years; | 355 | - | - | - | - | **355** |
| - later than five years. | 625 | - | - | - | - | **625** |
| **Total** | **1,089** | **394** | **835** | **1,357** | **906** | **4,581** |

The Trust has provided £1,089,000 (2016-17: £1,124,000) in respect of post employment pension obligations for twenty three former employees. The value of the liability is an estimate which has been recalculated during the year based on actuarial assumptions regarding life expectancy.

The Trust has provided £394,000 (2016-17: £204,000) in respect of legal cases. Of this £185,000 relates to current employment legal cases and £209,000 relates to the insurance excess on public and employer liability cases being administered by the NHS Litigation Authority. In all cases the timing and the value of the payments are uncertain and the Trust has provided based on the advice provided by legal advisors and the NHS Litigation Authority.

The Trust has provided £1,741,000 (2016-17: £3,713,000) in respect of additional costs in relation to income, pay and operating costs where the Trust has deemed there to be a risk and a qualifying providing event which is likely to result in the Trust incurring future cash outflows as a result of past events. These are classified under Equal pay and Other.

The Trust has provided £1,357,000 (2016-17: £1,655,000) in respect of redundancy costs.

**Note 25.2 Clinical negligence liabilities**

At 31 March 2018, £206,167k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of University Hospitals of North Midlands NHS Trust (31 March 2017: £190,748k).

**Note 26 Contingent assets and liabilities**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Value of contingent liabilities** | | |
| Other | (131) | (102) |
| **Gross value of contingent liabilities** | **(131)** | **(102)** |
| **Net value of contingent liabilities** | **(131)** | **(102)** |

The amount above relates to to the member contingent liability relating to the excess due on clinical negligence cases covered by the NHS Litigation Authority.

**Note 27 Contractual capital commitments**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| Property, plant and equipment | 480 | 1,738 |
| Intangible assets | 1,831 | 198 |
| **Total** | **2,311** | **1,936** |

**Note 28 On-SoFP PFI**

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

The Trust has commitments to two PFI schemes:

- The main scheme covering the redevelopment of the City General site, facilities management services, PACS equipment, a managed equipment service and network and communications equipment

- A second scheme covering radiotherapy equipment

The Trust retains its existing estate at the City General site in addition to new buildings covered by the PFI scheme.

The main PFI contract ends in August 2044. A monthly unitary payment will be paid up to that point. Historically, bullet payments have been made to reduce the monthly unitary payment. The unitary payment is subject to annual increases in line with RPI. Services are subject to market testing every 7 years. The arrangement requires the operator to deliver services to the Trust in accordance with the service delivery specification. Non delivery of quality or performance can lead to a reduction in the service charge being paid by the Trust. The Trust retains step in rights should the contractor fail to meet minimum standards as set out within the contract. Under IFRIC 12 the asset is treated as an asset of the trust. The substance of the contract is that the trust has a financial lease and payments comprise 2 elements – imputed finance lease charges and service charges. Details of the imputed finance lease charges are included within the table below.

The radiotherapy contract commenced in May 2010 and runs for 10 years. A bullet payment was made at the beginning of the scheme. Monthly service payments are made to cover the cost of the equipment, maintenance and lifecycle costs.

**Note 28.1 Imputed finance lease obligations**

University Hospitals of North Midlands NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI schemes:

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| **Gross PFI liabilities** | **419,120** | **436,279** |
| **Of which liabilities are due** | | |
| - not later than one year; | 13,474 | 16,826 |
| - later than one year and not later than five years; | 67,813 | 64,417 |
| - later than five years. | 337,833 | 355,036 |
| Finance charges allocated to future periods | (118,457) | (126,479) |
| **Net PFI obligation** | **300,663** | **309,800** |
| - not later than one year; | 5,656 | 8,772 |
| - later than one year and not later than five years; | 38,837 | 34,492 |
| - later than five years. | 256,170 | 266,536 |

**Note 28.2 Total on-SoFP PFI commitments**

Total future obligations under these on-SoFP schemes are as follows:

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| Total future payments committed in respect of the PFI arrangements | 2,085,866 | 2,095,583 |
| **Of which liabilities are due:** | | |
| - not later than one year; | 58,207 | 56,770 |
| - later than one year and not later than five years; | 242,497 | 238,165 |
| - later than five years. | 1,785,162 | 1,800,648 |

Of the total future committments £142,804,000 (2016/17 £145,979,000) are in relation to the lifecycle and equipment elements of PFI schemes.

The future obligations discloses the total payments the Trust is committed to paying in respect of the on SOFP PFI, the future payments are inflated at the inflation rate included within the operators model. The actual payments may change based on actual inflation.

**Note 28.3 Analysis of amounts payable to service concession operator**

This note provides an analysis of the trust's payments in 2017/18:

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| Unitary payment payable to service concession operator | 58,331 | 58,279 |
| **Consisting of:** | | |
| - Interest charge | 8,068 | 8,834 |
| - Repayment of finance lease liability | 9,254 | 9,392 |
| - Service element and other charges to operating expenditure | 31,237 | 31,813 |
| - Capital lifecycle maintenance | 2,923 | 2,322 |
| - Contingent rent | 6,849 | 5,918 |
| **Total amount paid to service concession operator** | **58,331** | **58,279** |

## Note 29 Financial instruments

### Note 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 NHS Trust has with CCG's and the way those CCG's are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

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

**Interest rate risk**
The Trust may borrow from government for revenue financing subject to approval by NHS Improvement at rates set by the Department of Health (the lender).

**Credit risk**
Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2018 are in receivables from customers, as disclosed in the trade and other receivables note

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

**Note 29.2 Carrying values of financial assets**

| | Loans and receivables | Assets at fair value through the I&E | Held to maturity at | Available-for-sale | Total book value |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Assets as per SoFP as at 31 March 2018** | | | | | |
| Trade and other receivables excluding non financial assets | 44,649 | - | - | - | **44,649** |
| Cash and cash equivalents at bank and in hand | 12,646 | - | - | - | **12,646** |
| **Total at 31 March 2018** | **57,295** | **-** | **-** | **-** | **57,295** |

| | Loans and receivables | Assets at fair value through the I&E | Held to maturity | Available-for-sale | Total book value |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Assets as per SoFP as at 31 March 2017** | | | | | |
| Trade and other receivables excluding non financial assets | 28,655 | - | - | - | **28,655** |
| Cash and cash equivalents at bank and in hand | 13,566 | - | - | - | **13,566** |
| **Total at 31 March 2017** | **42,221** | **-** | **-** | **-** | **42,221** |

**Note 29.3 Carrying value of financial liabilities**

| | Other financial liabilities | Liabilities at fair value through the I&E | Total book value |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Liabilities as per SoFP as at 31 March 2018** | | | |
| Borrowings excluding finance lease and PFI liabilities | 144,175 | - | **144,175** |
| Obligations under finance leases | 2,644 | - | **2,644** |
| Obligations under PFI, LIFT and other service concession contracts | 300,663 | - | **300,663** |
| Trade and other payables excluding non financial liabilities | 65,601 | - | **65,601** |
| **Total at 31 March 2018** | **513,083** | **-** | **513,083** |

| | Other financial liabilities £000 | Liabilities at fair value through the I&E £000 | Total book value £000 |
|---|---|---|---|
| **Liabilities as per SoFP as at 31 March 2017** | | | |
| Borrowings excluding finance lease and PFI liabilities | 42,708 | - | **42,708** |
| Obligations under finance leases | 2,474 | - | **2,474** |
| Obligations under PFI, LIFT and other service concession contracts | 309,800 | - | **309,800** |
| Trade and other payables excluding non financial liabilities | 63,447 | - | **63,447** |
| **Total at 31 March 2017** | **418,429** | **-** | **418,429** |

**Note 29.4 Fair values of financial assets and liabilities**

IFRS 7 requires the Trust to disclose the fair value of financial liabilities. The PFI scheme is a non-current Financial Liability where the fair value is likely to differ from the carrying value. The trust have reviewed the current interest rates available on the market and if these were used as the implicit interest rate for the scheme the fair value of the liability would be £299,389,000 (£308,555,000 in 2016/17).

**Note 29.5 Maturity of financial liabilities**

| | 31 March 2018 £000 | 31 March 2017 £000 |
|---|---|---|
| In one year or less | 84,421 | 85,690 |
| In more than one year but not more than two years | 10,469 | 8,927 |
| In more than two years but not more than five years | 161,545 | 56,488 |
| In more than five years | 256,648 | 267,324 |
| **Total** | **513,083** | **418,429** |

**Note 30 Losses and special payments**

| | 2017/18 | | 2016/17 | |
|---|---|---|---|---|
| | Total number of cases | Total value of cases | Total number of cases | Total value of cases |
| | Number | £000 | Number | £000 |
| **Losses** | | | | |
| Cash losses | 115 | 63 | 13 | 14 |
| Bad debts and claims abandoned | 129 | 43 | 62 | 17 |
| Stores losses and damage to property | 2 | 318 | - | - |
| **Total losses** | **246** | **424** | **75** | **31** |
| **Special payments** | | | | |
| Compensation under court order or legally binding arbitration award | - | - | 9 | 9 |
| Ex-gratia payments | 46 | 24 | 49 | 14 |
| **Total special payments** | **46** | **24** | **58** | **23** |
| **Total losses and special payments** | **292** | **448** | **133** | **54** |
| Compensation payments received | | - | | - |

**Note 31 Related parties**

The Trust's Register of Interests shows that a number of individuals employed or contracted by the Trust in roles of significant influence are also employed or contracted in roles of significant influence by other organisations. The income received relates mainly to the purchase by the UHNM Charity of equipment that enhances the service provided by the Trust. For practical purposes these purchases are administered via the Trust's established ordering and payment procedures with the UHNM Charity reimbursing the cost to the Trust. The charitable and other contributions to revenue expenditure income disclosed in Note 4 relates to services provided by the Trust to the UHNM charity, i.e. the running of the Appeals Dept. Details of related party transactions with such parties are detailed below:

| | 2017-18 | | | |
|---|---|---|---|---|
| | Payments to Related Party | Receipts from Related Party | Payables | Receivables |
| | £'000 | £'000 | £'000 | £'000 |
| NHS Providers | 19 | - | - | - |
| Keele University | 3,433 | 1,683 | 338 | 415 |
| Stoke on Trent College | 48 | - | - | - |
| Bolton Foundation NHS Trust | 58 | - | - | - |

| | 2016-17 | | | |
|---|---|---|---|---|
| | Payments to Related Party | Receipts from Related Party | Payables | Receivables |
| | £'000 | £'000 | £'000 | £'000 |
| Alliance Medical | 347 | 884 | 1 | 147 |
| King's College | 1 | 0 | 0 | 0 |
| NHS Providers | 13 | 0 | 0 | 0 |
| Staffordshire University | 267 | 1 | 3 | 0 |
| Keele University | 4,347 | 2,129 | 756 | 374 |
| Nuffield Hospital | 299 | 75 | 13 | 19 |
| Mid Staffordshire Postgraduate Medical Centre (Education) | 85 | 58 | 1 | 0 |
| Capsticks Solicitors HR Advisory Practice | 1 | 0 | 0 | 0 |
| Stoke on Trent College | 426 | 0 | 48 | 0 |

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

| 2017-18 | 2016-17 |
|---|---|
| Betsi Cadwaladr Uhb | Betsi Cadwaladr Uhb |
| Cheshire, Warrington And Wirral Area Team Dental Services | Cheshire, Warrington And Wirral Area Team Dental Services |
| Cheshire, Warrington And Wirral Area Team Screening Services | Cheshire, Warrington And Wirral Area Team Screening Services |
| Department of Health | Department of Health |
| Health Commission Wales | Health Commission Wales |
| NHS Birmingham Cross City CCG | NHS Birmingham Cross City CCG |
| NHS Business Services Authority | NHS Business Services Authority |
| NHS Cannock Chase CCG | NHS Cannock Chase CCG |
| NHS Dudley CCG | NHS Dudley CCG |
| NHS East Staffordshire CCG | NHS East Staffordshire CCG |
| NHS Eastern Cheshire CCG | NHS Eastern Cheshire CCG |

| | |
|---|---|
| NHS England Specialised | NHS England Specialised |
| NHS Litigation Authority | NHS Litigation Authority |
| NHS North Derbyshire CCG | NHS North Derbyshire CCG |
| NHS North Staffordshire CCG | NHS North Staffordshire CCG |
| NHS Redditch And Bromsgrove CCG | NHS Redditch And Bromsgrove CCG |
| NHS Sandwell And West Birmingham CCG | NHS Sandwell And West Birmingham CCG |
| NHS Shropshire CCG | NHS Shropshire CCG |
| NHS Solihull CCG | NHS Solihull CCG |
| NHS South Cheshire CCG | NHS South Cheshire CCG |
| NHS South East Staffs And Seisdon Peninsular CCG | NHS South East Staffs & Seisdon Peninsular CCG |
| NHS South Worcestershire CCG | NHS South Worcestershire CCG |
| NHS Southern Derbyshire CCG | NHS Southern Derbyshire CCG |
| NHS Stafford And Surrounds CCG | NHS Stafford And Surrounds CCG |
| NHS Stoke On Trent CCG | NHS Stoke On Trent CCG |
| NHS Telford And Wrekin CCG | NHS Telford And Wrekin CCG |
| NHS Vale Royal CCG | NHS Vale Royal CCG |
| NHS Walsall CCG | NHS Walsall CCG |
| NHS West Cheshire CCG | NHS West Cheshire CCG |
| NHS Wolverhampton CCG | NHS Wolverhampton CCG |
| NHS Wyre Forest CCG | NHS Wyre Forest CCG |
| North Staffordshire Combined Healthcare NHS Trust | North Staffordshire Combined Healthcare NHS Trust |
| Shrewsbury and Telford Hospital NHS Trust | Shrewsbury and Telford Hospital NHS Trust |
| Shropshire And Staffordshire Area Team Dental Services | Shropshire And Staffordshire Area Team Dental Services |
| Shropshire And Staffordshire Area Team Screening Services | Shropshire And Staffordshire Area Team Screening Services |
| Staffordshire and Stoke on Trent Partnership NHS Trust | Staffordshire and Stoke on Trent Partnership NHS Trust |
| The Mid Cheshire NHS Foundation Trust | The Mid Cheshire NHS Foundation Trust |
| Virgin Care - East Staffs | Virgin Care - East Staffs |

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. The majority of these transactions have been with HM Revenue and Customs, National Insurance Fund and the NHS Pension scheme.

The Trust has also received revenue and capital payments from the UHNM Charity and all of the Trustees are also members of the Trust board. In 2017-18 the total amount received from the UHNM Charity was £1,936,970 (2016-17: £2,205,821). At the end of the year £1,165,922 (2016-17: £562,425) was outstanding and is included within trade and other receivables.

**Note 32 Events after the reporting date**

The Trust has not identified any major events that required disclosure.

**Note 33 Better Payment Practice code**

| | 2017/18 Number | 2017/18 £000 | 2016/17 Number | 2016/17 £000 |
|---|---|---|---|---|
| **Non-NHS Payables** | | | | |
| Total non-NHS trade invoices paid in the year | 128,930 | 383,834 | 154,781 | 385,988 |
| Total non-NHS trade invoices paid within target | 104,319 | 332,834 | 134,607 | 345,092 |
| Percentage of non-NHS trade invoices paid within target | 80.9% | 86.7% | 87.0% | 89.4% |
| **NHS Payables** | | | | |
| Total NHS trade invoices paid in the year | 2,766 | 30,457 | 3,674 | 41,369 |
| Total NHS trade invoices paid within target | 1,619 | 22,417 | 2,215 | 26,623 |
| Percentage of NHS trade invoices paid within target | 58.5% | 73.6% | 60.3% | 64.4% |

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

**Note 34 External financing**

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

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| External financing limit (EFL) | 103,245 | 45,894 |
| Cash flow financing (from SoCF) | 93,730 | 42,783 |
| Finance leases taken out in year | - | 1,915 |
| Other capital receipts | - | (7) |
| External financing requirement | **93,730** | **44,691** |
| Under / (over) spend against EFL | 9,515 | 1,203 |

**Note 35 Capital Resource Limit**

| | 2017/18 £000 | 2016/17 £000 |
|---|---|---|
| Gross capital expenditure | 18,934 | 50,923 |
| Less: Disposals | (64) | (86) |
| Less: Donated and granted capital additions | (594) | (452) |
| Plus: Loss on disposal of donated/granted assets | - | - |
| **Charge against Capital Resource Limit** | 18,276 | 50,385 |
| Capital Resource Limit | 20,132 | 51,861 |
| **Under / (over) spend against CRL** | 1,856 | 1,476 |

**Note 36 Breakeven duty financial performance**

| | 2017/18 £000 |
|---|---|
| Adjusted financial performance surplus / (deficit) (control total basis) | (71,325) |
| CQUIN Risk Reserve - 1617 CT non achievement adjustment | 1,608 |
| Breakeven duty financial performance surplus / (deficit) | (69,717) |

**Note 37 Breakeven duty rolling assessment**

| | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Breakeven duty in-year financial performance | | 5,312 | 4,141 | 1,050 | 235 | (19,301) | 3,782 | (26,936) | (27,773) | (69,717) |
| Breakeven duty cumulative position | (7,625) | (2,313) | 1,828 | 2,878 | 3,113 | (16,188) | (12,406) | (39,342) | (67,115) | (136,832) |
| Operating income | | 408,938 | 418,078 | 426,319 | 473,558 | 475,330 | 623,835 | 702,917 | 739,279 | 696,630 |
| Cumulative breakeven position as a percentage of operating income | | -0.57% | 0.44% | 0.68% | 0.66% | -3.41% | -1.99% | -5.60% | -9.08% | -19.64% |

The Trust has a statutory duty to break even on a cumulative basis. The Trust had previously developed a 5 year Financial Recovery Plan (FRP) in 2006 which was agreed with the Strategic Health Authority and the Department of Health to achieve cumulative break even by the end of 2010/11. During the 5 years to March 2011 the Trust generated a surplus and was able to repay the cumulative deficit. In 2011/12 and 2012/13 the Trust achieved surplus positions which gave a cumulative surplus as at March 2013 of £3,113,000. The Trust submitted a deficit plan of £31,673,000 for 2013/14 and achieved a deficit of £19,301,000 against this plan, following receipt of £17,000,000 non-recurrent funding. In 2014/15 the Trust approved a financial plan with a planned deficit of £16,944,000 and achieved an in year breakeven position of a surplus £3,782,000 giving a cumulative deficit position at March 2015 of £12,406,000.

In 2015/16 the Trust submitted a deficit plan of £16,823,000 and achieved a deficit of £26,936,000. Due to the cumulative deficit forecast the Trust's external auditors were required to refer the Trust in accordance with section 30 of the Local Audit and Accountability Act 2014 to the Secretary of State for Health informing him that the Trust was not expected to meet its statutory duty to break-even over a 3 year period. This referral was made on 12 May 2015.

In 2017/18 the Trust prepared a budget with a deficit position of £68,933,000, the control total was not agreed with NHS Improvement. In 2017/18 the Trust has reported a deficit of £69,717,000. As at 31 March 2018, the Trust has received cash support for its revenue position of £101,760,000 in 2017/18 and £41,812,000 over the preceding two years. The Trust's financial plan for 2018/19 forecasts the delivery of a deficit of £44,800,000 necessitating further revenue cash borrowing. As a result of the Trust delivering a significant negative variance against the planned control total in 2016/17 and planning a deficit for 2017/18 the Trust was placed in Financial Special Measures which required the Trust to develop a robust high-level recovery plan which is service quality assured. The recovery was agreed by the Trust Board and NHS Improvement. Financial Special Measures for the Trust became effective on 24 March 2017 and remains in place until NHS Improvement determines that the trust has met agreed criteria to exit Financial Special Measures.

Due to the significant deterioration in the Trust's financial performance and forecast position, the Trust's auditors issued a further section 30 referral to the Secretary of State for Health on 22 May 2017 reporting that the Trust's expenditure is likely to continue to exceed income for the foreseeable future.

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

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum. These include ensuring that:

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

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

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

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

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

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

Signed.....  .....Paula Clark - Chief Executive

Date..25..5..18..

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

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

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

.....Date.25.5.18.....Paula Clark - Chief Executive

.....Date.25.5.18.....Helen Ashley Chief Officer for Finance & Performance

# Independent auditor's report to the Directors of University Hospitals of North Midlands NHS Trust

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of University Hospitals of North Midlands NHS Trust (the 'Trust') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Accounts, including Accounting policies and other information. The financial reporting framework that has been applied in their preparation is applicable law and the Department of Health and Social Care Group Accounting Manual 2017-18 and the requirements of the National Health Service Act 2006.

In our opinion the financial statements:

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

### Basis for opinion

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

### Who we are reporting to

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

### Material uncertainty related to going concern

We draw attention to note 1.1.2 in the financial statements, which indicates that the Trust's financial performance in 2017/18 was a deficit of £69.717 million during the year ended 31 March 2018 against a budgeted deficit of £68.933 million. This is made up of the adjusted financial performance deficit of £71.325 million less the CQUIN Risk Reserve of £1.608 million. The Trust also received cash support for its revenue position of £143.6 million. As stated in note 1.1.2, the Trust's financial plan for 2018/19 forecasts the delivery of a further deficit of £44.8 million necessitating further revenue cash borrowing using the Department of Health and Social Care's Uncommitted Single Currency Interim Revenue Support Facility Agreement. The Directors are seeking additional support from NHS Improvement in 2018/19 of £44.8 million. NHS Improvement has not, at this point, confirmed this support for the full amount, These events or conditions, along with the other matters explained in note 1.1.2, indicate that a material uncertainty exists that may cast significant doubt about the Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 1 to 58, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion:

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

## Matters on which we are required to report by exception

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

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

We have nothing to report in respect of the above matters except on 22 May 2017 we referred a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 in relation to the Trust's breach of its three year break-even duty for the three year period ending 31 March 2016 and its ongoing breach for subsequent years including the year ended 31 March 2018.

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

As explained more fully in the Statement of Director's Responsibilities set out on page 64, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is Those Charged with Governance.

### Auditor's responsibilities for the audit of the financial statements

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

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

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

### Adverse conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, because of the significance of the matters described in the basis for adverse conclusion section of our report we are not satisfied that, in all significant respects, University Hospitals of North Midlands NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Basis for adverse conclusion

Our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:

- The Trust delivered a deficit of £69.717 million in 2017/18, made up of the adjusted financial performance deficit of £71.325 million less the CQUIN Risk Reserve of £1.608 million, against a budgeted deficit of £68.933 million.
- The Trust's cumulative financial deficit has increased from £67.115 million at 31 March 2017 to £136.832 million at 31 March 2018.
- The Trust has set a deficit budget of £44.800 million for 2018/19 and, at the date of our report, has not agreed a control total for 2018/19 with NHS Improvement.
- The Trust is seeking revenue support from the Department of Health and Social Care in 2018/19 to fund its ongoing deficits.

These matters identify weaknesses in the Trust's arrangements for setting a sustainable budget with sufficient capacity to absorb emerging cost pressures due to the current configuration of services.

These issues are evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

### Responsibilities of the Accountable Officer

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

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

We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of University Hospitals of North Midlands NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*J D Roberts*

Jon Roberts
Partner
for and on behalf of Grant Thornton UK LLP

2 Glass Wharf
Bristol
BS2 0EL

25 May 2018

**2017-18 Annual Accounts of University Hospitals of North Midlands NHS Trust**

Year ended 31 March 2018

## TRUST ACCOUNTS CONSOLIDATION (TAC) SUMMARISATION SCHEDULES FOR THE UNIVERSITY HOSPITALS OF NORTH MIDLANDS NHS TRUST

Summarisation schedules numbers TAC01 to TAC34 and accompanying WGA sheets for 2017/18 have been completed and this certificate accompanies them.

### Finance Director Certificate

1. I certify that the attached TAC schedules have been compiled and are in accordance with:
   • the financial records maintained by the NHS trust
   • accounting standards and policies which comply with the Department of Health and Social Care's Group Accounting Manual and
   • the template accounting policies for NHS trusts issued by NHS Improvement, or any deviation from these policies has been fully explained in the Confirmation questions in the TAC schedules.

2. I certify that the TAC schedules are internally consistent and that there are no validation errors.

3. I certify that the information in the TAC schedules is consistent with the financial statements of the NHS Trust.

..... Date 25.5.18 ..Helen Ashley Chief Officer for Finance & Performance

### Chief Executive Certificate

1. I acknowledge the attached TAC schedules, which have been prepared and certified by the Finance Director, as the TAC schedules which the Trust is required to submit to NHS Improvement.

2. I have reviewed the schedules and agree the statements made by the Director of Finance above.

..... Date 25.5.18 ..Paula Clark - Chief Executive

# INDEPENDENT AUDITOR'S STATEMENT TO THE DIRECTORS OF UNIVERSITY HOSPITALS OF NORTH MIDLANDS NHS TRUST ON THE NHS TRUST CONSOLIDATION SCHEDULES

We have examined the consolidation schedules designated TAC02 to TAC29 for tables outlined in red, excluding TAC05A and TAC23 of University Hospitals of North Midlands NHS Trust for the year ended 31 March 2018, which have been prepared by the Director of Finance and acknowledged by the Chief Executive.

This statement is made solely to the Board of Directors of University Hospitals of North Midlands NHS Trust in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and paragraph 4.2 of the Code of Audit Practice. Our work has been undertaken so that we might state to the Accountable Officer those matters we are required to state to them in a consistency statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Accountable Officer as a body, for our audit work, for this statement, or for the opinions we have formed.

For the purpose of this statement, reviewing the consistency of figures between the audited financial statements and the consoldiation schedules extends only to those figures within the consolidation schedules which are also included in the audited financial statements. Auditors are required to report on any differences over £300,000 between the audited financial statements and the consolidation schedules.

***Unqualified audit opinion on the audited financial statements; no differences identified:***

The figures reported in the consolidation schedules are consistent with the audited financial statements, on which we have issued an unqualified opinion.

Jon Roberts
Partner
For and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

25 May 2018