



**South Tees Hospitals**  
NHS Foundation Trust

# Annual Report and Accounts 2016-2017



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paragraph 25(4)(a) of the National Health Service  
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# Performance Report

## Performance Overview

The purpose of the Performance Overview is to provide a short summary about South Tees Hospitals NHS Foundation Trust, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

## Statement from the Chief Executive

Welcome to the Annual Report for 2016/2017. This year's Annual Report and Accounts detail our financial and operational performance in the context of increasing pressure on the NHS, both in terms of a reduction in resources and an increasing expectation regarding performance.

It also reflects the third and final year of our recovery plan in which we delivered a cost reduction of £26.5million and made significant changes to our organisation structure which has seen an increased focus on improving our operational management processes in order to deliver improvements in our operational effectiveness, productivity and efficiency.

Undoubtedly it has been another tough year for us and I would like to take this opportunity to thank all staff across all sites for the significant contribution everyone has made and continues to make in delivering high quality and safe care to the patients we serve.

This year was always going to be a crucial one in the turnaround of South Tees Hospitals NHS Foundation Trust and in terms of patient outcome and experience, our overarching success was clearly the upgrading of our Care Quality Commission rating from 'Requires Improvement' to 'Good' with several areas of outstanding practice identified.

Over the last 12 months, we have made significant improvements in our operational performance which were supported and managed alongside an extremely challenging financial climate. We delivered £26.5million of efficiencies against the target £35million set in the recovery plan, of which £25.4million was recurring.

At the year-end, the Trust reported a £10.8million deficit against the £8.5million Control Total Surplus (difference to £19.8million deficit reported in accounts equates to £10million impact from impairments, £2million income from charitable donations and in-year depreciation on donated assets of £1.1 million and is planning to deliver a surplus control total of £7.4million in 2017/2018). The actual reported deficit of the year was £20.1million. The Trust continues to provide monthly performance updates to NHS Improvement.

While the Trust did not achieve the control target of £8.5million, there has been progress towards positive financial balance and the extent of the work and activity completed over our recovery plan period is reflected in the savings we have achieved in the last three years which amounted to £87.9million and is broken down as follows:

- 2014/2015 - £26million.
- 2015/2016 - £35.4million
- 2016/2017 - £26.5million

However, we are not complacent and the ongoing national efficiency requirements, coupled with significant increases in demand for services, provide continued financial challenges. We have now identified a requirement for a further £30.2million of efficiencies that must be delivered in 2017/2018 to ensure the achievement of the control total target of £7.4million.

For our clinical performance, it was imperative we maintained focus on four priority areas:

- Clostridium difficile – we had 43 Trust-attributed cases in 2016/2017 against a threshold of 55 (a 30% improvement on the previous year's position of 61 cases).
- Four-hour accident and emergency waiting time target - our year-end performance was 95.33% against a target of 95%.
- Referral to Treatment (RTT) 18-week target – our year-end performance was 92.2% against a national target of 92%.
- 62-day cancer wait target for first definitive treatment for all cancers – for the first time in March 2017 we achieved 85.1% compliance but did not meet this target for the remainder of 2016/2017. We are seeing improvements in our cancer services but these improvements must demonstrate they can be sustained.

In terms of our operational focus, we continued to drive out inefficiencies by transforming the way we work in key areas, this year concentrating on patient flow, theatres, and outpatients, the results of which are covered in more detail in the performance section.

In this changing landscape, we are moving into an era where transformation is essential and it is no longer enough to solely focus on just our organisation and patients. We must think more widely as a whole system, with a far greater emphasis on partnership working, and the Trust continues to be an active partner in developing the Sustainability and Transformation Plan (STP) built around the needs of the population of Durham, Darlington, Tees, Hambleton & Richmondshire and Whitby – the first draft of which was published in November.

We also launched our '1000 voices' project to ensure that patient experience is at the heart of service development and quality improvement which involves getting real time feedback from patients in receipt of our care on the wards as well as whole-pathway feedback from patients who have been discharged.

Of course, key to the achievement of any of our ambitions is our workforce, and recruiting and retaining the very best staff is a priority. Nationally there continues to be a shortage of staff in certain specialties, and we are not immune to the effects of this. Nonetheless, our recruitment approach has meant that we have welcomed 1,270 new members of staff into the organisation, helping us to reduce our reliance on agency and temporary staff.

Despite this period of economic austerity, there were also numerous achievements in clinical practice and service development, many of which are covered in this Annual Report under the patient care section.

Of note was the approval of our multi-million pound business case – in partnership with Macmillan Cancer Support – to build The Sir Robert Ogden Cancer Centre on the Friarage Hospital site which, along with other service developments such as the new MRI scanner, demonstrates our long-term commitment to delivering clinically safe and sustainable services to the local population from our Northallerton site.

I have no doubt that the year ahead will continue to test us but the change in approach to partnership working, together with the commitment of our staff, makes me confident that we have strong foundations in place and will remain focused on delivering excellent services for our patients.

*Siobhan McArdle*

**Siobhan McArdle – Chief Executive**

## Mission, Visions and Values of the Trust

The Trust's mission is to provide seamless, high quality, safe healthcare for all.

Our vision is to be recognised nationally for excellence in quality, patient safety, patient experience, social engagement and continuous improvement.

Our values are:

- Putting patients at the centre of everything we do
- Supporting, respecting and valuing each other
- Continuously improving quality
- Using our resources to the benefit of the wider community
- Financially strong to underpin quality, safety and improvement.

### Strategies of the Trust

The Trust has in place a number of strategies that shape the direction of our organisation over the next few years. The key strategies for the organisation are:

- Develop and deliver the STP
- Develop and deliver specialty strategies
- Develop 5 key patient pathway strategies
- Develop enabling strategies that support and deliver our clinical objectives and patient outcomes

Underpinning those strategies, the Trust has four operational objectives

<b>Delivering excellence in patient outcomes and experience</b>  We will achieve this by: <ul style="list-style-type: none"><li>• Delivering safer care</li><li>• Improving clinical outcomes</li><li>• Improve patient experience</li><li>• Improving health of the population we serve</li></ul>	<b>Driving operational performance to delivery responsive, cost effective care</b>  We will achieve this by: <ul style="list-style-type: none"><li>• Delivering national standards</li><li>• Delivering operational excellence</li><li>• Optimising resource utilisation, reducing, reducing unwarranted variation and driving standardisation</li></ul>
<b>Delivering excellence in employee experience to be seen as an employer of choice</b>  We will achieve this by: <ul style="list-style-type: none"><li>• Identifying and attracting the right workforce</li><li>• Engaging and retaining people</li><li>• Rewarding and recognising high performance</li><li>• Developing and delivering our workforce of the future</li></ul>	<b>Deliver long term sustainability to invest in our future</b>  We will achieve this by: <ul style="list-style-type: none"><li>• Restructuring the finance and seeking agreement on support</li><li>• Delivering operational financial performance</li><li>• Maintaining statutory compliance</li></ul>



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

The principal purpose of South Tees Hospitals NHS Foundation Trust is the provision of goods and services for the purpose of the health service in England and the organisation is registered with the CQC to provide safe care that is responsive and effective.

The Trust runs The James Cook University Hospital in Middlesbrough and the Friarage Hospital in Northallerton, providing district general hospital services for the local population and also offers a comprehensive range of specialist regional services to 1.5million people in the Tees Valley, parts of Durham, North Yorkshire and Cumbria.

We have particular expertise in heart disease, neurosciences, children's and maternity services, renal medicine, cancer services and spinal injuries and are the major trauma centre for the southern part of the northern region.

In addition, we provide care in our local communities and in people's homes across Hambleton, Richmondshire, Middlesbrough and Redcar and Cleveland, including community and district nursing and services from the following hospital sites:

- Redcar Primary Care Hospital
- Guisborough Primary Care Hospital
- East Cleveland Primary Care Hospital in Brotton
- Friary Community Hospital in Richmond

We're also a leading partner in the academic health science network (AHSN) for the North East and North Cumbria, which aims to recognise the brilliant ideas originating from the region's health service, turning them into treatments, accessible technologies and medicines, and the Clinical Research Network North East and North Cumbria.

We recognise that patient experience is a fundamental component of quality healthcare and want to provide the best possible care for each and every patient so that everyone who accesses our services feels valued and cared for.

We expect all patients to be listened to and treated with honesty, respect and dignity at all times and acknowledge that patients and their families are the experts in terms of their experience of our care. Really listening to what they have to tell us allows us to deliver the type of services that they need and will use

## **Brief history**

South Tees Hospitals NHS Foundation Trust was formed under the provisions of the Health and Social Care (Community Care and Standards) Act 2003 (consolidated in the National Health Service Act 2006). The precursor Trust was formed on 1 April 1992.

Key changes of note during the Trust's history include:

- In 1999, the Trust signed a multi-million pound concession agreement with Mowlem (John) & Co for the redevelopment of South Cleveland Hospital under a Private Finance Initiative (PFI) scheme.
- In 2001, South Cleveland Hospital was renamed The James Cook University Hospital to reflect its local heritage and growing research and academic links.

- In April 2002, the Trust merged with the Friarage Hospital in Northallerton – a district general hospital providing services for a population stretching from the North Yorkshire Moors to the central Pennines, borders of York district in the south and the borders of Darlington in the north.
- In August 2003 we completed the £155million PFI initiative to transfer all of our Middlesbrough services onto the one site at The James Cook University Hospital. The scheme meant the closure of Middlesbrough General Hospital, North Riding Infirmary and the neuro-rehabilitation unit at West Lane Hospital and made The James Cook University Hospital one of the biggest hospitals of its type in Europe.
- In 2007, a £21million redevelopment of the Friarage Hospital was completed.
- In May 2009, the Trust received its terms of authorisation from Monitor.
- In April 2011, community services staff from Hambleton, Richmondshire, Middlesbrough, Redcar and Cleveland joined the Trust as part of the Government's 'Transforming Community Services' agenda.

This followed a huge piece of work involving the Trust, NHS Tees and NHS North Yorkshire and York and in total 1,800 staff transferred over with the move providing real opportunities for hospital and community staff to work side-by-side to improve the patient pathway for the local population.

- In October 2015, the Trust's new Institute for Learning, Research and Innovation was launched at The James Cook University Hospital. This brought together a full range of research, teaching, development, training and innovation facilities into one 'hub' with the ambition to grow and become a regional, national and international leader in its field.
- In April 2016, inpatient facilities at Guisborough Primary Care Hospital transferred to East Cleveland Primary Care Hospital as part of NHS South Tees Clinical Commissioning Group's Integrated Management and proactive Care for the Vulnerable and Elderly (IMProVE Programme).
- In October 2016 the Trust ceased to provide inpatient services at the Lambert Memorial Hospital. This decision followed a public consultation lead by the Hambleton, Richmondshire and Whitby Clinical Commissioning Group's 'Transforming Our Communities' programme.
- In March 2017, the Trust – in partnership with Macmillan Cancer Support – had a business case approved by Hambleton District Council for a multi-million pound cancer centre at the Friarage Hospital, supported by North Yorkshire-based philanthropist Sir Robert Ogden.

### **Key issues and risks**

Our operational plan is built on our demand forecast and the capacity required to meet this, sufficient to ensure we deliver national targets and meet local commissioner and Trust priorities. The areas of South Tees Hospitals NHS Foundation Trust's activities to which the key issues and risks of the organisation are perceived to be attributable are set out below:

- The Trust continues to be subject to enforcement action by NHS Improvement for its failure to meet its financial target for 2016/2017. The Trust did achieve its Clostridium

difficile annual target, finishing the year with 43 Trust-attributed cases against a target of no more than 55.

- While the Trust achieved the 18-week Referral to Treatment (RTT) target in 2016/2017, in recent years this target has only been narrowly achieved or - for some periods – missed. To ensure robust compliance and improve patient experience, the Trust will continue to implement model pathways for outpatients and elective operations which will bring waiting times down for first outpatient appointments and inpatient admissions.

Combined with model pathways for diagnostics, this should ensure that all patients – except those on clinically complex pathways – are treated within 18 weeks of referral.

- We did not achieve the 62-day cancer wait for first definitive treatment for all cancers throughout 2016/2017 and recognise this as a risk in the forthcoming financial year. We have seen improvements in the systems, but during 2017/2018 will continue to improve our delivery and make the services sustainable.
- Risk to the sustainability of services, at both site and speciality level. To mitigate this we are actively involved in the development of the Sustainability Transformation Plan (STP) and management of services and continue to work with collaboratively with our health and social care partners.
- Workforce – national shortages in certain medical and surgical staff groups and nursing, coupled with a reduction in national training numbers, means the Trust is looking at innovative approaches to recruitment and selection, exploring alternative models of service provision and developing extended roles for non-medical staff.
- Changes across NHS England may also result in challenges with securing appropriate funding that could impact on our ability to invest in learning, leadership and organisational development solutions that effectively meet the needs of the Trust.
- IT infrastructure and electronic systems – Current paper-based systems are a risk to our ability to transform and innovate across the organisation. We have undertaken a strategic review of IT and have a plan of prioritised investment in place to support our technological development. This will align with the community-wide digital roadmap to support paper free at point of care delivery.
- The Trust's overall efficiency plan target for 2017/2018 is £30.2million and represents a major challenge, particularly in the context of the significant savings made in the previous three years, coupled with evidence and benchmarking within Lord Carter's review which ranks us as an efficient organisation when compared to peers.

We will continue to deliver further efficiencies to ensure the organisation's sustainability through our transformation work and explore savings opportunities in a number of clinical areas identified through our own work on the back of the Lord Carter review.

All of our plans have been developed with accountable owners through a robust process of challenge, key performance indicators and milestones and reviewed for quality and by finance.

- Clinical commissioning group QIPP (Quality Innovation Productivity and Prevention) Programme – this is a national, regional and local level programme designed to support clinical teams and NHS organisations to improve the quality of care they deliver while making efficiency savings that can be reinvested into the NHS. The risk to the Trust

concerns the management of the reduction in income required from the delivery of regional CCG QIPP saving schemes.

To manage these risks the Trust has put in place a range of action plans and monitoring arrangements.

We also have a well-established formal process to ensure that any cost improvement/improvement programmes are subject to a quality impact assessment (QIA) - a risk assessment and rating against patient safety, clinical outcomes, patient experience and workforce which also identifies metrics which will be used to monitor impact and flag any increasing risk. These QIAs are initially signed off within the clinical centres and then formally reviewed by the Executive Medical and Nursing Directors and the Director of Quality.

Other factors not discussed within this summary could also impact on the Trust and accordingly, this summary should not be considered to represent an exhaustive list of all the potential risks and uncertainties, both positive and negative that may affect the Trust. Information on the principal risks to the Trust and internal controls are included in the Annual Governance Statement in the Annual Report.

### **Going concern**

The day-to-day operations of the Trust are funded from agreed contracts with NHS commissioners. The uncertainty in the current economic climate has been mitigated by agreeing contracts with clinical commissioning groups and NHS England and these payments provide a reliable stream of funding reducing the organisation's exposure to liquidity and financing problems.

The Trust's budget and expenditure plans have been prepared using national guidance on tariff and inflationary factors with income based on agreements with commissioners.

This plan reports a surplus control total of £7.4million in 2017/2018 (surplus from continuing operations excluding impairments and donations and depreciation on donated or grant funded assets). The equivalent surplus control requirement in 2016/2017 amounted to £8.5 million.

We will require further borrowing during 2017/2018 amounting to £8million in interim revolving working capital support and it is anticipated that this will be fully repaid by 31 March 2018. The Trust has an approved interim revolving working capital loan facility in place with the Department of Health and it is currently planned that the first drawdown of this facility amounting to £7million will take place in June 2017.

In total in 2016/2017, the Trust borrowed £37.7million from the Department of Health. This included £2.2million as interim capital support that provided funding towards schemes in the Trust's capital programme that started in 2015/2016.

A further £35.5million was borrowed as interim revolving working capital support which included funding towards operational performance, delivery of the 2016/2017 capital programme and Sustainability and Transformation Funding.

The Trust has set testing efficiency targets, including cost improvement plans amounting to £30.2million in 2017/2018. The Trust believes that this forward plan provides a realistic assessment of the Trust's position.

The Trust continues to develop a wider programme for delivery of recurrent savings and

derive benefits from transformational change under the leadership of the Chief Executive (who originally joined the Trust in May 2015 as the Director of Transformation).

The Trust does not have any evidence indicating that the going concern basis is not appropriate as the Trust has not been informed by NHS Improvement that there is any prospect of intervention or dissolution within the next 12 months.

In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern and the Trust has received support through the Department of Health in 2014/2015, 2015/16 and 2016/2017. The Trust is currently in discussions with the Department of Health and NHS Improvement over the early drawdown of interim support in 2017/2018.

The operational stability of the Trust is dependent on the Trust achieving the 2017/2018 cost improvement plan together with the on-going financial support of the Department of Health. The Trust believes that this plan is challenging. Based on on-going discussions and past experience the Trust is confident that the 2017/2018 support required will be made available.

The Trust has therefore concluded the while there are clear risks associated with these assumptions, these risks are not considered to represent a fundamental threat to the continuity of services provided by the Trust and hence to its ability to continue to be a going concern.

The Trust is currently subject to enforcement action from NHS Improvement regarding its financial sustainability, Board governance and target breaches.

At the year-end, the Trust reported a £10.8million deficit against the £8.5million Control Total Surplus (difference to £19.8million deficit reported in accounts equates to £10million impact from impairments, £2million income from charitable donations and in-year depreciation on donated assets of £1.2million and is planning to deliver a surplus control total of £7.4million in 2017/2018). The actual reported deficit for the Group for the year was £20.1million. The Trust continues to provide monthly performance updates to NHS Improvement.

After making enquiries, the directors have a reasonable expectation that South Tees Hospitals NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Trust continues to adopt the going concern basis in preparing the accounts.

## **Summary of performance**

Given the organisation's financial challenges it was, overall, another tough trading year as our seventh year as a Foundation Trust.

In our third year of financial recovery, we continued to plan for a sustainable future through our programme of transformation and address the issues flagged as part of NHS Improvement's (previously Monitor) enforcement action without compromising on the quality of care we provide.

Our new clinically-led strategic management and target operating model came into effect on 1 April 2016, replacing seven existing clinical centres with five centres, all of which have a senior leadership model of a Medical Director, Operations Director and Associate Director of Nursing. This newly established executive team and strengthened investment in clinical leadership was recognised by the Care Quality Commission following its re-inspection in which our overall rating improved from 'requires improvement' to 'good'.

In terms of patient experience, we continued to receive positive feedback in national patient surveys for both cancer and inpatients and also in the Friends and Family test. We achieved the vast majority of the key performance targets we are measured against at both national and local level and in line with national trends our main operational challenges came from:

- Emergency (unscheduled) care pressures impacting on our four hour A&E waiting time target
- Access to elective treatment within 18 weeks of referral
- Meeting the cancer 62-day (first referral to treatment) target
- Tackling infection, particularly in terms of meeting our Clostridium difficile target
- Mortality

These are covered in further detail in the performance analysis section of the Annual Report.

The Trust's overall risk rating in the Single Oversight Framework is in segment three – and is expected to remain at this level in 2017/2018 - due to the organisation still being subject to formal enforcement action by NHS Improvement.

## Performance analysis

This section of the report provides a detailed performance summary of how the Trust measures its performance and an integrated performance analysis and any long term trends.

### How performance is measured in the organisation

The Trust provides services within the hospital and to the community at large and uses a number of key performance measures to assess the success of the organisation looking at both hospital and community measures.

We measure performance according to the delivery of objectives as outlined in our annual operational plan which sets out the vision for the year and the key objectives that we are committed to delivering.

Each year, our operational plan is aligned to our Five Year Strategy and is split between three core areas – quality, operations (including workforce) and finance.

On a monthly basis the Board considers performance against these targets, and on a quarterly basis the Board confirms the position of each of these metrics to NHS Improvement, formally known as Monitor.

The Board also reflects on the achievement of the key objectives identified in the Trust's strategies (see page 8) while the Quality Assurance Committee considers the achievements against the Quality Report priorities (page 121) during the year to ensure the performance indicators included in the report are being achieved.

During the year, a new integrated performance report was introduced which reflects the trust's operational objectives in regard of quality, operational performance, workforce and finance. In 2016/2017 our four key priority areas or 'must do's' for the organisation to deliver excellence in patient outcome and experience were to achieve the:

- Four-hour maximum wait in Accident and Emergency from arrival to admission, transfer or discharge for 95% of our patients
- 92% referral to treatment (RTT) 18-week target
- 62-day cancer pathway from referral to first treatment (85% target)
- Clostridium difficile target

Our performance against these key healthcare targets is listed below:

	Q1	Q2	Q3	Q4	End of Year	Target 2016/17
<b>Safety</b>						
Clostridium (c.) difficile - meeting the c.diff objective	8	14	10	11	43	55
<b>Cancers:</b>						
62 day wait for first treatment from urgent referral*	81.70%	82.37%	77.94%	82.51%*	81.1%	85%
<b>18 week referral to treatment time (RTT)</b>						
Incomplete pathways	92.3%	91.4%	92.3%	92.9%	92.2%	92%
<b>Accident &amp; Emergency</b>						
4 hour maximum wait in A&E from arrival to admission, transfer or discharge	95.3%	97.0%	94.7%	94.1%	95.3%	95%

\*In March 2017, the Trust was compliant with the 62-day cancer indicator achieving 85.1%.

## **Clostridium difficile**

We made significant progress in reducing Clostridium difficile infection across the Trust in 2016/2017, achieving a total of 43 cases against a target of no more than 55 – a 30% reduction compared to 2015/2016.

A detailed action plan is in place which is shared with NHS Improvement and a range of initiatives have been introduced to improve our performance against healthcare associated infections with particular focus on:

- Reducing antimicrobial prescribing
- Management of patients with diarrhoea (including completing weekly audits of patients' records and introducing monthly diarrhoea prevalence audits which provide further detail regarding clinical practice, use of isolation facilities as well as bed occupancy)
- Cleaning standards

Further detail is available in the Quality Report.

## **Cancer - 62 day wait for the first definitive treatment for all cancers**

Our overall compliance was 81.1% against a target of 85% (in March 2017 we were 85.1% compliant, the first time we have hit the target in two years) and this remains a challenge. There are a number of contributing factors including late referrals from other NHS providers, complex pathways, delays to diagnostics, elective capacity and patient choice and a refreshed cancer strategy will be developed in 2017/2018 to support delivery of this target.

Weekly performance meetings have been held with service managers and relevant clinical and support staff looking at the full patient pathway to identify where issues are and a number of changes have been made including changing the prostate diagnostic pathway, improving allocation of time on the Da Vinci robot for all relevant surgical areas, a capacity and demand review in haematology, and better communication between service managers and cancer tracking staff.

## **18-week referral to treatment**

The Trust achieved the 18-week Referral to Treatment (RTT) target in 2016/2017 on a month by month basis but to ensure robust compliance and improve patient experience will continue to implement model pathways for outpatients and elective operations which will bring waiting times down for first outpatient appointments and inpatient admissions.

Combined with model pathways for diagnostics, this should ensure that all patients – except those on clinically complex pathways – are treated within 18 weeks of referral.

## **Accident and Emergency**

Accident and Emergency is often described as the barometer of the NHS and, as a key performance metric, generates significant national interest. However the factors impacting on performance against the four-hour standard are complex and cannot solely be attributed to increased attendances or misuse of the service. A&E is in constant interaction with other hospital departments (for example, to request diagnostic tests and/or to transfer patients to beds in other parts of the hospital) and is, therefore, dependent on processes and capacity in other hospital departments, as well as other parts of the health and social care system.



Despite these challenges, we exceeded the national standard of 95% of patients being seen, treated and then admitted or discharged in under four hours with a year-end figure of 95.3% - one of the best performing Trusts in the country.

We have worked closely with our commissioners to understand patient demand – as well as see alternative solutions – which has had a positive impact on patient experience including improving processes in the department and ensuring a sustainable workforce through alternative models and improvements to patient care by identifying key concerns such as sepsis and regular re-attendance.

On The James Cook University Hospital site, we piloted a nurse led Navigation Model to ensure patients are seen by the appropriate clinician or pathway for their needs and this scheme went 'live' in April 2017.

As part of our long-term commitment to delivering clinically safe and sustainable services from our Friarage site, we worked with Hambleton, Richmondshire and Whitby CCG and other healthcare partners to redesign the hospital's urgent and emergency care (UEC) model.

The new clinical model, which integrates primary care, ambulance services and hospital-based services, aims to improve the quality and resilience of urgent and emergency services received by the local population and will initially be tested for a three-month period from mid-March 2017 overnight (10pm to 8am).

Other improvements include:

- Identifying a lead clinician who reviews patient attendance and implements management plans for re-attending patients
- Recognising patient specific requirements for alcohol and Sepsis management, as such implemented pathways to support
- Increasing the number of Nurse Practitioners to provide a more robust clinical team
- Implementing new Standard Operating Procedures allowing clinicians to refer to the right ward first time under 'senior decision maker'

## **Increasing our operational focus**

Patient flow is a major pressure, not just in our Trust but across NHS provider organisations in general, as we manage competitive demands of the elective programme against peaks in emergency admissions. In 2016/2017 the challenges we faced included:

- Managing high demand for the services
- Providing effective & efficient 'Front of House' patient pathways
- Ensuring we have early robust discharge processes
- Managing high demand for critical care services (both emergency and elective)
- Continuing to deliver high quality patient care

During the year we implemented several new operating models, beginning with a new Front of House model designed to deliver quicker turnaround of patients and the implementation of admission avoidance strategies to ensure only those patients who need an acute stay are admitted. We also introduced Model Ward processes, created a surgical floor (with a planned Surgical Assessment Unit), re-structured our patient flow team, implemented new operating standards through structured change programmes, agreed new patient definitions and clinical pathways and implemented the new national escalation process (OPEL).

## **Bed reconfiguration**

The Trust undertook a major reconfiguration of acute inpatient beds during the autumn of 2016. This was designed to ensure that each service has the right number of beds to meet its elective and non-elective demand.

It is expected that the revised pathways that were made possible by these changes, along with improved joint pathways with community services, will reduce lengths of stay and help the Trust to meet the projected increases in demand within its existing bed base.

As part of our ongoing programme of bed reconfiguration, further changes to improve the care we provide to patients, specifically in medicine, have also been proposed for 2017/2018 with the intention to open a new exemplar ward where we will pilot innovative ways of delivering patient care with the focus on patient outcomes and excellent patient/carer experience.

## **Theatres**

During 2016/2017, the Trust implemented a process change for theatres that paired weekly monitoring and planning of demand, and capacity. This is now embedded within the management processes of theatres and the surgical directorates. The 2017/2018 plan is being modelled in this same way so that services can seamlessly move into planning and managing the next financial year. We also opened our second trauma theatre as part of our intention to grow our Major Trauma Centre footprint and reputation across the region.

## **Outpatients**

A similar approach to demand and capacity was implemented for outpatients and focused on ensuring we open up all outpatient capacity we have available and drive its utilisation to ensure that routine patients no longer have to wait more than six weeks for a first outpatient appointment and urgent patients wait no longer than two weeks.

Priority areas included:

- Reducing new and follow-up patient and clinic cancellations
- Reducing the total number of new and follow-up DNAs (Did Not Attends)
- Improving clinical productivity by increasing the number of clinics available, improving the numbers of patients we see in these clinics and reducing clinic late starts and early finishes

As well as reviewing our own internal processes, we launched a public campaign to encourage patients to let us know if they cannot attend their outpatient appointments in a bid to reduce our DNA rates. While the demand side is now fully operational, the capacity side is proving more complex and we will take forward this programme of work in 2017/2018.

## **Winter planning**

Effective winter planning and surge management remains a key priority and while the Trust is well rehearsed in planning for winter and surge, each year does bring individual and unexpected challenges from which our organisation reflects and plans for the future, working collaboratively with commissioners and other key stakeholders.

During winter significantly increased numbers of higher acuity patients stretch the resources of many services and our aim for 2016/17 was to have a co-ordinated and responsive

approach to the management of patient flow, capacity and clinical resource.

There is also a national drive to ensure additional assurance in the system with regard to emergency departments and system resilience and during the year System Resilience Groups (SRG) were superseded by the establishment of A&E Delivery Boards with the responsibility to co-ordinate capacity planning and operational delivery across the health and social care system.

Our winter plans aim to ensure that the impact of a significant number of admissions is kept to the minimum possible and, importantly, patients requiring admission will have as little delay as possible.

### **Quality indicators**

Our on-going objective is to reduce avoidable harm by 50% from our baseline in 2014/2015 and to do this we are focusing on a number of quality priorities as outlined in the Quality Report. In 2016/2017 our priorities were:

- Improving safety – reducing healthcare associated infections, reducing harm from pressure ulcers and falls and improving medication safety
- Improving outcomes - improving the response to the deteriorating patient; strengthening the mortality review process and ensuring patients receive the right care in the right place at the time
- Improving patients' experience – 1,000 voices patient experience programme

Through our model ward programme we also set challenging improvement targets to further reduce harm from pressure ulcers and falls by 15% in 2016/2017 and the progress our organisation has made against these goals is available in the Quality Report.

In 2017/2018 and 2018/2019, our quality improvement priorities relating to safe care are:

- Continuing focus on reducing healthcare acquired infection
- Improving the discharge process supported by our clinical noting project and closer integration of services
- Rolling out e-prescribing and further reducing medication errors

Our areas of focus to improve clinical outcomes over the next two years are:

- Improving the identification and management of sepsis
- Strengthening our mortality review process - to meet the recommended national framework to identify potentially avoidable deaths, review the care provided and learn from mistakes.
- Undertaking further work and integration of care linked to the Trust's system-wide transformation programme which has already included redesigning the bed base and front of house pathways and introducing a new patient flow and escalation policy to enhance the quality of care and operational efficiency.

These steps will also further drive our compliance with the seven day standards, which the Trust currently meets for diagnostic services, consultant directed intervention and consultant daily review. Further work is needed to improve the percentage of emergency admissions that have a consultant review within 14 hours and this will be supported through our model ward workstream which aims to standardise ward processes in line with best practice.

As part of its developing strategy, the Trust is also developing cross-organisation strategies for the following five strategic themes, which each have a strategic lead reporting to the Chief Executive:

- End of Life
- Trauma
- Children and Young Adults
- Frailty
- Cancer

### **Complaints and patient feedback**

We place significant emphasis on the feedback we receive from patients, whether positive or negative. To ensure that we continue to improve the quality of care and patient experience provided in our hospitals, we thoroughly track, review and monitor the complaints, concerns and compliments we receive and our response to these.

The number of formal complaints we received dropped from 428 in 2015/2016 to 346 in 2016/2017 and further detail can be found in the patient experience section of the Annual Report and the Quality Report, together with details of our 1,000 voices campaign.

### **Development of the Sustainability Transformation Plan**

The Trust continues to be an active partner in the development of the Darlington, Tees Valley and North Yorkshire Sustainability and Transformation Plan (STP), a blueprint for how local services will evolve and become sustainable by 2021.

The development of our STP has involved membership from all of the providers of health and social care; local commissioners, local authorities and specialist commissioners and further information is available in the stakeholder section of the Annual Report.

### **Review of financial performance**

Key financial information for the year for the Trust was:

- In our third year in recovery (2016/2017) the Trust posted a £7.3million underlying deficit (£20.9million behind plan) excluding impairments and restructuring costs (actual deficit of £19.8million including impairments and restructuring).
- Cash holdings amounted to £4.6million at 31 March 2017 – in line with plan.
- Capital expenditure amounted to £25million (including property, plant and equipment (PPE) and intangible expenditure)
- The Trust delivered a programme of cost reduction of £26.5million which equates to 76% of plan. Of this £25.4 million of the delivered savings were recurrent.

Looking ahead to 2017/2018, we are forecasting a surplus control total of £7.4million (surplus from continuing operations excluding impairments and donations and depreciation on donated and grant funded assets). The equivalent control total in 2016/2017 amounted to £8.5million.

The organisation also has the support of commissioners to repatriate activity from the independent sector as part of this workstream.

The group performance\* in 2016/2017 included an overall deficit for the year of £20.1million and an overall cash position of £7.6million. Specifically the group consolidated £6.5million of charitable reserves, £5.9million of investments and £3.0million of cash. Intra-group transactions have been eliminated on consolidation.

Over the past year, the organisation invested £25million into the development and acquisition of property, plant and equipment and intangible expenditure, including:

- the equipment replacement programme - £12.2million investment in MRI upgrades, planned and rolling replacement of emergency medical equipment
- investment in IT desktop estate, windows and server development - £3.2million

This investment underlines our organisation's commitment to providing modern, well-equipped facilities that meet the needs of the local population.

A full set of accounts have been prepared on a going concern basis and will be submitted to Parliament with the Annual Report by 12 July 2017. The accounts were prepared under schedule 7 of the National Health Service Act 2006 (paragraphs 24 and 25) and in accordance with directions given by NHS Improvement.

\*For the purpose of the Annual Report, the Trust is referred to as a separate entity with the exception of any reference to group information which includes South Tees Hospitals Charity and Associated Fund. The Trust formed the South Tees Institute of Learning, Research and Innovation LLP and South Tees Healthcare Management Limited to oversee operations and the transaction of these companies have not been consolidated within the Accounts on the basis of materiality.

### Summary financial performance 2016/2017

Trust only	Plan	Actual	Variance
	£m	£m	£m
Clinical income	539.6	530.1	(9.5)
Non-clinical income	34.0	47.9	13.9
<b>Total income</b>	<b>573.6</b>	<b>578.0</b>	<b>4.4</b>
Pay spent	(332.5)	(347.2)	(14.7)
Non-pay spent	(232.1)	(236.9)	(4.8)
<b>Total spent before dividend, and interest</b>	<b>(564.6)</b>	<b>(584.1)</b>	<b>(19.5)</b>
<b>Operating surplus/(deficit) before exceptional items</b>	<b>9.0</b>	<b>(6.1)</b>	<b>(15.1)</b>
Transition support	14.6	3.6	(11.0)
Dividend, finance costs and interest	(21.7)	(17.3)	4.4
<b>Surplus/(deficit) for the year</b>	<b>1.9</b>	<b>(19.8)</b>	<b>(21.7)</b>

### Land interests

There are no significant differences between the carrying amount and the market value of the Trust's land holdings.

### Investments

There are no significant differences between the carrying amount and the market value of the Trust's investment holdings.

## **Insurance cover**

The Trust has not arranged specific insurance to cover the risk of legal action against its directors over and above what is covered by the NHS Litigation Authority.

## **Accounting policies for pensions and other retirement benefits**

Past and present employees are covered by the provisions of the NHS pension scheme. The scheme is accounted for as a defined contribution scheme. Further details are included in the accounting policies notes to the Trust's annual accounts.

## **Sustainability report**

As a Trust we have a moral duty of care to ensure we function in the best interests of the local community and, as so, improve the health and wellbeing of all. We have in place a sustainable development plan which outlines how we maintain compliance with the law, maintain the Trusts financial and economic resilience, and ensure we are adapting to social and environmental change.

Our aim is to become a better service provider for our patients, enhancing the workplace for staff, increasing business opportunities and reducing our carbon footprint; while also fulfilling our commitment to the 2017 NHS Standards Contract.

Sustainability means spending public money well, the smart and efficient use of natural resources and building healthy, resilient communities. By making the most of by making the most of social, environmental and economic assets we can improve health both in the immediate and long term even in the context of rising cost of natural resources.

Demonstrating that we consider the social and environmental impacts ensures that the legal requirements in the Public Services (Social Value) Act (2012) are met.

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

*South Tees Hospitals NHS Foundation Trust is one of the largest Trusts in the North of England and as such is one of the principal healthcare providers and employers. To that end it is imperative that the Trust accepts its responsibility towards the environmental impact it creates by reacting to climate change, and exploiting every opportunity to improve social, economic, and environmental sustainability. As a Trust we have a moral duty of care to ensure we function in the best interests of the local community and as so improve the health and wellbeing of all.*

As a part of the NHS, public health and social care system, it is our duty to contribute towards the level of ambition set in 2014 of reducing the carbon footprint of the NHS, public health and social care system by 34% (from a 1990 baseline) equivalent to a 28% reduction from a 2013 baseline by 2020. It is our aim to supersede this target by reducing our carbon emissions by 10% by 2015 using 2007/2008 as the baseline year.

One of the ways in which an organisation can embed sustainability is through the use of an SDMP. The board approved our SDMP in the financial year so our plans for a sustainable future are well known within the Trust and clearly laid out.

We measure our impact on corporate social responsibility through the use of the Good

Corporate Citizenship (GCC) tool and the last time we used the GCC self-assessment was in April 2017, scoring 0.6.

As a public sector body that acknowledges its responsibility towards creating a sustainable future, we help achieve that goal by running awareness campaigns that promote the benefits of sustainability to our staff, while also seeking improvement.

Climate change brings new challenges to our business both in direct effects to the healthcare estates, but also to patient health. Examples of recent years include the effects of heat waves, extreme temperatures and prolonged periods of cold, floods, droughts etc.

Our Board approved plans address the potential need to adapt the delivery of the organisation's activities and infrastructure to climate change and adverse weather events, for example our Heatwave Plan and Snow and Ice Clearance Plan.

## **Partnerships**

The NHS policy framework already sets the scene for commissioners and providers to operate in a sustainable manner. Crucially for us as a provider, evidence of this commitment will need to be provided in part through contracting mechanisms.

## **Performance**

In 2014, the Sustainable Development Strategy outlined an ambition to reduce the carbon footprint of the NHS by 28% (from a 2013 baseline) by 2020. We have supported this ambition as follows:

**Energy** - Energy usage forms an important part of everyday life within the NHS. In line with the sustainability plan for South Tees Hospitals NHS Foundation Trust we are committed to reducing our energy usage thus reducing costs and our carbon emissions.

Already, invest to save schemes are in place at the Friarage Hospital to replace conventional lighting with more efficient LED lighting complemented by automatic controls. These schemes are to be replicated on The James Cook University Hospital site this financial year, as we work more closely with our PFI partners.

These schemes are very important. For example in the last financial year there was an increase in electricity consumption of 1% on The James Cook University Hospital site against the previous year, which cost the Trust £29,000.

Government figures show that final energy consumption increased by 1.7% in 2015, therefore showing that year on year consumption rises due to expansion and use of new technologies. This is apparent within the Trust with the installation and upgrade of new equipment such as MRI equipment.

As a result a 1% increase can be seen as a saving against predicted rises in consumption. A monitoring and targeting software package has been installed to monitor future consumption data in more detail so wastage can be identified more readily and subsequently reduced.

A review of existing tariffs also realised a one-off payment of £122,000 and a further on-going saving of £37,500 per year while further investigations into the Climate Reduction Scheme payments realised a one-off saving of £476,616 and a further on-going saving of £238,308 per annum.

Although savings have been made, further plans are in place to raise energy awareness in conjunction with the Sustainability Plan so carbon emissions and energy usage are

considered as part of our day to day business – for example the procurement of equipment and Capital Projects

These projects are not exhaustive, all opportunities will be explored with vigour to improve efficiency thus reducing emissions and cost with a view to achieving energy targets as laid down in the Lord Carter report. We need to continue to be proactive as changes in the economy due to external factors such as Brexit will have a detrimental effect on energy cost in the future. The only way we can combat this is by being smarter with the energy we use to reduce consumption.

Resource		2015/2016	2016/2017
Gas	Use (kWh)	13,587,345	60,509,829
	tCO <sub>2</sub> e	2,844	12,646
Oil	Use (kWh)	0	430,285
	tCO <sub>2</sub> e		136
Coal	Use (kWh)	0	0
	tCO <sub>2</sub> e	0	0
Electricity	Use (kWh)	5,223,171	30,939,462
	tCO <sub>2</sub> e	3,003	15,990
Green Electricity	Use (kWh)	0	0
	tCO <sub>2</sub> e	0	0
Total Energy CO <sub>2</sub> e		5,847	28,772
Total Energy Spend		£4,636,938	£4,835,721

**Travel** - We can improve local air quality and improve the health of our community by promoting active travel – to our staff and to the patients and public that use our services. Every action counts and we are a lean organisation trying to realise efficiencies across the board for cost and carbon (CO<sub>2</sub>e) reductions.

We support a culture for active travel to improve staff wellbeing and reduce sickness. Air pollution, accidents and noise all cause health problems for our local population, patients, staff and visitors and are caused by cars, as well as other forms of transport.

**Waste** - The Trust is currently in the process of introducing an offensive waste stream which saves financially and makes us compliant with current legislation and benefits of this initiative will be evident in the near future. In addition, recycling is being introduced throughout our two acute hospital sites with focus then moving onto community areas.

### Other Sustainability Initiatives

- Achieve ISO 14001 Accreditation – achieving this accreditation would demonstrate our commitment to sustainability and the environment
- Quality PVC recycling – The Trust utilises many items of quality PVC, which can be recycled and attract a possible income
- Reverse vending – designed to compact empty 6 litre drums (18,000 per year from renal services alone) by up to 50%, resulting in fewer collections by the waste company
- Recycling of instrument sterile wraps – these wraps contain polypropylene, of which the Trust currently uses 250,000 sheets per year
- Air conditioning timers – used in non-clinical areas, the timers shut off air conditioning once a room is vacated



- Installation of electric charging points for cars – we have signed up to this Government initiative to encourage use of electric cars by staff and replace part of the Trust's car fleet with electric and hybrid cars

Many other initiatives can be found in the Trust's Sustainability Plan.

### **Social and community issues**

As a public benefit corporation the Trust is accountable to the community it serves. The Trust works with the Council of Governors, Local Authorities, third sector organisations and individuals in discharging this duty. The Trust actively engages with the local community by working collaboratively with partners on the transformation of health and social systems across the Tees Valley and North Yorkshire. The programmes being worked on include:

- Sustainability and Transformation plan
- IMPROVE
- Fit 4 the Future (Transforming Our Communities)
- Development of urgent and emergency care

All these programmes support the development and transformation of healthcare and provide continued quality improvements.

### **Important events since balance sheet date**

In April 2017, Prime Minister Theresa May called a General Election which will be held on 8 June 2017 with Parliament being dissolved on 3 May.

### **Overseas operations**

The Trust has no overseas operational activity and has received no commercial income from overseas activity during the year.



**Siobhan McArdle – Chief Executive**  
30 May 2017

# Accountability Report

## Directors' report

### The Board of Directors - Composition of the Board

The Trust's Board of Directors ("the Board") is responsible for exercising all of the powers of the Trust and is the body that sets the strategic direction, allocates the trust's resources and monitors its performance. The composition of the Board of Directors during 2016/2017 was:

#### Chair and Non-Executive Directors

- Mrs Deborah Jenkins MBE Chairman (stepped down as Chairman December 2016, but continued to support the Trust until 31 March 2017)
- Ms Amanda Hullick, Deputy Chairman (Acting Chairman from December 2016)
- Mrs Maureen Rutter, Non-Executive Director and Senior Independent Director (Acting Deputy Chairman from December 2016)
- Mr Hugh Lang, Non-Executive Director
- Mr Mike Reynolds, Non-Executive Director
- Mr Richard Carter-Ferris, Non-Executive Director
- Mr David Heslop, Non-Executive Director
- Mr Jake Tompkins, Non-Executive Director

#### Executive Directors

- Mrs Siobhan McArdle, Chief Executive
- Mrs Maxime Hewitt-Smith, Director of Finance (Mr Rob Cooper became Interim Director of Finance from 1 April 2017 as the Director of Finance was seconded to STP)
- Mrs Gill Hunt, Director of Nursing
- Ms Ruth James, Director of Quality and Performance
- Mr David Chadwick, Medical Director (Planned Care)
- Mr Adrian Clements, Medical Director (Urgent and Emergency Care)
- Mr Simon Kendall, Medical Director (Clinical Support Services)
- Dr Sath Nag, Medical Director (Community Care)
- Dr Mike Stewart, Medical Director (Specialist Care)
- Ms Caroline Parnell, Director of Corporate Affairs (left the Trust in July 2016)

The Board membership also includes two non-voting members of the Board

- Mrs Paula Iddon, Director of HR Operations (from September 2016)
- Mr Kevin Oxley, Director of Estates, Procurement and ICT (from September 2016)

The following changes in membership of the Board took place during the year.

- Caroline Parnell, Director of Corporate Affairs, left the Trust in July 2016
- Deborah Jenkins, Chairman, stepped down in December 2016. She continued to provide support to the Trust until 31 March 2017
- Amanda Hullick was made Acting Chairman from December 2016 following approval at Council of Governors meeting in December 2016
- Maureen Rutter was made Deputy Chairman and Senior Independent Director from December 2016 following approval at Council of Governors meeting in December 2016
- Jake Tompkins joined the Board in December 2016

## Gender and age profile of the Board at 31 March 2017

Board of Directors	Male	Female
Non-Executive Director	5	2
Executive voting members	5	4
Executive non-voting members	1	1
Total	11	7

## Age profile of the Board at 31 March 2017

Age	Number of Directors
18-39	1
40-49	5
50-59	10
60-69	2
70+	0

## Board biographies

### Non-Executive Directors

#### Chairman - Deborah Jenkins MBE

Initially appointed 1st August 2008 – 31 July 2012

Reappointed 1 August 2012 – 31 July 2015

Reappointed 1 August 2015 – 31 July 2018

Deborah became Chairman in August 2008 and was also Chief Executive of The Derwent Initiative (TD), a national charity which promotes an inter-agency response to sexual offending and a visiting professor on leadership to the University of Newcastle. Awarded the MBE in 1995 for services to urban regeneration, she previously worked on Teesside for The Industrial Society and Common Purpose. Deborah stepped down as Chairman in December 2016 and continued to support the Trust with its development until the end of March 2017.

#### Senior Independent Director and Deputy Chairman - Maureen Rutter

Initially appointed 2 September 2013 – 31 August 2016

Reappointed 1 September 2016 – 31 August 2019

Maureen is a registered nurse with an MBA and postgraduate qualifications in teaching and palliative care. After 25 years in the NHS, she worked in the voluntary sector as a Director of Macmillan Cancer Support, responsible for East Midlands and the North of England and later Direct Services UK-wide. Before becoming a Non-Executive Director, she was an appointed governor of the Trust. During the year the Council of Governors confirmed her reappointment as a Non-Executive Director for a further three years.

#### Non-Executive Director – Hugh Lang

Initially appointed 10 January 2011 – 9 January 2014

Reappointed 10 January 2014 – 9 January 2017

Reappointed 10 January 2017 - 9 January 2018

Hugh was Group Airports Director of Peel Airports Group from 2008 to 2010, with responsibility for the management and operation of Liverpool John Lennon Airport, Robin Hood Doncaster, Sheffield Airport and Durham Tees Valley Airport. His particular interests are the region's long-term economic development and the key drivers required to deliver positive growth.

**Acting Chairman - Amanda Hullick**  
**Initially appointed 1 September 2014- 31 August 2017**

Amanda was appointed as a Non-Executive Director in September 2014 after an international career in human resources and organisational development. She has worked at a senior level in a number of major private companies including Shell, ICI and Rolls Royce. In the public sector Amanda worked for British Rail and was instrumental in the work carried out to privatise the national railway service.

**Non-Executive Director - David Heslop**  
**Initially appointed 1 August 2015 – 31 July 2018**

David joined the Board in August 2015 bringing with him decades of expertise developed in the finance and insurance industry. David became Director for the Teachers' Pension Scheme at Capita in 2015. Prior to joining Capita, he was Chief Operating Officer for the Pension Protection Fund and had a 20 year career at Aviva, one of the UK's largest insurance and savings groups. David read statistics at City University and is a Fellow of the Royal Statistical Society and the Institute of Actuaries.

**Non-Executive Director - Mike Reynolds**  
**Initially appointed 1 August 2015 – 31 July 2018**

Mike joined the Board in August 2015 and spent the majority of his career in industry as a Chief Finance Officer working for a variety of companies. He spent many years at Cape PLC (a multi-national contracting business) and became the Group Finance Director. Since 2011 Mike has set up a nursing home group which now has three homes. He qualified as a Chartered Accountant while at Arthur Anderson & Co after reading Mathematics at Bristol University.

**Non-Executive Director - Richard Carter-Ferris**  
**Initially appointed 1 August 2015 – 31 July 2018**

Richard joined the Board in August 2015. He is a Chartered Accountant and experienced finance professional who has worked at senior level in a number of very large complex businesses. His previous roles include Director of Internal Audit at Asda Wal\*Mart, global Financial Controller for GE Plastics, Finance Director of National Express, East Coast and Finance Director of Vantage Airports UK. He is currently working in an accountancy firm providing financial and non-executive support to a range of clients.

**Non-Executive Director - Jake Tompkins**  
**Initially appointed 1 December 2016 – 30 November 2019**

Jake has worked in the subsea construction industry for nearly 20 years, providing services internationally to major operators and contractors. In 2008 Jake established Darlington based Modus Seabed Intervention, now one of the subsea sectors leading providers of autonomous and remotely operated vehicle services. Jake has a particular focus on technology and innovation. He is also a Non-Executive Director/ Executive Committee member for a number of private, public and third sector organisations.

## **Executive Directors**

### **Chief Executive - Siobhan McArdle**

**Appointed interim 1 October 2015 – substantive from 1 April 2016**

Siobhan became the Acting Chief Executive in October 2015 (assuming Accountable Officer responsibility) and took up the permanent position of CEO on 1 April 2016. She was previously the Trust's Director of Transformation joining in May 2015.

As a supervising consultant with PwC, Siobhan worked with a number of major national companies before setting up her own management consultancy in 1998.

Since then she has worked nationally and internationally on strategic reviews, performance improvement and transformational change for a number of high profile private companies, as well as NHS organisations in the North east.

### **Director of Finance - Maxime Hewitt-Smith**

**Appointed 1 October 2015**

Maxime became substantive Director of Finance on 1 October 2015 after being the acting Director of Finance and Performance from 1 December 2014. Maxime is a Chartered Accountant with over ten years' experience across both the NHS and the private sector.

Maxime trained as an accountant at PwC where she worked predominantly with heavy manufacturing businesses and financial service firms. Since joining the NHS, she has held senior positions in acute, community and mental health Trusts, specialising in organisations that require financial recovery and organisational transformation.

### **Interim Director of Finance – Rob Cooper**

**Appointed 1 April 2017**

Rob became Interim Director of Finance on 1 April 2017 and specialises in organisations that require financial recovery and organisational transformation.

### **Director of Nursing - Gill Hunt**

**Appointed 26 November 2015**

Gill was appointed as the Director of Nursing/Director of Infection Prevention and Control in November 2015. With 29 years' experience in the NHS, Gill has held a number of senior nursing and management posts in the region.

### **Director of Quality and Performance - Ruth James**

**Appointed 23 February 2015**

Ruth was appointed as the Trust's Director of Quality in February 2015 having previously had the role of Deputy Director of Quality Assurance in the organisation. She trained as a biomedical scientist and was a laboratory manager for a number of years before moving onto a number of business and operational management roles within the NHS.

### **Medical Director (Planned Care) - David Chadwick**

**Appointed 1 April 2016**

David Chadwick has worked as a consultant urologist in the Trust for 20 years and is the Clinical Lead for prostate cancer and robotic surgery. Previous roles include Clinical Director of urology and Chief of Service for the Surgical Services Centre.

**Medical Director (Urgent and Emergency Care) - Adrian Clements**  
**Appointed 1 April 2016**

Adrian commenced the new role of Medical Director for the Urgent and Emergency Care Centre on 1 April 2016. He was appointed to the Trust as a Consultant in Accident and Emergency Medicine in March 2001 and more recently had served as Clinical Director for the previous nine years.

**Medical Director (Specialist Care) - Mike Stewart**  
**Appointed 1 April 2016**

Mike was Chief of Service for Cardiothoracic Services before taking on the role of Medical Director for Specialist Care following the Trust's organisation restructure in 2016.

**Medical Director (Clinical Support Services) - Simon Kendall**  
**Appointed 1 April 2016**

Simon has been a Cardiothoracic Surgeon since 1994. He has been Chairman of the Senior Medical Staff Committee, Clinical Director and Chief of Service. Nationally he is the Honorary Secretary for the Society for Cardiothoracic Surgery.

**Medical Director (Community Care) - Sath Nag**  
**Appointed 3 May 2016**

Sath Nag is a Consultant in Acute Medicine, Diabetes and Endocrinology and was appointed Medical Director for Community Care following the Trust's organisation restructure in 2016. Prior to this Sath held the posts of Deputy Medical Director and Clinical Director for the Diabetes and Endocrine Directorate.

**Director of HR - Paula Iddon**  
**Appointed as Director of HR in January 2016 and was appointed to the Board as a Non-Voting Executive Director in September 2016**

Paula is an experienced HR professional who specialises in organisational transformation. She has worked across a broad range of industries, in both an in-house and consulting capacity. Paula brings a breadth of senior HR knowledge and experience to drive patient-centred change that achieves strategic and operational imperatives.

**Director of Estates, Procurement and IT - Kevin Oxley**  
**Appointed 1 September 2016**

Kevin is a qualified Building Surveyor and joined the health service in 1989 and has held various roles, including Works Manager, Capital Projects Manager and PFI Project Director in Estates and Facilities prior to becoming the Director of Estates and Facilities for County Durham and Darlington NHS Foundation Trust in 2003, then at North Tees and Hartlepool NHS Foundation Trust (2007-2013) followed by Mid Yorkshire NHS Trust in 2013 until 2016. His role covers all aspects of estates and facilities management, PFI contract management, procurement and operational IT services.

He is a Fellow of the Chartered Institute of Building (FCIOB) and in May 2006 was appointed the National Chairman of Health, Estates and Facilities Management Association (HeFMA) standing down in May 2009. He was the former chair of the Institute of Hospital Managers (IHM), Special Interest Group (SIG), and achieved the IHM 'Accredited Manager' status in July 2010. He then participated and completed in 2013 the NHS 'Top Leaders' programme run by the Department of Health.

**Director of Corporate Affairs – Caroline Parnell**  
**Left the organisation in July 2016**

Caroline took up her post in September 2014. A former journalist, she joined the Trust in 2012 as Company Secretary/Executive Assistant to the CEO after spending 16 years working in local government and mental health trusts in the region. She led the merger of two NHS organisations and advised on two bids for NHS Foundation Trust status, as well as winning more than a dozen national awards for strategic communication and marketing, including NHS Communicator of the Year.

**Roles and Responsibilities of the Board**

The Board has established a framework of regulation and control for the Trust's business which includes the Trust's Constitution, Standing Orders, a Scheme of Decisions Reserved to the Board and a Scheme of Delegation.

The Board sets the strategic aims of the Trust, taking account of the Governors and members views, approves the Annual Plan and budgets and monitors performance across the whole range of Trust business.

The Board delegates the relevant statutory functions to the Audit and Remuneration Committees and has established a range of functional committees charged with approving management policies and seeking assurance on delivery and risk management. The Board also ensures committees have access to the necessary resources to meet priorities and objectives.

Management functions and financial powers are delegated to Executive Directors in line with their portfolios, within the limits imposed by a Scheme of Delegation, Standing Orders and Standing Financial Instructions.

Directors have overall responsibility for the effective, efficient and economical discharge of the functions of the Trust, taking joint responsibility for every decision of the Board, notwithstanding the particular responsibilities of the Chief Executive as the Accountable Officer.

The Chief Executive - as the Accountable Officer – follows the procedure set out by NHS Improvement for advising the Board and the Council of Governors about recording and submitting objections to decisions considered or taken by the Board in matters of propriety or regularity, and on issues relating to the wider responsibilities of the Accountable Officer for economy, efficiency and effectiveness.

The Board has an annual schedule of business which ensures that it focuses on its responsibilities and the long-term strategic direction of the organisation which include:

- Taking those decisions that the Board decides to reserve to itself, rather than delegate to the Executive Directors
- Engaging with the Council of Governors to set the strategic direction for the Trust
- Overseeing the delivery of our Annual Plan
- Ensuring that the services we provide to patients are high quality, safe and caring
- Ensuring that we are governed by a robust system of internal control and risk management
- Ensuring that we are compliant with the conditions of our Foundation Trust licence, Constitution and mandatory guidance issued by NHS Improvement
- Setting a robust and achievable strategy for the Foundation Trust and its leadership

- Overseeing our performance and ensuring that all organisational, local and national performance targets are met
- Setting and embedding the organisational culture of the Foundation Trust
- Continuously seeking further improvement and innovation

The Board of Directors is accountable to the NHS Improvement and to the health quality regulator, the Care Quality Commission.

<b>Board of Directors Attendance</b>	<b>Number of meetings in 2016/2017</b>
Deborah Jenkins MBE - Chairman (retired as Chairman December 2016)	10/11
Amanda Hullick - Deputy Chairman (Acting Chairman from December 2016)	15/16
Maureen Rutter - Non-Executive Director and Senior Independent Director (Acting Deputy Chairman from December 2016)	16/16
Hugh Lang - Non-Executive Director	15/16
Mike Reynolds - Non-Executive Director	11/16
Richard Carter-Ferris - Non-Executive Director	14/16
David Heslop - Non-Executive Director	12/16
Jake Tompkins - Non-Executive Director	6/6
Siobhan McArdle - Chief Executive	16/16
David Chadwick - Medical Director (Planned Care)	14/16
Mr Adrian Clements - Medical Director (Urgent and Emergency Care)	14/16
Maxime Hewitt-Smith - Director of Finance	13/16
Gill Hunt - Director of Nursing	16/16
Ruth James - Director of Quality and Performance	16/16
Simon Kendall - Medical Director (Clinical Support Services)	13/16
Sath Nag Medical Director (Community Care) (joined the Board May 2016)	11/14
Mike Stewart Medical Director (Specialist Care)	14/16



Caroline Parnell Director of Corporate Affairs (retired May 2016)	1/1
Paula Iddon Director of HR Operations (from September 2016)	7/10
Kevin Oxley Director of Estates, Procurement and ICT (from September 2016)	7/10

## **Division of responsibility between the Chair and the Chief Executive**

### **The Chairman**

The Chairman is accountable for the Board of Directors and the Council of Governors and is responsible for:

- Ensuring that the Board of Directors operates as a unitary board and effectively develops and determines the Trust's strategy and overall objectives.
- Leadership of the Board of Directors and the Council of Governors, ensuring their effectiveness on all aspects of their role and setting their agenda.
- Ensuring that the Board of Directors and the Council of Governors receive accurate, timely and clear information that is appropriate for their respective duties.
- Ensuring effective, prioritised meetings are held where actions are followed up and reported to the Council of Governors or Board of Directors as appropriate.

The Chairman also facilitates the effective contribution of all Executive and Non-Executive Directors and ensures that constructive relations exist between the Executive and the Non-Executive Directors, and between the Board of Directors and the Council of Governors. The Chairman is not responsible for the executive and operational management of the Trust's business.

### **The Chief Executive**

The Chief Executive reports to the Chairman and the Board of Directors and is the Accountable Officer for the Trust and in this regard is accountable to Parliament for the proper management of the public funds available to the Trust.

She is responsible for the propriety and regularity of public finances within the Trust and for keeping proper accounts. She is responsible for prudent and economical administration, the avoidance of waste and extravagance and efficient and effective use of all the resources in her charge.

The Chief Executive is responsible for:

- The overall organisation, management and staffing of the Trust.
- Executive and operational management of the Trust's business, consistent with the strategy and business objectives agreed by the Board of Directors. All members of the senior team report either directly or indirectly to her.

- Researching, proposing and developing the Trust's strategy and overall business objectives (working with the Executive team), which is done in consultation with the Chairman
- Implementing the decisions of the Board of Directors and its Committees (with the Executive team)
- The maintenance and protection of the reputation of the organisation in delivering the Trust's strategic and business objectives

The Chief Executive ensures the Trust undertakes effective communication with patients, members, clients, staff and other stakeholders.

### **Register of Directors' interests**

The Directors and Governors have not identified any company directorships or other significant interests that may conflict with their management responsibilities.

The Trust holds a register listing any interest declared by members of the Board of Directors. They must disclose details of company directorship or other positions held, particularly if they involve companies or organisations likely to do business or possibly seeking to do business with the Trust.

The public can access the register by writing to:

The Chief Executive's Office  
 South Tees Hospitals NHS Foundation Trust,  
 The Murray Building,  
 The James Cook University Hospital,  
 Marton Road,  
 Middlesbrough,  
 TS4 3BW.

### **Board Committees**

The Trust has six board committees as follows:

- The Remuneration Committee
- The Audit Committee
- The Finance and Investment Committee
- The Quality Assurance Committee
- The Workforce Committee
- The Risk Committee

Each of the committees is chaired by a Non-Executive director and its membership is drawn from the Non-Executive directors. Each committee is supported by the Executive Directors and managers of the Trust.

## **The Remuneration Committee – Chaired by Amanda Hullick**

The Remuneration Committee met seven times during the year with membership as follows:

- Ms Deborah Jenkins, Chairman (until 14 December 2016)
- Ms Amanda Hullick, Deputy Chairman (from 14 December Acting Chairman)
- Mrs Maureen Rutter, Senior Independent Director (from 14 December Acting Deputy Chairman)
- Mr Hugh Lang, Non-Executive Director
- Mr Richard Carter-Ferris, Non-Executive Director
- Mr David Heslop, Non-Executive Director
- Mr Mike Reynolds, Non-Executive Director
- Mr Jake Tompkins, Non-Executive Director

<b>Remuneration Committee Attendance</b>	<b>Meetings</b>
Deborah Jenkins	4/4
Amanda Hullick	7/7
Maureen Rutter	7/7
Richard Carter-Ferris	6/7
David Heslop	5/7
Hugh Lang	6/7
Mike Reynolds	6/7
Jake Tompkins	2/3

The Committee was also supported by a number Executive Directors and the Company Secretary:

- Mrs Siobhan McArdle, Chief Executive
- Mrs Paula Iddon, Director of HR
- Mr Simon Kendal. Medical Director (Clinical Support Services)

The Chief Executive and the Director of HR are present to provide additional information and support to the Committee and in 2016/2017, the Director of HR attended all meetings with the exception of one (6 April 2016) while the Chief Executive attended four meetings (The Chief Executive was not present during discussions on her remuneration, contract or terms of office). Simon Kendall attended one meeting in November 2016 to present a specific item on Clinical Excellence awards.

During the year the Committee considered and agreed the remuneration and contract of the Chief Executive and remuneration of other Executive Directors, as well as considering the appointment of key members of staff. It reviewed the current succession planning arrangements in the organisation and reviewed and agreed the secondment of an Executive Director. The Committee received details of the changes to pension arrangements and details on reward principles. More details of the activities of the Committee can be found on page 62.

## **The Audit Committee – Chaired by Richard Carter-Ferris**

The Audit Committee met four times during 2016/2017 with membership as follows:

- Mr Richard Carter-Ferris, Chairman of the Committee
- Mr Hugh Lang, Non-executive Director
- Mrs Amanda Hullick, Non-executive Director (until December 2016)
- Mr Mike Reynolds, Non-executive Director (from December 2016)

<b>Audit Committee Attendance</b>	<b>Meetings</b>
Richard Carter-Ferris	4/4
Hugh Lang	4/4
Amanda Hullick	3/3
Mike Reynolds	1/1

The Committee was supported by a number of Directors and officers of the Trust, External and Internal Audit and Counter Fraud including the Director of Quality and Performance Ruth James, who attended all four meetings, and the Director of Finance, Maxime Hewitt Smith, who attended all meetings with the exception of one.

The Committee receives reports from internal and external auditors and undertakes reviews of a financial and value for money basis on behalf of the Board of Directors.

The Committee's terms of reference require the Committee to:

- Monitor the integrity of the activities and performance of the Trust and any formal announcement relating to the Trust's financial performance
- Monitor governance and internal control
- Monitor the effectiveness of the internal audit function
- Review and monitor external audit's independence and objectivity and the effectiveness of the audit process
- Review standing orders, financial instructions and the scheme of delegation
- Review the schedule of losses and compensation
- Review the annual fraud report
- Provide assurance to the Board of Directors on a regular basis
- Report annually to the Board of Directors on its work in support of the Annual Governance Statement

Each meeting considers the business that will enable the Committee to provide the assurance to the Board of Directors that the systems and processes in operation within the Trust are functioning effectively.

The Trust has an independent Internal Audit function provided by PwC. The Internal Audit service also provides audit services to a number of other Foundation Trusts and CCGs in the region.

PwC agreed a work programme at the beginning of the financial year with the Trust. PwC reports to each Audit Committee meeting on the progress of the work programme and provides detailed reports on the internal audits that have been completed during the previous quarter.

The list of activities below shows some of the work the Audit Committee has undertaken during the year:

- Considered internal audit reports and reviewed the recommendations associated with the reports
- Reviewed the progress against the work programme for internal and external audit and the counter fraud service
- Considered the annual accounts and associated documents and provided assurance to the Board of Directors
- Considered the external audit report, including interim and annual reports to those charged with governance and external assurance review of the quality report.

### **Significant items of judgement**

There were two significant items of judgement discussed by the Audit Committee:

- The draft going concern statement was presented to audit committee members at its informal accounts briefing on 15 May 2017, where this was reviewed and subsequently updated. The going concern statement was received at the full audit committee on 30 May 2017 where it was discussed and approved for recommendation to the Board of Directors.
- At its meeting on 15 May 2017, the committee reviewed the exclusion of VAT from the valuation of Trust land and buildings. At the committee recent guidance on the treatment of VAT asset valuations was discussed and it was noted that based on the level of investment required to provide a replacement, this could only be undertaken in partnership using a PFI which would exclude VAT. The majority of the current estate is under PFI arrangements. It is the Trust's judgment to maintain the valuation, excluding VAT, and this was approved by the committee.

### **Role of Internal Audit**

PwC provides independent assurance to the Board of Directors via the Audit Committee.

The Head of Internal Audit is a Partner of the firm and is supported by a Senior Manager and management team, all of whom are CCAB qualified. All PwC auditors are either qualified or working towards an externally validated professional qualification to ensure the organisation has the correct skill set to deliver a wide range of assurance reviews and demonstrate proficiency and due professional care.

Each financial year all the Trust's internal auditors complete an independence declaration confirming that they have no conflicts of interest which might compromise their independence as an auditor working for PwC on behalf of the Trust.

PwC have extensive experience of delivering high quality internal audit services to the health sector, as well as many other sectors within the economy. Their service to the Trust includes:

- Provision of an independent and objective opinion on risk management and governance, compliant with prevailing Public Sector Internal Audit Standards.
- Provision of professional, high quality audit coverage of key risks identified in conjunction with Trust management.

- Use of the audit coverage and collates the opinions drawn to provide a meaningful Head of Audit opinion to support the Annual Governance Statement.
- Value-added work to assist the Trust in making business improvements and achieving its corporate objectives.

As well as undertaking specific audits and other pieces of work commissioned by the Trust, PwC also provides informal advice on governance, systems/process issues. Where PwC undertake consultancy or advisory work separate to their responsibilities as internal auditors these are subject to separate engagement letters.

## **Role of External Audit**

KPMG provide an external audit service to the Trust and were appointed through a tendered process in 2014/2015 by the Council of Governors in a joint exercise with the Audit Committee. The appointment was for a term of three years. The first year of that contract was 2015/2016.

External auditors are invited to attend every Audit Committee meeting. The appointed external auditors have right of access to the Chair of the Audit Committee at any time.

The objectives of the external auditors fall under three broad headings – to review and report on:

- The audited body's financial statements, and on its Annual Governance Statement
- Whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources
- Review of the Quality Account and provide a limited audit opinion on the document

In each case, the Audit Committee sees the resulting conclusions. External audit also prepares an annual audit plan, which is approved by the Audit Committee.

External audit works with both management and other assurance functions to optimise their level of coverage. The Committee seeks, and gains assurance, that duplication with internal audit is minimised wherever possible, consistent with the requirements of *ISA (UK and Ireland) 610* that external audit should never direct the work of internal audit and must be satisfied as to the role of internal audit as a whole, and review and re-perform similar items for any piece of work on which it intends to place reliance.

The Audit Committee has reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process. This process is achieved by a self-assessment of performance and measurement by the auditors against KPIs contained in the audit contract. This self-assessment is reviewed by the Director of Finance and Audit Committee and reported to the Council of Governors.

The Committee received and reviewed external audit plans and routine reports, along with regular private discussions with the external auditors and internal audit. External audit colleagues attended each meeting.

The total annual contract value for 2016/2017 is split as follows:

1. Financial statements external audit fee – £55,098
2. Fees for audit of consolidation with charity - £4,800
3. Quality accounts fee - £12,000

### **The Finance and Investment Committee – Chaired by Hugh Lang**

The Finance and Investment Committee met seven times during the year with one meeting held as a joint meeting of the Finance and Investment Committee and the Executive Directors. The Committee's core membership at the end of the financial year included:

- Mr Hugh Lang – Chair of the Committee and Non-Executive Director
- Mr Mike Reynolds– Member of the Committee and Non-Executive Director
- Ms Amanda Hullick – Member of the Committee and Acting Chairman
- Mrs Maxime Hewitt-Smith – Director of Finance
- Mr Gary McDonald – Deputy Director of Finance

The Committee has an open invitation for all Non-Executive Directors to attend any of the meetings and this year Richard Carter-Ferris attended three meetings and Jake Tompkins attended one. It is also supported by a number of officers and Directors.

The Committee reviewed, in detail, information relating to financial performance, the Cost Improvement Programme and operational activity and performance, drawing any issues or matters of concern to the attention of the full Board. It also explored in more detail some of the concerns and risks facing the Trust and support this, received additional information on the following topics:

- Service Line Reporting
- Information about the financial position of the commissioners
- Detail about the level of non-recurrent savings against the recurrent savings
- Information on key performance indicators, the penalties incurred by the Trust and reference costs applied to the Trust
- Cashflow updates
- Quarterly returns to the regulators
- STP work plan
- STP funding
- Updates on balance sheet restructuring
- Details about workforce efficiencies and the impact on the cost improvement programme should a mandatory level of staffing be put in place

As part of the review of the Committee's Terms of Reference, it was agreed to meet monthly during 2017/2018.

### **The Quality Assurance Committee – Chaired by Maureen Rutter**

The Committee operates to provide significant additional examination on matters of both quality and safety across the whole Trust. In devoting the additional focus on such a regular basis, it enables the Board to develop and retain a more strategic approach to such matters.

The Committee, which met seven times in 2016/2017, regularly reviews comprehensive reports and has set up a work programme where items are considered on a rotational basis.

Following a review of the whole committee structure supporting the Board, it was agreed to change the frequency of the meeting from September 2016 to quarterly meetings. The review also proposed a change to membership with Non-Executive Director and Medical Director' membership enhanced.

In year, the Committee reviewed reports and information on the following topics and a copy of the draft minutes and a Chair's Log is also taken to the next Board meeting.

- Risk Registers (the Risk Registers are now reviewed by the Risk Committee)
- Quarterly Quality Impact Assessment (QIA) report
- Patient safety and quality priorities (including quarterly quality and governance reports)
- The Clinical Audit programme and forward plan
- Patient safety incidents and serious incident thematic analysis
- National Patient Safety Agency reports
- Health and Safety of staff, patients and visitors
- NICE guidance
- Patient experience plans and report
- Safeguarding adults and children
- New clinical policies and procedures
- Draft Quality Account
- Mortality surveillance 6 month update
- CQC action plan and compliance update
- Infection prevention and control standards and performance
- Cleaning updates
- Inpatient survey
- Information Governance work programme
- Draft Annual Governance Statement
- PHSO reports
- Annual Reports from the committee reporting groups

As part of the review of the Committee's Terms of Reference it was agreed it would meet monthly during 2017/2018.

### **The Workforce Committee – Chaired by Richard Carter-Ferris**

The Committee was established in June 2016 and met three times in-year to discuss and consider information relating to workforce. Core membership included:

- Mr Richard Carter-Ferris - Chairman of the Committee from December 2016
- Ms Amanda Hullick - Chairman of the Committee until December 2016
- Mrs Maureen Rutter - Non-executive Director
- Mr David Heslop – Non-executive Director

Items discuss included:

- Update on key performance indicators (KPIs)
- Benchmarking sickness levels
- SDR performance to date
- Health and Well Being - Flu vaccination targets
- Review of Workforce Planning
- Review of leadership development
- Update on Rostering Programme
- New workforce models and contracts (including junior doctors contract)



- Nursing Associates
- Physician Associates

The Committee provides the Board of Directors with a draft copy of the minutes and a Chair's Log report following each meeting.

### **The Risk Committee – Chaired by David Heslop**

The Risk Committee was introduced in September 2016 and provides assurance to the Board of Directors that risks are identified and managed effectively in accordance with the Trust's risk appetite. The Committee identifies potential corporate risks and any patterns or trends, which it escalates to the Board, and met three times during the year. Membership is as follows:

- Mr David Heslop, Chair of the Committee
- Mr Hugh Lang, Non-Executive Director
- Ms Ruth James, Director of Quality and Performance
- Mr Simon Kendall, Medical Director (Clinical Diagnostic Support Services)
- Mrs Anna Pridmore, Company Secretary
- Mrs Gill Hunt, Director of Nursing
- Quality and Performance Business Partners for each Clinical Centre
- Mrs Nicky Huntley, Head of Patient Safety, Legal and Information Governance
- Mrs Emma Carter, Head of Quality Assurance and Patient Experience

During the year, the following items were discussed and matters were raised to the Board as appropriate through the Chair's Log and draft minutes:

- Review of the Centre and Corporate Risk Registers (and the use of them)
- Internal Audit Report on risk
- Terms of reference of the Centre Boards
- Business continuity arrangements
- Board Assurance Framework

### **Cost allocation and charging guidance**

The Trust has complied with the cost allocation and charging guidance in accordance with the HM Treasury framework.

### **Political and charitable donations**

As an NHS body, South Tees Hospitals NHS Foundation Trust does not make political or charitable donations.

### **Better Payment Practice Code**

Unless other terms are agreed, we are required to pay our creditors within 30 days of the receipt of goods or a valid invoice, whichever is the later. This is to ensure that we comply with the Better Payment Practice Code. The Trust's performance against this metric is shown as follows:

Non NHS	NHS
Target: 95%	Target: 95%
Result by number: 42%	Result by number: 45%
Result by value: 61%	Result by value: 25%

The relatively small number and high value of NHS invoices mean that a small number of late paid NHS invoices can result in dramatic shifts in the percentage paid on time. A detailed breakdown of the figures is shown below:

	2016/2017		2015/2016	
	Number	£000	Number	£000
Total non NHS trade invoices paid in the year	91,162	275,790	91,063	234,004
Total non NHS trade invoices paid within target	38,022	166,509	67,459	177,027
% of non NHS trade invoices paid within target	42%	61%	74%	76%
Total NHS trade invoices paid in the year	2,788	13,864	2,436	19,721
Total NHS trade invoices paid within target	1,253	3,397	984	9,265
% of NHS trade invoices paid within target	45%	25%	40%	47%

Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to £27,000.

### **Enhanced quality governance reporting**

Quality continues to drive our strategy and the Trust's target operating model is driven by our strategic imperative to increase our patient focus, ensuring excellence in both patient outcomes and patient experience.

We believe that quality governance is an important aspect of the management of healthcare. Quality governance supports the Trust in delivering safe and quality services to patients.

Our risk management and quality impact assessment processes ensure that the Board is continually sighted on risks to quality. The measurement and monitoring of quality is supported by a system of quality dashboards which improve patient safety, patient experience and workforce metrics.

Each ward has a monthly quality dashboard and quality performance is monitored through performance reviews with each clinical centre and through the Quality Assurance Committee at an aggregated Trust level.

The Board receives an integrated quality, finance, performance and workforce report to monitor progress with delivery of its operational objectives including quality.

There are clear roles and accountabilities identified in the management structure of the Trust which was further strengthened in the organisation restructure, and the creation of Quality

and Performance Business Partners in each Centre which came into effect in April 2016.

There is a well-established mortality review process in the Trust which has been further strengthened in 2016/2017 by the establishment of a Mortality Surveillance Sub-Group in accordance with national guidance.

The sub-group receives a detailed mortality report on a quarterly basis and reports to the Board via the Quality Assurance Committee. The Trust is in the process of piloting a standardised electronic tool to record the findings of specialty level mortality and morbidity reviews which will improve our ability to identify improvements and share learning across directorates.

As part of the review of the committee structure the Trust has established a Risk Committee which reports to the Board and meets quarterly. The Committee is chaired by a Non-Executive Director and membership also includes the Quality and Performance Business Partners from each centre.

The Serious Incident Review and Learning Sub-Group was also established in 2016/2017 whose remit is to review serious adverse events (incidents, complaints and claims) to ensure that actions have been followed up, improvements are embedded and evidenced through audits and to identify and disseminate Trust-wide learning.

The Committee structure will be reviewed in April 2017 to ensure all groups are working effectively

The Quality Governance Framework has been incorporated into the Well Led Framework and the Trust commissioned Deloitte LLP to undertake a further Well Led Review during 2016/2017 with the report – and an action plan - being presented to the Board of Directors in May 2017. The Board complies with the provisions of the code of governance and its key principles and further details can be found within the Annual Governance Statement on pages 107 to 120.

## Patient Care

Patient safety and quality are at the heart of everything we do and we promote a quality focused culture throughout the Trust. Our target operating model is driven by our strategic imperative to increase our patient focus, ensuring excellence in both patient outcome and patient experience.

In year, our overarching success was the upgrading of our CQC rating from 'Requires Improvement' to 'Good' with several areas of outstanding practice identified.

Supporting this - and our further ambition and commitment to be rated as 'Outstanding' on our next inspection - there have been numerous achievements in clinical practice and service development throughout the year, some of which are highlighted below:

### CQC inspection

The Trust underwent a focused re-inspection by the Care Quality Commission in June 2016, which upgraded our overall rating from 'Requires Improvement' to 'Good', with several areas of outstanding practice identified. The previous review was in December 2014.

The CQC's report, published in October, acknowledged the newly established executive team at the beginning of the financial year, strengthened investment in clinical leadership and the Trust's clear ambition to be recognised as an outstanding organisation. It also found significant progress had been made in the areas of finance and governance.

Two areas of practice – Nursing for End of Life care and the Trust's development of a detailed programme around the patient flow in and out of the hospital to reduce unnecessary admissions and help to support patients being seen closer to home in a more appropriate facility – were deemed to be outstanding.

There were a number of areas identified for improvement including:

- Ensuring processes are in place and understood by Friarage staff around maintenance, the moving and handling of equipment and transfer of deceased patients particularly out of hours
- Approving and implementing the End of Life strategy and moving to develop a seven-day palliative care service
- Continuing to develop plans to ensure appropriate staffing levels on wards, particularly in the neonatal unit to meet the British Association of Perinatal Medicine guidelines
- Reviewing the discharge lounge at the Friarage Hospital in relation to maintaining and cleaning equipment and ensuring the environment is suitable for patients and fit for purpose

The report is based on a combination of its inspection findings, information from CQC's Intelligent Monitoring system, and information provided by patients, the public and other organisations including Healthwatch and our ratings were as follows:

	Safe	Effective	Caring	Responsive	Well-led	Trust overall
Trust by key question	Good	Good	Good	Good	Good	Good

Since the CQC inspection – and the publication of their report – the organisation has made some good progress to address the CQC's findings although we recognise there are some areas where we can make further improvement.

In line with our CQC action plan, areas of focus include improving pharmacy processes, including dispensing turnaround times, medicine-related admissions and achieving a 90% medicines reconciliation rate. The Trust is also undertaking a review of End of Life Care.

In-year the Resolution Health Centre was also separately inspected and the Trust noted that no significant concerns were raised during or immediately after the inspection.

### **NHS Improvement (Monitor)**

From 1 April 2016, Monitor became part of NHS Improvement which brought together the independent regulator with the NHS Trust Development Authority, Patient Safety, the National Reporting and Learning System and the intensive support teams.

In 2016/2017, the Trust continued to be subject to enforcement action by NHS Improvement for its financial position, failing to achieve its *Clostridium difficile* target and Board governance.

Reducing infection remains a key patient safety target and priority for the Board and we ended the year with 43 Trust-attributed cases against a target of no more than 55 – a 30% improvement on last year.

Our organisation has a detailed *Clostridium difficile* action plan with a monthly report shared with the Board and root cause analysis is performed on all Trust-apportioned cases with case reviews held and chaired by the Director of Nursing/Director of Infection Prevention Control.

Further detail about actions we have taken in year is available in the performance analysis section of the annual report and the quality report.

The Trust commissioned an independent review of governance arrangements in December 2014 in response to enforcement action with the majority of actions highlighted by the review being completed in 2015/2016.

The remaining actions were linked to the development of the organisation's strategy and planned programme of Board development and a further review of governance arrangements was carried out in December 2016 with a final report being presented to the Board in April 2017. An action plan is now being developed to address the following recommendations:

- Further developing the strategic planning framework with a clear annual planning cycle to ensure consistency of approach across centres
- Reviewing the corporate calendar to ensure there is sufficient opportunity for strategic debate at the Board and clear connectivity from the Board's sub committees
- Ensuring that progress against achievement of organisational objectives is monitored quarterly at Board and the Board Assurance Framework is used consistently to highlight key strategic risks and to shape the Board's agenda

- Expanding the Board development program to include clarity of Board members' role responsibility and priorities, and
- Standardising governance structures throughout the centres and reviewing the effectiveness of the revised committee structure.

The Trust is in discussion with NHS Improvement regarding the ongoing status of the enforcement action and has submitted the 2017/2018 and 2018/2019 Financial Plan adhering to the notified Control Total. Monthly returns covering key financial performance and information will also continue to be shared with NHS Improvement on a monthly basis.

## **Service developments**

### **Global first**

The James Cook University Hospital was the first in the world to offer a cutting-edge procedure – called a microlobectomy – to a patient. The technique, pioneered by thoracic surgeon Joel Dunning, reduces the invasive nature of lung cancer surgery, reducing pain and helping patients to recover faster and be discharged from hospital sooner.

A recent study presented by Mr Dunning to the world's largest gathering of cardiothoracic surgeons in Barcelona, showed almost a quarter (22%) of microlobectomy patients go home one day after their procedure and 42% go home on the second day.

### **UK first for treatment of lung cancer**

As an organisation, we strive hard to get patients the most effective and newest treatments wherever possible and the Trust was the first centre in the UK to get access to a new immunotherapy drug for lung cancer patients as part of the Early Access to Medicines Scheme.

The Early Access to Medicines Scheme aims to give patients with life threatening conditions access to medicines that do not yet have a marketing authorisation when there is a clear unmet medical need.

Consultant Dr Talal Mansy made a special request to use an immunotherapy drug called Pembrolizumab, which is designed to stimulate the body's immune system to fight cancer cells and is less toxic than chemotherapy, for one of his patients.

In-year, Dr Mansy also sought permission for one of his patients to start taking a new drug called Osimertinib - four months before it was approved for general NHS use – because of the way the cancer was developing.

Osimertinib is a tablet-based treatment which has often proven more effective than chemotherapy and initial results have indicated that the treatment is working well with the patient's tumour in her lung shrinking.

### **Drop-in chest X-ray service**

A new drop-in chest X-ray service – developed as a partnership between the Trust, Macmillan Cancer Support, Middlesbrough Council, South Tees Clinical Commissioning Group and the Tees Valley Public Health Shared Service – was piloted at The James Cook University Hospital and the One Life Centre.

The service, aimed at current smokers aged 50 and above, provides easier access to chest x-rays for people living in more deprived areas where there is a higher prevalence of the risk factors for lung cancer.

It is hoped the scheme will encourage people to get any symptoms, such as a persistent cough, checked out as soon as possible to help clinicians detect the disease in its early stages and is part of the Macmillan Integration of Cancer Care Programme which has looked closely at existing cancer pathways from pre-diagnosis through to recovery, survivorship and end of life care.

The programme includes how patients move through the whole healthcare system looking at how all the separate services can work more closely to deliver the right care, in the right place, at the right time, by the right professional and a review has focussed on three specific pathways – lung, lymphoma and brain and central nervous system.

### **Head and neck surgery**

A pioneering procedure developed at The James Cook University Hospital called a Rendezvous Dilatation has enabled a patient to eat and drink almost normally again.

Previously the patient had to be fed through a tube in his stomach for ten months after intensive treatment for a tumour on his throat caused him to develop severe scar tissue which totally closed his foodpipe.

The technique involved two surgeons entering the food pipe at opposite ends – through the mouth and via the PEG tube in the stomach – and meeting in the middle. It is a procedure used for a small number of patients that have a total scarring over of their oesophagus following chemotherapy and radiotherapy but the outcome is life-changing for patients.

### **Advanced eye procedure**

Eye patients at The James Cook University Hospital can now undergo a procedure to strengthen their cornea at the Middlesbrough hospital. This advanced procedure, known as corneal collagen cross-linking, is used to treat a progressive corneal condition called Keratoconus which affects young people.

Keratoconus can start in patients as young as 13 and can progress until the patient is around 30. It affects both eyes and makes vision very blurred as it changes the shape of the cornea. If left untreated the eye can deteriorate to the point where patients require corneal transplant surgery.

Previously patients requiring this treatment would have had to travel to York, Leeds or Sunderland. Having a local service means they can now benefit from stable vision much earlier in the disease process without the need for using complex spectacle or contact lens correction to optimise their vision.

The other significant advantage of this treatment is the reduced impact on corneal donor demand because the number of corneal transplants required will reduce.

### **National recognition for Parkinson's Advanced Symptoms Unit**

The Parkinson's Advanced Symptoms Unit (PASU) at Redcar Primary Care Hospital – the first of its kind in the UK – picked up two national awards during the year:

- 'Managing Long Term Conditions' Award at the Patient Safety Awards 2016
- UK Parkinson's Excellence Network's Award for outstanding services

The unit combines the expertise of Trust's clinicians with mental health specialists from Tees Esk and Wear Valleys NHS Foundation Trust, providing a dedicated service to Parkinson's patients and their families across the region, when they are at their most vulnerable.

Impaired movement, dementia and psychosis are just some of the complex physical and mental symptoms which Parkinson's sufferers may begin to experience as part of their condition, all of which can be extremely distressing for both patients and their families.

By bringing specialists from the local mental health trust together with neurologists, specialist nurses and dedicated pharmacy and physiotherapy staff from South Tees, PASU ensures rapid access to a range of services and support.

This, in turn, has shown to decrease emergency admissions and improve management of mental health symptoms amongst patients across the region and other healthcare providers across the country are now looking to replicate this successful model.

### **Service development at the Friarage Hospital**

In November, building work began to house a new MRI Scanner at the Friarage Hospital which will complement existing radiology services and provide invaluable diagnostic capability closer to home for the local population.

This is the first fundraising campaign of South Tees Hospitals Charity – in partnership with the Friends of the Friarage who have generously pledged £500,000 towards the Appeal – with work being completed in Spring 2017.

MRI scanners are increasingly used to diagnose a wide range of health conditions and the Trust carries out over 27,000 scans every year – 6,500 of which are for patients living in the Hambleton and Richmondshire area.

Currently, North Yorkshire patients have to travel to Middlesbrough or Darlington for these important imaging tests. The new scanner will:

- Provide a local diagnostic service for local residents
- Reduce outpatient and inpatient waiting times
- Enable conditions to be diagnosed more quickly with faster treatment planning
- Mean less travelling to other hospitals for scans
- Allow clinical specialties at the Friarage to work closer together
- Allow the development of new clinical services at the Friarage Hospital
- Support clinical trials to help improve the trust's research profile
- Reduce the need for costly exploratory surgery

We have also invested in new lung surgery services, benefiting an initial 150 patients a year, with specialist imaging equipment, increased theatre capacity for lung surgery and outpatient clinics now being provided at the hospital.

This new service will be more responsive for the local population, resulting in reduced waiting times across the Trust and further cementing our commitment to developing services at the hospital and providing care closer to home. It has also been supported by our military anaesthetic colleagues.



A simulation suite to help train the doctors and nurses of the future was also officially opened in-year by cricketering legend Ian Botham at the Friarage Hospital who joined the Friends of the Friarage and staff at the new facility.

The suite provides students including trainee doctors, nurses and GPs, the chance to treat a 'living' manikin – paid for by the Friends - and hone their skills carrying out a diverse range of procedures and treatments in a quality teaching environment without posing a risk to patient safety.

It will also be used for a variety of staff training including venepuncture, cannulation and catheterisation. Funding for the new unit was made available through Health Education England Yorkshire and Humber and North East and Cumbria while the Friends donated almost £59,000 of their reserves to pay for a range of equipment including the Sim Man.

### **Sir Robert Ogden Cancer Centre**

Multi-million pound plans to build a new cancer centre to expand services at the Friarage Hospital in Northallerton were approved by Hambleton District Council towards the end of the financial year.

Macmillan Cancer Support has been working in partnership with the Trust to develop the business case for the new development which will be called the Sir Robert Ogden Macmillan Centre as the North Yorkshire-based philanthropist is jointly funding the project with Macmillan and our organisation.

It is his third similar project in partnership with the charity and Sir Robert and Lady Ogden have also contributed to the design process - their aim to create a relaxing and comfortable environment to ensure patients undergoing treatment have an improved experience.

The scheme will provide the latest up-to-date treatment and create a state-of-the-art facility for patients, carers and relatives from the North Yorkshire and South Tees areas that will include:

- A chemotherapy treatment lounge with capacity to treat up to 35 patients a day
- Complementary therapy facilities
- Treatment and consulting rooms
- A Macmillan cancer information and support centre
- Supporting accommodation (including telemedicine facilities)

Currently, the Friarage provides diagnostic cancer services for lung, upper GI, urology, gynaecology, lower GI, breast and haematology as well as skin cancer and brain tumours. It is also a treatment unit for colorectal, haematology, breast and lung cancer.

The plans, which included input from patients, went on display in January for a period of public consultation. Building work is expected to start in the summer of 2017 with an estimated completion date of around a year. This is the start of an exceptionally exciting time for the development of cancer services at the Friarage and will help us to provide the highest quality of care possible for our patients in a dedicated environment.

## **Raising our academic and research profile**

The Trust is a leading partner in the academic health science network (AHSN) for the North East and North Cumbria, which aims to recognise the brilliant ideas originating from the region's health service, turning them into treatments, accessible technologies and medicines.

We're also a partner of the Northern Health Science Alliance (NHSA) which links eight universities and eight NHS Teaching Trusts with the Academic Health Science Networks (AHSNs) covering a population of over 15million people.

The NHSA acts as a single portal bringing together research, health science innovation and commercialisation to provide benefits for researchers, universities, hospitals, patients as well as commercial partners, and is an excellent platform to promote the value of the North of England to the global Innovation, Health and Wealth agenda.

In-year, we reviewed the structure of our Institute for Learning, Research and Innovation – which brings together research, teaching, development, training and innovation facilities – to ensure we continue to drive excellence in education and the continuous professional development of our people.

Our ambition is to grow our reputation as a leading regional and national provider of safe, innovative, high quality care which is underpinned by a research-led clinical evidence base and we have also taken into consideration how the organisation can position itself to take a lead role in the development of the Tees-wide Education, Research and Innovation strategies which will be required to enable the delivery of the proposed Sustainability and Transformation Plan (STP).

A new leadership structure was introduced to support the strategic development of our Medical Education, Research and Innovation agenda. A summary of some of the Trust's achievements are listed as follows:

### **South Tees Bio-incubator is launched with first tenant**

A new hub which acts as a launch-pad for research, innovation and collaboration between health, technology and science was launched for the first time at the Trust.

The South Tees Bio-incubator has been set up to allow early-stage biotechnology and life sciences companies become established and realise potential commercial success, by providing access to specialist facilities, expert advice and shared laboratory space.

A strategic partnership between the Trust, Northern Health Science Alliance (NHSA) and the Centre for Process Innovation (CPI), it has already welcomed its first tenant – GlycoSeLect UK – into its new home at the Institute for Learning, Research and Innovation at The James Cook University Hospital.

It is widely acknowledged that research, innovation and entrepreneurship are crucial driving factors for the North East's long-term efficiency, competitiveness and economic growth and initiatives such as this mean the Trust can develop deep and high value partnerships.

Our aim is to create a leading-edge hub at the heart of our clinical research campus to accelerate collaboration, technology and knowledge exchange and open innovation.

## Clinical research

Taking part in clinical research shows we are committed to improving the quality of care we offer and are making our contribution to wider health improvement. Our clinical staff keep up-to-date with the latest possible treatment options and recognise that active participation in research leads to improved patient outcomes.

The Trust had its highest ever recruiting year for clinical trials, with 3,406 patients recruited to take part in research approved by a research ethics committee, compared to 2,538 in 2015/2016 and, in total, 195 studies were recruited to which ranged from complex interventional trials involving small numbers (often only two or three people) to large non-interventional studies.

The Trust's active engagement in research is reflected by the high number of research studies being undertaken and in 2015/2016 the Trust was ranked in the top 5% of NHS organisations in the country for the number of 'recruiting' National Institute for Health Research (NIHR) portfolio studies.

Income from participation in research continues to rise despite the challenging financial climate and was in excess of £1million. Our organisation continues to successfully deliver major NIHR grant funded trials and this year was awarded further NIHR research grants to deliver two major Research for Patient Benefit (RfPB) funded trials:

- Preventing cardiac damage in patients treated for breast cancer
- The STIM study, which is looking at whether a screening trial for spinal cord stimulation in patients with neuropathic chronic pain has clinical utility and is cost effective

Examples of our involvement in research during the year include:

### Mini Mitral trial

The cardiothoracic team received £1.6million of NHS funding as the leading clinical centre for the largest study of its kind in the world, comparing a highly invasive sternotomy procedure, in which the breast bone or sternum is prised open, with a keyhole technique.

The research has the potential to benefit thousands of patients worldwide, who suffer from 'leaky' heart valves or 'mitral valve regurgitation,' which can lead to heart failure requiring open heart surgery when it can no longer be managed by medication.

It will involve half of patients having a conventional sternotomy – a large, vertical incision which opens up the sternum or chest bone, to give the surgeon access to make the heart valve repair – while the remaining 50% will instead be treated with a "minimally invasive" keyhole technique in the right hand side of the rib cage below the breast area, which it is hoped will deliver the same treatment results but with potentially fewer risks and possible quicker recovery times.

The James Cook University Hospital has been using this technique for a number of years but the trial, which will involve 400 patients across a number of hospital sites, will follow the patients taking part in detail for more than four years after their surgery, to assess whether there is a difference in patients' recovery and subsequent health.

It will also determine whether the minimally invasive technique has cost benefits, which could result in significant savings for the NHS. The UK Mini Mitral trial is being run by the Durham University Clinical Trials Unit, including academics from Newcastle University, with

the Trust's Consultant Cardiothoracic Surgeon Mr Enoch Akowuah as the chief investigator and Consultant Cardiothoracic Surgeon Andrew Goodwin also involved.

### **Checkmate 227**

The James Cook University Hospital is one of ten centres in the UK taking part in the global research project – the Checkmate 227 clinical trial - to investigate the benefits of combining two immunotherapy drugs or immunotherapy with chemotherapy for lung cancer patients.

Lung cancer survival is still one of the lowest of all cancers but progress is slowly being made to improve patient outcomes. Immunotherapy drugs, which are drugs that switch on the immune system to fight cancer, have been proven to be more effective, less toxic and keep more people alive than chemotherapy in the second line setting in lung cancer (patients who have already had chemotherapy and their lung cancer is growing again).

The trial is investigation three key areas which are to determine whether:

- immunotherapy is more effective treating patients in the first line setting (patients who have not received any treatment for their lung cancer)
- combining immunotherapy with chemotherapy results in an even greater benefit
- combining two immunotherapy drugs together, will increase patient benefit even further

Medical oncologists Dr Talal Mansy and Dr Louise Li worked with a number of teams to bring the trial to the hospital including trials officers, the research and development department, histopathology, radiology, nuclear medicine, pharmacy, the chemotherapy day unit and schedulers.

### **ISCHEMIA trial**

Cardiologists were praised for their role in a major international study looking at the effectiveness of different treatments for patients with Ischemic Heart Disease (IHD). The cardiothoracic team, led by Dr Mark de Belder, were commended by the New York University-based leaders of the ISCHEMIA trial, which has been set up to determine the best way to manage stable ischemic heart disease, for the high quality of the data submitted and being of the top recruiting teams in the UK.

### **Teaching and training**

South Tees continues to be the lead Trust for the Tees base unit of Newcastle University's regional medical school with our teachings involved in the development and delivery of the medical student programme and in 2016/2017 was named as the top acute trust in the country for intensive care medicine training and the top trust in the region for health education.

Dr Mahir Hamad, Consultant Physician and Clinical Director for Acute Medicine, received the UK PACES Champion Award, recognising the Trust's achievement in enabling 270 junior doctors each year to take the PACES clinical practice exam - the final stage which sees junior doctors progress in their career to registrar level, following four years of clinical practice after graduation - at The James Cook University Hospital.

Our hospital is one of the flagship centres for providing the Practical Assessment of Clinical Examination (PACES) exam, on behalf of the Membership of the Royal Colleges of Physicians of the United Kingdom MRCP (UK), and in the last three years, the number of candidates taking the exam has increased by as much as 50%.

## Patient experience

### National surveys

There were two national surveys which the Trust has participated in which were published in year.

- **The Care Quality Commission's annual survey of inpatients (published June 2016)** in which the organisation was ranked among the best performing trusts in two areas – emergency/A&E department and care and treatment.

Responses to the adult inpatient survey 2015 were received from 612 patients aged 16 and above who had stayed in hospital for at least one night - a response rate of 52% which was higher than the national average of 47%.

The survey looked at 11 areas in total and in the remaining nine areas, South Tees was ranked in the upper end of the “about the same as other trusts” category.

- **The National Cancer Patient Experience Survey 2015 (published July 2016)** is the fifth iteration of the survey first undertaken in 2010 and monitors the Trust's progress on cancer care. It is designed to provide information to drive local quality improvements, to assist commissioners and providers of cancer care and to inform the work of the various charities and stakeholder groups supporting cancer patients.

The sample for the survey included all adult (aged 16 and over) NHS patients, with a confirmed primary diagnosis of cancer, discharged from an NHS Trust after an inpatient episode or day case attendance for cancer related treatment in the months of April, May and June 2015 and 721 patients completed it – a 66% response rate which was equivalent to the national average.

Asked to rate their care on a scale of zero (very poor) to 10 (very good), South Tees respondents gave an average rating of 8.8. The following questions were also included in phase one of the cancer dashboard developed by Public Health England and NHS England with the following Trust results:

- 77% of respondents said they were definitely involved as much as they wanted to be in decisions about their care and treatment
- 87% said they were given the name of a clinical nurse specialist who would support them through their treatment
- When asked how easy or difficult it has been to contact their clinical nurse specialist, 89% said that it had been 'quite easy' or 'very easy'
- 88% said that, overall, they were always treated with dignity and respect when they were in hospital
- 95% said that hospital staff told them who to contact if they were worried about their condition or treatment after they left hospital
- 64% said they thought the GPs and nurses at their general practice definitely did everything they could to support them while they were having cancer treatment

Further analysis of the Trust's survey results can be found in the Quality Report.

## Complaints

Our strategic imperative is to increase our patient focus, ensuring clinical effectiveness and excellence in both patient outcomes and patient experience.

Poor communication often lies at the heart of many NHS complaints and getting it right is a cornerstone of providing quality health care and an area we have recognised we could improve on.

By asking, monitoring, and acting on feedback we receive from complaints and concerns raised by patients and their families, we can help to shape current and future services and embed learning to improve safety supporting families, carers and staff involved.

Between 2016/2017 we dealt with 346 formal complaints, which received a written response from the chief executive compared to 428 in 2015/2016. We assisted other organisations with a further 46 complaints.

Currently the standard response time to complainants is set at 25 or 40 working days, (60 for a serious incident). Throughout the year the Trust has worked on improving our response times and at the end of March 2017, were achieving this target in 72% of our responses – a significant improvement on last year (20%).

A number of measures have been put in place to ensure a systematic approach to managing and analysing incidents, complaints, PALS, claims and information governance and some actions implemented in-year include:

- Agreeing a response time with the complainant particularly when the complaint is complex or the complainant requests a meeting
- Monthly 'lessons learned' bulletins which share outcomes of investigations
- Piloting a new response template
- Improved action plans associated with complaints
- Introducing a guidance pack on handling complaints

The complaints review panel meets monthly to score responses against the Patients Association Standards and the group has an independent chair.

A total of 26 requests were received by the Parliamentary and Health Service Ombudsman (PHSO), whose role is to investigate complaints where individuals feel they have been treated unfairly or have received a poor service. This compares to 27 requests last year.

Of these, 7 were not upheld, 4 were partially upheld and for the further 15, the Trust is still awaiting a decision from the Ombudsman.

We also had 1,886 PALS concerns in 2016/2017, a slight increase on the previous year of 1,819. Alongside these concerns, the PALS team also dealt with enquiries which are now being logged separately and next year will be shown alongside concerns.

Some of the changes the organisation has made as a direct result of complaints or concerns being raised include:

- A review of the literature available to patients in respect of complaints
- A thematic review of "re-opened" complaints to determine a more streamlined approach and ensure we are listening to the views of complainants in respect of the quality of our responses

- Work to maintain and improve the response rates for formal complaints.
- Explore developing a regional complaints managers forum to learn from and share experiences of complaints handling and best practice.
- Work with the communication team and the complaint review panel to determine what information would be useful to display on the trust's website.
- Conduct a satisfaction survey for complainants.

## **Compliments**

We highly value the kind letters, cards and social media posts that we receive from patients and their families thanking staff who have cared for them. Much of this feedback is given directly to the individuals involved.

## **Using patient and carer views to improve our services – 1,000 Voices**

In January 2017, the Trust launched our '1000 voices' project to ensure that patient experience and feedback are at the heart of service development and quality improvement.



This is a collaborative project with Northumbria NHS Foundation Trust and will ensure we get real time feedback from patients in receipt of care as well as whole-pathway feedback from patients who have been discharged.

Patient experience facilitators now visit inpatient wards across all South Tees sites, twice a month, to interview a minimum of eight patients per ward.

A standard set of questions have been specifically designed to elicit the views of patients with the purpose of capturing their experience of that ward and the services delivered and all patients are asked the same set of questions to ensure consistent measurement across the Trust. To date we have had feedback from more than 770 patients across 30 wards.

Our organisation is also collating feedback from patients two weeks after discharge as research has shown that patients, when back at home, reflect on their care differently to when they are still in hospital.

During 2017/2018 and beyond we will embed this work and build on it by engaging with Healthwatch, primary care and other partner organisations to share patient feedback and use it to inform service improvement.

## **Patient-led assessments of the care environment (PLACE)**

The Patient-Led Assessments of the Care Environment (PLACE) programme provides a snapshot of how an organisation is performing against a range of non-clinical activities which impact on the patient experience of care.

They focus on the environment in which care is provided, as well as supporting non-clinical services such as cleanliness, food, hydration, the extent to which the provision of care with privacy and dignity is supported and whether the premises are equipped to meet the needs of people with dementia against a specified range of criteria.

PLACE aims to promote the principles established by the NHS Constitution that focus on areas that matters to patients, families and carers: putting patients first, active feedback from the public, patients and staff, adhering to basics of quality care and committing to ensure services are provided in a clean and safe environment that is fit for purpose.

In 2016, the assessments highlighted for the first time how well the premises from healthcare providers are equipped to meet the needs people with disabilities. Assessments involve the input of patient assessors, which is absolutely invaluable in ensuring a transparent, credible, impartial and robust process of evaluation and appraisal.

The Trust has built good relationships with the local external assessors' and Healthwatch and will continue to take every opportunity to ensure our feedback influences the future format of the assessments. The overall Trust breakdown for 2016 is as follows:

	Overall Trust score	National average
Cleanliness	98.93%	98.10%
Condition, appearance and maintenance	96.12%	93.40%
Privacy, dignity and wellbeing	83.23%	84.20%
Food and hydration	90.90%	88.20%
Organisation food	91.41%	87%
Ward food	90.95%	89%
Dementia	79.95%	75.30%
Disability	86.01%	78.80%

(2015 figures in brackets)	National average	James cook	Friarage	Redcar	Friary	East Cleveland
Cleanliness	98.10% (97.57%)	98.63% (98.20%)	100% (99.75%)	100% (99.56%)	100% (99.32%)	98.87% (100%)
Food & Hydration	88.20% (88.93%)	90.95% (84.98%)	91.18% (85.72%)	92.53% (92.46%)	84.52% (83.85%)	89.83% (80.94%)
Organisation Food	87% (n/a)	91.72% (n/a)	92.43% (n/a)	88.45% (n/a)	75.71% (n/a)	88.89% (n/a)
Ward Food	89% (n/a)	90.69% (n/a)	90.17% (n/a)	98.19% (n/a)	98% (n/a)	91.31% (n/a)
Privacy, dignity & wellbeing	84.2% (86.03%)	81.91% (82.66%)	86.82% (85.91%)	93.18% (77.14%)	85.19% (85.71%)	86.54% (84.48%)
Condition, Appearance & Maintenance	93.4% (90.11%)	95.68% (93.43%)	97.46% (93.48%)	98.44% (90.09%)	97.47% (90.54%)	96.67% (87.50%)
Dementia	75.3% (74.51%)	79.96% (74.01%)	79.59% (69.89%)	86.64% (53.72%)	80.96% (73.87%)	74.23% (65.61%)
Disability	78.8% (n/a)	84.6% (n/a)	91.84% (n/a)	87.56% (n/a)	88.94% (n/a)	85.95% (n/a)

Scores highlighted in Green indicate above the national average score.  
Scores highlighted in Red indicate below the national average score.

Our overall Trust-wide scores were above the national average on 7 of the 8 categories assessed, representing good performance against standards which now have stricter criteria in a number of areas. Results are shared with the wider organisation, in particular with our PFI partners, to form part of a wider improvement plan for all relevant support services.



## **Stakeholder relations**

Partnership is essential to our work in delivering and designing healthcare services around the needs of patients and carers.

The Trust's continued collaborative work with our strategic partners on transforming health and social systems across the Tees Valley and North Yorkshire will be essential for future sustainability and continued quality improvement.

The Sustainability and Transformation Plan (STP), 'Transforming Our Communities' and 'IMPRovE' projects are examples of the work which are underway with our strategic partners on transforming the health and social care system across the Tees Valley and North Yorkshire and further detail on these is below.

Working with commissioners and local authorities will be a key success factor as we jointly respond to a very challenging financial environment and, specifically, work towards more fully integrated health and social care. Other ways we engage with commissioners and partner agencies is demonstrated through:

- Executive team to team meetings with our key commissioners (NHS South Tees, Hambleton, Richmondshire and Whitby) and Cumbria, Northumbria and Tyne and Wear (CNTW) and Durham, Darlington and Tees area teams
- Unit of planning meetings bringing together CCGs, local authorities (including Middlesbrough and Redcar and Cleveland Borough Councils) and other providers across the Durham and Darlington area team
- Trust participation in the integrated commissioning board for North Yorkshire which brings together providers, CCGs and local authorities (North Yorkshire County Council)
- Participation in urgent care boards in both Tees and North Yorkshire localities
- Membership of health and wellbeing boards in Middlesbrough, Redcar and Cleveland and attendance at the North Yorkshire health and wellbeing board

We've also done extensive engagement around our financial and quality challenges, built on our established links with our commissioners, specialist commissioners, NHS England area team, local authorities, universities, health scrutiny committees, GPs, Council of Governors and local MPs and on potential service reconfiguration as outlined below.

### **Sustainability and Transformation Plan (STP)**

Every health and care system is now working together to produce a multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable by 2021.

Our Sustainability and Transformation Plan (STP) is a place based multi-year plan built around the needs of the population of Durham, Darlington, Tees, Hambleton & Richmondshire and Whitby – a health population of a million people – and the first draft of this was published in November 2016.

The development of our STP has involved membership from all of the providers of health and social care; local commissioners, local authorities and specialist commissioners and has four key areas of focus:

- Preventing ill health and increasing self-care
- Health and care in communities and neighbourhoods
- Quality of care in our hospitals – “Better Health Programme”
- Use of technology in healthcare

Additionally, the programme seeks to increase financial sustainability through extended use of risk share and cost sharing arrangements involving the NHS, local authority and voluntary sector partnerships.

The Trust is fully engaged and committed to the STP planning and decision making process with the Chief Executive, five Medical Directors, Director of Finance and Director of Nursing meeting regularly with the STP Programme Board as well as ensuring our own operational plans link into this system-wide programme.

Over the coming months, further work will be done led by our clinicians to develop the draft STP, working with our partner organisations including the voluntary sector. We will also continue to build on the public and staff engagement work which began earlier this year as part of the ‘Better Health Programme’ which, to date, has seen clinicians and other staff hosting 50 meetings in local communities, plus three large scale stakeholder events.

### **Transforming Our Communities (Fit for the Future)**

The Trust and Hambleton, Richmondshire and Whitby CCG, working with North Yorkshire County Council and partners have ambitious plans to address the rising challenges of looking after a growing, ageing population living across a wide, largely rural, and area.

Our strategy is to redesign health and care services and be a beacon of rural health and care - delivering the highest quality health and care services – and this vision was first shared in 2013 with the CCG engaging with stakeholders and members of the public at a number of meetings, events and shows.

From this engagement we know that:

- Patients want to be cared for at home or as close to home as possible
- Integration of health and social care services is important
- The Friarage is at the heart of Hambleton and Richmondshire localities

From the feedback received during this engagement, the CCG proposed a transformation plan for community services but the Trust’s unforeseen temporary closure of the Lambert Memorial Hospital due to staffing shortages and patient safety concerns (with community rehabilitation beds moving to the Ruston Ward at the Friarage Hospital) meant a formal consultation was initiated earlier than planned.

In July, a 14-week formal ‘Transforming Our Communities’ consultation was held with clinicians, patients and other stakeholders on three options as follows:

- Option one – do nothing. The Lambert Memorial Hospital in Thirsk will remain closed. The Ruston Ward in the Friarage Hospital will continue to be commissioned as it is now.
- Option two – re-open The Lambert Memorial Hospital in Thirsk with a new North Yorkshire based service provider delivering inpatient care.
- Option three (preferred option based on feedback from engagement) – provide a range of step-up/step-down beds in the community supported by integrated locality teams. This

option would see a range of beds being commissioned by the CCG in areas of high demand for patients across Hambleton and Richmondshire and result in the permanent closure of the Lambert Memorial Hospital and the decommissioning of the community rehabilitation beds on the Rutson Ward.

In October, the CCG's Governing Body reached a decision to take forward 'Option Three' which was also the preferred option chosen by the public and the first 'step-up/step down' facility was piloted at Sycamore Hall extra care housing in Bainbridge.

The outcome meant that the 14-bed rehabilitation ward at Lambert Memorial Hospital in Thirsk, which had been closed by the Trust since September 2015, was permanently closed with the building returning to the sole ownership of NHS Property Services.

## **IMProVE**

In the South Tees area, the number of people aged over 65 will increase by 20% by 2021 and as older people experience more ill health than other groups, this represents a challenge for health and social care but also an opportunity to improve the way we care for our elderly population.

The Trust has worked in partnership with NHS South Tees Clinical Commissioning Group (CCG), Tees, Esk and Wear Valleys NHS Foundation Trust and local authorities in Middlesbrough and Redcar and Cleveland to consider how we can develop a more joined-up approach to caring for the vulnerable, elderly and those with long-term conditions.

The programme – known as the Integrated Management and proactive Care for the Vulnerable and Elderly (IMProVE) – has been rolled out in a phased approach since 2014 and included plans to redevelop the Guisborough Primary Care Hospital site with inpatient beds transferring from the hospital to East Cleveland Primary Care Hospital.

Original proposals were to develop the Chaloner building, but following patient and stakeholder feedback, other options were considered and a new £4million redevelopment was announced for the site in December which will provide a modern purpose-built facility housing existing community and outpatient services with the opportunity to provide additional services in the town.

The scheme will be funded in the most part by NHS Property Services, who will also own the building. The Chaloner Building on the site, which is also owned by NHS Property Services and currently provides a base for administrative staff, will also be sold as part of the redevelopment as it has been declared surplus to local NHS requirements.

Work is expected to begin on the site in October 2017 and be completed by October 2018.

## **Urgent care review**

In 2016, South Tees Clinical Commissioning Group launched a 12-week public consultation from March to April into the future of urgent care services across Middlesbrough, Redcar and Cleveland to seek views on three different options offering improved access to GP services, seven days a week.

Its proposals included closing the two existing walk-in centres – the Resolution Centre in North Ormesby (run by the Trust) and Eston Grange Healthcare Centre – at the end of 31 March 2017, replacing them with a number of extended hours GP centres across the whole of the South Tees area.

The CCG's preferred option (Option Two) was backed by nearly 54% of people who responded to the public consultation and nearly 2000 questionnaire responses were received during consultation that included 10 public meetings across Middlesbrough and Redcar and Cleveland and a clear focus on gathering the views of minority, marginalised and disadvantaged groups.

In July the Governing Body endorsed this decision and the Trust was involved with the implementation of the new changes which came into effect on 1 April 2017 including:

- The introduction of four extended hours GP centres open seven days a week
- Changes to the opening times of the minor injury unit at Redcar Primary Care Hospital, which is run by the Trust
- Implementation of the out-of-hours contract outside when the extended hour GP centres are open (the service is run by local GP alliance (ELM) working with the Trust and North East Ambulance Service)

### **Our charities**

We would like to thank our volunteers, patients, staff and local communities, who throughout the year, have organised fundraising events and have given donations and their valuable spare time to help enhance the services and environments of the Trust.

The mission of South Tees Hospitals Charity is to enhance the care, treatment and environment of patients by:

- Keeping services of the Trust at the forefront, delivering the best possible care by purchasing state-of-the-art equipment
- Creating the best possible environments for patients and staff
- Enhancing our staff's training to keep teams at the leading edge of medical advances
- Growing the level of charitable giving to ensure that the work can continue by supporting staff and supporters in their fundraising activities

During the financial year voluntary income from donations totalled £823,000 (£919,000 in 2015/2016) and bequests totalled £210,000 (£392,000 in 2015/2016). Investment income of £169,000 (£154,000 in 2015/2016) was received as well as income from charitable activities totalling £382,000 (£481,000 in 2015/2016).

One of our primary functions as the charity for the Trust is to ensure that donations are processed, acknowledged and spent in their intended areas. To facilitate this and raise the profile of the charity within the Trust, the Charity Hub was opened in July to accept donations, promote fundraising events and support fundraisers.

Overseeing 311 Funds, the charity administered the spending of £2,414,296 to enhance patient care and environmental enhancements.

A milestone was reached in November when building work began on the new Friarage MRI Scanner facility following an on-going fundraising campaign between the Charity and supported by The Friends of the Friarage. To date, the appeal has raised £1.3million and the Charity will continue to raise funds until the target of £1.8million is raised.

## **Slavery and Human Trafficking Act 2015**

The Trust follows good practice and all reasonable steps are taken to prevent slavery and human trafficking. All members of staff have a personal responsibility for the successful prevention of slavery and human trafficking with the procurement department taking responsibility lead for compliance in the supply chain.

The Board of Directors approved a statement at its meeting in October 2016 confirming compliance with the requirements of the Slavery and Human Trafficking Act 2015. The required statement has been published on the Trust's website.

## **Income disclosure**

Section 43(2A) of the National Health Service Act 2006 (as amended by the Health and Social Act 2012) requires that the income from the provision of goods and services for the purposes of the health service in England must be greater than its income for the provision of goods and for any other purposes. The Trust can confirm it has met these requirements.

## **Statement as to disclosure to auditors**


Each director at the time of approving this report has confirmed that, as far as the Director is aware, there is no relevant audit information of which the NHS Foundation Trust's Auditor is unaware. The Director has taken all the necessary steps in order to be aware of the relevant audit information and to establish that the Trust's Auditor is aware of that information.

## **Directors' statement**

So far as each Director is aware, there is no relevant audit information of which the NHS Foundation Trust's auditor is unaware.

Each Director has taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the NHS Foundation Trust's auditor is aware of that information.

We confirm that the annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent trust's performance, business model and strategy.



**Siobhan McArdle – Chief Executive**  
**30 May 2017**

## **Remuneration Report**

### **Annual statement on remuneration**

I am pleased to present the annual statement on remuneration on behalf of the Remuneration Committee.

The Trust has two committees that address remuneration. The first, the Nomination Committee, includes membership from the Council of Governors and determines the appropriate remuneration and terms and conditions of service for the Non-Executive Directors, including the Chairman.

This Committee reports to the Council of Governors and details of the Committee can be found on page 100 of this report.

The second committee is the Remuneration Committee. This Committee includes membership from the Non-Executive Directors and determines the appropriate remuneration and terms and conditions of employment for senior managers in the organisation. The Committee will also ensure the Trust maintains a robust approach to policies, procedures and practice for senior manager appointments, performance management and any terminations of employment.

Membership is made up of all the Board's Non-Executive Directors including the Chairman and details of their attendance at the Remuneration Committee is on page 35 of the Annual Report.

The Remuneration Committee met on seven occasions during the year.

The Committee reviewed and finalised the senior management structure and agreed the terms of employment and remuneration for the Chief Executive.

The Remuneration Committee reviewed the remuneration of senior managers' during the year and no substantial changes were made.

The Remuneration Committee has reviewed and approved the Chief Executive's contract of employment and remuneration.

**Chairman – Amanda Hullick**

### **Senior Managers' remuneration policy**

In agreeing the remuneration for Executive Director, the Board's Remuneration Committee balanced the need to attract and appoint high calibre managers capable of implementing the strategic changes required within the Trust, with the need for any salary levels to be justified in the context of benchmarking, constraints on pay of our general staff and the productivity and efficiency targets which the Trust must meet.

All Executive Director appointments have been approved by the Remuneration Committee with terms appropriate to the position. The period for service notice is between three to six months. Any lesser period must be approved by the Remuneration Committee which would assess the risk to the continuity of business.

The Remuneration Committee would not agree to an Executive Director leaving the Trust's employment, except in accordance with the terms of their contract of employment, without

the Board first having completed and approved a full risk assessment.

The Committee does not have a role in relation to pay of the Chairman and other Non-Executive Directors as this responsibility lies with the Council of Governors. However, levels of remuneration do reflect the time commitment and responsibilities of their roles.

The tenure (length) of employment for Non-Executive Directors is set out in the Trust's constitution and is three years for the Chairman and Non-Executive Directors and then subject to re-appointment for a further period of three years up to a maximum of six years. Any Non-Executive Director can serve one further year following rigorous review by the Council of Governors.

### Future policy table

Salary/fees		Taxable Benefits	Annual Performance related Bonus	Long-term Related Bonus	Pension Related Benefits
<b>Support for the short &amp; long-term strategic objectives of the Trust</b>	Ensure the recruitment /retention of directors is sufficient to attract the calibre of candidate to deliver the Trust's objectives	None disclosed	N/A	N/A	Ensure the recruitment/ retention of directors is sufficient to attract the calibre of candidate to deliver the Trust's objectives
<b>How the component operates</b>	Paid monthly	None disclosed	N/A	N/A	Contributions made by both employee and employer, except for any employee who has opted out of the scheme
<b>Maximum payment</b>	As set out in the remuneration table. Salaries are determined by the Trust's Remuneration Committee	None disclosed	N/A	N/A	Contributions are made in accordance with the NHS Pension Scheme
<b>Framework used to assess performance</b>	Trust appraisal system (Executive Directors appraised quarterly)	None disclosed	N/A	N/A	N/A
<b>Performance measures</b>	Based on individual objectives agreed with the Chief Executive	None disclosed	N/A	N/A	N/A
<b>Performance period</b>	Concurrent with the financial year	None disclosed	N/A	N/A	N/A

<b>Amount paid for minimum level of performance &amp; any further levels of performance</b>	The Trust does not have performance related payment arrangements in operation	None disclosed	N/A	N/A	N/A
<b>Explanation of whether there are any provisions for recovery of sums paid to Directors, or provisions for withholding payments</b>	Any sums paid in error may be recovered.  There are also provisions in place for the recovery of payments in relation to Mutually Agreed Resignation Scheme (MARS)	None disclosed	Any sums paid in error may be recovered	None paid	N/A

The Council of Governors decides on the remuneration of the Non-Executive Directors including the Chairman. In line with best practice and NHS Improvement guidance, the Nomination Committee has market tested salaries and other terms and conditions during the year. There have been no changes to Non-Executive Directors' salaries, terms and conditions in-year.

Executive Directors' remuneration and pension benefits are related in the tables on the following pages. The key components of the remuneration package for Executive Directors include:

- Salary and fees
- All taxable benefit
- Pension-related benefit

Salaries for all staff except doctors and senior managers are determined in line with the Agenda for Change scheme or as agreed by the Remuneration Committee. Notice periods are standard in the Trust depending on the level of a role. Standard contracts have a notice period of one to three months whereas Executive Directors have an extended notice period of between three to six months. This has been determined in line with guidelines

As part of the Health and Social Care Act 2012 we are required to include information on the expenses of directors and governors. In 2016/2017, the Directors' total expenses were £10,697.40 compared to £6,596.15 in 2015/2016 (nine out of ten claimed expenses). The total expenses claimed by governors was £757.84 compared to £684.02 in 2015/2016.

### **Performance conditions**

The Council of Governors has approved an appraisal process for the Chairman, taking into account national best practice. The annual process is led by the Senior Independent Director and Lead Governor, and provides all governors and members of the Board with an opportunity to comment on the Chair's delivery against objectives, which are determined by the Council of Governors annually in line with the job description for the role.

The Chairman agrees objectives for the Non-Executive Directors and in line with recommendations from an independent review of Board governance, introduced an annual



appraisal process for Non-Executive Directors.

Executive Directors performance is appraised against agreed annual objectives on a quarterly basis by the Chief Executive. The Chairman will contribute to Executive Director appraisal by commenting on their performance as Board members.

The Chief Executive's performance against agreed annual objectives is also reviewed by the Chairman on a biannual basis.

### **Service contracts obligations**

There are no other obligations in service contracts which could give rise to, or impact on, remuneration payments or payments for loss of office which are not disclosed in this report.

Name	Length of term	Date of contract	Unexpired term as at 1 April 2017	Notice period
Richard Carter-Ferris	3 years	31 July 2018	1 year 3 months	None
David Heslop	3 years	31 July 2018	1 year 3 months	None
Amanda Hullick	3 years	31 August 2017	4 months	None
Hugh Lang	3 years	9 January 2018	9 months	None
Mike Reynolds	3 years	31 July 2018	1 year 3 months	None
Maureen Rutter	3 years	31 August 2019	2 year 4 month	None
Jake Tompkins	3 years	30 November 2019	2 years 7 months	None

### **Policy on payments of loss of office**

Payments for loss of office in a compulsory redundancy situation are made under the nationally negotiated compensation scheme.

The Trust also has a voluntary redundancy scheme which is opened to selective staff groups at the Trust's discretion when undergoing a significant change programme. This scheme is based on the payment principle of the nationally agreed redundancy policy.

Individuals going through a restructure process can voluntarily request to leave the organisation on the grounds of voluntary redundancy. Applicants are voluntary and there is no guarantee applications will be granted. The Trust's agreed criteria for approval must be met.

A voluntary severance policy is a scheme available at selected times to support organisational change. This policy is based on the NHS Employers guidance for Mutually Agreed Leaving Schemes.

The purpose of this policy is to create vacancies in the organisation that either do not need to be replaced or which can be filled by redeployment from jobs that in turn do not need to be replaced. Applications are voluntary and final decisions are collectively made by

Executive Directors. There is no guarantee applications will be granted.

All schemes clearly state the re-entry restrictions for individuals that leave under the voluntary redundancy or voluntary severance scheme will apply for any future NHS roles.

The Remuneration Committee also has the authority to consider the compensation in relation to exit arrangements and to get the relevant authorisation from the appropriate body for any severance payments. In the event of early termination the Executive Director's contracts provide for compensation in line with their contractual notice period.

## Salary and Allowances

Name and title	2016-2017					
	Salary and fees	Taxable benefits	Annual performance related bonus	Long-term performance related bonus	Pension related benefits	Total
	Bands of £5,000	Nearest £100	Bands of £5,000	Bands of £5,000	Bands of £2,500	Bands of £5,000
<b>Deborah Jenkins</b> Chairman	50-55	-	-	-	-	50-55
<b>Hugh Lang</b> Non-executive Director	10-15	-	-	-	-	10-15
<b>David Heslop</b> Non-executive Director	10-15	-	-	-	-	10-15
<b>Mike Reynolds</b> Non-executive Director	10-15	-	-	-	-	10-15
<b>Richard Carter-Ferris</b> Non-executive Director	15-20	-	-	-	-	15-20
<b>Amanda Hullick</b> Acting Chairman & Non-Executive Director	25-30	-	-	-	-	25-30
<b>Maureen Rutter</b> Acting Deputy Chairman & Senior Independent Director	15-20	-	-	-	-	15-20
<b>Jake Tompkins</b> Non-executive Director	0-5	-	-	-	-	0-5
<b>Maxime Hewitt-Smith*</b> Director of Finance	160-165	-	-	-	80-82.5	240-245
<b>Ruth James</b> Director of Quality & Performance & Patient Experience	135-140	-	-	-	50-52.5	185-190

<b>Gill Hunt</b> Director of Nursing	120-125	-	-	-	267.5-270	385-390
<b>Caroline Parnell</b> Director of Corporate Affairs	170-175	3	-	-	30-32.5	205-210
<b>Siobhan McArdle</b> Chief Executive*	230-235	-	-	-	87.5-90	315-320
<b>David Chadwick</b> Medical Director – Planned Service*	225-230	12	-	-	82.5-85	310-315
<b>Adrian Clements</b> Medical Director – Urgent and Emergency Care*	200-205	3	-	-	425-427.5	625-630
<b>Simon Kendall</b> Medical Director – Clinical Diagnostic /support services*	235-240	-	-	-	-	235-240
<b>Sath Nag</b> Medical Director – Community Care*	235-240	-	-	-	0**	340-345
<b>Mike Stewart</b> Medical Director – Specialist Care*	215-220	-	-	-	372.5-375	585-590
<b>Band of Highest Paid Director's total Remuneration</b>	<b>235-240</b>					
<b>Median Total Remuneration</b>	<b>21,885</b>					
<b>Ratio</b>	<b>10.9</b>					

Name and title	2015-2016					
	Salary and fees	Taxable benefits	Annual performance related bonus	Long-term performance related bonus	Pension related benefits	Total
	Bands of £5,000	Nearest £100	Bands of £5,000	Bands of £5,000	Bands of £2,500	Bands of £5,000
<b>Deborah Jenkins</b> Chairman	50-55	-	-	-	-	50-55
<b>David Kirby</b> Deputy Chairman	10-15	-	-	-	-	10-15
<b>Brenda Thompson</b> Non-executive Director	5-10	-	-	-	-	5-10
<b>Hugh Lang</b> Non-executive Director	10-15	-	-	-	-	10-15
<b>David Heslop</b> Non-executive Director	5-10	-	-	-	-	5-10
<b>Mike Reynolds</b> Non-executive Director	5-10	-	-	-	-	5-10
<b>Richard Carter-Ferris</b> Non-executive Director	10-15	-	-	-	-	10-15
<b>Amanda Hullick</b> Non-executive Director & Deputy Chairman	15-20	-	-	-	-	15-20
<b>Maureen Rutter</b> Acting Deputy Chairman & Senior Independent Director	10-15	-	-	-	-	10-15
<b>Jonathan Smith</b> Non-executive Director	5-10	-	-	-	-	5-10
<b>Jake Tompkins</b> Non-executive Director	-	-	-	-	-	-

<b>Maxime Hewitt-Smith*</b> Director of Finance	145-150	-	-	-	112.5-115	255-260
<b>Chris Newton</b> Commercial Director/Deputy Chief Executive	110-115	52	-	-	-	115-120
<b>Ruth James</b> Director of Quality & Performance & Patient Experience	130-135	-	-	-	405-407.5	540-545
<b>Gill Hunt</b> Director of Nursing	95-100	-	-	-	197.5-200	295-300
<b>Ruth Holt</b> Director of Nursing	120-125	-	-	-	0**	120-125
<b>Caroline Parnell</b> Director of Corporate Affairs	95-100	10	-	-	102.5-105	200-205
<b>Siobhan McArdle</b> Chief Executive*	190-195	-	-	-	70-72.5	260-265
<b>Professor Tricia Hart</b> Chief Executive	185-190	-	-	-	0**	185-190
<b>Mr Richard Wight</b> Medical Director	245-250	-	-	-	-	245-250
<b>David Chadwick</b> Medical Director – Planned Service*	-	-	-	-	-	-
<b>Adrian Clements</b> Medical Director – Urgent and Emergency Care*	-	-	-	-	-	-
<b>Simon Kendall</b> Medical Director – Clinical Diagnostic /support services*	-	-	-	-	-	-

<b>Sath Nag</b> Medical Director – Community Care*	-	-	-	-	-	-
<b>Mike Stewart</b> Medical Director – Specialist Care*	-	-	-	-	-	-
<b>Band of Highest Paid Director's total Remuneration</b>	<b>245-250</b>					
<b>Median Total Remuneration</b>	<b>21,844</b>					
<b>Ratio</b>	<b>11.3</b>					

The figures for Taxable Benefits relate to lease cars.

\* In accordance with NHS Improvement's NHS Foundation Trust Annual Reporting Manual s2.36, disclosure is now shown where one or more senior managers are paid more than £142,500 (currently equating to the Prime Minister's managerial and parliamentary salary). Every salary approved by the remuneration committee has been appropriately externally benchmarked and salary levels set to assure we are attracting the right skills and competencies.

\*\* In accordance with NHS Improvement's NHS Foundation Trust Annual Reporting Manual s2.46, where the calculations for Pension-Related Benefits result in a negative value the result should be reported as zero. The figures calculated in 2015/16 are shown as reported at the time.

A change has been included within the statements for a payment to the Director of Corporate Affairs who left the Trust on 31 July 2016. The payment of £120,000 comprises the cost of statutory redundancy to the end of the period of notice, a payment in lieu of notice and a payment in lieu of accrued untaken holiday entitlement.

The median total remuneration is a calculation based on trust employees as at 31 March 2017. This number includes locum staff and the Trust's in-house nurse and clerical bank staff but excludes external agency staff. Any part time employee numbers are pro-rated to provide whole time equivalents.

- Deborah Jenkins left the Trust on 31 March 2017
- Caroline Parnell left the Trust on 31 July 2016
- David Chadwick, Adrian Clements, Simon Kendall and Mike Stewart were appointed to the role of Medical Director on 1 April 2016
- Dr Sath Nag was appointed to the role of Medical Director on 3 May 2016
- Mr Jake Tompkins was appointed to the role of Non-Executive Director on 1 December 2016

- Ms Amanda Hullick was appointed to the role of Acting Chairman from December 2016
- Mrs Maureen Rutter was appointed to the role of Deputy Chairman and Senior Independent Director from December 2016

### **Hutton Review of Fair Pay**

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 at South Tees Hospitals NHS Foundation Trust in the financial year 2016/2017 was £239,224 (2015/2016 £245,262). This was 10.9 times (2015/2016 11.3 times) the median remuneration of the workforce, which was £21,885 (2015/2016 £21,844). This exercise has included all staff employed by the foundation trust during the financial period, regardless of whether they were still employed at 31 March. The remuneration figures used are based on the cost of the whole time equivalent of all staff identified as part of this exercise.

In 2016/2017, five employees received remuneration in excess of the highest paid director (one employee in 2015/2016). Remuneration ranged from £15,251 to £299,548 (2015/2016 £15,100 to £267,111). The starting point for the ranges for the financial periods is based on the minimum agenda for change pay scales. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.



## Pension Benefits

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members. Medical Director Simon Kendall is not included in the table below as he has chosen to opt out of the NHS Pension Scheme.

	Real increase in pension at pension age	Real increase to pension lump sum at pension age	Total accrued pension at pension age at 31 March 2017	Lump sum at pension age related to accrued pension at 31 March 2017	Cash equivalent transfer value at 1 April 2017	Real increase in cash equivalent transfer value	Cash equivalent transfer value at 31 March 2016	Employer's contribution to stakeholder pension
<b>Executive Directors</b>	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	£000s	£000s	£000s	£000s
<b>Maxime Hewitt-Smith</b> Director of Finance	£2.5-£5	£2.5-£5	£15-£20	£30-£35	£147	£40	£107	£0
<b>Ruth James</b> Director of Quality & Performance & Patient Experience	£2.5-£5	£0	£55-£60	£150-£155	£976	£54	£922	£0
<b>Gill Hunt</b> Director of Nursing	£10-£12.5	£32.5-£35	£40-£45	£130-£135	£738	£209	£529	£0
<b>Siobhan McArdle</b> Chief Executive	£2.5-£5	£0	£5-£10	£0	£81	£46	£35	£0
<b>David Chadwick</b> Medical Director – Planned Service	£2.5-£5	£2.5-£5	£35-£40	£100-£105	£652	£51	£601	£0
<b>Adrian Clements</b> Medical Director – Urgent and Emergency Care	£17.5-£20	£47.5-£50	£55-£60	£165-£170	£1,012	£334	£678	£0

<b>Sath Nag</b> Medical Director – Community Care	£0	(£35)- (£37.5)	£30-£35	£85-£90	£522	(£125)	£647	£0
<b>Mike Stewart</b> Medical Director – Clinical Diagnostic /support services	£15-£17.5	£47.5-£50	£70-£75	£215-£220	£1,400	£312	£1,088	£0
<b>Caroline Parnell</b> Director of Corporate Affairs	£0-£2.5	£2.5-£5	£25-£30	£75-£80	£504	£54	£450	£0

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme.

They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. Real Increase in CETV.

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

*Siobhan McArdle*

**Chief Executive – Siobhan McArdle**  
30 May 2017

## Staff report

We recognise that our greatest asset is our staff and to successfully achieve our strategic vision we will need a highly skilled, committed and engaged workforce who can fulfil our commitment to provide safe, compassionate, high quality care to our patients, their families, carers and the community in a period of significant change. Our strategic intent is to build the capability of our people.

### National Staff Survey

Staff experience is one of the best predictors of future patient experience and the NHS staff survey, which involved 316 NHS organisations in England, is a vital tool to help organisations make improvement.

While results are primarily intended for NHS organisations to review and make improvements where necessary, the Care Quality Commission will use them to monitor ongoing compliance with essential standards of quality and safety and the survey also supports accountability to the Secretary of State for Health for delivery of the NHS Constitution.

The survey was carried out between September and December 2016 and any full-time and part-time members of staff who were directly employed by the Trust on 1 September 2016 were eligible to take part.

This year the Trust achieved a 34.4% response rate (2,769 staff) compared to a response rate of 46% (3,898 staff) in 2015. The range of response rates nationally for combined acute and community trusts was between 33.6% and 76.5% and the average response rate was 44% (41% in 2015/2016).

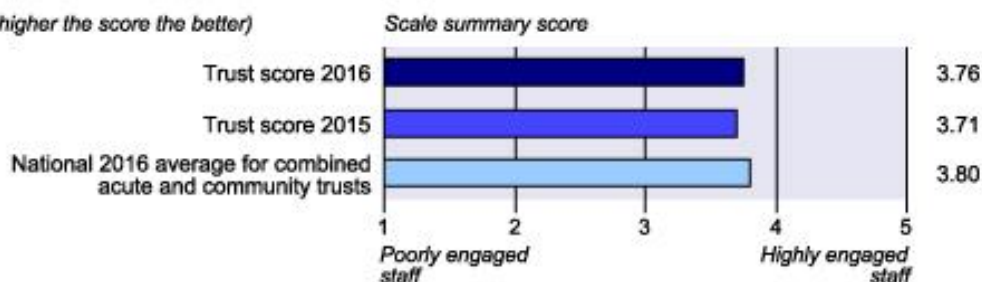
2015/2016	2016/2017	Benchmarking Group average	Trust improvement/deterioration
46%	34.4%	44%	11.6% deterioration

This was the first year the Trust predominantly conducted an electronic survey which we believe had a significant impact on response rates, which usually average 51% for the census survey, and learning from other trusts has demonstrated that paper surveys continue to be a more effective option.

An overall staff engagement indicator was also published with a rate of 3.76 – a marginal increase on last year's figure of 3.71 and slightly below the national average for combined acute and community trusts in 2015.

### OVERALL STAFF ENGAGEMENT

(the higher the score the better)



The overall indicator of staff engagement is calculated using the key findings from three questions indicated below:

	Change since 2015 survey	Ranking, compared with all combined acute and community trusts
<b>OVERALL STAFF ENGAGEMENT</b>	✓ Increase (better than 15)	! Below (worse than) average
<b>KF1. Staff recommendation of the trust as a place to work or receive treatment</b> <i>(the extent to which staff think care of patients/service users is the trust's top priority, would recommend their trust to others as a place to work, and would be happy with the standard of care provided by the trust if a friend or relative needed treatment.)</i>		
	• No change	• Average
<b>KF4. Staff motivation at work</b> <i>(the extent to which they look forward to going to work, and are enthusiastic about and absorbed in their jobs.)</i>		
	✓ Increase (better than 15)	! Below (worse than) average
<b>KF7. Staff ability to contribute towards improvements at work</b> <i>(the extent to which staff are able to make suggestions to improve the work of their team, have frequent opportunities to show initiative in their role, and are able to make improvements at work.)</i>		
	✓ Increase (better than 15)	• Average

Overall our results were broadly similar to the 2015 with details of the key findings listed as follows:

### Top Five Ranking Scores

Key findings (Lower scores are better for areas below)	2015/2016 score	2016/2017 score	Benchmarking group (average)	Trust improvement/deterioration
% of staff witnessing potentially harmful errors, near misses or incidents in the last month	25%	25%	29%	No change
% of staff experiencing harassment, bullying or abuse from patients, relatives or the public in the last 12 months	28%	22%	26%	6% improvement
% of staff experiencing discrimination at work in the last 12 months	8%	8%	10%	No change
% of staff experiencing physical violence from patients, relatives and the public in the last 12 months	16%	12%	13%	4% improvement
% of staff experiencing physical violence from staff in the last 12 months	2%	1%	2%	1% improvement

## Bottom Five Ranking Scores

Key findings (Higher scores are better for areas below)	2015/2016 score	2016/2017 score	Benchmarking group (average)	Trust improvement/deterioration
% of staff/colleagues reporting most recent experience of violence	47%	48%	67%	1% improvement
% of staff reporting errors, near misses or incidents witnessed in the last month	86%	87%	91%	1% improvement
Organisation and management interest in and action on health and wellbeing	3.48	3.44	3.61	0.4 deterioration
% of staff reporting good communication between senior management and staff	25%	27%	32%	2% improvement
% of staff satisfied with the opportunities for flexible working patterns	45%	46%	51%	1% improvement

## Key areas where staff experience has improved

Key findings	2015/2016 score	2016/2017 score	Benchmarking group (average)	Trust improvement/deterioration
Quality of non-mandatory training, learning or development (higher score is better)	3.94	4.07	4.07	0.13% improvement
% of staff attending work in last 3 months despite feeling unwell because they felt pressure from their manager, colleagues or themselves (lower score is better)	64%	56%	55%	8% improvement
% of staff experiencing physical violence from patients, relatives or the public in the last 12 months (lower score is better)	16%	12%	13%	4% improvement
% of staff experiencing harassment, bullying or abuse from patients, relatives or the public in the last 12 months (lower score is better)	27%	22%	26%	5% improvement
% of staff able to contribute towards improvements at work (higher score is better)	68%	72%	71%	4% improvement

## Key areas where staff experience has deteriorated

Key findings	2015/2016 score	2016/2017 score	Benchmarking group (average)	Trust improvement/deterioration
% of staff/colleagues reporting most recent experience of violence (higher score is better)	60%	48%	67%	12% deterioration
% of staff working extra hours (lower score is better)	65%	69%	71%	4% deterioration
% of staff appraised in last 12 months (higher score is better)	86%	81%	86%	5% deterioration
% of staff feeling unwell due to work related stress in the last 12 months (lower score is better)	36%	38%	36%	2% deterioration

The Trust's Workforce Committee, established following the implementation of the new organisation restructure in April 2016, now considers all matters relating to workforce including a review of the staff survey to ensure results have been analysed, an action plan is developed and to recommend any organisation-wide actions to the Board.

A corporate action plan has been developed which will focus on key themes from the survey, in particular those relating to those areas identified for improvement in comparison to other combined acute and community trusts. These include:

- Health and wellbeing (management of stress, additional hours)
- Staff engagement (staff motivation, senior management communication, Staff Development Reviews)
- Health and Safety (physical violence and reporting, reporting of near misses and accidents)

Results are also being reviewed on a Centre by Centre basis and preparation has begun for the 2017 staff survey, including a review of best practice in other NHS organisations, to ensure we can increase the Trust's overall response rate and carry out further analysis of returns by staff groups. Key areas we have focused on are also covered in the staff report.

In-year, a key area of focus for the HR team was performance development and appraisals, which are a critical part of feeling value and engaged at work, and a number of changes were made to simplify the processes around Staff Development Reviews (SDRS). In the last six months, the Trust has consistently achieved our target to have 80% of appraisals completed and this figure continues to improve on a month by month basis.

At the beginning of the financial year, the Institute of Learning, Research and Innovation (LRI) also rolled out a new mandatory training system to increase compliance figures, which are currently at an all-time high of 92.35% against a target of 90%, and simplify processes for staff. The system has provided the following benefits:

- Individual user access to view own record and compliance
- Online booking onto training and automatic record updates
- Real time reporting for managers by centre, service and department
- Accessibility through work or home PC, tablet or mobile

## Staff numbers

An analysis of our average staff numbers, in accordance with the employee definitions as listed in the Information Centre's Occupational Code Manual are listed below.

Headcount	2015/16	2016/17
Bank	234	220
Fixed Term Temp	644	662
Locum	23	32
Permanent	8140	8014
<b>Total</b>	<b>9041</b>	<b>8928</b>

FTE	2015/16	2016/17
Bank	0	0
Fixed Term Temp	554.75	565.51
Locum	2.39	2.07
Permanent	6928.94	6857.78
<b>Total</b>	<b>7486.09</b>	<b>7425.36</b>

Headcount Age Group	2015/16	2016/17
16 – 20	63	59
21 – 25	634	632
26 – 30	921	966
31 – 35	1008	993
36 – 40	1108	1108
41 – 45	1285	1200
46 – 50	1368	1282
51 – 55	1341	1331
56 – 60	856	862
61 – 65	353	379
66 – 70	89	96
71 & above	15	20
<b>Total</b>	<b>9041</b>	<b>8928</b>

FTE Age Group	2015/16	2016/17
16 – 20	56.86	53
21 – 25	579.45	588.04
26 – 30	794.53	843.65
31 – 35	840.46	822.05
36 – 40	909.58	910.87
41 – 45	1060.17	992.80
46 – 50	1167.30	1091.64
51 – 55	1131.16	1123.29
56 – 60	664.58	678.54
61 – 65	232.63	261.91
66 – 70	44.22	52.12
71 & above	5.15	7.45
<b>Total</b>	<b>7486.09</b>	<b>7425.36</b>

Headcount Ethnicity	2015/16	2016/17
Asian	320	347
Black	40	46
Mixed	52	56
Not Stated	804	736
Other	145	131
Undefined	0	0
White	7681	7612
<b>Total</b>	<b>9041</b>	<b>8928</b>

FTE Ethnicity	2015/16	2016/17
Asian	283.19	303.64
Black	36.88	41.58
Mixed	46.44	50.17
Not Stated	658.59	606.82
Other	129.11	113.62
Undefined	0	0
White	6331.88	6309.52
<b>Total</b>	<b>7486.09</b>	<b>7425.36</b>

Headcount Gender	2015/16	2016/17
Female	7447	7312
Male	1594	1616
<b>Grand Total</b>	<b>9041</b>	<b>8928</b>

FTE Gender	2015/16	2016/17
Female	6101.62	6015.17
Male	1384.47	1410.19
<b>Grand Total</b>	<b>7486.09</b>	<b>7425.36</b>

Headcount Religious Belief	2015/16	2016/17
Atheism	502	569
Buddhism	11	12
Christianity	3548	3562
Do not wish to disclose	4246	4095
Hinduism	33	40
Islam	64	80
Judaism	0	1
Other	497	545
Sikhism	7	10
Undefined	133	14
<b>Grand Total</b>	<b>9041</b>	<b>8928</b>

FTE Religious Belief	2015/16	2016/17
Atheism	440.13	507.85
Buddhism	9.91	10.70
Christianity	2990.85	2993.13
Do not wish to disclose	3425.27	3322.28
Hinduism	30.64	35.72
Islam	55.49	69.57
Judaism	0	0.75
Other	423.02	469.93
Sikhism	6.78	8.21
Undefined	104	7.22
<b>Grand Total</b>	<b>7486.09</b>	<b>7425.36</b>

Headcount Sexual Orientation	2015/16	2016/17
Bisexual	11	13
Do not wish to disclose	4652	4859
Gay	28	32
Heterosexual	4205	3996
Lesbian	13	14
Undefined	132	14
<b>Grand Total</b>	<b>9041</b>	<b>8928</b>

FTE Sexual Orientation	2015/16	2016/17
Bisexual	9.68	11.58
Do not wish to disclose	3944.80	4125.84
Gay	24.39	30.20
Heterosexual	3392.11	3237.77
Lesbian	11.08	12.83
Undefined	104.03	7.14
<b>Grand Total</b>	<b>7486.09</b>	<b>7425.36</b>

Headcount Disabled	2015/16	2016/17
No	3852	4386
Not Declared	4512	4340
Undefined	491	7
Yes	186	195
<b>Grand Total</b>	<b>9041</b>	<b>8928</b>

FTE Disabled	2015/16	16/17
No	3241.16	3703.49
Not Declared	3684.53	3550.14
Undefined	400.45	4.39
Yes	159.95	167.34
<b>Grand Total</b>	<b>7486.09</b>	<b>7425.36</b>



## Gender profile

The breakdown below includes information about staff at the end of the year in terms of male and female staff, directors, other managers and employees.

Headcount	Male	Female
All employees	1616	7312
Directors (including CEO)	6	5
Senior managers*	24	24

\*The above figures are taken in accordance with the Occupation Code guidance – ‘include as senior managers those staff at executive level and also includes those who directly report to the members of the executive team, such as assistant directors. Directors’ figures include those currently on the Board (including two non-voting Executive Directors) and exclude those who retired or left the organisation during 2016/2017.

## Sickness absence rates

Managing sickness absence within the NHS is challenging, but can provide opportunities to improve overall health and wellbeing in the workplace and, ultimately, boost an organisation’s productivity and support service improvements for patients.

At the end of 2016/2017 the average sickness absence rate for the Trust was 4.35% – a 0.10% decrease on the previous year’s figure of 4.45% - and in March 2017 we were below our organisational target of 3.9% (achieving 3.87%) – the lowest figure for the Trust since June 2013.

Sickness absence was a key area of focus in 2016/2017, with the human resources function working closely with the unions, occupational health, South Tees Institute of Learning, Research and Innovation and the leadership teams to review our current processes, systems and training programmes to ensure they meet the needs of the organisation.

Mindful of the significant impact, both from a service delivery perspective and financially, an absence management team was formed within HR in October 2016 and their remit was to focus on the Top 50 long-term sickness cases across the Trust, regardless of centre or specialism.

The team has worked closely with line managers and the greater HR function to support a tangible reduction in sickness, with specific attention on hot spot areas, regular contact with staff and managers and bespoke support dependent upon the needs of the service.

Working alongside the Therapeutic Care Volunteers, a “Step Back into Health” programme has also been developed where staff on long-term sickness are able to gradually come back into the workplace as volunteers, building their confidence which has ultimately resulted in sustained returns to work.

Greater focus has been placed on what staff can do rather than can’t do and appropriate adjustments have been made to encourage staff back to work, while the team has also worked closely with care providers to ensure staff receive medical care and attention in a timely manner.

## Looking after our staff – health and wellbeing

In 2015 Public Health England estimated the cost of sickness absence to the NHS at £2.4bn. Some reports have estimated this to be 27% higher than the UK public sector average, and 46% higher than the average for all sectors.

There are many reasons that sickness absence rates in the health sector may be higher than average. Work can often be physically, emotionally and psychologically demanding and the NHS is one of few organisations that work 24 hours a day, 365 days per year.

Despite these challenges, there is much the NHS – and the Trust - can do as an employer to improve staff health and wellbeing.

The focus of the NHS Healthy Workforce Programme been on improving health and wellbeing for staff in order to help reduce sickness absence, improve patient and staff experience and provide best practice examples for employer's role in promoting health and wellbeing.

New Commissioning for Quality and Innovation (CQUIN) measures, equivalent to a £450m incentive payment, have now been introduced across the NHS with the aim to see improvements in three specific areas:

- improving the range of support across musculoskeletal, mental health and physical activities
- improving the uptake of flu vaccinations by frontline healthcare workers
- taking action on the food and drink sold on NHS premises.

These were incorporated into the Trust's Health and Wellbeing plan for 2016/2017 and some of the key outcomes and improvements made during the year are listed below:

- The organisation's flu campaign had its best results to date with 76.4% of frontline staff (5,916) reported vaccinated compared to 5,642 staff in 2015/2016 (620 more frontline staff had been vaccinated by December 2016 compared to December 2015 – a 12% increase). Our year-end figure was 77.1%, exceeding the national flu target of 75%

The breakdown was as follows – doctors (77%), nurses, midwives and health visitors (66.3%), other professionally qualified staff (70.7%) and support to clinical staff (90.8%)

- The introduction of a fast track physiotherapy programme for staff with musculoskeletal problems – number of waiting days is now 14 days maximum
- A reduction in the number of waiting days to be referred to Occupational Health for mental health related issues from 21 to 16 days with same week telephone triage offered where possible
- Mindfulness/resilience courses arranged
- Increased number of memberships with sports providers to promote physical activity in the workplace
- 'Take the Stairs' challenges organised with stair signage placed across the Trust
- Health and Wellbeing survey conducted which asked staff for their top five preferences to improve their health and wellbeing with an action plan being taken forwards

- Healthier meal options promoted in hospital restaurants for staff, visitors and patients
- Two health and wellbeing events held at The James Cook University Hospital and the Friarage Hospital to promote activities and facilities which attracted over 1,200 staff

The Trust has pledged its commitment to the World Health Organisation's Health Promoting Hospitals (HPH) framework and has been a partner of Extra Life, alongside Middlesbrough Borough Council, Teesside University and Middlesbrough College, which aims to improve the health and wellbeing of staff and the local communities since 2015.

Our aim for 2017 and beyond is to build on the commitment to Extra Life by developing and implementing a Trust-wide prevention strategy aimed at both service users and staff that focuses on all levels of prevention and synergises with other local prevention strategies.

This will set out a clear plan for preventing ill health that not only creates an environment and services that are more supportive to improving health but that also encourages all individuals to take greater responsibility for their own health and wellbeing, taking into account:

**Primary prevention** aims to prevent disease or injury before it ever occurs (e.g. health and safety, healthy lifestyles, and immunisations)

**Secondary prevention** aims to reduce the impact of a disease or injury that has already occurred (screening to detect disease and allow early intervention, lifestyle and pre-op interventions, and reasonable adjustments for return to work)

**Tertiary prevention** aims to reduce the impact of ongoing disease or injury that has long term effects (rehabilitation interventions, support groups)

We also need to achieve improved progress on elements of the CQUIN targets particularly around taking action on the food and drink sold on NHS premises and discussions are ongoing with commercial outlets and the Trust's private sector partners.

## Equality and Diversity

There is a wealth of evidence to suggest that organisations with diverse workforces and inclusive culture have improved productivity and better customer/patient experience, increased innovation and workforce loyalty and retention and the Trust's equality and diversity strategy sets out our long standing commitment to fairness and equality, explaining how we will meet and surpass our legal responsibilities.

Every opportunity is taken to embed equality and diversity considerations into processes and developments to enable inclusive and responsive services. At Board level, equality and diversity is championed by the Trust lead and a Non-Executive Director.

We have adopted legal duties of the Equality Act 2010, which legally protects people from discrimination in the workplace and in wider society, and the Public Sector Equality Duty and in 2016/2017 continued to implement the requirements from the workforce race equality standard and the Equality Delivery System 2 to drive further improvements.

Through the use of the previous Equality Delivery System, we continued to implement five equality and diversity objectives, which were:

- Information collection for all protected characteristics for patients
- Increase the Trust's engagement with patients and the public from all protected characteristics
- Improve the experience of older people using our services
- Make equality and diversity training mandatory for all staff
- Reduce discrimination, bullying and harassment of disabled staff employed by the Trust

The Trust continues to ensure staff are trained in equality and diversity, incorporating aspects of dignity at work and it is also included in the organisation's monthly corporate induction for new starters.

For every project plan and employee consultation, we undertake a quality impact assessment, and our policies are applied consistently to ensure fair and open recruitment of people with disabilities, as well as ensuring that staff with disabilities can access appropriate training and development, promotional opportunities, and flexible working arrangements.

Our objectives for 2017/2018 include:

- A review of the current equality and diversity objectives with key data collected to ensure robust reporting systems are in place to track progress
- Undertake a baseline assessment to identify where we need to focus our efforts, linked to Trust priorities and EDS2 requirements
- Appointing an Equality and Diversity lead and building a network of champions, at all levels, to maintain focus.
- Establishing a fairness forum, which will meet on a quarterly basis, to support the Trust's delivery of this agenda, ensuring compliance with legislation, that services provided are accessible and we have a workforce that is valued and supported. This enables an inclusive culture where everyone counts and is reflective of our communities

### **Employment policies**

Our policies aim to ensure that job applicants and employees are treated fairly and are not subject to discrimination, harassment or victimisation on the grounds of age, gender, sexual orientation, race, disability or any other protected characteristic.

This applies to recruitment and selection, promotion, transfer, training, discipline and grievance, and all terms and conditions of employment. Should any decision appear to treat people less favourably it must be objectively justified, for example safety considerations.

### **Policy applied for the continuing employment of disabled persons**

As a Foundation Trust, we recognise the important role we must play as an active and socially responsible member of the local community and that our patients, clients and staff are representative of the community we serve.

Our policies are applied consistently to ensure fair and open recruitment of people with disabilities, as well as ensuring that staff with disabilities can access appropriate training and development, promotional opportunities, and flexible working arrangements.

We are recognised as a 'two-ticks' disability friendly employer and - in line with legislation - always make reasonable adjustments and offer appropriate training for colleagues or job applicants with disabilities, which includes support mechanisms (if required) through occupational health and staff counselling services.

We are also signed up to the Mindful employer charter which is a way of assuring the public we are committed to the mental wellbeing of our staff and those we wish to recruit. We recognise our responsibility to provide (as far as is reasonably practicable) job security of all employees.

### **Policy applied for career development of disabled persons**

We know that having a committed and motivated workforce depends on staff feeling that they are treated with fairness, respect and dignity and that they have an equal opportunity for self-development.

We are committed to ensuring that our staff are not discriminated against, harassed or victimised; should anyone feel this to be the case we want staff to feel confident about using our policies to raise concerns and to have them addressed.

### **Policies for disabled employees and equal opportunities**

To advance equality of opportunity for employees we remove or minimise the disadvantages suffered by people due to their protected characteristic, for example, anonymised application process, increased use of values based recruitment and assessment centres for senior posts.

We also take steps to meet the needs of people where these are different from the needs of other people through reasonable adjustments.

### **Staff communication & engagement**

Staff engagement remains a key ingredient in helping the organisation meet the range of current challenges that it faces around finance and improving efficiency.

Good staff engagement is also often associated with other positive staff indicators such as lower levels of absence and providing a better experience for patients and its importance is recognised in the NHS constitution.

Providing high-quality, patient-centred care depends also on managing staff well, allowing staff to exercise control over their work, listening to what they have to say, involving them in decisions, training and developing them and paying attention to the physical and emotional consequences of caring for patients.

In partnership with staff side colleagues, we have a joint partnership committee (JPC) which through consultation and communication enables staff, through their elected union representatives, to influence decisions made across the organisation and also a joint local negotiating committee (JLNC) for medics.

Further engagement and consultation also took place with staff affected by a complete organisation-wide restructuring process, which took place during 2015/2016, and came into effect from April 2016.

In September, the Chief Executive held a number of workshops with staff about the Trust's recovery plan and our progress, to date, on operational and financial performance with discussions held on the organisation's key priorities and where our operational focus needed to be for the remainder of the financial year.

Our common objective is to work in partnership to ensure the efficiency and success of the Trust for the benefit of patients, staff and the community we serve.

Alongside the Trust's staff corporate communication such as a weekly operational update, special briefings from the Chief Executive, staff bulletin, staff news emails, Trust magazine and staff intranet, there are also regular opportunities for two-way communication – and feedback - including the staff forum (a discussion blog), social media (including facebook and twitter) clinical/corporate centre team meetings, informal drop-in sessions and workshops.

We also introduced a Freedom to Speak up Guardian and policy to support staff in providing details of concerns they may have with any aspect of the Trusts activities. Any concerns raised can be reported anonymously to a third party company which will then advise the Freedom to Speak up Guardian of the concern. The Guardian will investigate the issue raised and provide feedback to the Company which, in turn, will share with the person who originally raised concerns.

## **Junior Doctors**

A national dispute of a new NHS working contract for junior doctors resulted in the first full withdrawal of labour in the NHS's near 70-year history in 2016. It followed a series of negotiations between the British Medical Association, NHS Employers and the government.

On days of industrial action, the Trust put a number of contingency plans in place to ensure emergency services such as accident and emergency, critical care services, cardiac arrest response teams, pathology and radiology would continue to be provided.

Elective (planned) activity was reduced in some patient areas but many services continued with patients contacted directly if their operations or planned appointments had to be cancelled.

In 2016, a new Junior Doctor contract was introduced by the Government with a planned phased implementation timetable and extensive work was carried out in the organisation to ensure successful migration to the new terms and conditions of the contract.

We also appointed a 'Guardian of Safe Working' for junior doctors whose role was paramount in ensuring compliance with safe working hours and also providing assurance to the Board of Directors that doctors' working hours are safe. The Trust successfully migrated a total of 38 Foundation year one to the new contract in December 2016 in line with this timetable and the next intake of Foundation year one, Foundation year two and all new starters employed via the Lead Employer Trust will be appointed on the new terms and conditions from August 2017.

## **Recruitment**

Recruitment and retention of good staff remains a challenge to ensure the organisation meets key targets but is nimble enough to meet future agendas for health and social care as articulated in the Five Year Forward View.

Delivering top-quality services depends on our ability to recruit and keep good staff and we are constantly developing schemes to make the best use of the skills and knowledge of our existing staff, as well as attracting new talent. During the year we held a number of targeted recruitment campaigns, examples of which are listed below:

- Targeted international recruitment campaign for radiology - concentrating on countries with a larger ratio of radiologists per 100,000 people (such as Greece and Holland)
- Headhunting – Directly contacting Consultants through targeted headhunting using LinkedIn, Indeed, networks, refer a friend
- Social media campaign – Better social media presence on various social media forums

- Mailshots – using “jobs the word” to mail shot 5,000 nurses
- Open days – we continued to hold our own open days targeting registered nurses and student nurses.
- Specialist events
- International recruiting – by exploring international talent pools in India, Philippines and Australia

## **Employee Self Service**

As part of our ongoing commitment to staff's personal data more accessible to them, we started to roll out Employee Self Service (ESS) in corporate areas across the Trust which allows employees to:

- View payslips online
- View their P60s (up to three years' history) and pension statements
- Change personal details such as address, contact numbers and banking details
- Access their personal details at home via a PC, smartphone or tablet

Employee Self Service is also a stepping stone to full self service which could, ultimately, allow holidays to be requested online, qualifications and memberships to be recorded and SDRs to be completed online and the system will continue to be gradually rolled out across the organisation.

## **Day Nursery receives ‘good’ rating by Ofsted**

Playdays – the Trust's day nursery at The James Cook University Hospital – was rated ‘Good’ in a recent Ofsted report receiving the rating in all four areas of inspection - effectiveness of the leadership and management; quality of teaching, learning and assessment; personal development, behaviour and welfare and outcomes for children.

Inspection activities included joint observations with the nursery managers, talking to staff, children and parents, and reviewing a number of documents including self-evaluation, safeguarding, staff performance files and risk assessments. Comments directly from the report included the following:

- ‘Teaching is rooted in the experienced and well qualified staff's secure knowledge and understanding of child development and how children learn best. Staff make the most of every opportunity to promote children's learning through purposeful play and carefully planned challenging activities.’
- ‘Staff provide children with a stimulating, exciting and well-organised learning environment. The children are confident and motivated and develop extremely positive attitudes towards learning in readiness for school.’
- ‘Staff are excellent role models and play alongside children to teach them how to share and take turns. All children consistently make good progress and acquire a good range of skills, abilities and attitudes that prepares them well for future learning and the eventual move onto school.’
- ‘The partnerships with parents and other professionals are very good.’

The Trust is addressing areas where we can make further improvement including building on our programme of continuous professional development and the high quality practice which already takes place at the nursery.

## **Developing a workforce fit for the future (our workforce strategy)**

The current workforce requirements for 2017/2018 – and subsequent workforce strategy – have been informed by a combination of factors including ongoing demand and capacity planning and analysis, national requirements, specific quality risks, engagement with our partners across the regional footprint and financial analysis. Our key priorities are:

### **Attract, recruit and retain appropriately skilled, qualified and experienced staff**

- Continue to develop a dedicated resourcing function to continue to recruit innovatively to the agreed establishment to secure a stable workforce, identifying hard to fill posts and developing creative recruitment strategies to address any workforce gaps
- Continued development of processes to identify and manage areas of premium pay, such as high agency spend and overtime, implementing strategies to reduce costs

### **Develop the capacity and capability of every member of staff through providing rewarding roles and the personal development people need to succeed**

- Implementation of a robust performance management system which engages staff, encourages the development of, and provides opportunities for reward and recognition

### **Develop a high performance culture**

- Further development of the culture of evidence-based management and data driven decision making
- Supporting our leaders to live our values – to be bold in their ambitions, actions and thinking – and to encourage our staff to be open to challenge and to try new ideas.
- Use appropriate technologies to enable effective and appropriate resource planning and allocation, to ensure efficient use of our own resources and that of any additional premium cost resources, for example e-rostering and safe care
- Enhancing the support to managers in relation to absence management, including sickness absence policy review, dedicated resources to manage the sickness absence processes with employees and managers, audit reviews and enhanced data monitoring.
- Deliver a Health and Wellbeing plan that delivers a suite of employee wellbeing initiatives while also meeting national CQUIN targets

### **Improving our leadership capability**

- Following implementation of the new triumvirate leadership model we will continue to ensure a robust pipeline of managers and leaders through succession planning and leadership development programmes.

### **Exploring new ways of working**

- Working in partnership with education providers to maximise NHS and University graduate and apprenticeship options. Continue to develop our assistant practitioners, trainee and career graded roles internally and refine our nursing skill mixes as new roles are introduced (e.g. the Nursing Associate)



- Pioneering roles, skills mixing and matrix working across service boundaries, including embedding the corporate volunteer programme.
- Commissioning training in line with the widening participation agenda through Health Education North East (HENE).

### Counter fraud polices

All staff have access to the counter fraud service in the Trust. Staff are able to access the policies supporting the counter fraud work. More details can be found on page 103.

### Expenditure on consultancy

Expenditure on consultancy during 2016/2017 amounted to £1.677million as disclosed in the notes to the Accounts.

### Off-payroll arrangements

<b>Off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months</b>	
Number of existing engagements as of 31 March 2017* (of which):	7
Number that have existed for less than one year at time of reporting	3
Number that have existed for between one and two years at time of reporting	4
Number that have existed for between two and three years at time of reporting	
Number that have existed for between three and four years at time of reporting	
Number that have existed for four or more years at time of reporting	

\*The Trust had seven off-payroll engagement with a daily cost in excess of £220 and these have been subject to a risk based assessment allowing the Trust to seek assurance that the individual/s are paying the right amount of tax.

<b>All new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.</b>	
Number of new engagements, or those that reached six months in duration, between April 1 2016 and 31 March 2017*	7
Number of above which include contractual clauses giving the trust the right to request assurance in relation to income tax and National Insurance obligations	7
Number for whom assurance has been requested (of which)	
Number for whom assurance has been received	
Number for whom assurance has not been received	
Number that have been terminated as a result of assurance not being received	

\*The Trust underwent significant change during the last financial year and external expertise was required to ensure our organisation made the critical changes necessary to improve and enhance our patient pathways. All engagements had appropriate contracts in place to provide the Trust with assurance that tax and NI obligations were met by the individuals.

**Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017.**

*Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	1
Number of individuals that have been deemed board members and/or, senior officials with significant financial responsibility, during the financial year (including both off-payroll and on-payroll engagements)	1

\*The Trust underwent significant change during the last financial year and external expertise was required to facilitate the critical changes made across the organisation. The length of time this exceptional engagement lasted was 13 months.

### Staff exit packages

Inevitably, as the organisation continued to review its efficiency savings in the third year of financial recovery, workforce costs were also scrutinised to ensure we get the best value for money from the resources we invest in staff and that staff are working in the most efficient and effective structures.

In 2016/2017, 14 members of staff were made compulsory redundant at a cost to the organisation of £0.889million. A number of other departures, including voluntary redundancy, were agreed with a further 33 members of staff at a cost of £1.349 million. The majority of these were staff who left the Trust following our organisation-wide restructure. All staff exit packages are run in line with NHS policy terms or local policies.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1	6	8
£10,000 - £25,000	2	5	7
£25,001 - £50,000	5	12	17
£50,001 - £100,000	2	10	12
£100,001 - £150,000	4	0	4
£150,001 - £200,000	0	0	0
Total number of exit packages by type	14	33	47
Total resource cost	£0.889 million	£1.349 million	£2.238 million

## Exit packages – non-compulsory departure payments

	Agreements Number	Total value of agreements (£000)
Voluntary redundancies including early retirement contractual costs	33	1,349
Mutually agreed resignations (MARS) contractual costs	-	-
Early retirements in the efficiency of the service contractual costs	-	-
Contractual payments in lieu of notice	-	-
Exit payments following Employment Tribunals or court orders	-	-
Non-contractual payments requiring HMT approval*	-	-
<b>Total</b>	<b>33</b>	<b>1,349</b>
Of which: Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary	-	-

As a single exit package can be made up of several components, each of which will be counted separately in this note.

## **Disclosures set out in the NHS Foundation Trust Code of Governance**

**South Tees Hospitals NHS Foundation Trust has applied the principles of the NHS Foundation Code of Governance on a 'comply or explain' basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.**

### **The Board and Council of Governors**

The Trust is headed by a Board; it exercises its functions effectively, efficiently and economically. The Board is a unitary board consisting of a Non-Executive Chair, seven Non-Executive Directors and nine Executive Directors. In addition membership also includes two non-voting members of the Board

The Board provides active leadership within a framework of prudent and effective controls. The Board meets a minimum of 10 times a year so that it can regularly discharge its duties. During 2016/2017 the Board met 16 times.

The Non-Executive Directors hold the Executive Directors accountable through scrutiny of performance outcomes, management of business process systems and quality controls, and satisfy themselves as to the integrity of financial, clinical and other information.

The Non-Executive Directors, through the Remuneration Committee, fulfil their responsibility for determining appropriate levels of remuneration for the Executive Directors. The Committee is provided with benchmark data to support the decision being made about the level of remuneration for the Executive Directors. More details about the Remuneration Committee can be found on page 35 and in the Remuneration Report on page 62.

Annually, the Board reviews the strategies of the Trust and takes responsibility for the quality and safety of healthcare services, education, training and research. Day-to-day responsibility is devolved to the Executive Directors and their teams. The Board of Directors is committed to applying the principles and standards of clinical governance set out by NHS Improvement, NHS England, the Department of Health and the CQC. As part of the planning exercise the Board of Directors reviews its membership and undertakes succession planning.

The Board of Directors has reviewed its values and standards to ensure they meet the obligations the Trust has to its patients, members, staff and other stakeholders. Full details of members of the Board and changes to the membership of the Board during 2016/2017 can be found on page 26.

The appointment process for the Chair and Non-Executive Directors is detailed on pages 93 and 100 and forms part of the information included in the standing orders written for the Council of Governors.

Each year the Chair and Non-Executive Directors receive an appraisal which is reviewed by the Council of Governors. The Chair undertakes an appraisal of the Chief Executive and the Chief Executive undertakes the appraisal of the Executive Directors. Details of the approach to appraisals can be found on page 93 of this report and the Remuneration Report.

### **The Chairman**

A clear statement outlining the division of responsibility between the Chair and the Chief Executive has been approved by the Board of Directors and is included in the Annual Report on page 33.

## **Council of Governors**

The Trust has a Council of Governors that is responsible for representing the interests of the members of the Trust, partners and voluntary organisations within the local health economy and the general community served by the Trust.

The Council of Governors holds the Board of Directors to account for the performance of the Trust including ensuring the Board of Directors acts within the terms of the licence. Governors' feedback information about the Trust to members and the local community through newsletters, social media and information placed on the Trust's website.

The Council of Governors consists of elected and appointed governors. More than half of the Governors are public governors elected by community members of the Trust.

Elections take place once every year, or on other occasions if required due to vacancies or a change in our constitution. The next elections will be held during spring 2018.

The Council of Governors has in place a process for the appointment of the Chairman which includes understanding the other commitments a prospective candidate has. The Chairman has confirmed to the Council of Governors that she has no other significant commitments.

## **Information, development and evaluation**

The information received by the Board of Directors and Council of Governors is timely, appropriate and in a form that is suitable for members of the Board and Council to discharge their duty.

The Trust runs a programme of development throughout the year for governors and Non-Executive directors. All governors and Non-Executive directors are given the opportunity to attend a number of training sessions during the year.

The Council of Governors has agreed the process for the evaluation of the Chairman and Non-Executive directors and the process for appointment or re-appointment of Non-Executive Directors.

This year the Council of Governors considered the reappointment of one of the Non-Executive directors who had served for six years. The Council of Governors agreed that the Non-Executive Directors had received six exemplary appraisals and concurred that they would like them to serve a further year.

The Chairman, having sought the views of the Non-executive Directors and Executive Director Board members, reviews the performance of the Chief Executive as part of their annual appraisal.

The Chief Executive evaluates the performance of the Executive Directors on a quarterly basis and the outcome is reported to the Chairman. The Chairman provides the Chief Executive with her view of the Executive Directors performance in the Board meeting.

## **Performance evaluation of the Board and its committees**

During the year the Board commissioned Deloitte LLP to conduct a Well Led Review as prescribed by NHS Improvement (formally known as Monitor). The review concentrates on the quality of the governance in place in the organisation and further detail is on page 45.

## **Responsibility for preparing the annual report and accounts**

The Directors of the Trust are responsible for the preparation of the Annual Report and Accounts. The Directors approve the Annual Report and Accounts prior to their publication. The Directors are of the opinion that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Foundation Trust's performance, business model and strategy. Further details of the Accounting Officers responsibility can be found in the statement of accounting officer's responsibilities and the Annual Governance Statement.

## **Resolution of disputes between the Council of Governors and the Board of Directors**

The Code of Governance requires the Trust to hold a clear statement explaining how disagreements between the Council of Governors and the Board of Directors would be resolved.

The Board of Directors promotes effective communications between the Council of Governors and the Board. The Board, through the Chief Executive and the Chair, provide regular updates to the Council of Governors on developments being undertaken in the Trust.

The Board encourages governors to raise questions and concerns during the year and ask for further discussions at their public meetings where they feel further detail is required. The Chief Executive and any invited Director, or Non-Executive Director, will ensure that the Council of Governors are provided with any information, for example, the Trust has materially changed the financial standing of the Trust, or the performance of its business has changed, or where there is an expectation as to performance, which, if made public, would be likely to lead to a substantial change to the financial wellbeing, healthcare delivery performance or reputation and standing of the Trust.

The Chair of the Trust also acts as Chair of the Council of Governors. The Chair's position is unique and allows her to have an understanding of a particular issue expressed by the Council of Governors. Where a dispute between the Council of Governors and the Board occurs, in the first instance, the Chair of the Trust would endeavour to resolve the dispute.

Should the Chair not be willing or able to resolve the dispute, the Senior Independent Director and the Lead Governor of the Council of Governors would jointly attempt to resolve the dispute.

In the event of the Senior Independent Director and the Lead Governor being unable to resolve the dispute, the Board of Directors, pursuant to section 15(2) of Schedule 7 of the National Health Service Act 2006, will decide the disputed matter.

Governors also have the right to refer concerns to NHS Improvement, the sector regulator, in exceptional circumstances where the internal mechanisms have not satisfied the Council of Governor's concern. The Council of Governors also has the right to seek the advice of NHS Improvement's Independent Panel. The Council of Governors has agreed a process for using the panel.

The Board makes decisions about the functioning of the Trust and, where appropriate, consults with the Council of Governors prior to making a decision. Any major new development in the sphere of activity of the Trust which is not public knowledge is reported to the Council of Governors in a private session, and to NHS Improvement.

The Council of Governors is responsible for the decisions around the appointment of Non-Executive directors, the appointment of the external auditors in conjunction with the Audit

Committee, the approval of the appointment of the Chief Executive and the appointment of the Chair.

The Council of Governors sets the remuneration of the Non-Executive Directors and the Chair. The Council of Governors are encouraged to discuss decisions made by the Trust and highlight any concerns they have. The Council of Governors also has in place a statement that identifies at what level the Board of Directors will seek approval from the Council of Governors when there is a proposed significant transaction.

### **Board balance, completeness and appropriateness**

We consider we have the appropriate balance and completeness of skills in the Board's members to meet the requirements appropriate to the leadership of an NHS Foundation Trust.

### **Internal audit function**

The Trust has an internal audit function in place that provides support to the management of the organisation. Details of the internal audit function can be found on page 37.

### **Attendance of Non-Executive Directors at the Council of Governors**

All Non-Executive directors have an open invitation to attend the Council of Governors meetings, which they attend on a regular basis. Members of the Council of Governors and Non-Executive Directors work together on other occasions through various groups and committees and also meet on a one-to-one basis from time to time.

### **Corporate Directors' remuneration**

The Remuneration Committee meets on a regular basis, as a minimum once a year, to review the remuneration of the Executive Directors. Details of the work of the Remuneration Committee can be found on pages 35 and in the Remuneration Report. The Council of Governors has a Nomination Committee which met three times in 2016/2017. Part of the role of the Nomination Committee is to review the remuneration of the Non-executive Directors. Details of the Nomination Committee can be found on page 100.

### **Accountability and audit**

The Board of Directors has an established Audit Committee that meets on a quarterly basis, as a minimum. A detailed report on the activities of the Audit Committee is on page 36.

### **Relations and stakeholders**

The Board of Directors has ensured that there has been satisfactory dialogue with its stakeholders during the year. Examples of the Trust working with stakeholders can be found on page 57.

## Council of Governors

All NHS Foundation Trusts are required to have a body of elected and nominated governors. South Tees Hospitals NHS Foundation Trust has a Council of Governors, which is responsible for representing the interests of the public, staff members and partner organisations in the local health economy.

As a public benefit corporation, the Trust is accountable to the local community and staff who have registered for membership and to those elected to seats on the Council of Governors.

The Council of Governors' roles and responsibilities are outlined in legislation and are detailed in the Trust's constitution. The primary function of the Council of Governors is:

- To hold the Non-executive Directors individually and collectively to account for the performance of the Board of Directors and
- To represent the interests of the members of the Trust as a whole and the interests of the public.

The Council of Governors has a right to be consulted on the Trust's strategies and plans and any matter of significance affecting the Trust or the services it provides. All governors, both elected and appointed, are required to act in the best interest of the NHS Foundation Trust and adhere to the values and code of conduct of the Trust. It is specifically responsible for:

- The appointment and removal of the Chair and other Non-Executive directors
- Deciding the remuneration and allowances, and the other terms and conditions of office, of the Chairman and other Non-Executive Directors
- The approval of the appointment of the Chief Executive
- The appointment and removal of the External Auditors

The Council of Governors holds the Board of Directors to account for the performance of the Trust and receives both the agenda and minutes of each Board of Directors meeting. One or more of the Directors are required to attend a meeting of the Council of Governors for the purpose of obtaining information about the Trust's performance, its functions or the Directors' performance of their duties.

It also regularly receives details of significant projects and strategies and works with the Board of Directors in an advisory capacity, bringing the views of staff and local people forward, and helps to shape the Trust's future. In addition to the formal responsibilities, the Council of Governors role includes:

- Representing the interests and views of local people
- Regularly feeding back information about the Trust, its visions and its performance to the communities they represent
- Attending meetings of the Council of Governors
- Approving 'significant' transactions
- Receiving an Annual Report from the Board of Directors
- Monitoring performance and other targets
- Advising the Board of Directors on its strategic plans
- Making sure the strategic direction of the Trust is consistent with its Licence
- Being consulted on any changes to the Trust's Constitution
- Providing representatives to serve on specific groups and committees working in partnership with the Board of Directors



The Council of Governors at South Tees Hospitals NHS Foundation Trust currently has 34 governor seats in the constitution including:

- Public governors – 16 elected seats
- Staff governors – three elected seats
- Patient and/or carer governors – two elected seats
- Nominated governors – 13 elected seats (including clinical commissioning groups, local authorities, local universities, voluntary groups, Healthwatch, strategic organisations and carer organisation).

## **Elections**

The Trust held two elections during 2016/2017 – the first of which was in November with the following results:

- Hambleton and Richmondshire – two seats (turnout 32.8% with Janet Crampton re-elected and Mike Holmes appointed as a new governor).
- Middlesbrough – three seats (turnout 18.5% with Carolyn Newton re-elected and Rebecca Hodgson and Ann Arundale appointed as new governors)
- Rest of England – one seat (turnout 8.9% with Angela Seward re-elected)

The second election was held in March 2017 for one seat in the Hambleton and Richmondshire community after Judette Fletcher was elected unopposed to the Redcar and Cleveland seat. Turnout was 31% and Graham Lane was elected as a new governor. A vacancy remains in the patient and/or carer constituency after no valid nomination was received.

The next elections will be held during the spring 2018 and the following seats will be included:

- Middlesbrough – 2 seats
- Redcar and Cleveland – 3 seats
- Hambleton and Richmondshire - 2 seats
- Patient and/or Carer – 1 seat
- Staff - 1 seat

## **Council of Governors meetings**

The Council of Governors meets, as a minimum, four times a year. The Governors also met on a number of other occasions during the year to receive informal updates and additional training and information. The following table shows the list of governors, their term of office and attendance of governors at the formal Council of Governors meetings.

Elected governors	Term being served	Tenure	Constituency	5 meetings from April 2016/17
Ann Arundale	1 <sup>st</sup>	3yrs from December 2016	Middlesbrough	1/2
Plym Auty	2 <sup>nd</sup>	3yrs from April 2015	Hambleton and Richmondshire	5/5
Noel Alasdair Beal	2 <sup>nd</sup>	3yrs from April 2015	Hambleton and Richmondshire	5/5
Janet Crampton**	1 <sup>st</sup>	3yrs from December 2016	Hambleton and Richmondshire	1/2
Jean Herbert (Lead Governor)	3 <sup>rd</sup>	3yrs from April 2014 (tenure ended 31 March 2017)	Hambleton and Richmondshire	5/5
Stella Kilvington	1 <sup>st</sup>	3yrs from April 2015 (Resigned August 2016)	Hambleton and Richmondshire	0/2
Mike Holmes	1 <sup>st</sup>	3yrs from December 2016	Hambleton and Richmondshire	2/2
Graham Lane	1 <sup>st</sup>	3yrs from April 2017	Hambleton and Richmondshire	N/A
Norman Leslie	3 <sup>rd</sup>	3yrs from April 2014 (Stepped down June 2016)	Middlesbrough	0/1
*Carolyn Newton	2 <sup>nd</sup>	3yrs from December 2016	Middlesbrough	5/5
Alan Parton	2 <sup>nd</sup>	3yrs from April 2015	Middlesbrough	5/5
Geraldine Hart	1 <sup>st</sup>	3yrs from April 2015	Middlesbrough	3/5
Gillian Spensley	1 <sup>st</sup>	3yrs from April 2015 (Resigned August 2016)	Middlesbrough	2/2
Rebecca Hodgson	1 <sup>st</sup>	3yrs from December 2016	Middlesbrough	2/2
William Davis	3 <sup>rd</sup>	3yrs from April 2015	Redcar and Cleveland	5/5
Allan Jackson	1 <sup>st</sup>	3yrs from April 2015	Redcar and Cleveland	4/5
John Race	2 <sup>nd</sup>	3yrs from April 2015	Redcar and Cleveland	2/5
Peter Sotheran	2 <sup>nd</sup>	3yrs from April 2014 (Tenure ended 31 March 2017)	Redcar and Cleveland	2/5
Judette Fletcher	1 <sup>st</sup>	3yrs from April 2017	Redcar and Cleveland	N/A
David Wood	1 <sup>st</sup>	3yrs from April 2015	Redcar and Cleveland	2/5
Elaine Lewis	3 <sup>rd</sup>	3yrs from April 2015 (Resigned March 2017)	Patient and/or carer of patient	4/5
Grant Reid	1 <sup>st</sup>	3yrs from April 2015	Patient and/or carer of patient	4/5
*Angela Seward	2 <sup>nd</sup>	3yrs from December 2016	Rest of England	5/5
Jonathan Broughton	2 <sup>nd</sup>	3yrs from April 2016	Staff	3/5

Stuart Finn	1 <sup>st</sup>	3yrs from April 2016	Staff	2/5
Michelle Payne	1 <sup>st</sup>	3yrs from April 2015	Staff	2/5
Appointed governors		Tenure	Partner organisation	
Dr Stephen Jones	N/A	Tenure commenced 25 January 2016	Newcastle University	4/5
Lynn Pallister	N/A	Tenure commenced October 2015	Redcar and Cleveland Council	1/5
Peter Race	N/A	Tenure commenced July 2013 (Stepped down in March 2017)	South Tees CCG	3/5
Tim Swales	N/A	Tenure commenced May 2016	North Yorkshire County Council	¾
Prof David Hunter	N/A	Tenure renewed in March 2012 (resigned in March 2017)	Durham University	2/4
David Williams	N/A	Tenure commenced March 2014 (Stepped down in March 2017)	Hambleton, Richmondshire and Whitby CCG	2/4
Abigail Barron	N/A	Tenure commenced March 2017	Hambleton, Richmondshire and Whitby CCG	0/1
Anne Binks	N/A	Tenure commenced 18 December 2015	Teesside University	2/5
Paul Crawshaw	N/A	Tenure commenced 1 November 2014	Healthwatch	1/5
Richenda Broad	N/A	Tenure commenced 15 June 2015 (Stepped down September 2016)	Middlesbrough Council	½
Erik Scolley	N/A	Tenure commenced January 2017	Middlesbrough Council	0/1

\*\*Janet Crampton has been a governor since 2012, first as a Hambleton & Richmondshire representative and latterly as the Trust-wide nominated voluntary representative, before her current tenure from December 2016.

### Training of governors

Governor training sessions cover key elements of the governor role including finance, quality and annual planning and are incorporated into days when governors attending full Council meetings, ensuring more of them access the training available. Sessions continue to be highly evaluated.

### Register of governors' interests

The Trust holds a register listing any interests declared by members of the Council of Governors. Governors must disclose details of company directorships or other positions held, particularly if they involve companies or organisations likely to do business, or possibly seeking to do business with the Foundation Trust.

## **Governor expenses**

Governors are not remunerated, but are entitled to claim expenses for costs incurred while undertaking duties for the Trust as a governor (i.e. travel expenses to attend the Council of Governors' meetings). The total amount of expenses claimed by governors during the year from 1 April 2016 to 31 March 2017 was £757.84 compared to £684.02 in 2015/2016.

## **Related party transactions**

Under International Accounting Standard 24 'Related Party Transactions', the Trust is required to disclose, in the annual accounts, any material transactions between the NHS Foundation Trust and members of the Council of Governors, or parties related to them. There were no such transactions for the period 1 April 2016 to 31 March 2017.

## **Appointment of the Lead Governor**

Governors are invited to nominate themselves for the role of lead governor and submit a statement to support their application. All nominations are considered by the full Council of Governors through an election where governors vote for their preferred candidate. The Council of Governors followed this process and appointed Mrs Angela Seward as Lead Governor from March 2017.

## **Nominations Committee**

Responsibility for the appointment process of the Chairman and Non-Executive Directors resides with the Nominations Committee – a Committee of the Council of Governors - which comprises of membership drawn from the Council of Governors (including public, staff and co-opted governors). Directors and Officers of the Trust are invited to meetings to provide advice and support as required.

The Committee is chaired by the Trust Chair, with the exception of instances in which the appointment and performance of the Chair is to be discussed, and is responsible for taking forward recommendations to the Council of Governors concerning the appointment or re-appointment of the Chairman and Non-Executive directors prior to the conclusion of their terms of office.

In making a recommendation, the Committee reviews each individual's annual review documentation to consider how they had performed as a Non-Executive Director and on the knowledge, skills and experience that they contribute to the Board of Directors.

As part of this process, the Committee monitored the collective performance of the Board of Directors and considered the balance between the need for continuity, and the need to progressively refresh the Trust Board as advised within the NHS Foundation Trust Code of Governance.

In 2016/2017, the Committee met three times and membership included:

- Deborah Jenkins, Chairman (committee chairman, Deborah stepped down in December 2016)
- Amanda Hullick, Acting Chairman from December 2016
- Maureen Rutter, Non-Executive Director and from December 2016, Deputy Chairman and Senior Independent Director
- Jonathan Broughton, Staff Governor
- Paul Crawshaw, Nominated Governor (Healthwatch)
- Mike Holmes, Hambleton and Richmondshire Governor (from January 2017)

- Noel Beal, Hambleton and Richmondshire Governor (from January 2017)
- Jean Herbert, Lead Governor (stepped down in March 2017 when Angela Seward was appointed as Lead Governor from March 2017)

Nominations Committee Attendance	Meetings
Deborah Jenkins	0/1
Amanda Hullick	2/2
Maureen Rutter	3/3
Jonathan Broughton	3/3
Paul Crawshaw	1/3
Jean Herbert	2/2
Noel Beal	2/2
Mike Holmes	2/2

During the year, the Committee:

- Undertook the appointment of a Non-Executive Director. The Committee recommended to the Council of Governors the appointment of a further Non-Executive Director
- Reviewed its terms of reference
- Discussed the process for appointing a new Lead Governor
- Discussed and agreed arrangements for the Acting Chairman and Deputy Acting Chairman

In considering the appointment of new Non-Executive Directors, the committee reviewed not only the skills required for candidates but also previous processes for appointing to these key posts. The appointment of the new Non-Executive Director has further supplemented the experience and skills within the Board.

## Membership

Membership to the Trust is free and level of involvement is entirely up to the individual, although by joining as a member enables people to:

- Have a greater say in how our services are run
- Stand for governor
- Elect others to represent them on the Council of Governors
- Receive regular updates about South Tees and its services
- Tell us about the needs and expectations of their local community
- Attend the annual members meeting and our exclusive members' events.

Membership of South Tees is divided into constituencies, with each one having elected representatives who sit on the Council of Governors. We currently have three existing membership constituencies – public, patient and/or carer and staff:

- **Public constituency** – members of the public, including past and present patients, volunteers and carers, who live locally in Hambleton and Richmondshire, Middlesbrough, Redcar and Cleveland.

It also includes a fourth group – 'Rest of England' – which differs from the patient and/or carer one as there is no requirement for members to have been a patient/carers in the preceding ten years.

- **Patient constituency** – Patients and/or carers of patients
- **Staff** – who automatically become members but can opt out if they wish to do so.

Anyone aged 16 or over from the above groups is eligible to become a member. At the end of March 2017 our membership (excluding staff) did decrease slightly, but it does remain representative in the ethnic and socio-economic groups.

The Board of Directors is required to monitor how representative the Trust's membership is and this responsibility was designated to the Company Secretary.

While we have a membership target of recruiting 500 new members each year, only 22 new people were signed up in 2016/2017. This was not surprising as the Trust has been limited in its ability to undertake proactive membership recruitment due to staffing issues. Instead, over the last year, we have relied on governors own networks to recruit members alongside information on our website and links with our charity and patient and carer engagement teams.

More information about becoming a member is available on the Trust's website at [www.southtees.nhs.uk](http://www.southtees.nhs.uk) or if you would like further information you can contact 01642 835616. Members can also contact their own constituency representatives on the number above or email them at [gov@stees.nhs.uk](mailto:gov@stees.nhs.uk)

## Membership breakdown

Public constituency		2016/17	2015/2016
	As at start (1 April)	4,372	4,575
	New members	22	20
	Members leaving	103	223
	Year-end (31 March)	4,291	4,372
Public constituency - breakdown by catchment			
	Hambleton and Richmondshire	1,294	1,336
	Middlesbrough	1,333	1,349
	Redcar and Cleveland	1,359	1,380
	Rest of England	305	307
	Total	4,291	4,372
Staff constituency – headcount		2016-17	2015-16
	As at start (1 April)	9,006	9,204
	New members		
	Members leaving		
	Year-end (31 March)		9,006
Patient constituency		2016-17	2015-16
	As at start (1 April)	597	618
	New members	0	0
	Members leaving	13	21
	Year-end (31 March)	584	597
Public constituency*		Number of members	Eligible membership
	<b>Age (years):</b>		
	0-16	0	5,529
	17-21	46	25,427
	22-65	2,312	332,983
	66+	2,137	195,240
	Unknown	75	

**\*For the purposes of the membership report, the public constituency population breakdown excludes 'Rest of England' but includes the patient constituency.**

## Anti-fraud policies and procedure

The Foundation Trust's counter fraud arrangements are in compliance with the NHS Standards for providers: fraud, bribery and corruption. These arrangements are underpinned by the appointment of accredited local counter fraud specialists and the introduction of a Trust-wide Anti-Fraud, Bribery and corruption policy. An annual counter fraud plan identifying the actions to be undertaken to inform and involve, prevent and deter and where fraud has occurred to hold to account the perpetrators by investigations, sanctions and redress is produced and approved by the Trust's Audit Committee.

## Compliance with the Code of Governance

The Board confirmed it complies with the Code of Governance except in the following areas.

Requirements	Explanation
<p><u>Paragraph B1.1</u> The Board should identify in the Annual Report each non-executive director it considers to be independent. The Board should determine whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Board should state its reasons if it determines that a director is independent despite the existence of relationships or circumstances which may appear relevant to its determination, including if the director:</p> <ul style="list-style-type: none"> <li>• has, or has had, within the last 3 years, a material business relationship with the NHS Foundation Trust, either directly, or as a partner, shareholder, director or senior employee of a board of directors that has such a relationship with the NHS Foundation Trust</li> <li>• has close family ties with any of the NHS Foundation Trust's advisors, directors or senior employees</li> </ul>	<p>Two Executive Directors have declared that close members of their families have in the past either provided advice to the Trust or have the potential to undertake business for the NHS</p>
<ul style="list-style-type: none"> <li>• has served on the Board of the NHS Foundation Trust for more than six years from the date of their first appointment</li> </ul>	<p>One Non-executive Director was appointed for a third three-year term by the Council of Governors. The Trust only allows one year for the third term of office. The Governors specifically confirmed that the individual had received positive and successful appraisals during his terms of office. This Non-executive Director will finish his term of office in January 2018.</p>
<ul style="list-style-type: none"> <li>• is an appointed representative of the NHS Foundation Trust's university medical or dental school</li> </ul>	<p>The Council of Governors has chosen not to make an appointment to the Board from the university medical or dental school. The Council of Governors does have an appointment process and considers the skills that are being sought for each appointment.</p>
<p><u>Paragraph B1.2</u> At least half the Board of Directors, excluding the Chairperson, should comprise of non-executive directors determined by the Board to be independent</p>	<p>The Board changed in April 2016 to include 5 Medical Directors (one for each Centre) which provided increased clinical engagement and assurance provided to the Board. Since then the Board structure consists of 9 Executive Directors and 9 Non-Executive Directors and the Chair. At present there are 3 non-executive vacancies which the Trust is looking to fill and will re-commence the recruitment process after the General Election in June 2017. In the interim the Non-Executive Directors are satisfied they can discharge their respective duties and responsibilities effectively.</p>



## NHS Improvement's Single Oversight Framework

NHS Improvement's single Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of Care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support and '1' reflects providers with maximum autonomy. A Foundation Trust will only be in segments three or four where it has been found to be in breach or suspected of its licence. The Single Oversight Framework applied from Quarter 3 of 2016/2017 – prior to this Monitor's Risk Assessment Framework (RAF) was in place.

Information for the prior year and first two quarters relating to the RAF has not been presented as the basis of accountability was different. This is in line with the NHS Improvement's guidance for annual reports.

The Trust has been placed in segment three of the Single Oversight Framework, which applies to all healthcare organisations that are receiving mandated support and our organisation is still subject to formal enforcement action by NHS Improvement.

This was instigated in 2014 when we were asked by Monitor to develop a recovery plan for the Clostridium difficile target and to address our financial position. In 2016/2017, our organisation achieved its Clostridium difficile target ending the year with 43 Trust-attributed cases against a target of 55.

This segmentation information is the Trust's position as at 30 May 2017. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

### Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4' where '1' reflects the strongest performance. Given that finance and use of resources is only one of the five themes feeding into the Single Oversight Framework the segmentation of the trust disclosed above might not be the same as the overall finance score here.

Area	Metric	2016/2017 Q3 score	2016/2017 Q4 score
Financial sustainability	Capital service Capacity	4	4
	Liquidity	4	4
Financial efficiency	I&E margin	4	4
Financial controls	Distance from financial plan	3	4
	Agency spend	1	1
<b>Overall scoring</b>		3	3

## **Statement of the Chief Executive's responsibilities as the accounting officer of South Tees Hospital NHS Foundation Trust**

The National Health Service Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the NHS Foundation Trust Accounting Officer Memorandum issued by NHS Improvement.

NHS Improvement, in the exercise of the powers conferred on Monitor by the National Health Service Act 2006, has given Accounts Directions which require South Tees Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of South Tees Hospitals NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Department of Health Group Accounting Manual and in particular to:

- observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual (and the Department of Health Group Accounting Manual) have been followed, and disclose and explain any material departures in the financial statements
- Ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance and
- Prepare the financial statements on a going concern basis.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above mentioned Act.

The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.



Siobhan McArdle – Chief Executive  
May 2017

## **Annual Governance Statement**

### **Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation 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 foundation 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 Foundation Trust Accounting Officer Memorandum.

### **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 on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of South Tees Hospitals NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2017 and up to the date of approval of the Annual Report and Accounts.

### **Capacity to handle risk**

As Accountable Officer and Chief Executive I have overall responsibility for ensuring that there are effective risk management and integrated governance systems in place within the Trust to meet all statutory requirements and adhering to guidance issued by NHS Improvement in respect of governance and risk management. The prioritisation of corporate risks and the allocation of resources is discussed and agreed by the Board of Directors with delegation of specific risks to Board Committees or the Executive Team as appropriate. The decision making process is underpinned by information that details the risk and any mitigations in place. The approach to business risks was supported by the work of the Executive Team. The Trust has a Risk Committee which is responsible for scrutinising risk management processes. With regard to financial and business risk, the Finance and Investment Committee has the remit to ensure that business and financial risks are managed in a robust manner.

As Chief Executive I delegate particular aspects of my role to the Executive Directors. The roles and responsibilities of the Executive Directors have been developed to cover all aspects of risk and these arrangements are reflected in their job descriptions and are monitored through performance review mechanisms.

Specific responsibilities are delegated to members of the Executive Team as follows:

- The Director of Quality and Performance is the Senior Information Risk Owner and is accountable for the assessment and improvement of quality and patient experience, and delivery of national access standards. The Director of Quality and Performance is responsible for ensuring effective risk management processes are in place and works closely with the other executives to maintain the system of internal control. The Director of Quality and Performance has responsibility for the implementation and further

development of the risk management strategy and oversight of the Care Quality Commission registration requirements.

- The Trust has five Medical Directors who are accountable for the risk management and clinical governance processes within their centres and collectively for the Trust; they are also responsible for the conduct and performance of doctors. Each of the Medical Directors has Trust-wide responsibility for aspects of the medical directors role including;
  - Caldicott Guardian responsible for information governance risks;
  - Accountable Officer for controlled drugs, and
  - Responsible Officer for medical staff including revalidation.
- The Director of Nursing is responsible for infection prevention and control, patient safety, professional nursing standards, nurse revalidation and education, safeguarding children and adults and provides assurance to the Board on nurse staffing levels. The Director of Nursing is also responsible for managing the staff rostering system.
- The Director of Finance provides the strategic lead for financial risk and the effective co-ordination of financial controls throughout the Trust.
- The Director of Human Resources has responsibility for workforce risks including the implementation and development of the workforce strategy. The Director of Human Resources oversees the use of agency staff in the organisation.
- The Director of Estates and Facilities, Procurement and ICT is responsible for the environmental, estates, facilities, procurement and information technology risks.
- As Chief Executive, I have retained responsibility for delivery of the Trust's transformation programme which will ensure the organisation achieves its strategic aims.
- The Executive Directors are supported in the management of risk by the Head of Quality and Patient Experience and the Head of Patient Safety, Legal and Risk.
- All Directors are responsible for ensuring there are appropriate arrangements and systems in place in order to:
  - identify and assess risks and hazards;
  - comply with internal policies and procedures and statutory and external regulatory requirements, and
  - integrate functional risk management systems and develop the board assurance framework.

The Trust also has in place:

- an integrated risk management strategy which describes the Trust's approach to risk management including its risk appetite;
- a clearly defined committee structure, which supports robust and timely decision-making in relation to key organisational risks, and

- robust systems of identification, analysis, prioritisation and action in relation to risks affecting all areas of Trust activity.

From April 2016, the Trust revised its management structure and established five clinical centres. These clinical centres are managed by a Medical Director, an Operations Director and an Associate Director of Nursing. The centre Medical Directors are also executive members of the Board of Directors. The clinical directorates have been organised into service groups to enhance quality of care and improve patient pathways. Recognising and managing risk is integral to the day-to-day management responsibilities of the clinical centre management teams.

All members of staff have responsibility for participation in the risk/patient safety management system through:

- awareness of risk assessments which have been carried out in their place of work and to comply with any control measures introduced by these risk assessments;
- compliance with all legislation relevant to their role;
- following all Trust policies and procedures; particularly risk management and incident reporting policies, which are available to all staff electronically through the intranet;
- reporting all adverse incidents and near-misses via the Trust incident reporting system;
- attending regular training as required ensuring safe working practices;
- awareness of the Trust risk management policy and their own clinical centre risk management and escalation process, and
- knowing their limitations and seeking advice and assistance in a timely manner when relevant.

The Trust recognises the importance of supporting staff. All employees, including members of the Board, clinicians, managers, permanent, temporary and locum staff are provided risk management training appropriate to their role. Training includes:

- corporate induction training when staff join the Trust;
- mandatory update training for all staff every three years; and
- targeted training on specific areas including risk assessment, incident reporting and incident investigation including root cause analysis.

The Trust seeks to learn from good practice through Trust communication media and education sessions. Managers produce and distribute lessons learned reports following investigations of incidents.

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

The system of internal control is based on an on-going risk management process that is embedded in the organisation and combines the following elements:

- risk management processes and reporting;
- the risk register and board assurance framework;

- information governance and assurance programme;
- quality governance arrangements, and
- compliance with the Care Quality Commission registration requirements.

The risk management strategy outlines how the governance of risk works in practice across the organisation, including how the Trust's performance management systems contribute to an effective system of internal control, ensuring delivery of key objectives and management of risk across all areas in the organisation.

During the first four months of 2016/2017 the Quality Assurance Committee reviewed all new or escalated risks each month and advised on the adequacy of the controls in place. The Committee also identified risk for escalation to the corporate risk register. From September 2016 the Trust introduced a new Risk Committee. The Risk Committee has taken over this role of identification and escalation of risk to the Corporate Risk Register.

Each clinical centre undertakes a monthly review of their risk register in their centre governance meeting and all new or escalated risks are reviewed at the Risk Committee. Any risks for escalation are recorded on the corporate risk register report to Board and the discussions at the Risk Committee are reported to Board via the Chair's log and minutes.

The organisation's risk appetite was reviewed and updated at the Board of Directors meeting in June 2016, the current risk appetite statement is:

*The Trust accepts that there is a degree of risk in every activity that it undertakes and its appetite for risk will depend upon the impact of the risk on the organisation's strategic direction and sustainability, the likelihood of it materialising and the effect on the organisation's reputation and image. The Board has considered the level of risk that it is prepared to tolerate in relation to the delivery of our objectives and agreed the following approach for different types of risk exposure:*

#### Regulatory Compliance

*We have a moderate appetite for risk where actions may result in challenge to regulatory compliance.*

#### Finance

*The Trust has a moderate appetite for financial risk and is prepared to accept the possibility of some limited financial loss if the overall benefit justifies the risk. The Trust is prepared to support investment for return and minimise the possibility of financial loss by managing associated risks to a tolerable level.*

#### Innovation, quality improvement.

*The Trust will pursue innovation and challenge existing practice to drive transformation in care and improvement in quality. In this aspect of our strategic decision-making the Trust has a higher appetite for risk.*

#### Reputation

*The Trust has a moderate risk appetite for actions and decisions that may affect the reputation of the organisation and its employees. Such actions and decisions will be subject to a rigorous risk assessment and will be signed off by the Board.*

The risk management strategy is supported by a range of detailed Trust policies and accompanying guidance. The risk management policy describes:

- a clear framework of accountability and delegated responsibility for risk;
- detailed, defined processes for identifying and evaluating risks. Tools available include a standard process for scoring the consequence and likelihood of risks;
- an electronic risk register providing a comprehensive, standardised record of risks at clinical centre and corporate level. This allows risks to be managed consistently;
- training processes to support staff to deliver their risk management objectives, and
- a clearly defined committee structure that supports the risk management process.

The risk management strategy and policy are being revised to reflect the new organisational structure and the strengthened performance management and assurance framework. The Board and Trust senior managers undertook risk management training in June 2016.

The Board seeks to gain assurance from the underpinning committee structure that has been put in place in 2016/2017 and comprised of:

- The Audit Committee which supports the Board by critically reviewing the governance and assurance processes on which the Board places reliance, specifically it considers financial risk management in the organisation, the annual accounts, the soundness of overall system of internal control and has an overview of the clinical governance systems.
- The Finance and Investment Committee assures the Board that there is robust financial management by monitoring financial performance and making recommendations to the Board of Directors as appropriate.
- The Risk Committee was introduced in September 2016 and has responsibility for overseeing the review and escalation of risks to the Corporate Risk Register and to provide assurance to the Board of Directors on the effective management of the risks that have been identified in the organisation.
- The Quality Assurance Committee, the role of this Committee and its sub groups is to assist the Board and organisation in ensuring it fully discharges its duties in relation to the delivery of high quality services and patient outcomes, having regard to patient safety, clinical effectiveness and patient experience. During the first quarter of 2016/2017 the Quality Assurance Committee was also responsible for assuring the Board on the effective management of risk and played a key role in the risk escalation process. This element of the Quality Assurance Committee's role was transferred to the Risk Committee from September 2016.
- The Workforce Committee was introduced from September 2016 and has responsibility for overseeing the assurance of workforce information and systems. Specifically the Committee will oversee resource planning, employee relations and engagement, talent processes, learning and development, and the updating and implementation of policies and procedures.
- The Operational Management Board oversees the delivery of operational performance. This meeting is held in advance of the Board of Directors and provides the forum for the Executive Directors to be assured of the performance of the organisation in relation to its

operational objectives. This group does not have delegated powers from the Board but supports the Executives to discharge their responsibility for the operational delivery of the annual plan.

Quality of care and patient safety is core to the operation of the organisation and underpins the development of the Trust's values and objectives. The Board receives a range of quality information and assurance both through the committee structure and directly at Board meetings.

The data used to report the Trust's quality performance is taken from national data submissions, clinical audit, national benchmarking systems, quality observatories and patient and staff surveys. The indicators and measures used to track the Trust's quality and safety objectives are reported through the patient safety and quality dashboards. The dashboards are produced at Trust, clinical centre, directorate and ward level. The quality indicators are formally reported in the quarterly quality report which includes qualitative and quantitative information, statistical analysis of trends and benchmarking. All serious incidents are reported to the Board. Quality improvement targets are determined by the Trust's strategies, triangulation of incidents, complaints and claims, audits and CQUIN contracts.

The Trust introduced a new integrated performance report in 2016/2017 which reflects the Trust's operational objectives in regard of quality, operational performance, workforce and finance.

The Trust promotes an open and honest culture encouraging staff to report incidents and near misses and applying the duty of candour when errors occur.

In 2016/2017 the Trust incorporated the transformation work, which underpinned the three year recovery programme, into the clinical centres as part of the standard business of the organisation. Risks to quality arising from productivity and efficiency initiatives are assessed using a quality impact assessment process which is defined in a standard operating procedure. Quality impact assessments are signed off by the Director of Nursing, Director of Quality and the Medical Directors and are monitored by the Quality Assurance Committee.

Performance against the regulatory framework and applicable national standards is reported monthly to the Board. The performance data used by the Trust is split into two categories:

- clinical data items, related to the coded outcome data; and
- administrative data items, related to the patient's care pathway.

The clinical coding department undertakes an internal programme of specialty level audits as part of the clinical coding improvement programme. These audits are carried out on unfrozen, live data. In addition there is;

- weekly validation of NHS numbers;
- weekly validation of patients' GP details; and
- internal audits to review accuracy of data used for specific performance reports, i.e. cancer targets, 18 week targets etc.

To assist in the above the Trust used a number of sources external to the Trust to facilitate this including:



- internal and external audit data validation and data quality reviews, in 2016/2017 these were:
  - referral to treatment (RTT)
  - cancer targets
  - data quality audit - clinical utilisation review system
- Health and Social Care Information Centre (HSCIC) – Secondary Users Service (SUS) data quality dashboards; and
- clinical benchmarking through the HED system

The data quality team review information on the Health and Social Care Information Centre, Data Dictionary and SUS data quality dashboards to highlight any issues which require further investigation.

A summary of the risks and opportunities for the Trust are identified below

<b>In year and future risks</b>	<b>Management and mitigation</b>	<b>Outcome to addressing risk and opportunities</b>
Risk of maintaining financial performance and the subsequent effect on cash flow	Detailed delivery plans across centres and corporate budgets monitored through monthly performance reviews.	Achievement of the control total.
Maintenance of acceptable operational performance while not compromising quality and safety.  Failing to consistently achieve key performance standards on a sustainable basis	Active management of the key performance standards and addressing of key operational issues	Delivering high quality services which comply with the NHS constitution and are the patients' first choice
Risk to the sustainability of services, at both site and speciality level due to workforce constraints.	Active involvement in the development of the Sustainability and Transformation Programme  Strategy discussions held at the Board of Directors meetings to develop and agree strategies  Working collaboratively with other organisations  Development of a framework of workforce strategies to address the needs of differing professional groups and identification of high risk specialties where there is a particular shortage of key personnel.	Securing the services serving the local community working through the STP  Working with other providers to secure services  A sustainable workforce that is fit to meet current demands and the ability to develop new workforce models as the delivery of services develops.

During 2016/2017 internal audit issued two high risk audit reports relating to pharmacy stock control and information asset management; the Trust is taking actions to address the recommendations from both reports. Progress with these actions is monitored by the Audit Committee.

### **Principal Risks to Compliance with NHS Foundation Trust Condition 4 (FT Governance)**

The Trust is subject to enforcement action from NHS Improvement which was initiated in July 2014 due to;

- the breach of the Clostridium difficile annual objective; and
- the continuity of services risk rating.

In response the Trust agreed the following undertakings:

- to develop and implement a Clostridium difficile action plan which had been subject to external assurance;
- to develop and submit a financial recovery plan which returns the Trust to an acceptable continuity of services risk rating of 3 within three years; and
- to commission a board governance review.

2016/17 was the third year of the Trust's recovery plan.

The Trust has continued to implement its Clostridium difficile action plan with particular focus on cleaning standards, prescription of antibiotics and the management of patients with diarrhoea. There were 43 cases of Clostridium difficile in 2016/2017 against an upper threshold of 55. This represents a 30% reduction compared to 2015/2016 and is within the target set by NHS Improvement.

The financial recovery plan included an underlying deficit of £7.3million for 2016/2017 (excluding restructuring and impairment costs). The Trust ended the year £20.9million behind plan. The first element of this was due to not delivering the control total target (£8.5 million). In addition, the conditions attached to the Sustainability and Transformation Funding (STF) required the Trust to achieve the Control Total to access STF. Quarter 1 was achieved however quarter two to four were not achieved leading to a reduction of £11million of STF.

The Trust delivered £26.5million of efficiencies against the target £35million set in the recovery plan, of which £25.4million were recurring. Although the Trust has delivered £87.9million of efficiencies over three years of the recovery plan, a further £30.2million of efficiencies must be delivered in 2017/2018 to ensure the achievement of the control total.

The Trust has enhanced the governance arrangements for delivery of the £30.2million efficiency target in the following ways:

- establishing a dedicated forum to consider operational performance against efficiency targets;
- embedding efficiency targets within all clinical centres and corporate departments;
- ensure clear ownership and accountability for delivery of efficiencies to support achievement of the control total;

- performance reporting through Chief Executive Officer reporting dashboards with progress against key performance indicators;
- tracking progress on achievement of efficiency targets at Chief Executive Officer monthly performance reviews, and
- engagement with the Finance Improvement Programme, Wave 2 supported by NHS Improvement, to provide complementary support resource to work with Trust resources.

The Trust operates within a governance framework of standing orders, standing financial instructions and other processes. This framework includes explicit arrangements for:

- setting and monitoring financial budgets;
- delegation of authority;
- performance management; and
- achieving value for money in procurement.

The governance framework is subject to scrutiny by the Trust's Audit Committee and internal and external audit.

The Trust commissioned an independent review of governance arrangements in December 2014 to respond to the enforcement action. The majority of the actions which were highlighted by the review were completed within 2015/2016. The remaining actions were the development of the organisational strategy and the planned programme of Board development. There was a further review of the governance arrangements in December 2016 which recognised the progress made in these areas in the context of a significant organisational restructure and appointment of new Board members during the year. The final report from this review was presented to the Board in April 2017 and made the following recommendations:

- the strategic planning framework is to be further developed with a clear annual planning cycle ensuring consistency of approach across the centres;
- that the corporate calendar is reviewed to ensure sufficient opportunity for strategic debate at the Board and clear connectivity from the Board's sub committees;
- to ensure that progress with the achievement of the organisational objectives is monitored at Board each quarter and the board assurance framework is used consistently to highlight key strategic risks and to shape the Board's agenda;
- the Board development program is expanded to include clarity of Board members' role responsibility and priorities, and
- governance structures throughout the centres are standardised and review is undertaken of the effectiveness of the revised committee structure.

An action plan is in development to address these recommendations. The Trust is in discussion with NHS Improvement regarding the ongoing status of the enforcement action.

The Board of Directors and Audit Committee play a role in ensuring that the Trust has robust and effective governance structures in place. The constitution and terms of reference of all standing committees of the Board are reviewed periodically and any proposed amendments are subject to Board endorsement. The minutes of all standing committees are presented to the Board.

The responsibilities of Directors and committees are made clear within the governance structure of the organisation, which includes the reporting lines and accountabilities of committees and individuals. Systems are in place to ensure that the Trust complies with its duty to operate efficiently, effectively and economically, with timely and effective scrutiny and oversight by the Board. This includes securing compliance with healthcare standards as specified by the Secretary of State, the Care Quality Commission, NHS England and NHS Improvement.

Public stakeholders are also involved in managing risks which impact upon the organisation;

- patients are involved in planning their own treatment at every level;
- the Trust works closely with Healthwatch organisations to review services. In 2016/2017 Healthwatch was invited to join Trust's patient experience programme to provide feedback from the wider population on the Trust's services.
- the Trust consults with patients and the public when developing services; and
- the Trust maintains close links with social services, working together on the handling of issues such as delayed discharges.

The Foundation Trust is fully compliant with the registration requirements of the Care Quality Commission (CQC). The CQC re-inspected the Trust in June 2016 and published their findings in October 2016, all core services were rated as good with an overall Trust rating of good. The Trust uses a rolling programme of ward accreditation assessments based on the CQC registration requirements and a range of clinical audits to provide assurance that standards are sustained. Receiving ongoing assurance of compliance with CQC standards is within the terms of reference and work plan for the Quality Assurance Committee.

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.

The Foundation Trust has 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.

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

The Board of Directors sets the organisation's objectives with regard to the economic, efficient and effective use of resources. The objectives set reflect national and local performance targets for standards of patient care and financial targets to deliver this care within available resources. To ensure that opportunities to drive further efficiencies are identified the Trust uses a range of benchmarking data including clinical outcomes, 'model hospital' data and clinical coding audits. As part of budget setting the Trust includes specific productivity and efficiency targets for each element of the budget which will be delivered through rigorous budgetary control and the transformation of services. The Trust is

also an active participant in the system wide Sustainability Transformation Plan.

The Trust has a robust monitoring system to ensure that it delivers the objectives it identifies. Ultimate responsibility lies with the Board which monitors performance through reports to its monthly meetings. Underpinning this is a system of monthly reports on financial and operational information which are reviewed at the centres and the Operational Management Board. Reporting at all levels includes detail on the achievement against productivity and efficiency targets.

### **Information Governance**

The Information Governance Sub-Group is chaired by the Caldicott Guardian and ensures that the Trust complies with legislation and standards relating to information risks. The Board of Directors has agreed the Information Risk Management (IRM) framework for the Trust.

The Trust has a continuous work programme to further embed the IRM framework within the organisation, ensuring that any data security risks are highlighted by the Information Asset Administrators (IAA) at ward and centre level, reported to the Operations Directors who are the Information Asset Owners (IAO) and then discussed with the SIRO.

All data security incidents are investigated and reported in accordance with the Trust's policies and are escalated via the Information Governance (IG) Toolkit as mandated nationally.

There were 4 level 2 IG incidents reported through the IG Toolkit in 2016/2017, these related to:

- two incidents of information being lost in public places; and
- two incidents of information (one clinical and one personal) being sent to the wrong address.

All incidents were fully investigated and actions were taken to reduce the risk of re-occurrence; the Information Commissioner's Office has closed the incidents and no formal action has been taken.

The Trust has successfully achieved a minimum of level 2 on the 45 standards of the Information Governance (IG) Toolkit. The Trust overall IG compliance score for 2016/2017 was submitted as 66%, green – satisfactory.

### **Annual Quality Report**

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. NHS Improvement (in exercising the powers conferred on Monitor) has issued guidance to NHS Foundation Trust Boards on the form and content of annual Quality Reports, which incorporate the above legal requirements, in the NHS Foundation Trust Annual Reporting Manual.

For the development of the 2016/2017 Quality Report the Trust has used a range of sources of feedback from staff, patients, governors and external stakeholders to identify the priorities for quality improvement. This information was presented to the Board who approved the following quality improvement priorities for 2016/2017:

Improving safety:

- reducing health care acquired infections (HCAI);
- reducing harm from pressure ulcers and falls, and
- improving medication safety.

Improving outcomes:

- improving the response to the deteriorating patient;
- strengthening the mortality review process, and
- ensuring patients receive the right care, in the right place, at the right time.

Improving patients' experience:

- 1,000 voices patient experience programme.

Board responsibility for the Quality Report rests with the Director of Quality, the production of the Quality Report is overseen by the directorate of quality assurance. Each quality priority has a clinical lead identified who is responsible for the initiatives which will drive improvements and the measurements which will be used to gauge progress.

The quality priorities are within the organisational objectives and reported to the Quality Assurance Committee through the quarterly quality report and to the Board and Council of Governors in the monthly integrated performance report. The quality initiatives described in the Quality Report demonstrate progress across a range of measures but also those where there is scope for further improvement.

The mechanisms for assuring the accuracy of the data used in quality monitoring reports is described in the 'Risk and Control Framework Section' above. The Trust is assured of the quality and accuracy of elective waiting time data through the application of national definitions and guidance for the extraction of raw data from the Trust's patient administration system (PAS) which is then used to create a patient target list (PTL); this is used to manage the patients on the elective pathway. The technical processes to produce the PTL have validation checks built into them and a further manual validation check is undertaken before the report is distributed. The information services team has full procedural documentation that the team follows to run the processes that produce the PTL and waiting list reports.

A central tracking team receives the PTL and waiting list reports and, working closely with identified personnel in every specialty across the organisation, validate the data on a daily basis.

The risks to the accuracy of the data arise from the potential for error in the manual data entry. These risks are mitigated by the regular checks that are built in and the daily validation by the central tracking team.

Any errors with data input are fed back to the appropriate teams with further guidance, training and education. The Trust has an access policy so that the processes for the management of waiting lists is standardised.

Further assurance that the quality report is accurate and representative was gained by sharing the Quality Report with Clinical Commissioning Groups, Healthwatch and Overview and Scrutiny Committees, as required by national regulation.

The external auditors will provide a signed limited assurance report on the content of the Quality Report and mandated indicators in the annual report. The signed limited assurance report will be submitted to NHS Improvement by 31 May 2017

## **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework.

I have drawn on the content of the quality report attached to this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the board assurance framework and on controls reviewed as of Internal Audit's work. However, as part of my review I am also required to review the findings of all internal audit work in order to satisfy myself that any significant control issues have been disclosed within the Statement on Internal Control.

For the 2016/2017 internal audit plan management asked internal audit to undertake a number of audits in areas where there were known to be risks so that the findings could inform the strengthening of control processes. The plan included a number of core systems, being:

- key financial systems;
- PFI and contract management; and
- risk management and governance.

Internal audit are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given to the adequacy and effectiveness of governance, risk management and control.

In giving the opinion, it should be noted that with the agreement of Audit Committee and management, the work in the year focused on the areas of management concern and this was reflected in the number of high and medium risk ratings assigned to reviews, which have been taken into account in the opinion. Executive Directors have also reviewed the limited assurance reports issued during the year and have not identified any significant gaps in the adequacy of the controls relevant to the audits.

The Board also gains assurance from the underpinning committee structure that has been put in place in 2016/2017 which is described in the Risk and Control Framework section. The effectiveness of this committee structure is reviewed annually by the Audit Committee and in 2016/2017 was also part of the remit of the external governance review.

## Head of Audit Opinion

I am pleased to report that the Head of Internal Audit draft opinion is generally satisfactory with some improvements required. Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness or non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

As part of the Head of Audit's opinion he has informed me that some improvements are required in these areas to enhance the adequacy or effectiveness of the framework of governance, risk management and control.

Review and assurance mechanisms are in place, these have been further strengthened by arrangements to ensure that;

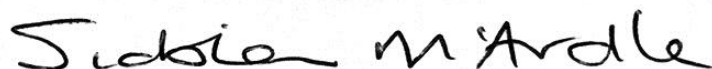
- management, including the Board, regularly reviews the risks and controls for which it is responsible;
- reviews are monitored and reported to the next level of management, this has been supported by the standardisation of centre governance structures and a revised escalation framework for risks is to be rolled out in 2017/2018;
- changes to priorities or controls are recorded and appropriately referred or actioned;
- lessons which can be learned, from both successes and failures, are identified and promulgated to those who can gain from them; and
- appropriate level of independent assurance is provided on the whole process of risk identification, evaluation and control.

An Executive Risk Group will be established in 2017/2018 to support the Risk Committee in the oversight and management of operational risks.

## Conclusion

The Trust has not identified any significant control issues for the financial year ending 31 March 2017, which require reporting within this statement.

My review confirms that South Tees Hospitals NHS Foundation Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.



**Chief Executive – Siobhan McArdle**  
**30 May 2017**





**South Tees Hospitals**  
NHS Foundation Trust

# **Quality Report 2016-2017**

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## **PART ONE - Statement on quality from the Chief Executive**

I am pleased to introduce the 2016/2017 Quality Report as Chief Executive of South Tees Hospitals NHS Foundation Trust.

Patient safety and quality are at the heart of everything we do and we promote a quality focused culture throughout our organisation to ensure we deliver excellence in both patient outcome and experience.

As we continued our drive to improve quality across all of our services, our overarching success was clearly the upgrading of our Care Quality Commission rating from 'Requires Improvement' to 'Good' with several areas of outstanding practice identified.

This was obviously a big step forward for the Trust and, undoubtedly, down to the hard work and commitment of all our staff who have worked tirelessly throughout the year to deliver high quality and safe care to the patients we serve, although naturally our ambition is to be rated as an 'outstanding' organisation within the next three years.

We also made significant progress in reducing *Clostridium difficile* infection, which has been a challenge for us in previous years and is one of our four priority areas, achieving a 30% reduction compared to 2015/2016 with particular focus on antimicrobial prescribing and cleaning standards.

Operationally, our other three key quality measures, which directly link to the outcomes and experience of our patients, were:

- Four-hour accident and emergency waiting time target - our year-end performance was 95.33% against a target of 95%.
- Referral to Treatment (RTT) 18-week target – our year-end performance was 93.17% against a national target of 92%.
- 62-day cancer wait target for first definitive treatment for all cancers – we returned to 85.1% compliance in March (the first time in two years) against a target of 85%, although our challenge for 2017/2018 is to sustain this level of performance.

In terms of our quality priorities, our on-going objective is to reduce avoidable harm by 50% from our baseline in 2014/2015 and we continued to make good progress in many areas, as identified in this Quality Report.

Listening to feedback about our care from patients and relatives is extremely important to us in order to continue to improve and during the year we launched our '1,000 voices' project to gather real-time feedback from patients on our wards as well as whole-pathway feedback from patients who have been discharged.

Moving forward, our intention is to embed this important work and build on it by engaging with Healthwatch, primary care and other partner organisations to share patient feedback and use it to inform service improvement.

We have also focused on creating and fully utilising all of our available capacity to improve patient access to care, this year concentrating on patient flow, theatre utilisation and outpatient efficiency.

We are immensely proud of everything we've achieved in the last year – all of which has been achieved against the backdrop of a difficult financial environment. There will always be

more to do but I am confident that we will maintain our unrelenting focus on the three strands of quality: safety, effectiveness and patient experience and outcome and build on the success we have achieved to date.

To the best of my knowledge, the information contained in this Quality Account is accurate.

A handwritten signature in black ink that reads "Siobhan McArdle". The signature is written in a cursive, flowing style.

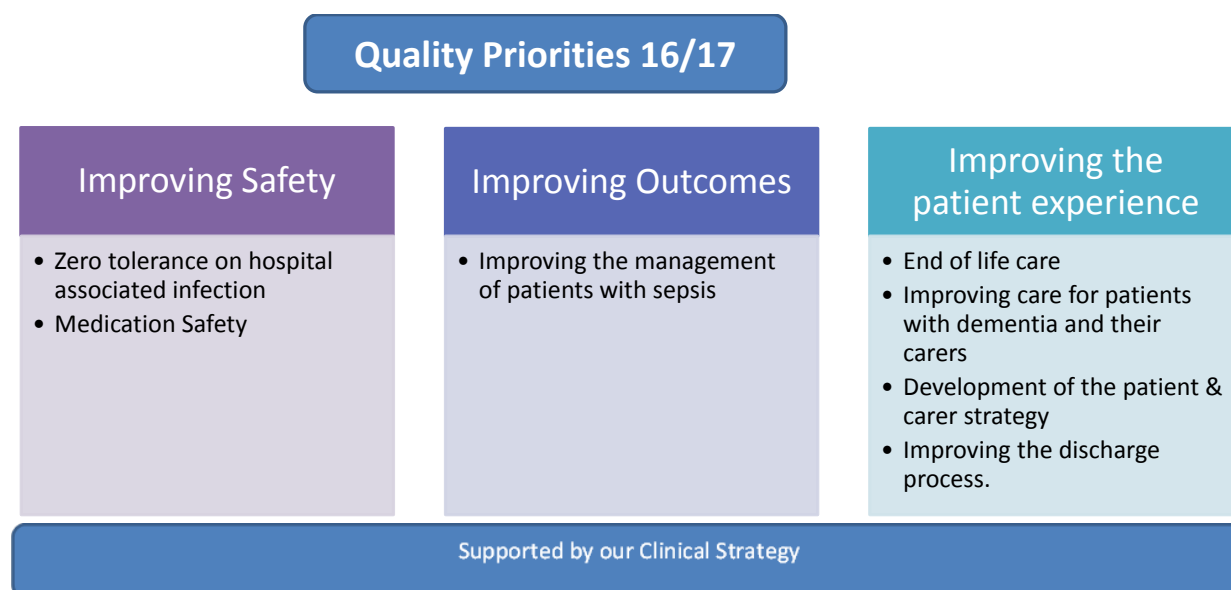
**Siobhan McArdle**  
**Chief Executive**  
**30 May 2017**

## PART TWO - Priorities for improvement and statements of assurance from the Board

### 2.0 Priorities for improvement

#### Review of progress with the 2016/2017 quality priorities.

In last year's Quality Account we identified the following as our quality priorities:



The following section summarises the progress made against the goals identified for each priority.

#### Improving Safety

### Health Care Acquired Infections (HCAI)

#### Our goals:

- To reduce the incidence of healthcare associated infection

#### Progress to date:

There has been significant progress in reducing clostridium difficile (C.Diff) infections in the Trust in 2016/2017. The target to have no more than 55 cases was achieved with a total of 43 for the year which is a 30% reduction compared last year. This demonstrates that the actions implemented through the C.Diff Infection action plan have been effective.

There have been 7 cases of MRSA bacteraemia in 2016/2017 which is concerning as it is an increase on previous years. Investigations into these cases have shown that there is a common factor in a number of cases relating to the care and management of invasive devices. Work to reduce infection in patients with lines in situ was part of the infection

prevention action plan for 2016/2017 and will continue to be part of the Infection Prevention and Control team's focus for 2017/2018.

Several initiatives have been introduced by the Trust in order to improve performance on HCAI, these include:

### **Reducing Antimicrobial Prescribing**

The national antimicrobial prescribing and resistance (AMR) CQUIN required the Trust to reduce antibiotic prescribing by 1% at an overall level and in relation to two specific types of antibiotics in 2016-2017 compared with its usage from 2013-2014.

This is a challenging target as nationally antibiotic prescribing has been increasing year on year meaning that the 1% reduction target equates to a significantly lower level of antibiotic usage. To support this initiative the antibiotic pharmacist carries out monthly audits and provides support and education regarding appropriate prescribing.

A re-designed in-patient prescription chart was implemented to support the prompt review of antibiotics within a 72 hour time frame.

Additional measures such as algorithms which highlight appropriate prescribing to protect the use of piperacillin/tazobactam and meropenem were implemented across all in-patient areas.

An engagement event to promote collaborative working with GPs took place in October 2016. This provided an opportunity for discussion and debate around protecting antibiotic groups to support the national work on antibiotic prescribing.

Three further educational events took place between June and August to engage with non-medical prescribers who work across both the acute and community settings.

The following reductions were made in 2016/2017 compared to the 2013/2014 baseline, therefore achieving the CQUIN requirements:

- 1.14 % reduction in total antibiotic consumption
- 3.3% reduction in the use of Piperacillin/tazobactam
- 13.6% reduction in the use of Carbapenems

### **Diarrhoea management**

Weekly audits of patients' records are completed to ensure appropriate management of patients who present with diarrhoea and monthly prevalence audits commenced in October 2016 which provide further detail regarding clinical practice, use of isolation facilities as well as bed occupancy.

These audits identified that some patients with diarrhoea were not isolated as quickly as necessary. Following this an IT solution to support real time management of isolation facilities has been developed, which will work alongside the upgrade of the Trusts electronic bed management system which is due for completion by the end of April 2017.

## **Cleaning monitoring meetings**

These meetings take place monthly with our PFI partners, who manage the cleaning services, to ensure agreed actions are delivered. The delivery of consistently high cleaning standards requires constant purpose so joint monitoring by the Trust and the PFI partner takes place on a weekly basis and is reported to the monthly Cleaning Standards meeting and the Infection Prevention Action Group. This has also been implemented at the Friarage Hospital site.

## **Deep clean programme**

During the bed re-configuration on The James Cook University Hospital site there was the opportunity to deep clean 12 ward areas during 2016/2017.

## **Medication Safety**

### **Our goals:**

- Increasing the identification of medication incidents and near misses
- Improving the timeliness and quality of medicines reconciliation

### **Progress to date:**

The Trust has approved three additional pharmacist posts to enable extended working in the evenings and weekends. All posts have been recruited and a phased introduction of extended working in the Pharmacy Department is in progress. A lean working project in the dispensary has enabled the release of some dispensary staff to the wards, allowing them more time to complete their duties in the clinical areas. This move of staff to wards has been accompanied by a number of initiatives to drive further efficiency.

In order to reduce the number of doses of critical medicines that were omitted, a critical medicines poster was developed and displayed on all wards. This raised awareness and increased pharmacist support has resulted in a reduction of medication omissions to almost one fifth of previous levels with a reduction from 25% to 5.6%.

Education and training video packages for pharmacy, medical and nursing staff have been produced and will be launched in April 17 to drive further improvements. Despite the additional pharmacist support to the wards there has been no improvement in the level of medicine reconciliation during 2016/17. This continues to be an area of focus in 2017/2018 and will be monitored through quarterly reports to the Quality Assurance Committee.

## **Improving Outcomes**

### **Improving the Management of Patients with Sepsis**

#### **Our goals:**

- To comply with updated National Institute of Clinical and health Excellence (NICE) guidance
- To achieve national Commissioning for Quality and Innovation (CQUIN) goals



### Progress to date:

	Q1	Q2	Q3	Q4
% of patients that are screened for sepsis in the ED department that trigger for screening	91%	91%	89%	95%
% of patients that are screened for sepsis in inpatient areas that trigger for screening	18%	21%	13%	38%
% of patients with sepsis that receive antibiotics within 1 hour in the ED department	44%	61%	45%	62%
% of patients with sepsis that receive antibiotics within 1 hour in inpatient areas	83%	89%	69%	63%

Data source: Local audit data

During 2016/2017 there have been two changes that have altered the way in which Sepsis is defined and therefore treated:

- In February 2016 the International Survive Sepsis Committee reviewed and updated the definition of sepsis. This updated definition was accompanied by new clinical criteria to identify patients at risk of sepsis.
- On July 13th 2016 NICE published guidance on Sepsis: recognition, diagnosis and early management. This guidance contained 137 recommendations. The screening criteria recommended by NICE was stratified by using high, moderate and low risk criteria.

In August 2016, the Trust's medical lead for Sepsis evaluated the evidence and criteria and a new screening tool was drafted in line with consensus of the best available evidence

The Trust also signed up to a regional sepsis group in accordance with Health Education North East England (HENEE). Recognising the complexity of the work stream an action group began to design a regional approach to sepsis screening. Agreement was reached by seven of the ten trusts, of which we were one, including the North East Ambulance Service (NEAS). In November 2016 it was agreed that seven trusts would begin to implement the regional tool.

A regional education package has been developed and was rolled out in Q4.

## Improving the Patient Experience

### End of Life Care (EOLC)

#### Our goals:

- Improve the percentage of patient records that include documented discussion of Do Not Attempt Cardio Pulmonary Resuscitation (DNACPR) decision
- Improve the percentage of DNACPR orders that are countersigned by a consultant
- Increase the level of palliative care input
- Transforming EOLC in Acute Hospitals programme

**Progress to date:**

Improvements have been made both in recording the discussion of the DNACPR decision and with DNACPR order being countersigned as shown below:

	2015/2016	2016/2017
% of patient records that include documented discussion of DNACPR decision	79%	90%
% of DNACPR orders that are countersigned by a consultant	83%	85%

Data source: clinical audit

Increasing the level of palliative care input into end of life care is evidenced through our proactive end of life care service.

This service does not rely on traditional referral methods, but instead actively seeks patients who are at end of life through the utilisation of the Trust VitalPAC system. This can be accessed remotely and the team is able to identify patients who are no longer having physiological observations recorded.

Within the first year of the service an additional 365 patients were seen and, significantly, the majority of those patients were non-cancer patients. Therefore, the Specialist Palliative Care team is reaching many more patients at end of life, regardless of their diagnosis.

The Transforming Care in Acute Hospitals programme was discussed but the decision taken by the End of life Care Steering group was that we had a number of projects running internally and at the present moment due to national changes within the programme team it would be of limited benefit to the Trust at this point. This may, however, be re-visited in the future.

## **Improving Care for Patients with Dementia and Their Carers**

**Our goals:**

- Modernise our approaches to communicating, seeking and acting on feedback from people with dementia and their carers
- Become a dementia friendly organisation with environments and processes that cause no avoidable harm to patients with dementia
- Deliver person centred care that supports the patient with dementia and their care
- Develop partnerships to improve care and outcomes
- Develop a skilled and effective workforce, with recognised levelled competency, able and unafraid to champion compassionate person centred care.

**Progress to date:**

Improving care for patients with dementia has been a quality improvement priority for a number of years. The Trust's dementia strategy is overseen by the Frailty Strategy Board and reported to Trust Board via the Quality Assurance Committee. Several work streams are in place to support the achievement of our goals. Progress/highlights over the last 12 months have included:

- **Training** – 1,214 staff received training during 2016/2017.
- **Improved management of pain** - the pain team have developed a flow chart for pain management in people with dementia; this has been launched across all our hospitals.
- **Patient-Led Assessments of the Care Environment (PLACE)** - this year's PLACE results demonstrate improvement at all our hospital sites and, as an organisation, we are above the national average.
- **Finger Foods** - Following a successful trial on the elderly care wards and ward 34, the finger food menu is now available as a special menu for all patients with dementia across the James Cook site. Finger foods are particularly helpful when a person loses the ability to see or use cutlery.
- **Carers** - In February the Trust launched a carers information card. Accompanying the card launch, guidance was circulated to wards and departments to enable staff to make reasonable adjustments such as flexible visiting hours to support clinical care.

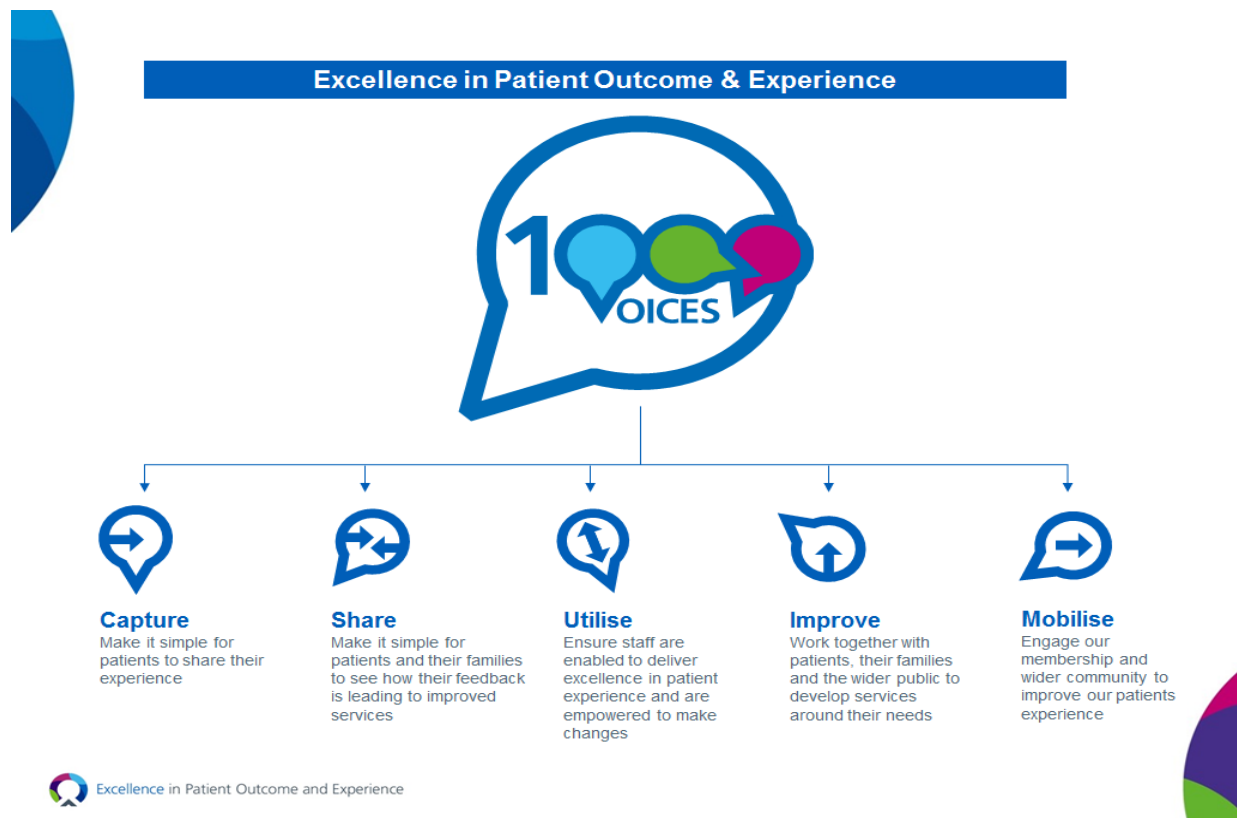
Signposting information was also improved and published on the Trust website. Although the Trust's carers work is aimed at all carers it purposely meets the recommendations of John's Campaign (a social media campaign to improve carers access rights). It meets a number of markers of best practice within the dementia strategy relating to supporting carers, enhancing their role and valuing their contribution.

- **Nutrition in dementia** - Crockery has now been replaced with coloured crockery on the majority of wards at The James Cook University Hospital and Friarage Hospital. This makes it easier for patients with dementia to eat. Funding to replace crockery in the community hospitals is being sought. A new picture snack menu has been trialled successfully on three wards.
- **Therapeutic care and support** - The therapeutic care team continue to provide support, stimulation and companionship to our patients. This includes a programme of activities for patients on our older people's wards.
- **Identification of delirium** - We are working closely with Tees Esk and Wear Valley NHS Foundation Trust to improve our delirium identification, management and prevention. A screening tool and Trust guidance will be launched later this year following ratification.

## Development of the Patient and Carer Engagement Strategy

### Our goals:

The 1000 voices patient experience programme was launched in December 2016. The diagram below gives an overview of the five workstreams that make up the programme.



The Trust has partnered with Northumbria NHS Foundation Trust to develop the capture and share workstreams. We are working with them to implement real time and right time feedback in our inpatient areas as well as improving our Friends & Family Test uptake.

The first phase of the project has been to roll out real time feedback across all inpatient wards. Two full-time staff have been employed to conduct twice monthly visits to all wards.

Using a structured questionnaire based on the national inpatient survey, the team talks with patients on the ward collecting their responses and comments on their care. The report is sent to the ward within 24 hours to allow a quick response to identify any issues and to recognise and celebrate their good practice.

To date, 30 wards are signed up to the programme and over 770 patients have given their views. The remainder of the wards will be on board by July 2017. In order to capture the full patient experience, including discharge, a survey is sent a sample of 500 inpatients per month.

The next step is the development of the 'Utilise' workstream to ensure that the patient voice is used to improve the services that we deliver to our patients.

Work has started on the 'improve and mobilise' workstreams. The team has had initial meetings with Governors, Healthwatch, local CCGs and Teesside University and this work will be built upon in 2017/2018.

The patient experience team is now working to establish the governance structure to support the oversight of the programme and to ensure that feedback is used to celebrate success and make service improvements

The quality priorities for 2017/2018 include key milestones for the implementation of this programme, expanding the capture of feedback into outpatients, community services and hard to reach groups such as dementia and learning disabilities.

The Patient and Advice Liaison Service (PALS) are currently exploring the opportunities to become more patient facing offering a front of house service including more signposting for patients to relevant support organisations.

## Improving the Discharge Process

### Our goals:

- Increase the percentage of discharges by noon
- Increase the percentage of discharges by 5pm
- Increase the use of the discharge lounge
- Increase compliance with real time Admission, Discharge, Transfer data entry
- 100% usage of Discharge Ticket

During 2016/2017 there have been a number of developments in the way that the organisation has approached improving the discharge process. This has meant that some of the goals have changed as new initiatives have been introduced.

In order to improve patient flow it was decided to focus solely on discharges before noon and this was also a local CQUIN measure. The results below demonstrate an improvement over the year meeting the CQUIN target. The compliance with entering admission, discharge and transfers within 20 mins has also improved across the year although not yet meeting full compliance.

	<b>% of discharges before 12</b>	<b>% of ADT entered in real time</b>
Quarter 1	24.07%	79.21%
Quarter 2	24.78%	81.07%
Quarter 3	30.67%	82.97%
Quarter 4	30.67%	83.11%

Data source: CaMis

The two main developments in this year were the introduction of the Model Ward and a revised patient flow policy supported by a review of the patient flow team.

The Model Ward sets out clear expectations for ward performance and the delivery of excellence in patient outcome and experience. There are clear standards that each ward is expected to deliver across three broad categories; Quality, Performance and People.

To support effective management of patients within our care and to ensure that they are discharged in a timely and safe manner, there is a requirement for multidisciplinary ward rounds to take place daily before 12. This enables staff to facilitate the timely discharge of patients by ensuring a full team discussion of requirements,

The discharge lounge was re-located in 2016/2017, with improvements including a television and an increased refreshment choice for patients whilst they are waiting. In addition to this the opening hours have been extended so this facility is now available between 8am and 6pm, Monday to Friday, and 10am to 4pm on Saturdays.

A new patient flow operational policy was implemented in November 2016 and considerable work was undertaken to support this including:

- The definition and agreement of clearer clinical patient pathways to ensure we put our patients in the right bed and that we no longer have outliers across the organisation.
- Modelling our required elective and non-elective bed capacity by specialty and re-configuring our bed base to optimise the utilisation of our ward space. In doing this we have agreed minimum ward sizes, maximum bay sizes - in line with infection control criteria - and minimised void space across our ward footprint.
- Building in flexible capacity at specialty level with the introduction of a total core capacity bed model that will see us have: 657 core capacity beds, 21 flex up beds and 18 escalation at The James Cook University Hospital which will be opened in the event of system-wide surge or where a centre or ward is experiencing significant pressure due to increased activity or slow discharge.

In addition a Head of Patient Flow was appointed with a review of the team to support patient flow management across the organisation. The patient flow team will be fully operationalised in May 2017.

The patient flow team also took on responsibility for the management and co-ordination of discharge ambulance transport in November 2016. This team has also supported the full rollout and embedding of Medworxx, a clinical utilisation review tool. This enables staff to assess each patient daily to ensure that they are receiving care in the correct setting and to determine what system wide actions need to be taken to facilitate discharge.

## 2017/2018 Quality Priorities

### Quality Priorities

The Quality Account priorities are a sub-set of the quality improvement objectives within the Trust's Annual Plan. To identify the specific objectives for inclusion in the Quality Account we have drawn on feedback from a range of stakeholders throughout the last year in addition to other local intelligence from surveys, complaints, claims and incidents. The Board of Directors has agreed the following as quality priorities for 2017/2018 in the Quality Account.

#### Quality Priorities 17/18

##### Safety @south tees

- Reducing harm from healthcare associated infection
- Reducing the harm from pressure ulcers and falls
- Improving medication safety

##### Right care, right time, right place

- Improving the response to the deteriorating patient
- Improving the mortality review process
- Ensuring patients receive care in the right place at the right time

##### Listening & Improving

- 1000 voices patient experience programme

The detail of the work linked to each priority area is described below:

#### Safety @ South Tees

##### Priority : Reducing harm from healthcare associated infections

**Executive Lead : Gill Hunt**

**Operational Lead : Judith Connor**

##### Why we chose this priority:

Moving on from the successful reduction of C.Diff cases in 2016/2017, the organisation is seeking to further improve its infection prevention and control working with the centres to improve surveillance, standardise practice and promote ownership.

##### Goals :

- To reduce the incidence of C. Diff cases
- To reduce the incidence of MRSA cases

##### How will we do this?

- Task and finish group to look at invasive line related infections
- Improve surveillance of E.coli and MSSA bacteraemia
- Improve surveillance of surgical site infections
- Standardise practice across centres

##### How will we know how we have done?

- Number of Trust attributable C. Diff cases
- Number of Trust attributable MRSA cases

##### Who will this be reported to?

IPAG (Infection Prevention Action Group)  
Board of Directors

<b>Priority : Reducing harm from pressure ulcer and falls</b>	
<b>Executive Lead : Gill Hunt</b>	<b>Operational Lead : Alison Peevor</b>
<b>Why we chose this priority:</b> Following a challenging year in 2016/2017, the organisation has a renewed focus on preventing avoidable harm in particular falls and pressure ulcers.	
<b>Goals :</b> <ul style="list-style-type: none"> <li>• To achieve a rate of &lt;5 falls per 1000 bed days</li> <li>• To reduce the number of falls resulting in serious harm or fracture</li> <li>• To reduce Trust acquired category 2 pressure ulcers.</li> </ul>	
<b>How will we do this?</b> <ul style="list-style-type: none"> <li>• Develop and implement a Falls Strategy</li> <li>• Pilot and evaluate a continence assessment and intervention care plan</li> <li>• Trial of movement sensors in community hospitals</li> <li>• Launch of revised intentional rounding chart</li> <li>• Develop and implement a tissue viability strategy</li> </ul>	
<b>How will we know how we have done?</b> <ul style="list-style-type: none"> <li>• Number of falls</li> <li>• Number of falls with harm/fracture</li> <li>• Number of hospital / service acquired pressure ulcers (Cat 2,3,4)</li> </ul>	
<b>Who will this be reported to?</b> Quality Assurance Committee Board of Directors	

<b>Priority : Medication Safety</b>	
<b>Executive lead : Simon Kendall</b>	<b>Operational Lead: Mike Cross</b>
<b>Why we chose this priority:</b> The organisation has made progress against this priority in 2016/2017 but recognises that there are further improvements that can be made particularly around medicines reconciliation and omitted doses. It is therefore felt that this is an important priority to continue into 2017/2018.	
<b>Goals :</b> <ul style="list-style-type: none"> <li>• To increase the percentage of medicines reconciliation completed within 24 hours</li> <li>• To decrease the percentage of omitted doses with a particular focus on critical medicines</li> </ul>	
<b>How will we do this?</b> <ul style="list-style-type: none"> <li>• Increase the number of pharmacists</li> </ul>	
<b>How will we know how we have done?</b> <ul style="list-style-type: none"> <li>• Medicines reconciliation audits</li> <li>• Omitted doses audits</li> </ul>	
<b>Who will this be reported to?</b> Medication Safety Group Quality Assurance Committee	



## Right care, right place, right time

### Priority : Improving the response to the deteriorating patient

**Executive lead : Gill Hunt**

**Operational Lead: Lindsay Garcia**

#### Why we chose this priority:

The latest national CQC report highlights that recognition of the deteriorating patient and intervention with appropriate treatment is a recurrent concern. In addition the timely recognition and treatment of Sepsis continues to be a national CQUIN and a focus for the coming year.

#### Goals :

- To comply with updated NICE guidance
- To achieve national CQUIN goals
- Improve the response to Early Warning Score (EWS) trigger

#### How will we do this?

- Implementation of Sepsis module in VitalPAC
- Increase observation compliance
- Increase compliance with VitalPAC observation interval
- Ensure 18-22% of observations at night time
- Panel reviews for unexpected deaths and recognition of the deteriorating patient

#### How will we know how we have done?

- Monitor the percentage of patients who meet the criteria for sepsis screening and who were screened for sepsis
- Monitor the percentage of patients with severe sepsis that were administered IV antibiotics within the appropriate time frame and who had an empiric review within 3 days
- Monitoring of response to EWS trigger (ward manager audits and point prevalence study)

#### Who will this be reported to?

Sepsis Action Group  
Acutely Ill Patient Group  
Board of Directors

### Priority : Improving the mortality review process

**Executive lead : Ruth James**

**Operational Lead: Tony Roberts**

#### Why we chose this priority:

It is critical as an organisation that we review the care of the patients that die in our care and learn from this. This builds on the work that the Trust has already been doing and is in line with national requirements to implement a framework to identify, report, investigate and learning from deaths in care .

#### Goals :

- Quarterly publication of findings from Q2 onwards
- More than 60% of deaths receive case record review by Q4

#### How will we do this?

- Roll out of Clarity system to support specialty level review
- Expansion of Trust level review process
- Strengthening of mortality review group

#### How will we know how we have done?

- Monitor number of deaths reviewed
- Publication of findings on website

#### Who will this be reported to?

Mortality Review Group  
Clinical Standards Sub Group

<b>Priority : Ensuring patients receive the right care in the right place at the right time</b>	
<b>Executive lead : Ruth James</b>	<b>Operational Lead: Penny Bateman</b>
<b>Why we chose this priority:</b> The Trust is committed to ensuring that patients receive the right treatment in a timely manner in the setting that is best suited to their needs.	
<b>Goals :</b> <ul style="list-style-type: none"> <li>• To achieve the CQUIN milestones for supporting proactive discharge</li> <li>• To achieve the CQUIN milestones for personalised care planning and support in long term conditions</li> <li>• To reduce delayed transfers of care</li> <li>• To improve the quality and timeliness of discharge information</li> </ul>	
<b>How will we do this?</b> <ul style="list-style-type: none"> <li>• Mapping of discharge requirements and resulting protocols, closer working with care homes</li> <li>• Introduction of clinical noting</li> </ul>	
<b>How will we know how we have done?</b> <ul style="list-style-type: none"> <li>• % of patients 65+ admitted as an emergency discharged back to usual place of residence between 3-7 days</li> <li>• Monitor delayed transfers of care</li> <li>• Audit of GP satisfaction with discharge information.</li> </ul>	
<b>Who will this be reported to?</b> Operational Management Board	

## Listening and improving

<b>Priority: 1000 voices patient experience programme</b>	
<b>Executive lead : Ruth James</b>	<b>Operational Lead: Emma Carter</b>
<b>Why we chose this priority:</b> One of the Trust's strategic objectives is to improve patient experience. The 1000 voices programme was launched in December 2016 and will be further developed this year.	
<b>How will we do this?</b> <ul style="list-style-type: none"> <li>• To complete full rollout of inpatient real time data collection and develop mechanisms for share and utilise at centre and organisational level</li> <li>• To further develop data collection and implement improvements for patients with dementia / frailty and their carers</li> <li>• Implement the birth reflection pathway in Maternity</li> <li>• Develop feedback mechanisms in Outpatients</li> <li>• Further develop feedback mechanisms in care closer to home project</li> </ul>	
<b>How will we know how we have done?</b> <ul style="list-style-type: none"> <li>• Improvement in inpatient domain scores</li> <li>• Improved scores in dementia carers survey</li> <li>• Regular feedback in outpatient departments</li> <li>• Regular feedback in care closer to home project</li> </ul>	
<b>Who will this be reported to?</b> Quality Assurance Committee Board of Directors	

## 2.2 Statements of assurance from the Board

### Review of services

During 2016/2017, South Tees Hospitals NHS Foundation Trust provided and/or sub-contracted 75 relevant health services.

South Tees Hospitals NHS Foundation Trust has reviewed all the data available to them on the quality of care of in 75 of these relevant health services.

The income generated by the relevant health services reviewed in 2016/17 represents 100% per cent of the total income generated from the provision of relevant health services by the South Tees Hospitals NHS Foundation Trust for 2016/17.

### Participation in clinical audit

The Trust has a well-structured clinical audit programme which is regularly reviewed to ensure it reflects the needs of our acute and community services. We know that high quality clinical audit enhances patient care and safety, and provides assurance of continuous quality improvement.

During 2016/2017, 39 national clinical audits and 7 national confidential enquiries covered relevant health services that the Trust provides.

During that period, South Tees Hospitals NHS Foundation Trust participated in 95% national clinical audits and 100% of the national confidential enquiries of the national clinical audits and national confidential enquiries which it was eligible to participate in.

The national clinical audits and national confidential enquiries that the Trust was eligible to participate in, and for which data collection was completed during 2016/2017, are listed below alongside the number of cases submitted to each audit or enquiry as a percentage of the number of registered cases required by the terms of that audit or enquiry:

Title	Eligible	Participated	% cases
Adult Critical Care (Case mix programme - ICNARC CMP)	✓	✓	100%
College of Emergency Medicine 2016-2017 Moderate & Acute Severe Asthma - adult and paediatric	✓	✓	100%
College of Emergency Medicine 2016-2017 Severe sepsis and septic shock	✓	✓	100%
College of Emergency Medicine 2016-2017-Consultant Sign-off	✓	✓	100%
National Joint Registry	✓	✓	100%
National Emergency Laparotomy Audit (NELA)	✓	✓	100%
Severe Trauma (Trauma Audit & Research Network)	✓	✓	100%
Audit of the use of blood in Lower GI bleeding	✓	✓	100%
National Comparative Audit of Red Cell & Platelet Transfusion	✓	✓	100%
National Comparative Audit of Transfusion Associated Circulatory Overload (TACO)	✓	✓	100%

Title	Eligible	Participated	% cases
British Thoracic Society Asthma	✓	✓	100%
National Ophthalmology Audit (pilot)	✓	✓	100%
National Neurosurgical Audit Programme	✓	✓	100%
Bowel Cancer (NBOCAP)	✓	✓	100%
Head and Neck Oncology (DAHNO) (Historic Data, 2014-16)	✓	✓	100%
National Lung Cancer (NLCA)	✓	✓	100%
Oesophago-gastric cancer	✓	✓	100%
National Prostate cancer audit	✓	✓	100%
Acute Myocardial infarction & other ACS (MINAP)	✓	✓	100%
Adult cardiac surgery (ACS)	✓	✓	100%
Cardiac arrhythmia (Heart Rhythm management Audit)	✓	✓	100%
Coronary angioplasty (interventions) audit	✓	✓	100%
National Heart Failure Audit	✓	✓	100%
National Cardiac Arrest Audit	✓	✓	100%
National Vascular Registry	✓	✓	100%
National Diabetes Footcare Audit (NDFA, part of NDA)	✓	✓	100%
National Diabetes Inpatient audit	✓	✓	100%
National Diabetes Core audit	✓	X	
Inflammatory bowel disease	✓	X	
National Chronic Obstructive Pulmonary Disease (COPD) Audit Programme – pulmonary rehabilitation	✓	✓	100%
Renal Replacement therapy (renal registry)	✓	✓	100%
National Hip Fracture Database (FFFAP)	✓	✓	100%
Sentinel Stroke National Audit programme (SSNAP)	✓	✓	100%
National Neonatal Audit (NNAP)	✓	✓	100%
Paediatric Intensive Care (PICANet)	✓	✓	100%
Diabetes – paediatric	✓	✓	100%
BTS National Paediatric Pneumonia Audit	✓	✓	100%
National Pregnancy in Diabetes audit	✓	✓	100%
The National Maternal, Newborn and Infant Review Programme	✓	✓	100%
National Confidential Enquiry POD Mental Health in Adults	✓	✓	33%
NCEPOD Non Invasive Ventilation	✓	✓	73%
NCEPOD Cancer in Children, Teens and Young Adults	✓	✓	100%
NCEPOD Chronic Neurodisability	✓	✓	71%

Title	Eligible	Participated	% cases
Acute Pancreatitis	✓	✓	73%
NCEPOD Young Peoples Mental Health	✓	✓	55%

**The NECPOD studies that are less than 100% compliant are still in progress and are expected to be fully compliant by the close of the data collection period**

The reports of 12 national clinical audits were reviewed by South Tees NHS Hospitals in 2016/2017 and the Trust intends to take the following actions to improve the quality of healthcare provided:

Title of Audit	Review and Action Plans/ Recommendations
Audit of the use of blood in Lower Gastro Intestinal (GI) bleeding	<p>The audit showed that there is an opportunity to reduce the burden on blood banks if patients were screened appropriately. Lessons learned from the audit are as follows:</p> <ul style="list-style-type: none"> <li>• The need for clearer instruction to trainees.</li> <li>• Clear information would go to the GP for them to arrange an out-patient appointment for gastroenterology investigations.</li> <li>• A new patient pathway where GI bleed is included.</li> <li>• Appropriate investigations of recurrent bleed, pain and medication and if necessary patient referred to ambulatory care clinic for follow up.</li> </ul>
CEM Procedural sedation	There were 6 recommendations from the audit on procedural sedation and improvements continue to be made. We were better than the national standards in most areas but not all. A re-audit is scheduled and registered on the clinical audit plan for 2017.
CEM Vital Signs in Children	There were 5 recommendations from the audit on senior review for children discharged with persistently abnormal signs. A re-audit is scheduled and registered on the clinical audit plan for 2017.
CEM VTE Risk Lower Limb Injuries	Written guidance has been developed and implemented in the department and a re-audit is scheduled for 2017.
BTS Smoking cessation audit	<p>The audit found poor recording of smoking cessation and no NRT offered. This was escalated to Quality Assurance Committee to raise awareness regarding lack of resources for offering and recording smoking cessation to patients.</p> <p>The roll out of electronic clinical noting will ensure that smoking status is recorded and there are plans to work with the CCGs to strengthen the support for patients to stop smoking.</p>
Rheumatoid and Early Inflammatory Arthritis (RA)	<p><b>Standard 1 - GP to refer within 3 working days of presentation</b></p> <p>This has been discussed with local GPs for comment and they have responded that identification of possible early RA is not straightforward and only becomes apparent at 2<sup>nd</sup> consultation. We have discussed the topic of early RA at GP meetings and we have emphasised the referral criteria.</p>

Title of Audit	Review and Action Plans/ Recommendations
	<p><b>Standard 2 - To see patients within 3 weeks of referral</b></p> <p>We achieved 40% in year 1 and 43% in year 2, both slightly above national average. Currently demand for the early RA services is greater than capacity. This will be reviewed as part of the capacity analysis for 2017/18.</p> <p><b>Standard 3 - Treatment (steroid / dmard) within 6 weeks of referral</b></p> <p>We achieved 40% in year 1 and 52% in year 2. Meeting this standard is very dependent on performance on standard 2, as generally treatment can be started a first appointment. The early RA clinics are well set up for treatment to be started promptly, which is good practice.</p> <p><b>Standard 4 - Patient education within 1 month.</b></p> <p>We achieved 72% in year 1 and 93% in year 2 - a significant improvement.</p> <p><b>Standard 5 - Monthly treatment escalation.</b></p> <p>We achieved 44% in year 1 and 47% in year 2. Changes to dmard monitoring processes should facilitate improvement in this area.</p> <p><b>Standard 6 - Access to advice within 1 working day.</b></p> <p>We achieved 100% in year 1 and 96% in year 2. Our advice line system is working well.</p> <p><b>Standard 7 - Annual review.</b></p> <p>All patients have annual review by a rheumatologist.</p>
2016 National Comparative Audit of Red Cell & Platelet Transfusion	<p>Following this audit the NICE standards for transfusion were changed to state that patients on regular transfusion regimes should be managed according to an individualised protocol for that patient and Trust policy was amended in 2016. This is now part of the transfusion training in the Trust and has been reinforced within haematology for patients with acute falls in Hb.</p> <p>Platelet transfusion: In general the Trust performed well against these standards, although further work is required to ensure that platelets are not routinely administered prophylactically to patients with chronic bone marrow failure.</p>
Trauma Audit and Research Network (TARN)	<p>The James Cook University Hospital remains above the national average for most measures.</p>
Stroke Services update on National Stroke Audit (SSNAP)	<p>Overall close to the score required for an A grade but maintained a "B" grade due to problems with the Neuro CT scanner in April 2016.</p> <p>The team is working with Neuroradiology / Radiology to implement the latest stroke guidelines which now recommend all patients with suspected stroke should be scanned within 1 hour.</p>

Title of Audit	Review and Action Plans/ Recommendations
	<p>Therapy grades have improved for both Physiotherapy and Speech and Language Therapy with the improved staffing situation. Strongest areas remain time to stroke unit, thrombolysis, data quality and 6 month reviews.</p> <p>A business plan has been approved for stroke specialist Nurse Practitioners to be available 24 hours a day, 7 days a week and the use of telemedicine out of hours, which will further improve response times.</p>
BTS National Adult Asthma Audit 2016	<p>A patient action plan has been uploaded onto the Trust's intranet site, this enables staff to access easily and work through the plan to create an individualised plan for the patient.</p> <p>Medical and Emergency Department consultants have been informed of these documents online and there has been awareness raising of the issues identified by the audit particularly in regards to checking inhaler technique, the importance of medication adherence, and giving written action plans prior to discharge.</p>
National Diabetes Footcare Audit	<p>Needed to increase the number of patients self-presenting to the diabetes foot service. All patients who are discharged from the secondary care foot service (podiatry or MDT clinic) are given a 'Foot Attack' booklet with contact details and verbal information re self-presentation.</p>
UK Parkinson's audit 2015	<p>Overall The James Cook University Hospital's Parkinson's Disease service compared favourably to the national results. The following areas have been highlighted as requiring development:</p> <ol style="list-style-type: none"> <li>1. People with Parkinson's should be provided with both oral and written communication throughout the course of the disease, which should be individually tailored and reinforced as necessary. Since the audit was performed there is now a wall mounted information rack on the out-patient corridor that has Parkinson's UK patient information leaflets that patients and carers can access. Our Neuro-pharmacist as part of her development (via the Parkinson's Masterclass) is developing patient information material specific to each drug that is used in PD that will be supplied to patient's and carers when new medication is commenced.</li> <li>2. People with Parkinson's who have a sudden onset of sleep should be advised not to drive and to consider any occupational hazards. Documentation regarding evidence of enquiry re: excessive sleepiness on driving and compulsive behaviour needs to be improved.</li> <li>3. Patients on dopamine agonists are monitored for impulse control disorders including dopamine dysregulation syndrome. Improvement on documentation is required, as there is lack of evidence that this has been addressed in clinic.</li> <li>4. Patients taking ergot dopamine agonist having an echocardiogram carried out for fibrosis-related adverse effects. Currently we only have one patient taking an ergot dopamine agonist who routinely has an annual echo-cardiogram.</li> <li>5. People with Parkinson's end-of-life care requirements should be considered throughout all phases of the disease</li> </ol>



Title of Audit	Review and Action Plans/ Recommendations
	<p>It is recognised that there are time limiting barriers in clinics to support with patients symptom control and end-of-life care planning for people with markers of advanced Parkinson's.</p> <p>This is being addressed in part by referring patients identified to local hospices or to the new Parkinson's advanced symptom unit (PASU) that has a multidisciplinary team available and the time allowed in clinic to address symptoms and end-of life care planning.</p>
National Adult Community Acquired Pneumonia (CAP- BTS) 2014/2015	Current re-audit cycle results demonstrated that despite all the measures taken so far, there is still room for improvement. Continuous co-operation between the Respiratory and Acute Medicine/A&E Teams (incl. participation in the CLARITY project together with the Quality Assurance and Academic Directorate aiming to reduce mortality and re-admission rates) will be continued.

### Local Clinical Audits

Numerous clinical audits were undertaken across the Trust in 2016/2017. The reports of some of the local clinical audits reviewed by South Tees Hospitals NHS Foundation Trust in 2016/2017 are shown below, and the Trust intends to take the following actions to improve the quality of healthcare provided.

Title	Reports/Actions
An audit of antimicrobial prescribing within the Acute Assessment unit	<p>This audit showed partial compliance. Changes in practice are as follows:</p> <ul style="list-style-type: none"> <li>• Review / stop dates to be included on ALL antimicrobial prescription where applicable</li> <li>• Review / stop dates to be included on every patients medical notes where applicable</li> <li>• Reason for the commencement of antimicrobials to be included on ALL antimicrobial prescription where applicable</li> <li>• Reason for the commencement of antimicrobials to be included on every patients medical notes where applicable</li> <li>• Indication for choice of antimicrobial to be included in ALL prescriptions</li> <li>• Antibiotics prescribed were the prescriber was identifiable</li> <li>• Evidence of daily review of antimicrobials in patients' medical notes.</li> </ul> <p>Actions required - Audit findings to be presented to the microbiology and infectious disease educational meeting as well as the Acute Medicine Governance meeting and the Trust antibiotic stewardship committee.</p>
Management of pain score in hip fracture	<p>An educational programme has been introduced to improve compliance:</p> <ol style="list-style-type: none"> <li>1. Complete an initial documented patient pain score immediately upon presentation to hospital.</li> <li>2. Offer immediate analgesia and document reasons for declining (i.e. patient refuses, or analgesia given in ambulance).</li> <li>3. Patients should undergo an hourly pain score until settled (this should take place hourly regardless of where they are i.e. ward or whilst in A&amp;E waiting for a bed on the ward).</li> </ol>



Title	Reports/Actions
Dementia Strategy Re audit	<p>The findings of this second round prevalence audit conducted at The James Cook University Hospital remain below the expected standard and require actions that are both corporately and clinical centre led.</p> <p>The results confirm the need for multi-professional dementia awareness training, but also for targeted training for all staff working directly with people with dementia particularly front line nursing staff. The results also demonstrate a clear need for local prescribing guidelines in relation to the management of behaviours and psychological symptoms of dementia.</p> <p>Results relating to pain management in people with dementia appear to be improving since the first round although the number of omissions of pain relief remains high. The standard and accuracy of nursing assessments and care plans was also noted to be concerning. Additional work is being undertaken corporately to address this.</p> <p>In summary, the audit results demonstrate an improving picture but they do not yet meet the expected standard the Trust aspires to achieve. A further re-audit will be undertaken. Assurance checks using the same clinical standards will be undertaken monthly by the lead nurse for dementia and the dementia educators.</p>
Pleural Procedures Audit	<p>The main findings of the audit were that in general pleural procedures were safe with low rates of complications after a procedure. However, it was noted that there were a number of items that were poorly documented, a new proforma was developed and approved which will prompt staff to record all required items.</p> <p>Re-audit planned for 2017/2018.</p>
Chemical eye injury audit	<p>It was identified that there was some inconsistencies in the management and documentation of chemical eye injury, a departmental protocol has been developed with a minimum data set and a treatment plan. Re-audit planned for 2017/2018.</p>

## Clinical effectiveness

Clinical research is a national and Trust priority. South Tees Hospitals NHS Foundation Trust is the part of the Clinical Research Network North East and North Cumbria (CRN NENC). We are in the top 5% of performing Trusts in the Guardian Clinical Research League Table and the second biggest contributor to research activity within the CRN.

There is a clear link between research activity, clinical effectiveness and improved patient experience. A recent large-scale study demonstrated that patients cared for in NHS Hospitals that have a high level of participation in clinical research have lower mortality rates and improved clinical outcomes.

This effect was not just limited to those people who took part in the trials, but was significant across the entire patient population. It is therefore important that the Trust continually develop clinical research, bringing new therapies and new treatments to the people of Teesside and the wider area.

The Trust's active engagement in research is reflected by the high number of research studies being undertaken. In 2015/2016 the Trust recruited 3,459 patients to 188 different clinical trials and is ranked in the top 5% of NHS trusts in the country for the number of 'recruiting' National Institute for Health Research (NIHR) portfolio studies.

The current 2016/2017 figures on the NIHR ODP database show that South Tees Hospitals NHS Foundation Trust is placed 22nd out of 459 English NHS organisations for the number of recruiting studies, maintaining a top 5% position. The Trust is also placed 46th out of 459 English NHS organisations for the number of recruits, placing the Trust in the top 10% of NHS trusts in the country.

The Trust continues to successfully deliver major NIHR grant funded trials and this year was awarded further NIHR research grants to deliver two major Research for Patient Benefit funded trials, one for a Breast Cancer study looking at cardiac damage (PROACT) and the other a chronic neuropathic pain intervention study (TRIAL-STIM).

The Trust has received accolades from the NIHR for achieving global, European and UK first patient recruits for several high profile commercial trials. Income from participation in research continues to rise despite the challenging financial climate. Total income generated from research in the financial year to date is in excess of £1million.

## **Patient engagement**

Patients are at the centre of everything we do. For research, we have developed a Patient and Public Involvement and Engagement (PPIE) program to ensure that patients' voices are heard in the design, planning, and delivery of our clinical trials.

In addition the value of research is recognised at Board level and the Trust appointed a new Non-Executive Director Research Champion in December 2016.

## **Goals agreed with commissioners - use of the CQUIN payment framework**

A proportion of the South Tees Hospitals NHS Foundation Trust's income in 2016/2017 was conditional on achieving quality improvement and innovation goals agreed between South Tees Hospitals NHS Foundation Trust and any person or body they entered into a contract, agreement or arrangement with for the provision of relevant health services, through the Commissioning for Quality and Innovation (CQUIN) payment framework.

Further details of the agreed goals for 2016/2017 and for the following 12 month period are available on request from the Quality Assurance Team, South Tees Hospitals NHS Foundation Trust, The James Cook University Hospital, Marton Road Middlesbrough TS4 3BW or email [quality.assurance@stees.nhs.uk](mailto:quality.assurance@stees.nhs.uk).

The table below demonstrated the income conditional upon achievement of the CQUIN measures and the payment received by the Trust for the last 2 financial years.

	Income conditional upon achievement of the CQUIN measures	Payment received by the Trust
2015/2016	£10,999,815	£8,680,911
2016/2017	£11,134,237	£9,706,407

## Care Quality Commission Registration

South Tees Hospitals NHS Foundation Trust is required to register with the Care Quality Commission and our current registration status is 'Registered without conditions'.

## CQC Rating

The Care Quality Commission inspected the Trust in June 2016 and published its findings in October 2016. The ratings matrix can be found below:

### Overview and CQC inspection ratings

Overall Good	Safe	Good ●
	Effective	Good ●
	Caring	Good ●
	Responsive	Good ●
	Well-led	Good ●

This inspection was a focused re-inspection and our rating improved from requires improvement to good. All services and domains were rated as good or above and there were no requirement notices issued as a result of this report.

South Tees Hospitals NHS Foundation Trust has not participated in any special reviews or investigations by the Care Quality Commission during the reporting period.

## NHS number and general medical practice code validity

South Tees Hospitals NHS Foundation Trust submitted records during 2016/2017 to the Secondary Uses Service for inclusion in the Hospital Episode Statistics which are included in the latest published data.

The percentage of records in the published data which:

Included the patient's valid NHS number was:

- 99.8% for admitted patient care;
- 99.9% for outpatient care; and
- 99.1% for accident and emergency care.

Included the patient's valid General Medical Practice Code was:

- 100% for admitted patient care;
- 100% for outpatient care; and
- 100% for accident and emergency care.

## **Information Governance (IG) toolkit attainment levels**

The Trust also assesses itself against Department of Health information governance and standards using the IG toolkit – an online system which members of the public can also view. Using the toolkit, we can develop a strategy and annual work programme to raise our level of compliance year-on-year, and also improve our information risk management process.

The Trust has achieved the required minimum level 2 standard on all 45 of the 45 standards of the National Information Governance Toolkit. South Tees Hospitals NHS Foundation Trust Information Governance Assessment Report overall score for 2016/17 was 66% and was graded green.

## **Clinical coding**

South Tees Hospitals NHS Foundation Trust was not subject to an external Payment by Results clinical coding audit during 2016/17 by the Audit Commission.

## 2.3 Reporting against core indicators

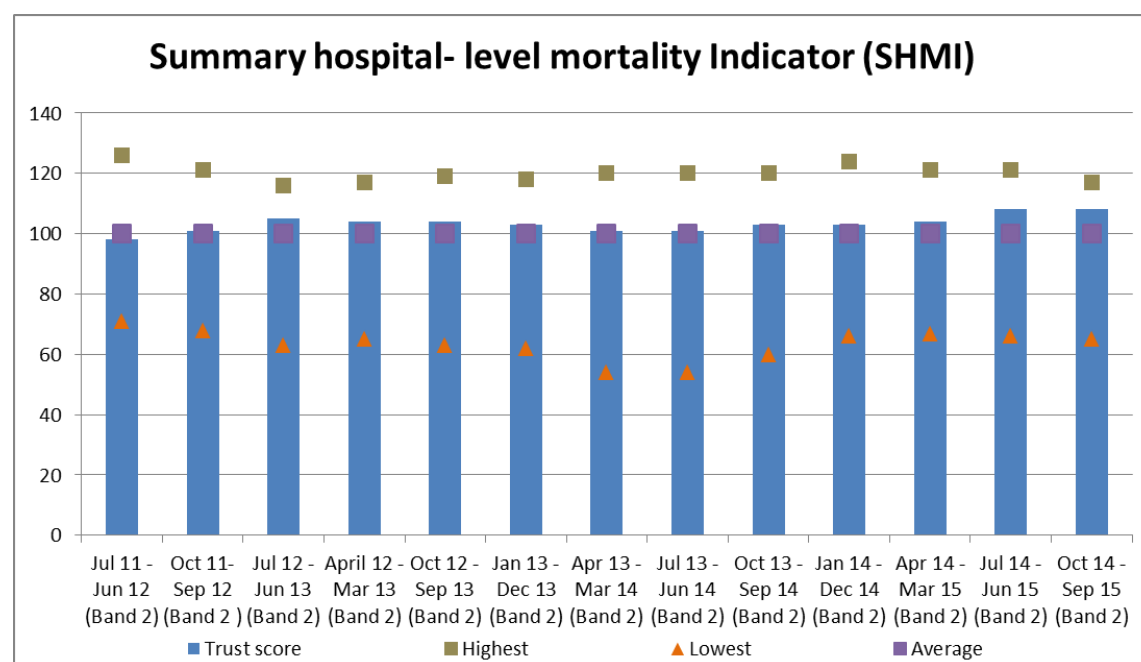
In addition to the progress with our locally identified quality priorities and our performance against national performance targets, we also monitor measures from the NHS Outcomes Framework.

The data reported below is the publicly available data from the NHS Digital; we have included benchmarking data where this is available. The most recently available data from the NHS Information Centre has been used, however, it should be noted that due to the nature of some of the measures and the data collection systems, the time period reported for some of the measures may be some time in the past.

The NHS Outcome Framework has five domains within which are grouped together measures for monitoring progress. The Quality Account regulations require a selection of these to be included in this report and these are described below under the heading of the relevant domain.

### Domain 1 - Preventing people from dying prematurely

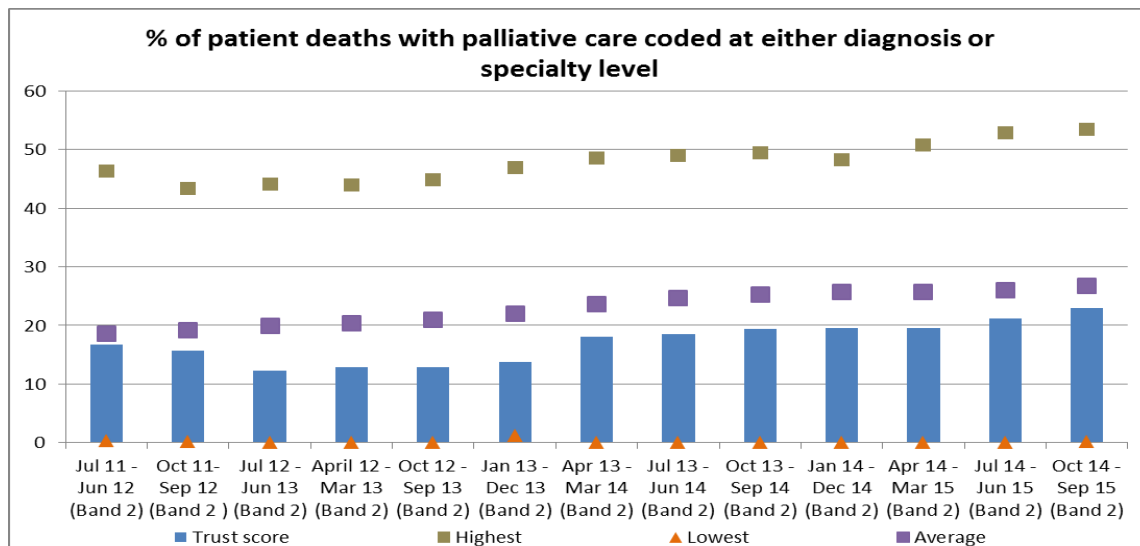
#### Summary Hospital Level Mortality Indicator (SHMI)



Data source: NHS Digital

South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons; the Trust experiences approximately as many deaths as would be expected, given the patients it serves and the range of services it delivers. Thus the SHMI is approximately 100 (i.e. observed and expected mortality rates are approximately the same).

The categorisation of the SHMI into band 2 means that the mortality is within the expected range.



Data source: NHS Digital

The percentage of patient deaths with specialist palliative care coding has continued to rise to 23.8% in the latest data release. This is in line with national trends.

South Tees Hospitals NHS Foundation Trust is taking the following actions to improve the indicator and percentage in (a) and (b), and so the quality of its services; in 2013 the Trust established a Mortality Group to coordinate hospital mortality monitoring and improvement activity.

This includes reviewing the range of statistics available to monitor hospital mortality, overseeing a weekly clinical review of hospital deaths so that common themes can be identified and lessons can be learnt to improve the quality of its services.

The Specialist Palliative Care Team (SPCT) has reviewed their processes for identifying patients and recording their input into the care of individual patients. This has resulted in more patients being identified by the SPCT. This has required an expansion of the team but is an improvement in the service provided to patients.

The Trust has implemented quality improvements that might reasonably be expected to impact on mortality indicators. These include improving identification and management of deteriorating patients (moving from a paper-based system to an electronically recorded Early Warning Score), identifying and managing patients with sepsis, prevention of falls, further reductions in infections and medication errors as well as the implementation of innovations as recommended by NICE guidance.

The Trust also commenced a project focusing on the care of patients with pneumonia (the largest group of deaths included in the SHMI in any acute hospital is patients with pneumonia). This work has made the diagnosis and treatment of these patients faster and may have impacted on mortality in this key group of patients.

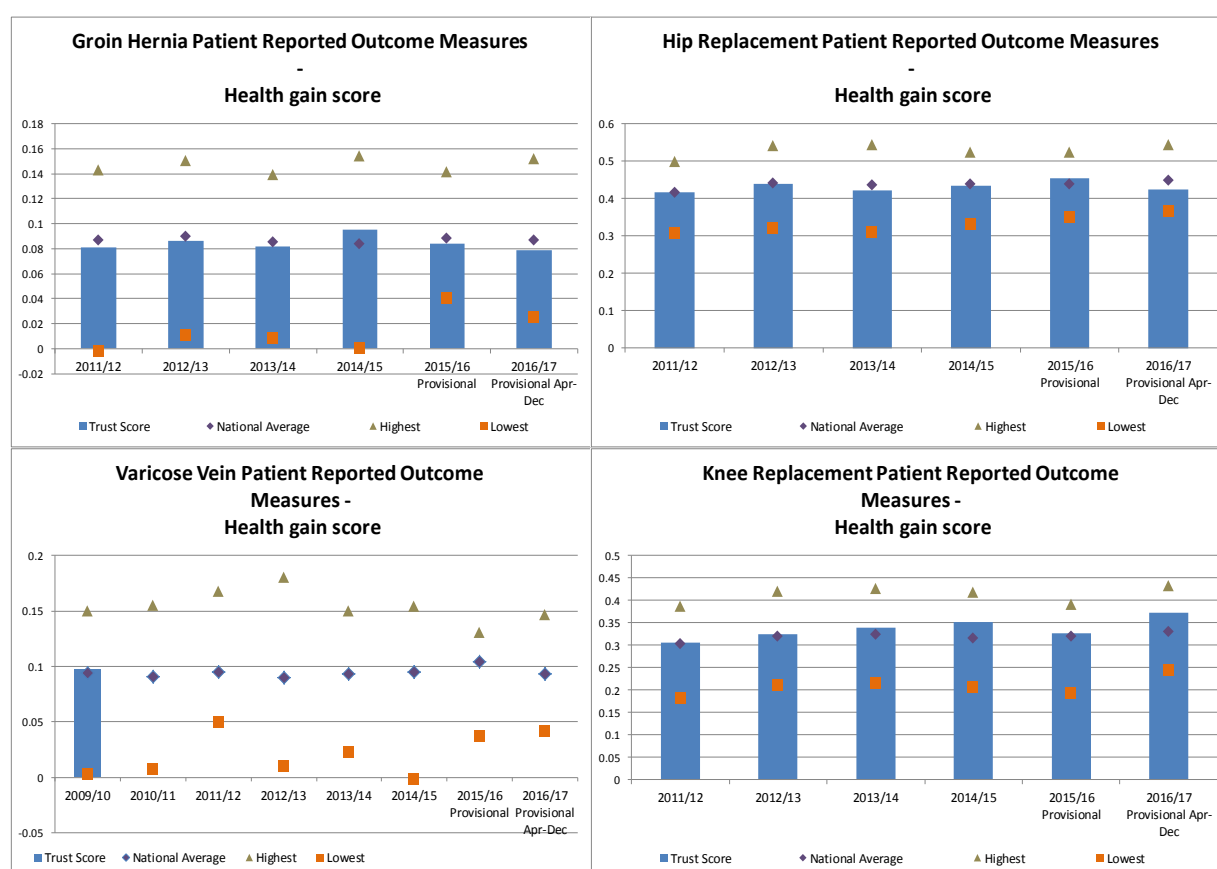
## Domain 2 - Enhancing quality of life for people with long-term conditions

No applicable indicators

## Domain 3 - Helping people to recover from episodes of ill health or following injury

### Patient Reported Outcome Measures (PROMs)

PROMs measure a patient's health status or health-related quality of life at a single point in time, and are collected through short, self-completed questionnaires. This health status information is collected from patients through PROMs questionnaires before and after a healthcare procedure and provides an indication of the outcomes or quality of care delivered to NHS patients (HSCIC website <http://www.hscic.gov.uk/proms>). The score reported is an adjusted health gain score based on case mix, a higher number indicates a better health gain.

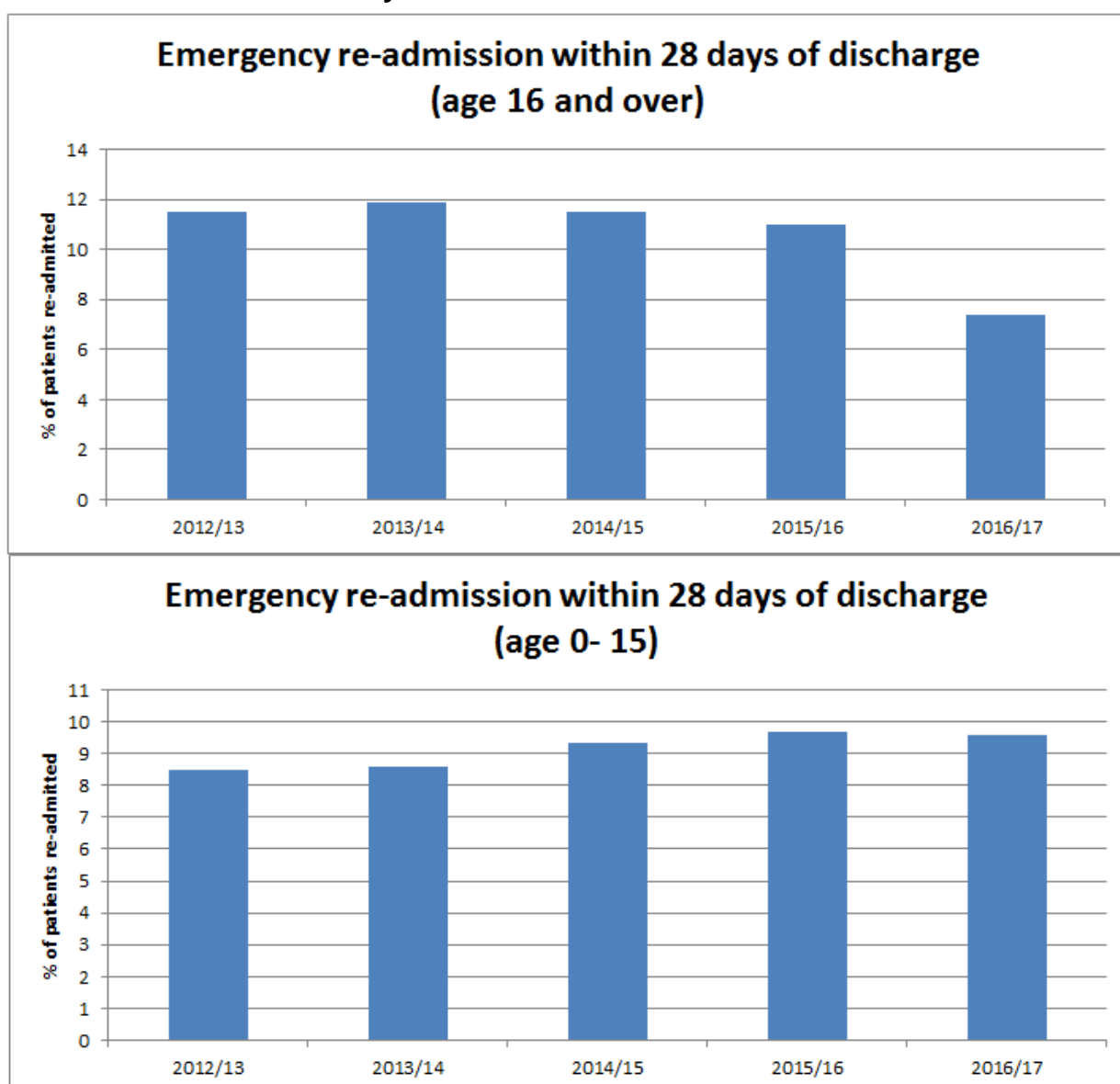


Data source: NHS Digital

South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons, the specialist review and pre-assessment process ensures that patients are offered the procedure likely to deliver the most benefit and best outcome. In 2016/2017 there were not enough returns to allow analysis for groin hernia, a procedure that relatively low numbers of patients undergo. The health gain score for hip replacements is in line with the national average. The score for knee replacements is above the national average. No score is reported for Varicose Veins as the returns from patients has been too low.

South Tees Hospitals NHS Foundation Trust has taken the following actions to improve these scores, and so the quality of its services; providing regular feedback of the scores to clinical teams and benchmarking performance across the NHS and other Hospitals in the North East (through a regular report produced by the North East Quality Observatory System) to ensure the quality of services is maintained.

## Re-admission within 28 days



Data source: Local patient administration system

South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons; the percentage of re-admissions for patients aged over 16 remained at around 11% between 2014/2015 and 2015/2016, before falling in 2016/2017.

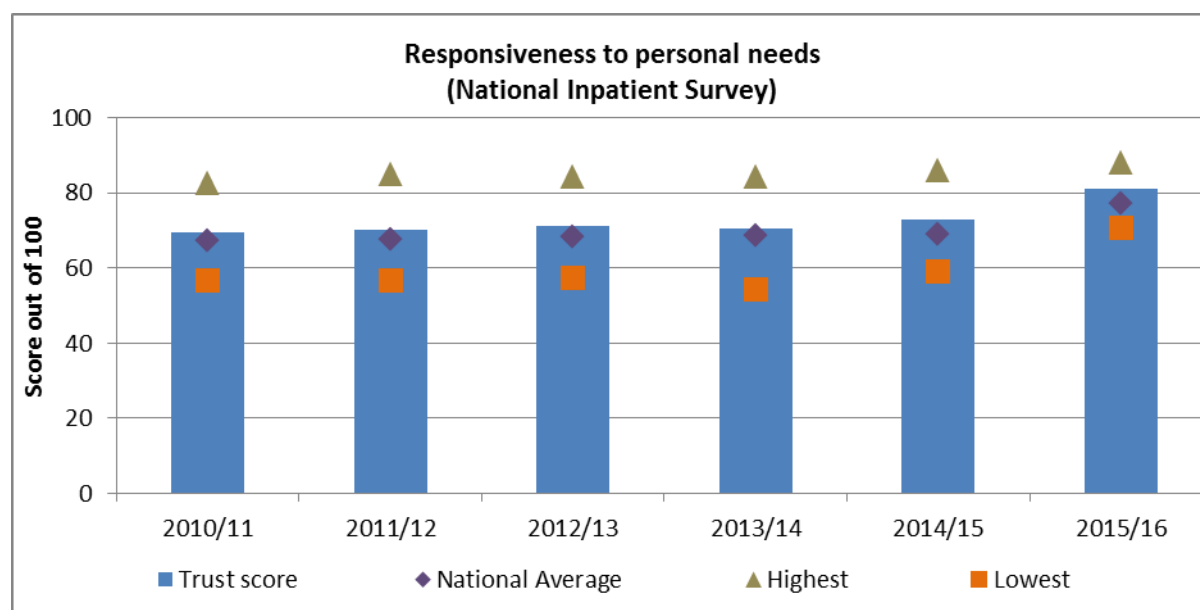
The percentage of re-admission for children aged 0 to 15 years increased slightly year on year % between 2014/2015 and 2015/2016, before stabilising in 2016/2017. The paediatric service has an open access day unit facility where children that have had a recent acute admission or a long term chronic condition can return if they deteriorate.

South Tees Hospitals NHS Foundation Trust intends to take the following actions to improve these percentages, and so the quality of its services; there has been considerable work undertaken in individual pathways, for example alcohol dependency, pain management and chronic obstructive pulmonary disease (COPD). The rapid response service and the integrated community care team will support those patients at high risk of re-admission.



## Domain 4 - Ensuring people have a positive experience of care

### Responsiveness to the personal needs of patients

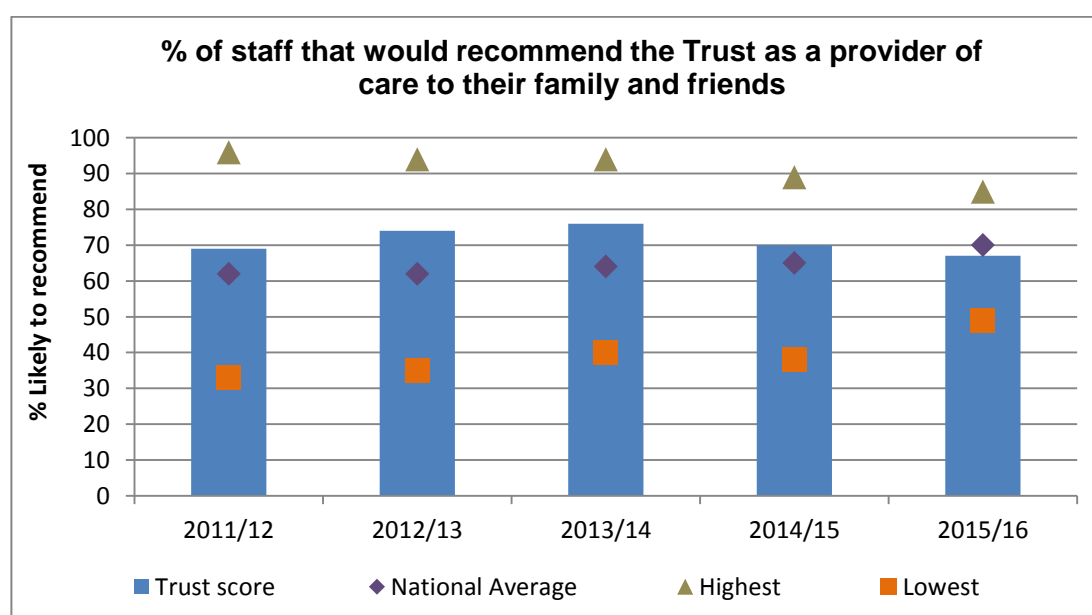


Data source: NHS Digital

South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons; the trust ward accreditation system includes standards on delivering care in a sensitive and person-centred way.

South Tees Hospitals NHS Foundation Trust intends to take the following actions to improve this data, and so the quality of its services; the Trust has launched its new patient experience programme which forms one of the key quality priorities for 2017/2018. There is strong focus on using patient voices to improve the quality of care that we deliver.

### Staff who would recommend the Trust as a provider of care to their family and friends



Data source: NHS Digital

South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons; the Trust scores have been consistent over the last 5 years.

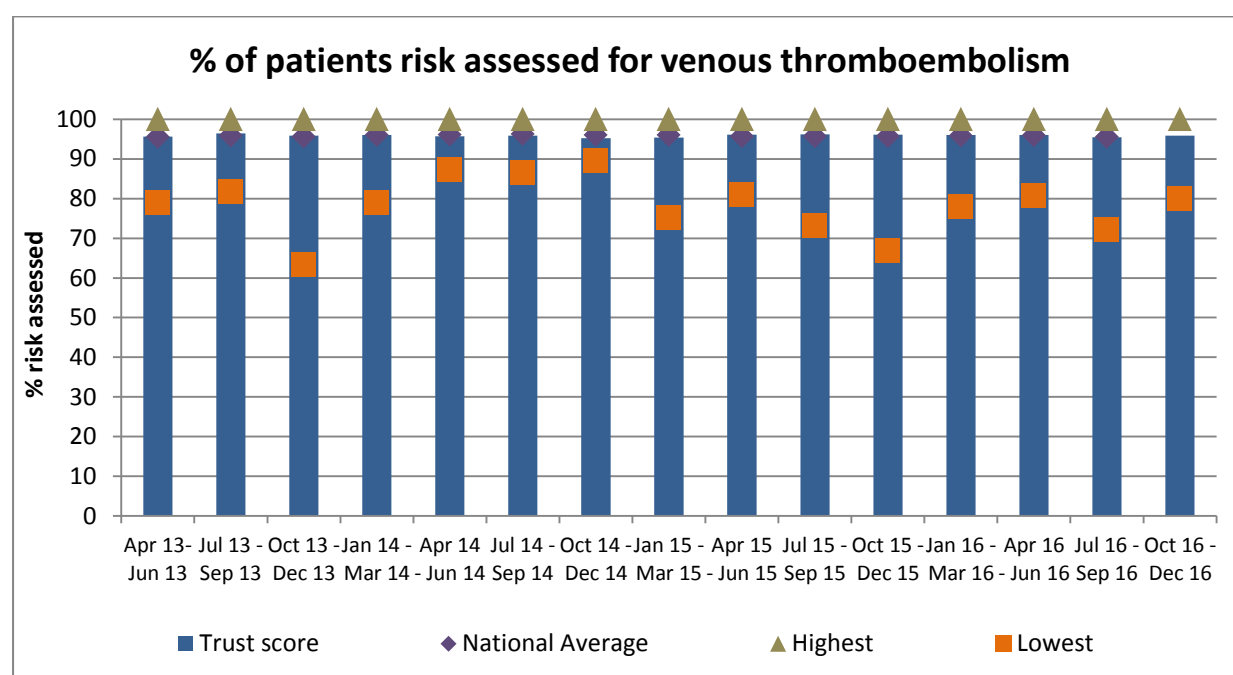
South Tees Hospitals NHS Foundation Trust intends to take the following actions to improve this percentage, and so the quality of its services; the Trust continues to work with staff to improve the quality of care provided to patients. In addition the Trust promotes the achievements of staff in delivering high quality care through regular staff bulletins, staff briefings and offering opportunities for staff feedback.

## Domain 5 - Treating & caring for people in a safe environment and protecting them from avoidable harm

### Patients that were admitted to hospital and who were risk assessed for venous thromboembolism during the reporting period

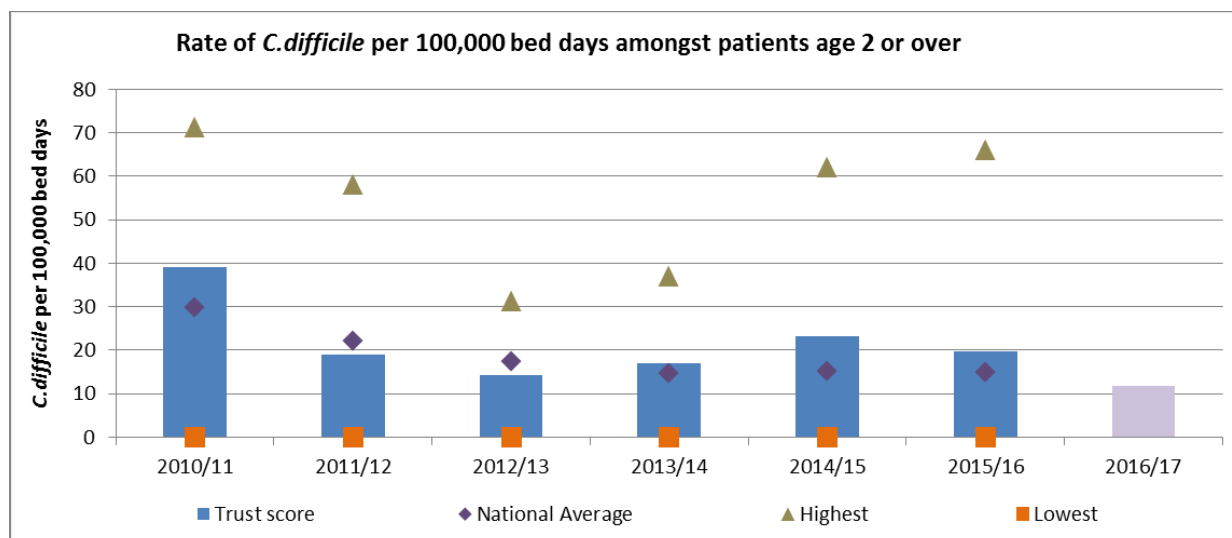
South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons; the Trust has achieved the national 95% target for the last four years.

South Tees Hospitals NHS Foundation Trust has taken the following actions to improve this percentage, and so the quality of its services; the anticoagulation team supports all clinical wards and areas to achieve high levels of written risk assessment and the recording of this activity. A daily report is available to all areas which demonstrate their compliance and any patients which have not received a risk assessment.



Data source: NHS Digital

## Rate per 100,000 bed days of cases of *Clostridium difficile* (*C.difficile*) infection reported within the Trust amongst patients aged 2 or over



Data source: NHS Digital (2016/17 – National data not published therefore from trust information systems)

South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons; the Trust is committed to driving down healthcare acquired infections, and there has been a reduction in the rate of *C.difficile*.

The South Tees Hospitals NHS Foundation Trust has taken the following actions to improve this rate, and so the quality of its services; we are using the *C.difficile* care pathway in all areas based on national guidance and local policy, there is daily surveillance by infection prevention and control nurses and weekly multi-disciplinary ward rounds led by the infection control doctors.

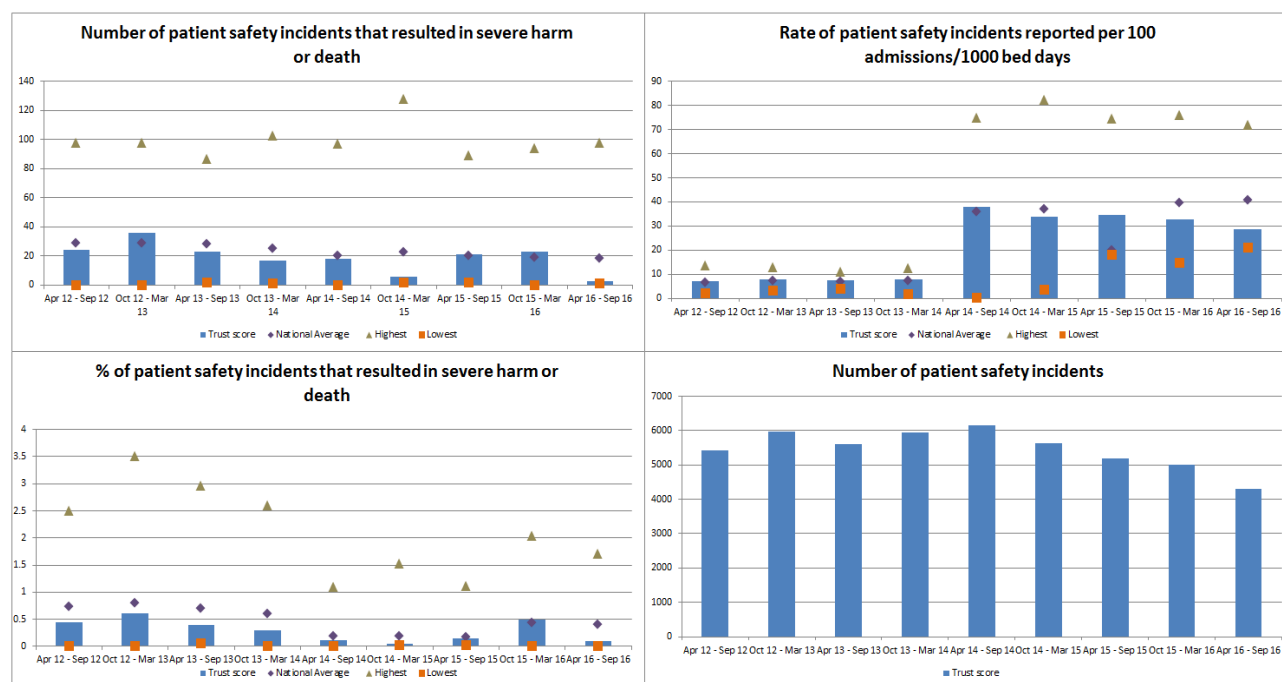
Data on infection rates is continuously monitored and is reported weekly across the organisation and formally at the monthly infection prevention action group and monthly at Board of Directors meeting.

Environmental audits and enhanced intervention of any area identified as having increased incidence is completed with any suspected outbreaks investigated if there are clusters of two or more linked cases.

Audits of all cases where *C.difficile* contributed to the death of a patient are completed. Extensive awareness events have taken place to increase the focus on prevention such as robust cleaning, effective hand hygiene and adherence to antibiotic prescribing.

South Tees Hospitals NHS Foundation works collaboratively with our Clinical Commissioning Group colleagues and PFI partners to investigate all cases of *C.difficile* infection to ensure that all policies are adhered to and identify learning to prevent future cases.

## Rate of patient safety incidents reported within the Trust and the number and percentage of such patient safety incidents that resulted in severe harm or death



Data source: NHS Digital

The indicator for patient safety incidents has changed from incidents per 100 admissions shown in blue above to that per 1,000 bed days.

South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons; the number of reported patient safety incidents that resulted in death or severe harm has fallen, against a backdrop of increased awareness, learning and reporting by South Tees Hospitals NHS Foundation Trust.

The Trust actively promotes the reporting of patient safety incidents and considers that this number/percentage is as described for the following reasons; the Trust view that a higher than average rate of incident reporting is a positive indicator of a good patient safety culture.

The lower than national average percentage of patient safety incidents resulting in severe harm or death demonstrates that the patient safety and risk management processes in place are effective.

South Tees Hospitals NHS Foundation Trust has taken a number of actions to improve this number, and the development of the systems for reporting and feeding back on the actions taken as a consequence of incidents.

A number of amendments have been made to incident forms to allow those where harm have occurred to be directed immediately to relevant staff to allow investigations to commence. The changes to the Trust structure in 2016/2017 also mean that complaints, claims and patient safety are managed together and this allows consideration of issues highlighted in complaints or from the coroner in respect of an inquest to be considered as Trust Incidents.

## Part three – Other information

### 3.1 An overview of the quality of care based on performance in 2016/2017 against indicators

This section of the quality account contains a review of our quality performance during 2016/2017. It also includes comments on the development and content of the quality account provided by a range of external stakeholders.

Continuous quality improvement is part of the Trust's culture. It is at the heart of our values and drives our objective setting, and we are continuously exploring new ways to improve quality and safety.

Information about quality of care is collated in the form of a dashboard at ward, clinical centre and Trust level, and is reviewed monthly. This information is shared with the Board of Directors, Board of Governors, senior clinicians, managers and Governors to provide assurance the Trust is on track to deliver its key targets.

The following section reviews the work of a range of quality work streams during 2016/2017; these have been selected as the key indicators by the Board that demonstrate the quality of care provided by this organisation.

#### Patient Safety

Sign up to Safety is a national patient safety campaign that was launched in June 2014 with the mission to strengthen patient safety in the NHS and make it the safest healthcare system in the world.

The Secretary of State for Health set out the ambition of halving avoidable harm in the NHS over the next three years, and saving 6,000 lives as a result.

The Trust's plan to reduce avoidable harm by 50% over the three year period was underpinned by a zero tolerance on hospital associated infection, further reductions in falls and service acquired pressure ulcers.

The table below summarises our position at the end of this three year campaign.

	<b>2013/14 Baseline</b>	2014/15	2015/16	2016/17	<b>% reduction over 3 years</b>
Clostridium Difficile	<b>56</b>	78	61	43	<b>23%</b>
Pressure ulcers - service acquired (category 2, 3 and 4)	<b>1616</b>	1408	1126	961	<b>41%</b>
Falls	<b>2047</b>	2217	1627	1906	<b>7%</b>
Falls per 1000 bed days	<b>5.61</b>	5.87	4.49	5.0	

Progress has been made in all three areas, with the greatest improvement in the reduction in service acquired pressure ulcers.

## **Pressure Ulcers**

Hybrid mattresses have been introduced across the organisation and this means that there are no delays in getting patients onto the correct pressure relieving equipment as required. There has also been a streamlining of the service to maintain the beds and mattresses which has greatly improved the availability of beds to the wards. An equipment guide has been developed to support the appropriate level of support.

An award scheme has been introduced at ward level for the number of days free from a hospital acquired pressure ulcer with the following awards; platinum - 500 days free, gold – 365 days free, silver – 200 days free and bronze – 100 days free. There have been 3 platinum awards, 4 gold awards, 19 silver awards and 44 bronze awards.

There has been a full review of the assessment documentation, the category 3 and 4 pressure ulcers are reviewed at a panel chaired by the director of nursing and newly reported pressure ulcers and lessons learnt are discussed at weekly safety meetings with the clinical matrons. A review of the reporting and investigation of pressure ulcers have been completed and a new standard operating procedure has been launched to increase a robust process, including a revised root cause analysis tool.

The Trust continues to work collaboratively, organising the annual tissue viability conference, a pressure ulcer partnership event and continues to be an active member of the regional pressure ulcer collaborative.

## **Falls**

The Trust was already below the national average of falls per 1000 beds days and has continued to make progress with reducing the number of falls. The Trust rate of falls per 1000 bed days of 5.25 is much lower than the national average of 6.63 per 1000 bed days (National Falls Audit 2015).

The incident data has been reviewed throughout the year to identify where improvements can be made. It has been identified that lying and standing blood pressure was not routinely being completed as part of the assessment so link nurse training has raised awareness and lessons learnt have been shared with clinical teams, a review of a reminder alert on the electronic vital signs software is being explored.

It was also identified that there were a number of falls from toilets due to them being too low, the estates team are now working to replace these with ones to a suitable height. All falls that result in harm are reviewed at a panel chaired by the director of nursing and falls are discussed weekly at safety meetings with the clinical matrons.

## **Duty of candour**

Central to the Trust's strategy to improve patient safety is its commitment to improving communication between healthcare professionals and patients and/or carers when a patient is harmed as a result of a patient safety incident. This communication is known as 'Being Open' and involves apologising and explaining what happened.

It ensures communication is open, honest and occurs as soon as possible following an incident. 'Being Open' about what happened and discussing incidents promptly, fully and compassionately can help patients cope better with the after-effects.

Incidents can incur extra costs through litigation and further treatment; openness and honesty can help prevent such events becoming formal complaints and litigation claims.

'Being Open' is a process rather than a one off event. The Duty of Candour is the statutory and regulatory requirement of the 'Being Open' process and applies when a patient safety incident results in moderate harm, major (severe) harm or death. The Trust's process to discharge its duty of candour is described in the 'Being Open' policy which is available to all staff.

In addition, the incident reporting system and investigation documentation includes prompts to ensure the duty of candour requirements are considered. An audit of incidents with a severity graded as moderate or greater was undertaken in October 2016 and showed that the duty of candour had been discharged in all cases.

## **Clinical effectiveness**

### **Dying in hospital – mortality**

Hospital mortality rates; how many people die in different hospitals, are not easy to compare, simply knowing how many people died at each hospital would be misleading as hospitals see different numbers of patients and provide different services to patients with different levels of risk.

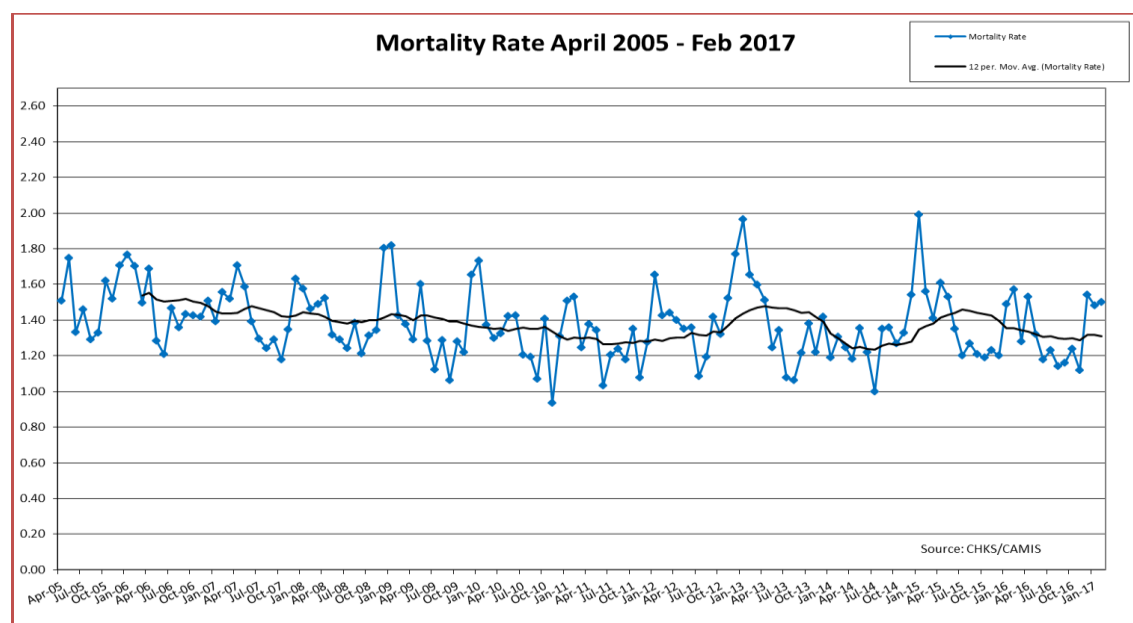
However, for an individual hospital or Trust it is important to monitor a number of measures of mortality as collectively they can provide alerts about the quality of care provided in the organisation.

The basic measure is to monitor the number of people who die in hospital and this number; the unadjusted mortality rate is monitored on a weekly basis. Risk adjusted measures can take account of the different levels of risk to some extent. They are calculated by estimating the risk of death for each patient with specific medical conditions and comparing the actual death rate in this group with the total estimated rate that can be expected from the predicted risks.

Mortality statistics are reported to Board on a quarterly basis and have been since 2008. As well as unadjusted mortality, the Summary Hospital-level Mortality Indicator (SHMI) and Hospital Standardised Mortality Ratio (HSMR) are standard nationally defined measures that are routinely monitored.

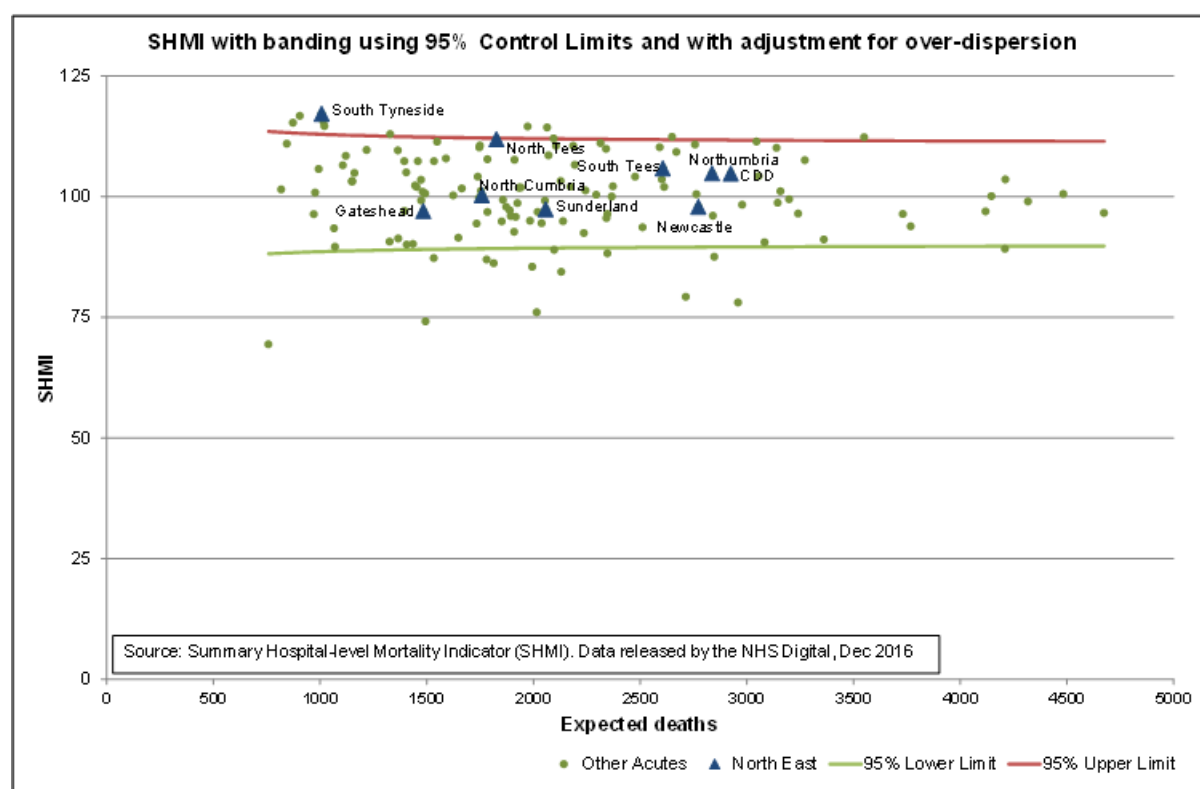
Although similar in approach, these measures vary in their specifics and so produce different results.

## Unadjusted mortality rate



**Unadjusted Mortality Rate April 2005 – Feb 2017 including rolling 12 month averages.**  
Source: CHKS/CAMIS

Unadjusted mortality measures the number of deaths as a percentage of patient inpatient and day case spells, excluding well babies (less than 28 days old). It is most useful for seeing the pattern of deaths through time. Looking at the trend from April 2005 – February 2017 it can be seen that a winter peak is experienced in most years, especially in 2013 and 2015. The peak in January 2015 in particular was severe but of short duration and reflects the amount of respiratory infections in the community.



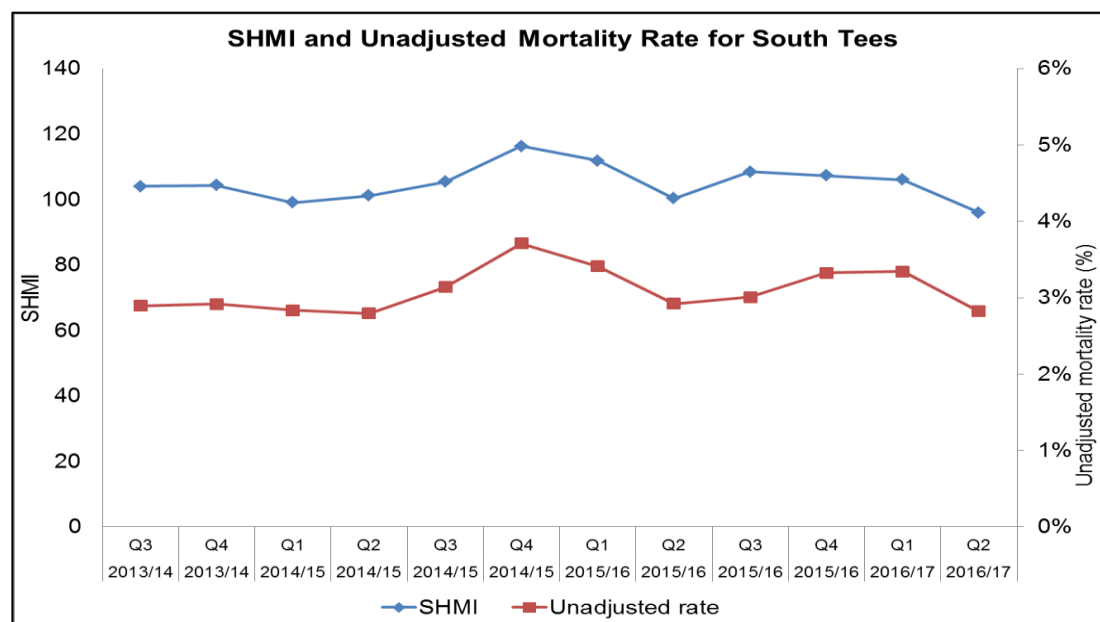
**SHMI with 95% Control Limits and with adjustment for over-dispersion for July 2015 – June 2016**  
Source: SHMI Data Release NHS Digital March 2017



The Summary Hospital-level Mortality Indicator is designed to allow comparison between Trusts across the NHS. It includes deaths in hospital as well as deaths within 30 days of discharge from hospital.

The SHMI for the Trust has been 'as expected' (i.e. within the amount of variation that can be anticipated by chance) in all data releases to date and the SHMI is currently 104 (October 2015 – September 2016).

This means that the number of deaths in hospital or within 30 days of discharge from hospital is virtually the same as the number expected using a statistical model.

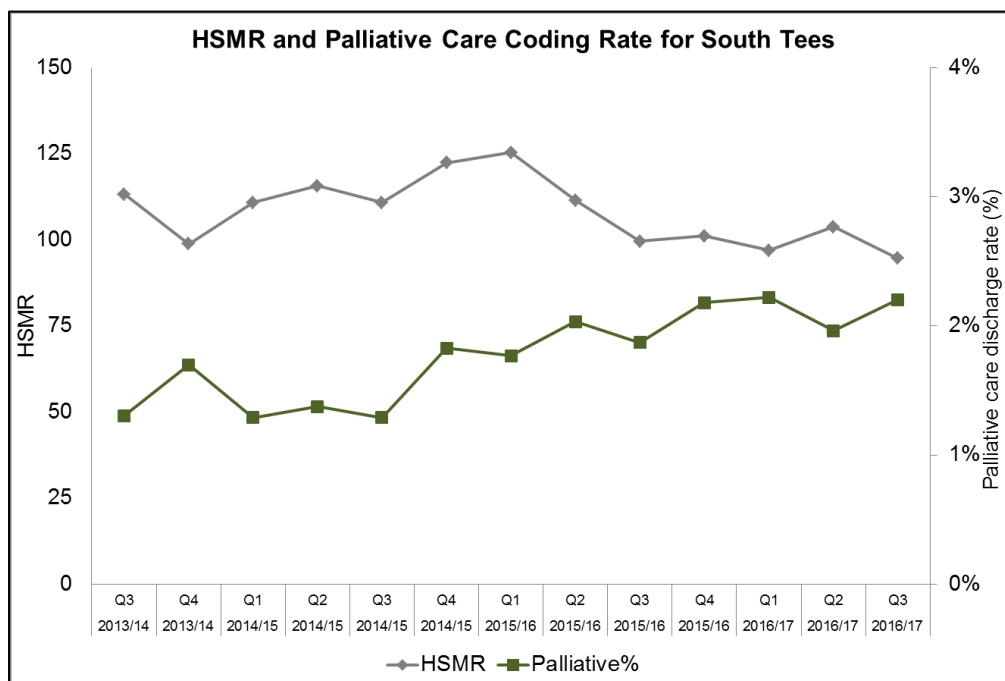


#### SHMI and Unadjusted Mortality Rate for South Tees

Source: NEQOS Hospital Mortality Monitoring Report 33. Data extracted from HED April 2017.

The SHMI is monitored on a quarterly basis and broadly reflects the unadjusted rate for deaths included in the SHMI. It has stayed around the average level of 100 and so is 'as expected'.

An alternative risk adjusted measure which uses around 80% of in-hospital deaths is called the Hospital Standardised Mortality Ratio (HSMR). It uses a more complex risk model which includes adjustment for specialist palliative care (care provided by a specialist team to a small proportion of more complex patients receiving palliative care in the hospital).



#### HSMR and Palliative Care Coding for South Tees

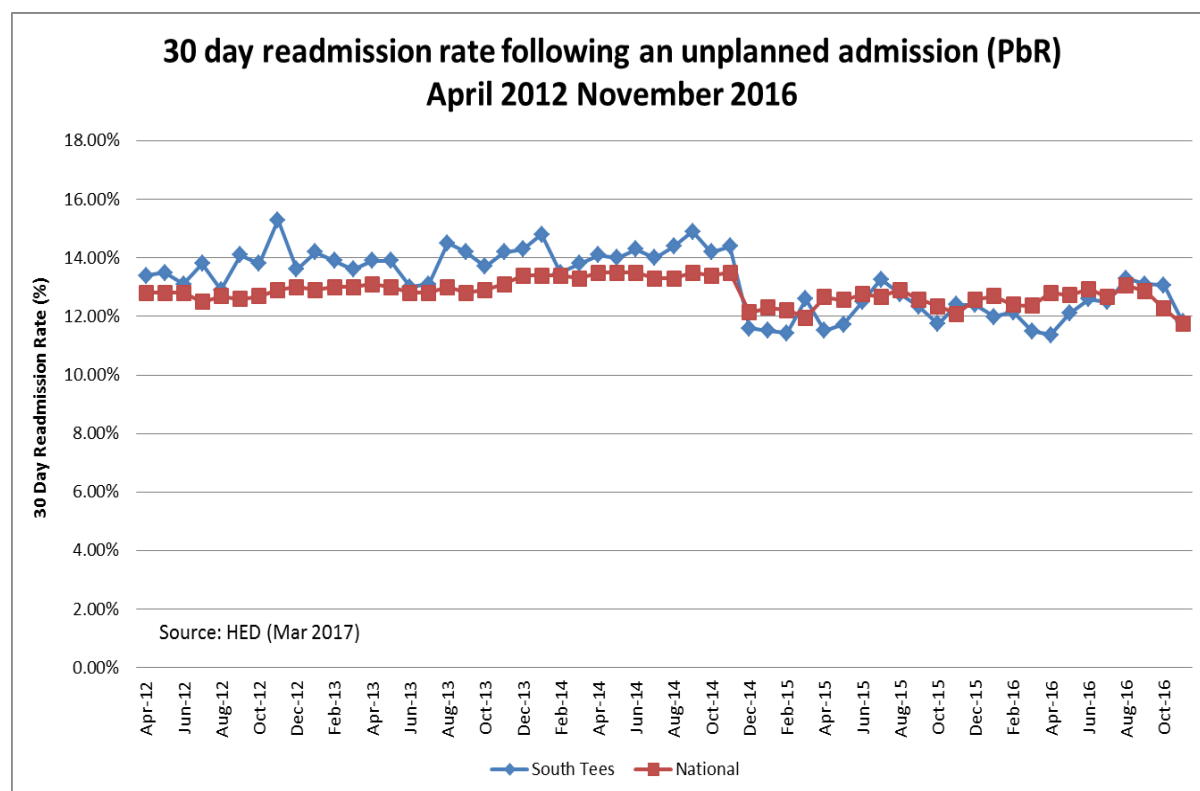
Source: NEQOS Hospital Mortality Monitoring Report 33. Data extracted from HED April 2017.

HSMR for the Trust in the period January 2015 - December 2016 is 99 giving the Trust a rating of 'As Expected'.

HSMR adjusts for patients that are coded as receiving specialist palliative care. In the past, the relatively low rate of specialist palliative care coding (the Trust was in lowest fifth of Trusts nationally) adversely affected the HSMR.

A review of coding practices to try to ensure that all patients who receive specialist palliative care are included and increased staffing levels within the Specialist Palliative Care Team has seen a 15 point decrease in the Trust's HSMR over the year. No mortality alerts have been issued over the year.

## Re-admissions



### 30 day readmission rate following an unplanned readmission (PbR)

Source: HED (March 2017).

There are two main measures used to monitor re-admissions - re-admissions within 28 days and re-admissions within 30 days of discharge. In 2011/2012 the Department of Health incentivised Trusts to reduce re-admissions within 30 days using the Payment by Results framework and therefore the Trust uses this for internal monitoring.

For some patients this further admission is not linked to their recent hospital stay but for others, they have returned to hospital because of complications after their discharge.

These complications may be related to their needs not being adequately established at pre-assessment, through acquiring an infection during their hospital stay or down to their rehabilitation not progressing as planned. The graph demonstrates that the re-admission rate has stayed static over the period reported.

There has been considerable work undertaken in individual pathways, for example alcohol dependency, pain management and chronic obstructive pulmonary disease (COPD). The rapid response pain service and the integrated community care team will support those patients at high risk of re-admission.

## Nutrition and hydration – getting the balance right

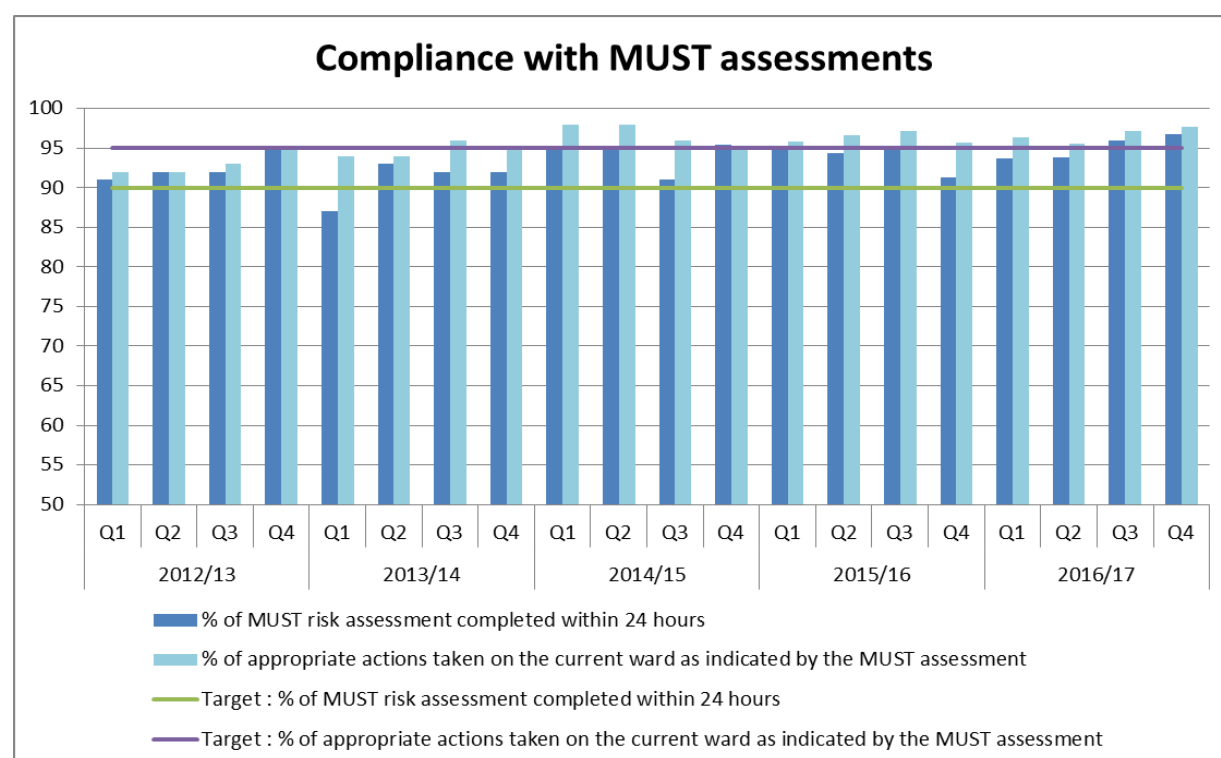
Today, an unacceptable number of people are becoming malnourished when they are in hospital. They become malnourished because their appetite or food intake is reduced due to their illness, the impact of treatment or interventions that they are receiving, or they don't get the right food that they can eat or the help they need to eat it.

Being malnourished increases the risk of infection and increases the length of time it will take them to recover. The Trust has a proactive and organised approach to combating malnutrition, overseen by the Nutrition Steering Committee, and its importance is recognised as a key priority for the organisation

The Trusts aims to:

- Ensure all patients are screened to assess their risk of malnutrition and that this is appropriately acted upon
- Ensure we meet the needs of patients who require help with eating or drinking
- Provide choices of food and drink for people to meet their diverse needs making sure the food and drink we provide is nutritionally balanced and supports their recovery

Patients are assessed on admission using the MUST tool, which is a validated screening tool to detect malnutrition in adult patients. The following graph demonstrates the compliance with using the tool and taking the appropriate actions.



Data source: Local audit

Compliance is monitored via Clinical Matron monthly audits and the STAQC assessments, and if any issues are highlighted targeted training would be arranged locally.

For example, this year, additional training has been put in place to support the ward staff involved in some of the surgical ward reconfigurations, where new staff are coming in to post and existing staff are working with different patient groups.

## Patient experience

The Trust has a number of sources that it can use to understand the patient experience in the organisation, and as discussed on page 132, a new patient experience programme has been launched in December 2016.

	2015/2016	2016/2017				
	Total	Q1	Q2	Q3	Q4	Total
<b>Number of Formal Complaints</b>	<b>430</b>	66	68	79	43	<b>256</b>
<b>Number of PALs</b>	<b>1853</b>	514	557	502	315	<b>1888</b>
<b>Number of Compliments</b>	<b>292</b>	82	130	126	85	<b>423</b>






Source: Datix

## Friends and Family Test (FFT)

The Trust continues to deliver the Friends and Family Test in line with National guidance. Patients attending as inpatients or maternity will be offered a card before discharge to complete.

Patients that attend A&E, outpatients, as a daycase and some community services will be sent a text message in the two days following the attendance.

### FFT - Inpatients and A&E patients likely to recommend:

	Percentage likely to recommend												Trend
	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	
<b>Inpatient / Daycase</b>	96%	97%	96%	96%	96%	97%	98%	97%	96%	97%	97%	97%	
<b>A&amp;E</b>	94%	93%	92%	93%	88%	91%	95%	93%	90%	90%	91%	94%	
<b>Community</b>	96%	93%	93%	94%	99%	96%	-	96%	90%	92%	97%	95%	
<b>Outpatients</b>	96%	96%	91%	94%	91%	94%	94%	93%	94%	93%	93%	94%	
<b>Maternity</b>	90%	84%	84%	90%	93%	95%	99%	96%	96%	99%	94%	97%	

Data source: NHS England

The Trust performs well against national data with the percentage of patients that are very likely or likely to recommend, with performance generally higher than the national average.

It is recognised that there are low response rates in A&E and maternity and these will be areas of focus in the coming year. The FFT programme is being reviewed as part of the 1000 voices programme to ensure that the most suitable methodologies are being used.

## **Listening to and acting on complaints and concerns**

The Trust values all feedback received; negative or positive. The following goals were set in order to improve the experience and satisfaction of service users who provide feedback.

### **Our goals:**

- Map current patient and carer engagement activities and identify gaps to inform the development of a patient and carer engagement strategy
- Sustain and continue to improve the timeliness of responding to formal complaints, with 80% receiving a response within 25 working days
- Improve the quality of first responses and the take up of local resolution meetings with the aim of reducing “Re-opened” complaints
- Survey of those who have been involved in the complaint handling process to identify further opportunities for improvement
- Publish information on complaints and actions taken on the Trust internet site
- Improving the quality of our responses through external training in letter writing skills

### **Progress to date:**

A number of changes have been implemented in order to improve the time taken to respond satisfactorily to complaints, and there has been an improvement from around 20% of complaints responses being issued within the required timeframe in the first quarter of 2016/17, to 71.4 % in March 2017.

The web based “Datix” module is now live in all areas; this provides corporate and centre colleagues with a single system for the tracking of complaints. It also allows all correspondence to be linked to the complaint record making it easier to advise complainants on current progress/status.

The web based module also supports the setting of a differential time frame for response depending on the complexity of the complaint or if a meeting has been arranged outside of the original deadline date.

A complaints resource has been developed and shared “Dealing with Complaints – a guide to customer care” and supporting complaints documentation (Standard Templates, Standard Operating Procedures) have been reviewed, amended and made available on the intranet.

A triage system has been introduced to ensure a consistency of complaints grading and coding to improve the data available on the complaints that the Trust is receiving.

The independent complaints review panel is a bi-monthly meeting chaired by a patient representative; the panel review a sample of complaint responses and “re-opened” complaints to ensure the Trust is meeting the Patients Association Standards.

Members have adapted these standards to produce a set of “South Tees” standards to help focus on what is required. The quality of complaints reviewed by the panel has continued to improve.

The terms of reference for the complaints review panel and the complaints leads meetings have been revised and feedback from these meetings is helping in the development of thematic analysis and lessons learned bulletins which will be shared across the organisation in the coming months.

Further actions planned for the coming months include:

- A review of the literature available to patients in respect of complaints
- A thematic review of “re-opened” complaints to determine a more streamlined approach and ensure we are listening to the views of complainants in respect of the quality of our responses
- Work to maintain and improve the response rates for formal complaints.
- Explore developing a regional complaints manager’s forum to learn from and share experiences of complaints handling and best practice.
- Work with the communication team and the complaint review panel to determine what information would be useful to display on the Trust’s website.
- Conduct a satisfaction survey for complainants.

### **National Patient Surveys**

During 2016/2017, the Trust has received the report from one national patient survey, the findings of which are summarised below:

#### **National Cancer Patient Experience Survey 2015**

This is the fifth survey and is designed to monitor national progress on cancer care and to provide information to drive local quality improvements. The Trust received the final report in July 2016. 721 patients responded giving a response rate of 66%, this is the same as the national average. The organisation scored higher than expected on 4 of the 49 questions;

- When you were first told you had cancer, had you been told you bring a family member or friend with you?
- Did groups of doctors and nurses talk in front of you as if you weren't there?
- If your family or someone else close to you wanted to talk to a doctor, were they able to?
- Beforehand, did you have all the information you needed about your radiotherapy treatment?

The organisation scored lower than expected on 4 of the 49 questions;

- Did you understand the explanation of what was wrong with you?
- When you were told you had cancer, were you given written information about the type of cancer you had?
- Were you given clear written information about what you should or should not do after leaving hospital?
- As far as you know, was your GP given enough information about your condition and the treatment you had at the hospital?

Therefore overall the Trust performed as well as or better than the national average. In comparison to last year there have been a number of improvements particularly in relation to access to the clinical nurse specialist and the information that is provided, access to medical staff by families, patients being called by their preferred name and patients being provided with a care plan on discharge. Areas that need additional focus included explanations given to patients, both verbal and written, pain control, information provided to the GP and working across hospital and community settings.

## National Staff Survey

The NHS Staff Survey asks questions of staff that are focused around the four pledges of the NHS Constitution and additional themes of equality and diversity, errors and incidents and patient experience measures.

### Equality & Diversity

Key Finding	Trust Score 2016	Change since 2015	Ranking, compared with combined acute and community Trusts
KF20: % experiencing discrimination at work in last 12 months	8	No change	Below (better than) average
KF21: % believing the organisation provides equal opportunities for career progression / promotion	87	-2	Average

### Errors and Incidents

Key Finding	Trust Score 2016	Trust Score 2015	National 2016 average for combined acute and community Trusts
KF 28: Percentage of staff witnessing potentially harmful errors, near misses/incidents in last month	25%	26%	29%
KF 29: Percentage of staff reporting errors, near misses or incidents witnessed in the last month	87%	86%	91%
KF 30: Fairness and effectiveness of procedures for reporting errors, near misses and incidents	3.69	3.65	3.73
KF31: Staff confidence and security in reporting unsafe clinical practice	3.68	3.61	3.68

### Violence, Harassment & Bullying

Key Finding	Trust Score 2016	Trust Score 2015	National 2016 average for combined acute and community Trusts
KF 26: Percentage of staff experiencing harassment, bullying or abuse from staff in last 12 months	22%	22%	23%



## Patient Experience Measures

Key Finding	Trust Score 2016	Trust Score 2015	National 2016 average for combined acute and community trusts
KF 2 : Staff satisfaction with the quality of work and care they are able to deliver	3.92	3.94	3.92
KF3: Percentage of staff agreeing that their role makes a difference to patients/service users	91%	89%	91%
KF 32: Effective use of patient / service user feedback	3.65	3.60	3.68

In addition to this the Trust are monitored on the following key findings:

### Staff Satisfaction

The overall staff engagement indicator for the Trust in 2016 is 3.76. This is a slight improvement on the 2015 score (3.71) and is the same as the 2014 score (3.76). Over the last three years the staff engagement indicator has remained consistent. The engagement score has been calculated using the questions that make up Key Findings 1, 4 and 7. These Key Findings relate to the following aspects of staff engagement:

Key Finding	Change since 2015	Ranking, compared with combined acute and community Trusts
KF 1: Staff recommendation of the Trust as a place to work or receive treatment	No change	Average
KF 4: Staff motivation at work	Increase (better than 15)	Below (worse than) average
KF 7: Staff ability to contribute towards improvements at work	Increase (better than 15)	Average

The priorities following this year's survey includes a full centre review of results, benchmarking and learning from others with the emphasis on developing the capability of our people; building a high performance culture and improving leadership capability. Underpinning the delivery of these priorities is a continued focus on achieving high levels of staff engagement and effective communication.

### 3.2 Performance against key national priorities

	12/13	13/14	14/15	15/16	16/17	16/17 Target
<b>Safety</b>						
Clostridium (c.) difficile – meeting the C.difficile objective	49	57	76	61	43	55
All cancers: 62 day wait for first treatment from :						
Urgent GP referral for suspected cancer	86.40%	84.70%	85.30%	79.10%	81.10%	85%
NHS Cancer Screening Service Referral	92.80%	94.80%	92.60%	89.80%	89.00%	90%
<b>18 weeks referral to treatment time (RTT)</b>						
Incomplete pathways	94.60%	95.20%	95.70%	93.20%	92.20%	92%
<b>Accident &amp; Emergency</b>						
4 hour maximum wait in A&E from arrival to admission, transfer or discharge	95.90%	96.70%	94.90%	95.80%	95.33%	95%

The figures in this table show the cumulative year end position to enable comparison from year to year.

**Cancer wait 62 day wait for the first definitive treatment for all cancers** – this measure has not been achieved in this year. There have been a number of issues that have contributed to this including late referrals from other organisations, complex pathways, delays to diagnostics, elective capacity and patient choice.

Actions taken: Weekly performance meetings have been held with service managers and relevant clinical and support staff. The performance meetings look at the full patient pathway identifying where there might be issues in all parts of the patient journey.

There have been a number of changes made including changing the prostate diagnostic pathway which has reduced the pathway by approximately 10 days, improved allocation of time on the robot for all relevant surgical areas and better communication between service managers and cancer tracking staff.

## **Annex 1: Statements from Clinical Commissioning Groups and Healthwatch**

### **Hambleton, Richmondshire and Whitby Clinical Commissioning Group - 22 May 2017**

Thank you for sharing South Tees Hospitals Foundation Trust STHFT Quality Account for 2016/17. NHS Hambleton, Richmondshire and Whitby Clinical Commissioning Group (HRWCCG) are pleased to receive information about the Trust's achievements and quality priorities for 17/18 and welcome the opportunity to provide feedback.

As commissioners, we are committed to commissioning high quality services from the Trust and take seriously our responsibility to ensure that patients' needs are met by the provision of safe, high quality services and that the views and expectations of patients and the public are listened to and acted upon.

Overall the CCG considers the Quality Account to be a fair reflection of the Trust's performance in 2016/17 and acknowledges the progress made to improve patient safety, outcomes and experience.

The CCG notes the Trusts' achievements against a number of national quality priorities in 2016/17 and is particularly encouraged by the 40% reduction in patient complaints and 45% increase in compliments from 2015/16.

The CCG would like to congratulate the Trust on achieving a 30% reduction on the number of C.diff cases from 2015/16 and meeting the C.diff objective for 2016/17. We recognise that this has been a challenging target for the Trust over the last 3 years and are pleased to see how the focused C.diff recovery plan is now beginning to reflect in the figures.

We do share the Trust's concerns however regarding the number of MRSA cases and welcome the commitment to continued scrutiny and focused interventions around all health care associated infections through 2017/18.

In terms of the quality priorities, the CCG agrees with and supports the three main priorities identified for 2017/18:

- Safety @ south tees
- Right Care, right time, right place and
- Listening and improving

Ensuring the quality and safety of all its commissioned services is a key responsibility of the CCG and the Trust's focus on reducing the level of specific, potentially avoidable 'harms' from HCAI and pressure ulcers in addition to learning from mortality and care of the deteriorating patient reviews helps support this aim. We also recognise the value of using patient feedback to drive service improvement and welcome the approach towards strengthening the '1000 voices' programme to ensure real time data is used to develop services at the frontline.

As part of the 'right care, right time, and right place' initiative the CCG is also encouraged to see a continued focus on discharge. The CCG supported the Trust in rolling out the clinical utilisation review (CUR) system via a local CQUIN indicator in 2016/17 and would now like to see more emphasis on improving the quality of care and treatment plans that facilitate safe and timely transfers of care from secondary to primary care services and not simply focused on quantitative, process oriented targets. The commitment to 'listen to GP feedback' is therefore a particular welcome addition to this quality priority and the CCG would be happy to work with the Trust to ensure triangulation of all sources of intelligence.

We look forward to working with the Trust in 2017/18 to ensure that despite the challenging financial times ahead there is a co-ordinated, collaborative approach towards safeguarding the quality and safety of services provided to our patient population, whilst developing new ways of working to deliver improvements across pathways of care that have local impact. I hope you find this review helpful. Please do not hesitate to contact me should you have any queries or require any further information

Yours sincerely

**Gill Collinson**  
**Chief Nurse - Hambleton, Richmondshire and Whitby CCG**

## **South Tees and Hartlepool and Stockton-on-Tees Clinical Commissioning Groups - 24 May 2017**

### ***RE: Statement from South Tees and Hartlepool and Stockton-on-Tees Clinical Commissioning Groups for South Tees Hospitals NHS Foundation Trust Quality Account 2016/17***

NHS South Tees Clinical Commissioning Group (STCCG) is pleased to provide a response to the Trusts Quality Account 2016/17 and would like to thank the Trust for inviting the commissioners to contribute to its development this year. The CCG looks forward to actively engaging with the Trust in future years. The response has been jointly agreed with NHS Hartlepool and Stockton-on-Tees CCG and is provided as follows:

As commissioners, we are committed to commissioning high quality services from the Trust and take seriously our responsibility to ensure that patients' needs are met by the provision of safe, high quality services and that the views and expectations of patients and the public are listened to and acted upon.

In so far as we have been able to check the factual details, the CCGs view is that the information provided within the annual quality account is an accurate and fair reflection of the Trust's performance for 2016/17. It is acknowledged that there has been a considerable amount of work undertaken to deliver the Trust's ambitions in a number of key priority areas; and the Trust is to be commended on their achievements during 2016/17.

It is recognised that the Trust has worked hard in reducing Clostridium difficile infections (CDI) during 2016/17. The results are encouraging and demonstrate an improvement on the previous year. It is however, disappointing that the Trust has experienced an increase in year compared to last year of Methicillin Resistant Staphylococcus Aureus (MRSA) bacteraemias with 7 cases being assigned to the Trust during 2016/17.

In developing a number of supporting interventions in relation to; reducing antimicrobial prescribing; improving cleaning monitoring processes and working to identify issues surrounding patient isolation processes the Trust has been able to make some noticeable improvements. Understandably both the CCGs and Trust remain concerned about the impact on patient outcomes and quality of care; therefore they will continue to work collaboratively and monitor progress against the planned improvements and the challenging targets for the year ahead.

Medication safety has been recognised by the Trust as a key risk area. The work undertaken to date has supported improvements in omitted "critical medication" incidents and it is very encouraging to see the reduction in all medication omissions from 25% to 5.6%. It would however be useful to understand what percentage of the medication omission incident reduction relates to critical medications. It is disappointing to see that despite additional pharmacist support medicines reconciliation rates demonstrated no improvement. The CCGs are pleased to note that this is a continued priority for the 2017/18 quality priorities.

The CCGs wish to acknowledge the continued work that the Trust has undertaken to improve the care of patients with SEPSIS both for screening and treatment. The collaborative working with other regional colleagues to develop and adopt the use of a regional tool for SEPSIS management is to be commended. Sepsis care was also the focus of a Commissioning for Quality and Innovation (CQUIN) target agreed with commissioners which has supported developments in Sepsis care. The continued focus during 2017/18 to improvements in the management of the deteriorating patient is welcomed by the CCGs.

The Trust has made progress in End of Life Care particularly in the management of "Do Not

Attempt Resuscitation" (DNACPR) processes. Although there is still further work to be undertaken to develop this area, the proactive intervention adopted by the Specialist Palliative Care team has led to increased patient contacts resulting in improved patient care at the end stages of life.

The Trust has faced a number of challenges in managing patient flow through the hospital sites and has undertaken a variety of initiatives in support of improvements to patient flow. The CCGs have supported these initiatives, including utilisation of the CQUIN schemes to improve discharges before 12 midday. It is reassuring to see a noticeable improvement in the achievement of the number of patients being discharged earlier in the day.

The CCGs support the work undertaken by the Trust resulting in improved care for patients with Dementia and their carers. The Dementia strategy has seen the implementation of a number of interventions and increased numbers of staff are receiving training across the Trust.

The improvements to patient engagement have created access to real time patient experience data via the '1000 Voices' patient experience programme. The CCGs commend the intention to utilise the outputs from this programme to enact real time change in response to patient experience. The CCGs are supportive that this work remains a Quality priority for 2017/18. Concerns remain however, that the Trust response rates in Accident and Emergency and Maternity Friends and Family Test (FFT) remain below expected rates. As this is a national quality requirement the CCGs would like to understand how the 1000 voices engagement programme will support the required improvements in the FFT response rates during 2017/18 as this is not expressly clear in the 2017/18 quality priorities.

During 2016/17, working in partnership with neighbouring CCGs, the collaborative focus on detailed analysis of specific issues has continued; involving CCG and Trust staff during monthly performance clinic meetings. This augments and promotes the value derived from the Trust's approach to duty of candour. In addition the CCGs have been asked to join Trust internal assurance committees and visits to provide insight and assurances of the quality of care being delivered to patients.

Commissioners support the identified quality priorities for 2017/18 and acknowledge that these will underpin continued progress by the Trust in meeting their quality improvement goals. As the Trust has been transparent in the reporting of 4 Never Events during the year, Commissioners would like to see a focus on improved patient safety during surgical interventions both within and outside of the operating Theatre environment, included as part of the emphasis on safety at the Trust.

The CCGs look forward to continuing to work in partnership with the Trust to assure the quality of services commissioned on behalf of their population in 2017/18.

Yours sincerely

**Amanda Hume**

**Chief Officer, South Tees CCG, on behalf of NHS South Tees Clinical Commissioning Group (ST CCG) and NHS Hartlepool and Stockton-On-Tees Clinical Commissioning Group (HAST CCG)**

## **Middlesbrough Council – Health Scrutiny Panel – 26 May 2017**

The Health Scrutiny Committee has prepared the following statement for inclusion within the Quality Account 2016/17 for the South Tees Hospitals NHS Foundation Trust.

### **Progress against Quality Priorities 2016/17**

A copy of the Quality Account 2016/17 was provided to Middlesbrough Council's Health Scrutiny Panel on 4 May 2017 for comment. It is evident that progress has been made in respect of improving patient safety and the upgrading of the Trust's Care Quality Commission rating from 'Requires Improvement' to 'Good' is a significant achievement. The Trust's ambition to be rated as outstanding in the next 3 years is fully supported by the panel. The key quality measures which link directly to the outcomes and experience of patients are:-

- Four-hour accident and emergency waiting time target
- Referral to Treatment (RTT) 18-week target
- 62-day cancer wait target for first definitive treatment for all cancers

The panel is pleased to note that the year-end performance for achieving the four-hour accident and emergency waiting time target was met i.e. 92.90% against a national target of 92%. The 18-week Referral to Treatment (RTT) target was also achieved with a year-end performance of 95.33% against a target of 95%. The 62-day cancer wait target for first definitive treatment for all cancers was not achieved in 2016/17. Although the panel acknowledges that the Trust has returned to 85.1% compliance in March for the first time in two years the challenge is to sustain this level of performance in 2017/18.

The panel has recently undertaken a review on the topic of cancer screening and the issue of hospitals missing the 62 day wait standard over a year was highlighted as a national concern. This is an issue on which the panel will request further information in 2017/18.

In terms of the Trust's ongoing objective to reduce avoidable harm by 50% against its baseline figures from 2014/15 progress has been made in all areas. There has been a 41% reduction in service acquired pressure ulcers over the 3 year period i.e. 961 cases in 2016/17 compared with 1616 cases in 2013/14. The rate of clostridium difficile (C.Diff) infections has reduced from 61 cases in 2015/16 to 43 cases in 2016/17. The Trust's rate of falls per 1000 bed days at a rate of 5.25 is also much lower than the national average of 6.63 per 1000 bed days (National Falls Audit 2015).

Treatment and response to Sepsis has been highlighted as an area of focus for the Trust in 2016/17. A regional education package has been rolled out in Q4 and the panel notes that the Trust envisages this will result in further improvements in 2017/18.

Listening to patients is highlighted throughout the Quality Report as being of the utmost importance. The panel notes the introduction in December 2016 of the 1000 voices patient experiment programme and is also keen to see the impact of this programme in 2017/18. It is acknowledged that the Trust's quality priorities for 2017/18 have been identified as follows:-

- Safety @ south tees
- Right care, right time, right place
- Listening and improving

The panel is supportive of these measures. Finally, South Tees Hospitals NHS Foundation Trust has continued to engage with the panel throughout the 2016/17 Municipal Year and Members of the panel have welcomed the information shared with them.

Yours sincerely

**Cllr Eddie Dryden - Chair of the Health Scrutiny Panel**

## **Annex 2: Statement of Directors' responsibilities in respect of the Quality Report**

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation Trust boards on the form and content of annual Quality Reports (which incorporate the above legal requirements) and on the arrangements that NHS Foundation Trust Boards should put in place to support the data quality for the preparation of the Quality Report. In preparing the Quality Report, Directors are required to take steps to satisfy themselves that:

- the content of the Quality Report meets the requirements set out in the NHS Foundation Trust Annual Reporting Manual 2016/2017 and supporting guidance;
- the content of the Quality Report is not inconsistent with internal and external sources of information including:
  - Board minutes and papers for the period April 2016 to April 2017
  - Papers relating to quality reported to the Board over the period April 2016 to April 2017
  - Feedback from the South Tees and Hartlepool and Stockton-on-Tees Clinical Commissioning Groups dated 24 May 2017
  - Feedback from the NHS Hambleton, Richmond and Whitby Clinical Commissioning Group dated 22 May 2017
  - Feedback from Local Healthwatch organisations requested on 3 May 2017 but not received
  - Feedback from Middlesbrough Council Health Scrutiny Panel dated 26 May 2017
  - Feedback from the Governors dated 9 May 2017
- The Trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 01/07/2016, 28/10/2016, 27/01/2017, 28/04/2017
- The 2016 national staff survey – 7 March 2017
- The national cancer survey – July 2016
- The Head of Internal Audit's annual opinion over the Trust's control environment dated 30 May 2017
- CQC inspection report dated October 2016
- the Quality Report presents a balanced picture of the NHS Foundation Trust's performance over the period covered;
- the performance information reported in the Quality Report is reliable and accurate;
- there are proper internal controls over the collection and reporting of the measures of performance included in the Quality Report, and these controls are subject to review to confirm that they are working effectively in practice;



- the data underpinning the measures of performance reported in the Quality Report is robust and reliable, conforms to specified data quality standards and prescribed definitions, is subject to appropriate scrutiny and review; and
- the Quality Report has been prepared in accordance with Monitor's annual reporting guidance (which incorporates the Quality Accounts regulations) (published at [www.monitor-hsft.gov.uk/annualreportingmanual](http://www.monitor-hsft.gov.uk/annualreportingmanual)) as well as the standards to support data quality for the preparation of the Quality Report (available at [www.monitornhsft.gov.uk/annualreportingmanual](http://www.monitornhsft.gov.uk/annualreportingmanual))).

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

By order of the Board



30 May 2017

Date

Chairman



30 May 2017

Date

Chief Executive

### **Annex 3: How to provide feedback on the account**

We welcome feedback on this report and suggestions for the content of future reports.

If you wish to comment please go to the Quality Accounts page on the Trust website ([www.southtees.nhs.uk](http://www.southtees.nhs.uk)).

## **Annex 4: Glossary of terms**

### **18 Week RTT**

This refers to the right to start your consultant-led treatment within a maximum of 18 weeks from referral, unless you choose to wait longer, or it is clinically appropriate that you wait longer. The Trust monitors this monthly.

### **A&E**

Accident and emergency (usually refers to a hospital casualty department).

### **Acute**

A condition of short duration that starts quickly and has severe symptoms.

### **Audit Commission**

The Audit Commission regulates the proper control of public finances by local authorities and the NHS in England and Wales. The Commission audits NHS Trust's, clinical commissioning groups and strategic health authorities to review the quality of their financial systems. It also publishes independent reports which highlight risks and good practice to improve the quality of financial management in the health service, and, working with the Care Quality Commission, undertakes national value-for-money studies.

### **Assurance**

Confidence, based on sufficient evidence that internal controls are in place, operating effectively and objectives are being achieved.

### **Board of Directors (of Trust)**

The role of the Trust's board is to take corporate responsibility for the organisation's strategies and actions. The chair and non-executive directors are lay people drawn from the local community and accountable to the Council of Governors. The chief executive is responsible for ensuring that the board is empowered to govern the organisation and to deliver its objectives.

### **Care Quality Commission**

The Care Quality Commission (CQC) replaced the Healthcare Commission, Mental Health Act Commission and the Commission for Social Care Inspection in April 2009. The CQC is the independent regulator of health and social care in England. It regulates health and adult social care services, whether provided by the NHS, local authorities, private companies or voluntary organisations. Visit: [www.cqc.org.uk](http://www.cqc.org.uk)

### **Clinical audit**

Clinical audit measures the quality of care and services against agreed standards and suggests or makes improvements where necessary.

### **Clinical Commissioning Group (CCG)**

These are NHS organisations set up by the Health and Social Care Act 2012 to organise the delivery of NHS services in England. They are clinically led groups that include all of the Practitioner groups in their geographical area with the aim of giving GPs and other clinicians the power to influence commissioning decisions for their patients. These organisations are overseen by NHS England and manage primary care commissioning, including holding the NHS Contracts for GP practices.

### **Clinician**

Professionally qualified staff providing clinical care to patients.

**Commissioners**

Commissioners are responsible for ensuring adequate services are available for their local population by assessing needs and purchasing services. Clinical Commissioning Groups are the key organisations responsible for commissioning healthcare services for their area. They commission services (including acute care, primary care and mental healthcare) for the whole of their population, with a view to improving their population's health.

**Commissioning for Quality and Innovation (CQUIN)**

*High Quality Care for All* included a commitment to make a proportion of providers' income conditional on quality and innovation, through the Commissioning for Quality and Innovation (CQUIN) payment framework.

**Consultant**

Senior physician or surgeon advising on the treatment of a patient.

**Daycase**

Patient who is admitted to hospital for an elective procedure and is discharged without an overnight stay.

**Department of Health**

The Department of Health is a department of the UK government but with responsibility for government policy for England alone on health, social care and the NHS.

**Elective**

A planned episode of care, usually involving a day case or in patient procedure.

**Emergency**

An urgent unplanned episode of care.

**Foundation Trust**

A type of NHS Trust in England that has been created to devolve decision-making from central government control to local organisations and communities so they are more responsive to the needs and wishes of their local people. NHS foundation Trusts provide and develop healthcare according to core NHS principles – free care, based on need and not on ability to pay. NHS Foundation Trusts have members drawn from patients, the public and staff, and are governed by a Board of Governors comprising people elected from and by the membership base.

**Governance**

A mechanism to provide accountability for the ways an organisation manages itself.

**HCAI**

Health care associated infections. These are infections that are acquired as a result of healthcare interventions. There are a number of factors that can increase the risk of acquiring an infection, but high standards of infection control practice minimise the risk of occurrence.

**Healthcare**

Healthcare includes all forms of healthcare provided for individuals, whether relating to physical or mental health, and includes procedures that are similar to forms of medical or surgical care but are not provided in connection with a medical condition, for example cosmetic surgery.

### **Healthcare Quality Improvement Partnership**

The Healthcare Quality Improvement Partnership was established in April 2008 to promote quality in healthcare, and in particular to increase the impact that clinical audit has on healthcare quality in England and Wales. It is led by a consortium of the Academy of Medical Royal Colleges, the Royal College of Nursing and national voices.

### **Healthwatch**

Healthwatch are the national consumer champion in health and care. They have been given significant statutory powers to ensure the voice of the consumer is strengthened and heard by those who commission, deliver and regulate health and care services.

### **High Quality Care for All**

*High Quality Care for All*, published in June 2008, was the final report of the NHS Next Stage Review, a year-long process led by Lord Darzi, a respected and renowned surgeon, and around 2000 frontline staff, which involved 60,000 NHS staff, patients, stakeholders and members of the public.

### **Hospital Episode Statistics (HES)**

Hospital Episode Statistics is the national statistical data warehouse for England of the care provided by NHS hospitals and for NHS hospital patients treated elsewhere.

### **Inpatient**

Patient requiring at least one overnight stay in hospital.

### **Malnutrition Universal Screening Tool (MUST)**

'MUST' is a five-step screening tool to identify adults who are malnourished, at risk of malnutrition (undernutrition), or obese. It also includes management guidelines which can be used to develop a care plan. It is used in hospitals, community and other care settings and can be used by all care workers.

### **NCEPOD**

National Confidential Enquiry into Patient Outcome and Death

Visit: <http://www.ncepod.org.uk/>

### **NIHR**

The NIHR (National Institute for Health Research) funds health and care research and translate discoveries into practical products, treatments, devices and procedures, involving patients and the public in all our work. NIHR ensure the NHS is able to support the research of other funders to encourage broader investment in, and economic growth from, health research.

NIHR work with charities and the life sciences industry to help patients gain earlier access to breakthrough treatments, and train and develop researchers to keep the nation at the forefront of international research.

### **National Institute for Health and Clinical Excellence (NICE)**

The National Institute for Health and Clinical Excellence is an independent organisation responsible for providing national guidance on promoting good health and preventing and treating ill health. Visit: [www.nice.org.uk](http://www.nice.org.uk)

### **National Patient Safety Agency**

The National Patient Safety Agency is an arm's-length body of the Department of Health, responsible for promoting patient safety wherever the NHS provides care. Visit: [www.npsa.nhs.uk](http://www.npsa.nhs.uk)

### **National patient surveys**

The National Patient Survey Programme, coordinated by the Care Quality Commission, gathers feedback from patients on different aspects of their experience of recently received care, across a variety of services/settings.

### **Overview and Scrutiny Committees**

Since January 2003, every local authority with responsibilities for social services (150 in all) has had the power to scrutinise local health services. Overview and scrutiny committees take on the role of scrutiny of the NHS – not just major changes but the ongoing operation and planning of services. They bring democratic accountability into healthcare decisions and make the NHS more publicly accountable and responsive to local communities.

### **Patient**

Those in receipt of health care.

### **Patient Reported Outcome Measures (PROMs)**

PROMs measure a patient's health status or health-related quality of life at a single point in time, and are collected through short, self-completed questionnaires. This health status information is collected from patients through PROMs questionnaires before and after a procedure and provides an indication of the outcomes or quality of care delivered to NHS patients.

### **PFI Partnership**

The private finance initiative (PFI) is a way of creating Public-Private Partnerships (PPPs) by funding public infrastructure projects with private capital

### **PLACE**

PLACE assessments (Patient-Led Assessments of the Care Environment) provide motivation for improvement by providing a clear message, directly from patients, about how the environment or services might be enhanced.

### **Providers**

Providers are the organisations that provide relevant health services, for example NHS Trust's and their private or voluntary sector equivalents.

### **Registration**

From April 2009, every NHS Trust that provides healthcare directly to patients must be registered with the Care Quality Commission (CQC). In 2009/10, the CQC is registering Trust's on the basis of their performance in infection control.

### **Regulations**

Regulations are a type of secondary legislation made by an executive authority under powers given to them by primary legislation in order to implement and administer the requirements of that primary legislation.

### **Research**

Clinical research and clinical trials are an everyday part of the NHS. The people who do research are mostly the same doctors and other health professionals who treat people. A clinical trial is a particular type of research that tests one treatment against another. It may involve either patients or people in good health, or both.

### **Risk**

The possibility of suffering some form of loss or damage or the possibility that objectives will not be achieved.

**Risk Assessment**

The identification and analysis of relevant risks to the achievement of objectives.

**Secondary Uses Service (SUS)**

The Secondary Uses Service is designed to provide anonymous patient-based data for purposes other than direct clinical care such as healthcare planning, commissioning, public health, clinical audit and governance, benchmarking, performance improvement, medical research and national policy development.

**Service user**

An individual who uses a health care service, including those who are not in need of treatment, such as blood donors, carers or those using screening services.

**Summary Hospital-level Mortality Index (SHMI)**

The Summary Hospital-level Indicator (SHMI) reports mortality at Trust level across the NHS in England using standard and transparent methodology. It looks at deaths following hospital treatment which take place in or out of hospital for 30 days following discharge and is based on all conditions.

**South Tees Hospitals NHS Foundation Trust**

Includes the Friarage Hospital (**FHN**) and James Cook University Hospital (**JCUH**) and from April 2011, community services in Hambleton, Richmondshire, Middlesbrough, Redcar and Cleveland.





## **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF SOUTH TEES HOSPITALS NHS FOUNDATION TRUST ON THE QUALITY REPORT**

We have been engaged by the Council of Governors of South Tees Hospitals NHS Foundation Trust to perform an independent assurance engagement in respect of South Tees Hospitals NHS Foundation Trust's Quality Report for the year ended 31 March 2017 (the 'Quality Report') and certain performance indicators contained therein.

### **Scope and subject matter**

The indicators for the year ended 31 March 2017 subject to limited assurance consist of the following two national priority indicators (the indicators):

- percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period;
- A&E: maximum waiting time of four hours from arrival to admission, transfer or discharge.

We refer to these national priority indicators collectively as the 'indicators'.

### **Respective responsibilities of the directors and auditors**

The directors are responsible for the content and the preparation of the Quality Report in accordance with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* issued by NHS Improvement.

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in the *Detailed requirements for quality reports for foundation trusts 2016/17* ('the Guidance'); and
- the indicators in the Quality Report identified as having been the subject of limited assurance in the Quality Report are not reasonably stated in all material respects in accordance with the NHS Foundation Trust Annual Reporting Manual and the six dimensions of data quality set out in the *Detailed Requirements for external assurance for quality reports for foundation trusts 2016/17*.

We read the Quality Report and consider whether it addresses the content requirements of the NHS Foundation Trust Annual Reporting Manual and consider the implications for our report if we become aware of any material omissions.

We read the other information contained in the Quality Report and consider whether it is materially inconsistent with:

- Board minutes and papers for the period April 2016 to May 2017;
- papers relating to quality reported to the Board over the period April 2016 to May 2017;
- feedback from commissioners, dated 22/05/2017 and 24/05/2017;
- feedback from governors, dated 09/05/2017;
- feedback from local Healthwatch organisations, requested on 03/05/2017;
- feedback from Overview and Scrutiny Committee, dated 26/05/2017;
- the trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 01/07/2016, 28/10/2016, 27/01/2017 and 28/04/2017;
- the 2016 national patient survey, dated July 2016;

- the 2016 national staff survey, dated 07/03/2017;
- Care Quality Commission Inspection, dated October 2016;
- the 2016/17 Head of Internal Audit's annual opinion over the trust's control environment, dated 30/05/2017; and
- any other information included in our review.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with those documents (collectively, the 'documents'). Our responsibilities do not extend to any other information.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared solely for the Council of Governors of South Tees Hospitals NHS Foundation Trust as a body, to assist the Council of Governors in reporting the NHS Foundation Trust's quality agenda, performance and activities. We permit the disclosure of this report within the Annual Report for the year ended 31 March 2017, to enable the Council of Governors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the indicator. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors as a body and South Tees Hospitals NHS Foundation Trust for our work or this report, except where terms are expressly agreed and with our prior consent in writing.

### **Assurance work performed**

We conducted this limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). Our limited assurance procedures included:

- evaluating the design and implementation of the key processes and controls for managing and reporting the indicator;
- making enquiries of management;
- testing key management controls;
- limited testing, on a selective basis, of the data used to calculate the indicator back to supporting documentation;
- comparing the content requirements of the NHS Foundation Trust Annual Reporting Manual to the categories reported in the Quality Report; and
- reading the documents.

A limited assurance engagement is smaller in scope than a reasonable assurance engagement. The nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

### **Limitations**

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable measurement techniques which can result in materially different measurements and can affect comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision of these criteria, may change

over time. It is important to read the quality report in the context of the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance.

The scope of our assurance work has not included governance over quality or the non-mandated indicator, which was determined locally by South Tees Hospitals NHS Foundation Trust.

### **Conclusion**

Based on the results of our procedures, nothing has come to our attention that causes us to believe that, for the year ended 31 March 2017:

- the Quality Report is not prepared in all material respects in line with the criteria set out in the *NHS Foundation Trust Annual Reporting Manual* and supporting guidance;
- the Quality Report is not consistent in all material respects with the sources specified in the Guidance; and
- the indicators in the Quality Report subject to limited assurance have not been reasonably stated in all material respects in accordance with the *NHS Foundation Trust Annual Reporting Manual* and the six dimensions of data quality set out in the Guidance.



KPMG LLP  
Chartered Accountants  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

30 May 2017



# Independent auditor's report

**to the Council of Governors of South Tees  
Hospitals NHS Foundation Trust only**

Opinions and conclusions  
arising from our audit

**1. Our opinion on the financial statements is  
unmodified**

We have audited the financial statements of South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2017 set out on pages 1 to 42. In our opinion:

- the financial statements give a true and fair view of the state of the Group and the Trust's affairs as at 31 March 2017 and of the Group and Trust's income and expenditure for the year then ended; and
- the Group and the Trust's financial statements have been properly prepared in accordance with the Department of Health's Group Accounting Manual 2016/17.

## Overview

<b>Materiality:</b> Group financial statements as a whole	£6.4m (2015/16: £5.6m) 1.1% (2015/16: 1%) of operating income
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## Risks of material misstatement vs 2015/16

<b>Recurring risks</b>	Valuation of land and buildings
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## 2. Our assessment of risks of material misstatement

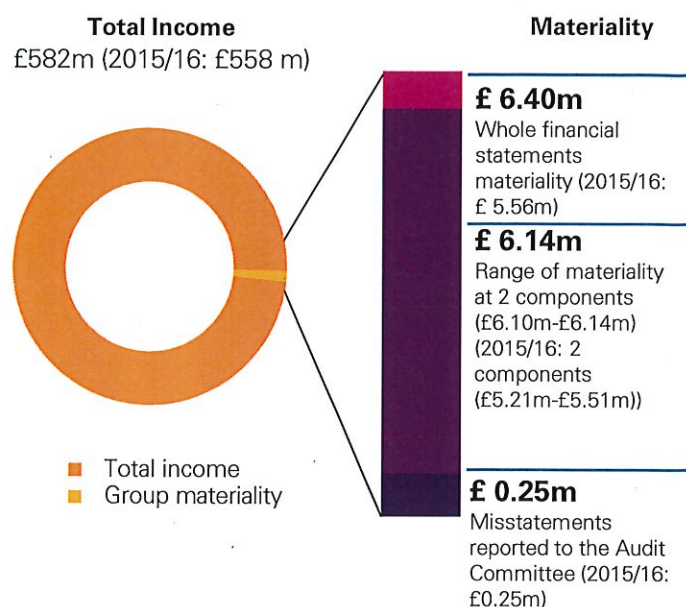
In arriving at our audit opinion above on the Accounts, the risk of material misstatement that had the greatest effect on our audit, was as follows (unchanged from 2015/16):

	The risk	Our response
<b>Valuation of land and buildings</b> (£206 million; 2015/16: £215 million)  <i>Refer to page 36-39, Annual Report (Audit Committee Report), Accounts Section 1.3 of Note 1 to the Accounts (accounting policy) and Note 9 of the Accounts (financial disclosures).</i>	<p><b>Subjective valuation</b></p> <p>Land and buildings are required to be maintained at up to date estimates of current value in existing use (EUV). For specialised assets where no market value is readily ascertainable, EUV is the depreciated replacement cost of a modern equivalent asset that has the same service potential as the existing property (DRC).</p> <p>There is significant judgement involved in determining the appropriate basis (EUV or DRC) for each asset according to the degree of specialisation, as well as over the assumptions made in arriving at the valuation. The DRC basis requires an assumption as to whether the replacement asset would be situated on the existing site or, if more appropriate, on an alternative site, with a potentially significant effect on the valuation. Furthermore, replacement cost is decreased if VAT on replacement costs is deemed to be recoverable.</p> <p>The majority of the Trust estate is held under PFI arrangements under which the VAT on construction costs is recoverable. The valuer has provided DRC valuations net of VAT on the assumption that replacement assets would be provided using the existing PFI arrangements. This has a material impact on the valuation.</p> <p>The Group's external valuers performed a full valuation, supported by inspection, as at 28 March 2017 and indexed this to determine the valuation as at 31 March 2017.</p> <p><b>Accounting treatment</b></p> <p>Consideration is also required as to whether revaluation gains and impairment losses are processed through other operating income/expense, or recognised in other comprehensive income. This treatment could have significant impact on the reported surplus or deficit for the year.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Assessing valuer's credentials:</b> We assessed the competence, capability, objectivity and independence of the Trust's external valuer and considered the terms of engagement of, and the instructions issued to, the valuer for consistency with the requirements of the NHS Group Accounting Manual;</li> <li>— <b>Methodology choice:</b> We assessed, with the assistance of our own valuation specialists, the appropriateness of the valuation bases and assumptions applied by the valuers;</li> <li>— <b>Benchmarking assumptions:</b> We considered the Trust's history of VAT recovery through its PFI arrangements and the potential for future VAT recovery and critically assessed the consistency of this judgement with the evidence presented;</li> <li>— <b>Data comparisons:</b> We critically assessed, in light of our knowledge of the Group's assets and changes in market conditions, whether any significant movements in values since the last full valuation were appropriate;</li> <li>— <b>Accounting analysis:</b> We re-performed the gain or loss on revaluation calculation for all applicable assets and checked whether the accounting entries were consistent with the NHS Group Accounting Manual;</li> <li>— <b>Assessing transparency:</b> We considered the adequacy of the disclosures about the key judgements and degree of estimation involved in arriving at the valuation and the related sensitivities.</li> </ul>

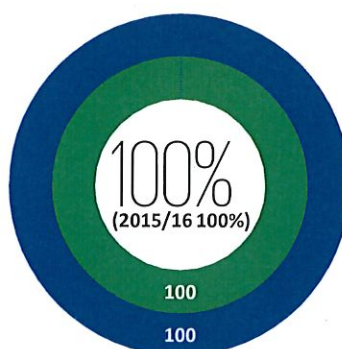
### 3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements was set at £6.40m million (2015/16: £5.56 million), determined with reference to a benchmark of operating income (of which it represents approximately 1.1%). We consider operating income to be more stable than a surplus-related benchmark. We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.25 million (2015/16: (£0.25 million)), in addition to other identified misstatements that warrant reporting on qualitative grounds.

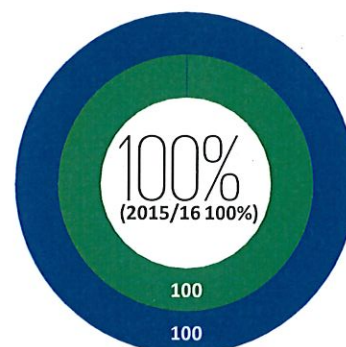
The Group has two (2015/16: two) reporting components and both of them were subject to audits for group reporting purposes performed by the Group audit team at one location in Middlesbrough. These audits covered 100% of group income, deficit for the year and total assets. The audits performed for group reporting purposes were all performed to materiality levels set individually for each component and ranged from £6.10m to £6.14m. (2015/16: 2 components (£5.21m-£5.51m))



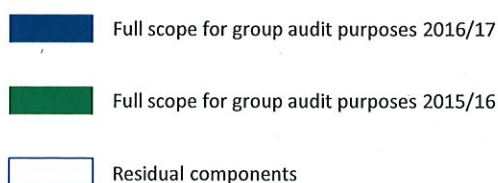
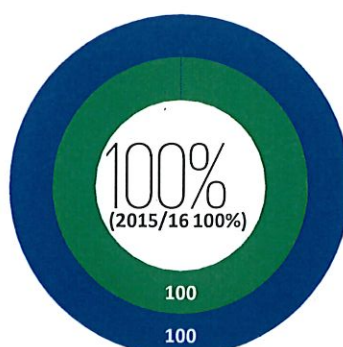
**Group income**



**Group deficit**



**Group total assets**





#### **4. Our opinion on other matters prescribed by the Code of Audit Practice is unmodified**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2016/17; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **5. We have nothing to report in respect of the following matters on which we are required to report by exception**

We are required to report to you if, based on the knowledge we acquired during our audit, we have identified information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable; or
- the Audit Committee's commentary on pages 36-39 of the Annual Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Code of Audit Practice we are required to report to you if, in our opinion:

- the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2016/17, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.

In addition we are required to report to you if:

- any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006.
- any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in respect of the above responsibilities.

#### **6. Other matters on which we report by exception - adequacy of arrangements to secure value for money.**

Under the Code of Audit Practice we are required to report by exception if we conclude that we are not satisfied that the Trust has put in place proper arrangements to secure value for money in the use of resources for the relevant period.

- In July 2014 NHS Improvement issued a notice of enforcement undertakings. NHS Improvement concluded that the Trust had failed to establish and effectively implement systems or processes to ensure compliance with its duty to operate efficiently, economically and effectively. The Trust remained subject to this enforcement notice at 31 March 2017.
- During 2016/17 the Group received repayable Interim Revenue Support of £35.5 million and Interim Capital Support of £2.2 million. The 2017/18 plan requires further Interim Revenue and Interim Capital Support. The Group deficit for the year was £20.1m (2015/16: £6.3m)

As a result of these matters we are unable to satisfy ourselves that, in all significant respects, South Tees Hospitals NHS Foundation Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

#### **7. We have completed our audit**

We certify that we have completed the audit of the accounts of South Tees Hospitals NHS Foundation Trust in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

## Scope and responsibilities

As described more fully in the Statement of Accounting Officer's Responsibilities on page 106 of the Annual Report, the accounting officer is responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors. A description of the scope of an audit of financial statements is provided on our website at [www.kpmg.com/uk/auditscopeother2014](http://www.kpmg.com/uk/auditscopeother2014). This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Under Section 62(1) and Schedule 10 paragraph 1(d), of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General, as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. 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.

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, 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 Council of Governors of the Trust as a body, for our audit work, for this report or for the opinions we have formed.



**Paul Moran for and on behalf of KPMG LLP**

*Chartered Accountants and Statutory Auditor*

Quayside House, 110 Quayside, Newcastle upon Tyne  
NE1 3DX

30 May 2017





**South Tees Hospitals**  
NHS Foundation Trust

## Foreword to the Accounts

The accounts for the year ended 31 March 2017 have been prepared by South Tees Hospitals NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 within the National Health Service Act 2006.

A handwritten signature in black ink that reads 'Siobhan McArdle'.

**Chief Executive – Siobhan McArdle**  
**30 May 2017**

	NOTE	GROUP		TRUST	
		2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Operating income	3	582,021	557,696	581,572	556,154
Operating expenses	4	(585,580)	(545,203)	(584,120)	(543,769)
<b>OPERATING (DEFICIT) / SURPLUS</b>		<b>(3,559)</b>	12,493	<b>(2,548)</b>	12,385
<b>FINANCE COSTS:</b>					
Finance income	7	196	212	31	58
Finance costs - financial liabilities	8.1	(16,202)	(15,948)	(16,202)	(15,948)
Finance costs - unwinding of discount on provisions	22	(45)	(7)	(45)	(7)
PDC dividends payable		(2,243)	(2,902)	(2,243)	(2,902)
<b>NET FINANCE COSTS</b>		<b>(18,294)</b>	(18,645)	<b>(18,459)</b>	(18,799)
Gain on disposal of assets	8.3	1,193	37	1,193	37
Movement in fair value of other investments	14	604	(189)	0	0
<b>DEFICIT FOR THE YEAR</b>		<b>(20,056)</b>	(6,304)	<b>(19,814)</b>	(6,377)
<b>Other comprehensive income</b>					
<b>Will not be reclassified to income and expenditure:</b>					
Impairments	9.1	(6,954)	0	(6,954)	0
Revaluation gains on property, plant and equipment	9.1	415	8,834	415	8,834
Other reserve movements		(139)	0	0	0
<b>TOTAL OTHER COMPREHENSIVE (EXPENSE) / INCOME</b>		<b>(6,678)</b>	8,834	<b>(6,539)</b>	8,834
<b>TOTAL COMPREHENSIVE (EXPENSE) / INCOME</b>		<b>(26,734)</b>	2,530	<b>(26,353)</b>	2,457

The notes on pages 5 to 42 form part of these accounts. The result for the financial period before impairment and restructuring costs is one of the primary financial KPIs used by the Trust in order to illustrate the underlying performance. The reconciliation below provides further details for the non - GAAP measure which has been referred to as 'underlying surplus' in the Annual Report.

Analysis of the deficit for the year		GROUP		TRUST	
		2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Deficit for the financial period		(20,056)	(6,304)	(19,814)	0
Impairment of property, plant, equipment and intangible assets	4.1	(9,955)	3,680	(9,955)	3,680
Restructuring expenses	4.1	(2,591)	(5,111)	(2,591)	(5,111)
Deficit for the financial period before impairments and restructuring expenses		<u>(7,510)</u>	<u>(4,873)</u>	<u>(7,268)</u>	<u>(4,946)</u>

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

		<b>GROUP</b>		<b>TRUST</b>	
		<b>31 March</b>	31 March	<b>31 March</b>	31 March
		<b>2017</b>	2016	<b>2017</b>	2016
	<b>NOTE</b>	<b>£000</b>	£000	<b>£000</b>	£000
<b>Non-current assets</b>					
Property, plant and equipment	9	<b>259,432</b>	263,884	<b>259,432</b>	263,884
Intangible assets	10	<b>3,299</b>	4,134	<b>3,299</b>	4,134
Trade and other receivables	17	<b>1,412</b>	2,155	<b>1,412</b>	2,155
Other investments	14	<b>5,917</b>	5,339	<b>0</b>	0
<b>Total non-current assets</b>		<b>270,060</b>	275,512	<b>264,143</b>	270,173
<b>Current assets</b>					
Inventories	15	<b>11,478</b>	12,696	<b>11,478</b>	12,696
Trade and other receivables	17	<b>51,622</b>	50,433	<b>53,114</b>	50,397
Cash and cash equivalents	16	<b>7,558</b>	4,440	<b>4,572</b>	2,755
<b>Total current assets</b>		<b>70,658</b>	67,569	<b>69,164</b>	65,848
<b>Total assets</b>		<b>340,718</b>	343,081	<b>333,307</b>	336,021
<b>Current liabilities</b>					
Trade and other payables	18	<b>(65,979)</b>	(70,090)	<b>(65,033)</b>	(69,876)
Borrowings	19	<b>(8,476)</b>	(8,505)	<b>(8,476)</b>	(8,505)
Provisions	22	<b>(501)</b>	(3,206)	<b>(501)</b>	(3,206)
<b>Total current liabilities</b>		<b>(74,956)</b>	(81,801)	<b>(74,010)</b>	(81,587)
<b>Total assets less current liabilities</b>		<b>265,762</b>	261,280	<b>259,297</b>	254,434
<b>Non-current liabilities</b>					
Borrowings	19	<b>(186,356)</b>	(157,272)	<b>(186,356)</b>	(157,272)
Provisions	22	<b>(1,048)</b>	(1,045)	<b>(1,048)</b>	(1,045)
<b>Total non-current liabilities</b>		<b>(187,404)</b>	(158,317)	<b>(187,404)</b>	(158,317)
<b>Total assets employed</b>		<b>78,358</b>	102,963	<b>71,893</b>	96,117
<b>Financed by taxpayers' equity:</b>					
Public dividend capital		<b>158,962</b>	156,833	<b>158,962</b>	156,833
Income and expenditure reserve		<b>(146,217)</b>	(127,425)	<b>(146,217)</b>	(127,425)
Revaluation reserve		<b>32,672</b>	40,233	<b>32,672</b>	40,233
Other reserves		<b>26,476</b>	26,476	<b>26,476</b>	26,476
<b>Others' equity</b>					
Charitable fund reserve	13	<b>6,465</b>	6,846	<b>0</b>	0
<b>Total taxpayers' equity</b>		<b>78,358</b>	102,963	<b>71,893</b>	96,117

The notes on pages 5 to 42 form part of these accounts.

The financial statements on pages 1 to 42 were approved by the Board on 30 May 2017 and signed on its behalf by:

Signed: .....(Interim Director of Finance)

Date: 30 May 2017

*Sickian M Arde*

Signed: .....(Chief Executive)

Date: 30 May 2017

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2017**

	Public Dividend Capital (PDC)	Income and Expenditure Reserve	Revaluation Reserve	Other reserves	Trust total	Charitable funds reserve	Group total
	£000	£000	£000	£000	£000	£000	£000
<b>Taxpayers' equity at 1 April 2015</b>	156,178	(121,275)	31,626	26,476	93,005	6,773	99,778
<b>Changes in taxpayers' equity for 2015/16</b>							
(Deficit)/surplus for the year	0	(6,377)	0	0	(6,377)	73	(6,304)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	8,834	0	8,834	0	8,834
<b>Total comprehensive (expense) / income for the year</b>	0	(6,377)	8,834	0	2,457	73	2,530
Public dividend capital received	655	0	0	0	655	0	655
PDC adjustment for cash impact of legacy transfer	0	0	0	0	0	0	0
Other transfers between reserves	0	227	(227)	0	0	0	0
<b>Taxpayers' equity at 31 March 2016</b>	156,833	(127,425)	40,233	26,476	96,117	6,846	102,963
<b>Taxpayers' equity at 1 April 2016</b>	156,833	(127,425)	40,233	26,476	96,117	6,846	102,963
<b>Changes in taxpayers' equity for 2016/17</b>							
Surplus/(deficit) for the year	0	(19,814)	0	0	(19,814)	(242)	(20,056)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	(6,539)	0	(6,539)	0	(6,539)
<b>Total comprehensive expense for the year</b>	0	(19,814)	(6,539)	0	(26,353)	(242)	(26,595)
Public dividend capital received	2,129	0	0	0	2,129	0	2,129
Public dividend capital repaid	0	0	0	0	0	0	0
Other transfers between reserves	0	1,022	(1,022)	0	0	(139)	(139)
<b>Taxpayers' equity at 31 March 2017</b>	158,962	(146,217)	32,672	26,476	71,893	6,465	78,358

Note: Additional PDC received by the Trust during the year related to funding from the Department of Health for investment in Cancer Care. The amount shown as 'Other Reserves' represents the value of assets transferred to South Tees Hospitals NHS Foundation Trust following the acquisition of the former Northallerton Health Services NHS Trust, over and above the value of Public Dividend Capital repayable on dissolution of that Trust.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017**

		<b>GROUP</b>		<b>TRUST</b>	
	<b>NOTE</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
<b>Cash flows from operating activities</b>					
Operating surplus from continuing operations		<b>(3,559)</b>	12,493	<b>(2,548)</b>	12,385
<b>Non-cash income and expense</b>					
Depreciation and amortisation	4	<b>12,616</b>	14,762	<b>12,616</b>	14,762
Net impairments	4	<b>9,955</b>	(3,680)	<b>9,955</b>	(3,680)
Decrease / (increase) in trade and other receivables	17	<b>3,561</b>	2,315	<b>2,945</b>	2,273
Decrease/(increase) in inventories	15	<b>1,218</b>	(4,861)	<b>1,218</b>	(4,861)
(Decrease)/increase in trade and other payables	18	<b>(1,602)</b>	12,959	<b>(1,008)</b>	12,745
(Decrease)/ increase in provisions	22	<b>(2,747)</b>	(195)	<b>(2,747)</b>	(195)
Other movements in operating cash flows		<b>(376)</b>	(553)	<b>(2,501)</b>	(46)
<b>Net cash generated from operations</b>		<b>19,066</b>	33,240	<b>17,930</b>	33,383
<b>Cash flows from investing activities</b>					
Interest received	7	<b>196</b>	212	<b>31</b>	58
Purchase of intangible assets	10	<b>(307)</b>	(656)	<b>(307)</b>	(656)
Purchase of property, plant and equipment	9	<b>(29,945)</b>	(18,604)	<b>(29,945)</b>	(18,604)
Sales of property, plant and equipment		<b>1,761</b>	151	<b>1,761</b>	151
<b>Net cash used in investing activities</b>		<b>(28,295)</b>	(18,897)	<b>(28,460)</b>	(19,051)
<b>Cash flows from financing activities</b>					
Public dividend capital received		<b>2,129</b>	655	<b>2,129</b>	655
Loans received		<b>37,700</b>	15,260	<b>37,700</b>	15,260
Loans repaid		<b>(4,179)</b>	(13,996)	<b>(4,179)</b>	(13,996)
Capital element of finance lease rental payments		<b>(1,151)</b>	(1,674)	<b>(1,151)</b>	(1,674)
Capital element of private finance initiative obligations		<b>(3,184)</b>	(3,700)	<b>(3,184)</b>	(3,700)
Interest on loans	8	<b>(1,735)</b>	(1,048)	<b>(1,735)</b>	(1,048)
Interest element of finance leases	8	<b>(635)</b>	(761)	<b>(635)</b>	(761)
Interest element of private finance initiative obligations	8	<b>(13,806)</b>	(14,139)	<b>(13,806)</b>	(14,139)
PDC dividend paid		<b>(2,792)</b>	(3,316)	<b>(2,792)</b>	(3,316)
<b>Net cash used in financing activities</b>		<b>12,347</b>	(22,719)	<b>12,347</b>	(22,719)
<b>Decrease in cash and cash equivalents</b>		<b>3,118</b>	(8,376)	<b>1,817</b>	(8,387)
<b>Cash and cash equivalents at 1 April</b>		<b>4,440</b>	12,816	<b>2,755</b>	11,142
<b>Cash and cash equivalents at 31 March</b>	16	<b>7,558</b>	4,440	<b>4,572</b>	2,755

## NOTES TO THE ACCOUNTS

### 1. Accounting policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS Foundation Trusts under the NHS Act 2006. NHS Improvement has directed that the accounts of NHS Foundation Trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual (DH GAM), which shall be agreed with the Secretary of State. Consequently, the following accounts have been prepared in accordance with the DH GAM 2016/17 issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. Where the NHS Foundation Trust Annual Reporting Manual permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently during the financial year when dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Basis of consolidation

The Trust is the corporate trustee to South Tees Hospitals Charity and Associated Funds which is registered with the Charity Commission, registration number 1056061. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary as the Trust has the power to govern the financial and operating policies of the charitable fund to obtain benefits from its activities for the Trust, its patients and its staff.

The charitable fund's statutory accounts are prepared to 31 March and in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. On consolidation, adjustments have been made to the charity's income, expenditure, assets and liabilities to:

- recognise and measure them in accordance with the Trust's accounting policies; and
- eliminate in full all intra-group transactions and balances.

During 2016/17 the Trust formed the South Tees Institute of Learning, Research and Innovation LLP and South Tees Healthcare Management Limited to oversee operations. The financial year end of both companies is 31 May 2017 and this will be the first year end for both companies. Operations will begin in 2017/18, therefore, due to the limited transactions of these companies in 2016/17 these companies have not been consolidated on the basis of materiality.

##### 1.2.1 Alignment to accounting policies

The accounting policies and accounts of the charitable fund have been reviewed and are consistent with those of the Trust apart from the charitable fund's accounting policies on funds and investments. Details of the accounting policies that are different and have been aligned to those of the trust are outlined below:

##### **Fund balances**

Funds held by the charitable fund can be both restricted and un-restricted. Donations come in for specific funds and each fund has its own objectives/purpose. If a general donation is made and no specific fund is identified then the monies will be paid into the General Purpose Fund, which is used to benefit patients and staff of the Group and Trust. Funds specific to wards or departments are held as un-restricted designated funds. Legacies and donations received for a specific purpose or 'trust' are recorded and accounted for as restricted funds.

##### **Investments**

Investments are stated at market value as at the balance sheet date. The Consolidated Statement of Financial Position includes the net gains and losses arising on revaluation and disposals throughout the year.

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

### 1.2.1 Alignment to accounting policies (continued)

At the financial reporting date, the Trust does not have any other interests in organisations that would classify as a subsidiary. Further information covering the nature and value of the consolidation of the charitable fund is included in Note 13 to the Accounts.

### 1.3 Critical accounting judgements and key sources of estimation in applying the Trust's accounting policies

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the accounts are highlighted below:

a) Incomplete inpatient and critical care spells - the Group and Trust prepares an estimate of income generated for incomplete spells at the year end. This estimate is based on an equivalent month end date and partially coded data to provide a basis for calculation.

b) Asset valuation and indices - the valuation of land and buildings is based on building cost indices provided by and used by the District Valuer in his valuation work. These indices are based on an indication of trend of accepted tender prices within the construction industry as applied to the Public Sector.

c) Basis of PP&E valuation - Specialised property is valued at depreciated replacement cost. The cost of VAT has been excluded from the full trust estate specialised property valuations from 1 April 2014. The Trust estate comprises both PFI and non-PFI assets in the proportion of approximately 85% and 15%. This significant management judgement was made on the basis that:

(i) the majority of the James Cook Hospital is currently under a PFI arrangement and the Trust recovers the VAT on the Unitary Payment. When the Trust recognised the property as an asset in 2009/10 in its first IFRS-based accounts it appropriately excluded VAT from the initial measurement of FV.

(ii) The majority of non-PFI assets relate to the Friarage Hospital, which transferred to the Trust in 2006. The Friarage Hospital would have formed part of the PFI development if it had been part of the Trust's assets at the date of the development.

(iii) The Trust considers that when, in the future, it procures replacement of its estate, it would do so through a PFI arrangement and would expect to recover the VAT on the PFI payments.

d) Basis of asset impairments - an assessment is made each year as to whether an asset has suffered an impairment loss.

e) Private Finance Initiative (PFI) schemes - as part of the South Tees Hospitals PFI scheme, the Group and Trust is required to pay the operator for lifecycle replacement assets. A judgement has been made that payment for the assets is accounted for in line with the operator's model over the life of the scheme. Where there is a variation between the model and the timing of actual asset replacement, the variation is dealt with as a prepayment. The prepayment is reversed at the point when asset replacement occurs.

#### 1.3.1 Going concern

The day to day operations of the Trust are funded from agreed contracts with NHS commissioners. The uncertainty in the current economic climate has been mitigated by agreeing contracts with Clinical Commissioning Groups, Local Authorities and NHS England for a further year and these payments provide a reliable stream of funding reducing the Trust's exposure to liquidity and financing problems.

The Trust's budget and expenditure plans have been prepared using national guidance on tariff and inflationary factors with income based on agreements with Commissioners. These plans show a surplus control total in 2017/18 and an in year borrowing requirement. The Annual Plan submitted in March 2017 outlined that all borrowing, amounting to £16.0 million, that is due to be utilised in 2017 will be repaid by 31 March 2018.

The Trust set testing efficiency targets in 2016/17 which included a Cost Improvement Plan of £35.0 million. In 2017/18 the target has been set at £30.2 million and the Trust believes that this forward plan provides a challenging assessment of the Trust's position.

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

### **1.3.1 Going concern (continued)**

The Trust does not have any evidence indicating that the going concern basis is not appropriate as the Trust has not been informed by Monitor that there is any prospect of intervention or dissolution within the next 12 months. In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern and the Trust has received support through the Department of Health in 2014/15, 2015/16 and 2016/17. The Trust has included an Interim Revolving Working Capital Support requirement amounting to £8.0 million during the year in the Annual Plan for 2017/18 and is in discussions with NHS Improvement and the Department of Health over the early use of this facility in June. The operational stability of the Trust is dependant on the Trust achieving the 2017/18 Cost Improvement Plan and the Trust believes that the 2017/18 Cost Improvement Plan is challenging but realistic. Based on recent discussions and past experience the Trust is confident that the funding support required in 2017/18 will be made available. The Trust has therefore concluded that while there are clearly risks associated with these assumptions these risks are not considered to represent a fundamental threat to the continuity of services provided by the Trust and hence to its ability to continue to be a going concern.

Taking the above into account, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

### **1.3.2 Key sources of estimation uncertainty**

The amounts included within Provisions, Note 22, are based upon advice from relevant external bodies, including the NHS Litigation Authority and NHS Pensions Agency.

On 31 March 2017 Land and Buildings were revalued using the Modern Equivalent Valuation methodology by the District Valuer (who is an appropriately qualified member of the Royal Institute of Chartered Surveyors). From 1 April 2014 these valuations did not include VAT (note 1.3).

## **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 Group and Trust is contracts with commissioners in respect of healthcare services.

Income relating to inpatient and critical care spells that are part-completed at the year end are apportioned across the financial years as follows:

- Inpatient spells are apportioned on the basis of the average month end value of the part completed spells; and
- Critical care is valued by applying local tariffs agreed with commissioners to estimate the level of income due to be recognised at the point of discharge.

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

The Group and 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 Group and 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.

Research and development income is recognised when the conditions attached to the grant are met. Education and training income is recognised either in equal instalments over the financial year or if the income can be identified with specific expenditure, in line with the expenditure. 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.



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

### **1.5 Employee benefits**

#### **1.5.1 Short-term employee benefits**

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

#### **1.5.2 Pension costs**

##### **NHS Pension Scheme**

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

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

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

### **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 and inventories unused at the end of the financial year.

### **1.7 Property, plant and equipment**

#### **1.7.1 Recognition**

Property, plant and equipment is capitalised if:

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

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

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

### **1.7 Property, plant and equipment (continued)**

#### **1.7.2 Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value. Land and buildings used for the Group and Trust's services or for administrative purposes are stated in the Statement of Financial Position at their re-valued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings (dwellings) – market value for existing use; or
- Specialised buildings – depreciated replacement cost.

A standard approach to depreciated replacement cost valuations has been adopted based on HM Treasury guidance and the concept of Modern Equivalent Asset (MEA) Valuations. The valuation included in the Statement of Financial Position at 31 March 2017 is based on an alternative site MEA valuation, undertaken specifically in accordance with the HM Treasury guidance which states that such valuations are an option if the Group and Trust's service requirements can be met from the alternative site. The valuation has been adjusted from 1 April 2014 to exclude VAT in line with existing VAT regulations on recovery from the cost of construction (in line with the existing PFI arrangement on the James Cook Site).

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

Professional valuations are carried out by the District Valuer of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. Asset lives have been reviewed by Cushman and Wakefield Ltd as at 1 April 2016. The impact of this revision was to reduce the depreciation charge by £2.2 million in the year.

#### **1.7.3 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.

#### **1.7.4 Depreciation**

Freehold land is considered to have an infinite life and is not depreciated. Otherwise, depreciation is charged to write off the costs or valuation of property, plant and equipment on a straight line basis over their remaining useful economic lives, in a manner consistent with the consumption of economic or service delivery benefits.

The estimated useful life of an asset is the period over which the Group and Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Group and Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease term. See note 9.4 for further information on asset lives.

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

### **1.7 Property, plant and equipment (continued)**

#### **1.7.5 Revaluation gains and losses**

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation impairment previously recognised in operating expenses, in which case they are recognised in operating income.

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".

#### **1.7.6 Impairments**

In accordance with the Department of Health Group Accounting Manual, impairments that are due to a loss of economic benefits or 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 arising from a loss of economic benefit or 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 expenses 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.

### **1.8 Intangible assets**

#### **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 Group and Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Group and Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000 and where the asset has a life of 1 year or more.

#### **1.8.2 Software**

Software which is integral to the operation of hardware e.g. 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 e.g. application software, is capitalised as an intangible asset.

#### **1.8.3 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.

Intangible assets are subsequently 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.

Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment.

An intangible asset which are 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 or IFRS 5.

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

**1.8 Intangible assets (continued)**

**1.8.4 Amortisation**

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

**1.9 Donated, government grant and other funded assets**

Donated and grant funded non-current assets are capitalised at their fair value on receipt. These are valued, depreciated and impaired as described above for purchased assets. The donation/grant is credited to income at the same time that the asset is capitalised, unless the donor has imposed a condition that the future economic benefits embodied in the grant/donation 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.

**1.10 Revenue government and other grants**

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Grants from the Department of Health, including those from the Big Lottery Fund, are accounted for as Government Grants. Where the Government Grant is used to fund revenue expenditure, it is taken to the Statement of Comprehensive Income to match the expenditure.

**1.11 Leases**

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

**1.11.1 Finance lease**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Group and Trust, the asset along with the corresponding liability is recorded at the commencement of the lease as property, plant and equipment. The value that both are recognised at 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 implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The annual rental is split between the repayment of the liability and a finance cost to achieve a constant rate of finance over the life of the lease. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and 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.

**1.11.2 Operating leases**

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the lease term. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

**1.11.3 Leases of Land and Buildings**

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

**1.12 Private Finance Initiative (PFI) transactions**

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, as interpreted in HM Treasury's Financial Reporting Manual and following the principles of the requirements of IFRIC 12. The PFI asset is recognised as an item of property, plant and equipment at its fair value together with a financial liability to pay for it in accordance with IAS 17.

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

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

**1.12.1 Services received**

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

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

### **1.12 Private Finance Initiative (PFI) transactions (continued)**

#### **1.12.2 PFI Asset**

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

#### **1.12.3 PFI liability**

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

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

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

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

#### **1.12.4 Lifecycle replacement**

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Group and 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 liability or prepayment will be recognised.

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.

#### **1.12.5 Assets contributed by the Trust to the operator for use in the scheme**

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

#### **1.12.6 Other assets contributed by the Trust to the operator**

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

### **1.13 Inventories**

Inventories are valued at either current or net realisable value using the weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

Provision is made for obsolete, slow moving and defective stock whenever evidence exists that a provision is required.

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

### 1.14 Cash and cash equivalents

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

### 1.15 Provisions

Provisions are recognised when the Group and Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Group and Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision in the Statement of Financial Position is the best estimate of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows required to settle the obligation are discounted using 3 real time HM Treasury discount rates that range from -2.70% in the short term to -0.8% for long term cash flow expectations. This excludes early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of 0.24% in real terms.

The Trust created a provision for redundancy in the year to cover the costs of restructuring required to deliver the efficiency targets identified within the Annual Plan. The provision will cover cost arising from severance and early retirements.

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

#### 1.15.1 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Group and Trust pays an annual contribution to the NHSLA which, in return, settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Group and Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Group and Trust is disclosed at Note 22 but is not recognised in the Group and Trust's accounts. Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2016/17 relates to the contribution to the Clinical Negligence Scheme for Trusts.

#### 1.15.2 Non-clinical risk pooling

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

### 1.16 Carbon Reduction Commitment Energy Efficiency (CRC) Scheme

The CRC scheme is a mandatory cap and trade scheme for non-transport CO<sub>2</sub> emissions. The Group and Trust is registered with the CRC scheme and has surrendered to the Government an allowance for every tonne of CO<sub>2</sub> emitted during the year. The Group and Trust has accounted for the purchase of the allowances from government, their subsequent actual surrender and has recognised a liability, in settlement of the obligation amounting to £15.60 per tonne of CO<sub>2</sub> emissions.

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

### **1.17 Financial Instruments and financial liabilities**

#### **1.17.1 Recognition**

financial items, which are entered into in accordance with the Group's normal purchase, sale or usage requirements. They are recognised when the Group becomes party to the financial instrument contract or when performance occurs i.e. 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 are described in policy 1.11.1.

#### **1.17.2 De-recognition**

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

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

#### **1.17.3 Classification and measurement**

The Group currently holds financial assets 'at fair value through income and expenditure' in the form of Investments. The Group does not hold any financial liabilities 'at fair value through income and expenditure' or any 'available for sale' financial assets that would require a fair value calculation and adjustment to the income statement.

#### **1.17.4 Loans and receivables**

Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments which are not quoted in an active market. They are included in current assets and non-current and current liabilities. After initial recognition, they are measured at amortised cost, less any impairment. The Group's outstanding NHS borrowings, NHS and non-NHS receivables balances, accrued income and cash and cash equivalents have been classified as financial instruments and further information is available in Note 23.

#### **1.17.5 Financial liabilities**

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. The Group's outstanding NHS and non-NHS payables balances have been classified as financial instruments and further information is available in Note 23.

Loans from the Department of Health are recognised at historical cost. The Group does hold instruments that would fall into this category in the form of finance leases and the PFI Scheme (see Accounting Policy 1.11 and 1.12 for further information).

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 is not capitalised as part of the cost of those assets.

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

### **1.17.6 Impairment of financial assets**

At the end of the reporting period, the Group assesses whether any financial assets carried at amortised cost should be impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

### **1.18 Value Added Tax**

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

### **1.19 Foreign currencies**

denominated in a foreign currency is translated into sterling at the spot exchange rate ruling on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Group's income or expense in the period in which they arise.

### **1.20 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Group and Trust has no beneficial interest in them. However, details of third party assets are disclosed in Note 26 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

### **1.21 Public Dividend Capital (PDC) and PDC dividend**

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 Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32 and 39.

An annual charge, reflecting the cost of capital utilised by the Group and Trust, is payable to the Department of Health as PDC dividend. The charge is calculated at the real 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 donated assets, average daily cash balances held with the Government Banking Services (GBS), excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health, 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 of the audit of the annual accounts.



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

### **1.22 Losses and Special Payments**

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Foundation Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

### **1.23 Accounting standards that have been issued but have not yet been adopted**

The following accounting standards, amendments and interpretations have been issued by the IASB and IFRIC which have not been applied by the Trust in these financial statements. The adoption of IFRS 9 and IFRS 14 is not expected to have a significant impact on the Group's results. The Group is in the process of assessing the impact on the financial statements from the adoption of IFRS 15 and IFRS 16.

- IFRS 9 Financial instruments (application required for accounting periods beginning on or after 1st January 2018);
- IFRS 14 Regulatory Deferral Accounts ( Not yet EU endorsed);
- IFRS 15 Revenue from contracts with customers (application required for accounting periods beginning on or after 1st January 2018); and
- IFRS 16 Leases (application required for accounting periods beginning on or after 1 January 2019).

### **1.24 Accounting standards issued that have been adopted early**

There have not been any accounting standards issued with an effective date of 1 April, 2017, that have been adopted early.

### **1.25 Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who makes the strategic decisions, is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

## **2. Operating segments**

The Group received £527.909 million under contracts with commissioners during the year (£507.136 million in 2015/16) from Clinical Commissioning Groups and NHS England, which equates to 91% (90% in 2015/16) of total Trust income. There were no other significant external customers amounting to more than 10% of total income.

The Group has reviewed the process of reporting the financial performance at a trust wide level to the Board. Only limited divisional information is reported and this is similar in the nature of the products and services provided, the nature of the production process, the type of class of customer for the product or service, the method used to provide our services and the nature of the regulatory environment.

The Board is the chief decision making body within the Group and receives monthly updates on the financial position. These reports provide a global update on the Group's actual position compared to plan on expenditure, income, current surplus/deficit and progress on capital investment. The current position on cash balances is reported in conjunction with an updated risk rating. The figures reported to the Board are consistent with those included within these accounts.

On the basis of the information provided to the Board it has been determined that there is only one operating segment, that of healthcare.

### 3. Operating income

#### 3.1 Income from activities by classification

	GROUP		TRUST	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Elective income	102,676	99,560	102,676	99,560
Non elective income	114,382	108,725	114,382	108,725
Outpatient income	80,048	76,165	80,048	76,165
Other NHS clinical income	170,589	165,715	170,589	165,715
Accident and emergency income	17,111	18,550	17,111	18,550
Community services	45,239	46,484	45,239	46,484
Private patient income	1,039	1,792	1,039	1,792
Other non-protected clinical income	180	79	180	79
<b>Total income from activities</b>	<b>531,264</b>	<b>517,070</b>	<b>531,264</b>	<b>517,070</b>
Research and development	6,753	5,378	6,753	5,378
Education and training	15,592	15,020	15,592	15,020
Charitable and other contributions to expenditure	2,105	1,683	2,105	1,683
Non-patient care services to other bodies	7,930	3,047	7,930	3,047
Sustainability and Transformation fund income	3,650	0	3,650	0
Charitable fund - incoming resources	449	1,542	0	0
Other income*	14,278	13,956	14,278	13,956
	<b>50,757</b>	<b>40,626</b>	<b>50,308</b>	<b>39,084</b>
<b>Total income from continuing operations</b>	<b>582,021</b>	<b>557,696</b>	<b>581,572</b>	<b>556,154</b>

\* Other income includes consideration arising from car parking charges £2.721 million (2015/16 £2.938 million), income in respect of recovered staff costs £0.548 million (2015/16 £0.604 million), staff accommodation £0.943 million (2015/16 £0.952 million), clinical tests £0.441 million (2015/16 £0.445 million), creche services £0.637 million (2015/16 £0.680 million) and catering £0.242 million (2015/16 £0.355 million).

Under the Terms of Authorisation the Group's total activity income from Commissioner Requested Services amounts to £528.149 million (2015/16 £515.199 million). All other activity income relates to Non-Commissioner Requested Services.

The comparable figures have been restated to be shown on a comparable basis. The total figures have changed with the reversal of impairments now being classified within operating expenditure to comply with the requirements of the Department of Health Group Accounting Manual.

#### 3.2 Income from activities by source

	2016/17 £000	2015/16 £000
<b>Group and Trust</b>		
NHS foundation trusts	60	177
Clinical Commissioning Groups and NHS England	527,909	507,136
Local authorities	0	4,071
NHS other	180	0
Non-NHS - overseas patients (non-reciprocal) (*)	258	157
Non-NHS - private patients	1,039	1,792
Non-NHS - other	0	215
NHS Injury Scheme	1,818	3,522
<b>Total income from activities</b>	<b>531,264</b>	<b>517,070</b>

(\*) Cash payments received in year from overseas visitors, where patients are charged directly by the Trust, and relating to invoices raised in the current and prior years amounted to £0.092 million (£0.086 in 2015/16). There were no additions to the provision for the impairment of receivables (no increase in 2015/16) and the value written off in year amounted to £0.006 million (£0.003 million in 2015/16).

Injury cost recovery is subject to a provision for impairment of receivables of 22.94% (2015/16 21.99%) to reflect expected rates of collection.

#### 4. Operating expenses

##### 4.1 Operating expenses comprise:

	GROUP		TRUST	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Services from NHS Foundation Trusts	5,487	4,617	5,487	4,617
Services from NHS Trusts, CCGs and NHS England	106	133	106	133
Services from other NHS bodies	29	6,523	29	6,523
Purchase of healthcare from non NHS bodies	6,052	7,049	6,052	7,049
Employee expenses - executive directors	2,238	1,641	2,238	1,641
Employee expenses - non-executive directors	177	161	177	161
Employee expenses - staff (*)	344,814	328,736	344,814	328,736
Employee expenses - charitable fund	253	264	0	0
Drug costs	57,128	52,437	57,128	52,437
Supplies and services - clinical	64,919	64,680	64,919	64,680
Supplies and services - general	30,051	26,358	30,051	26,358
Research and development	108	187	108	187
Establishment	2,406	4,508	2,406	4,508
Transport	4,324	2,248	4,324	2,248
Premises	23,811	18,094	23,811	18,094
Increase in provision for impairment of receivables	71	766	71	766
Increase/(decrease) in other provisions	180	(637)	180	(637)
Change in provisions discount rate	127	81	127	81
Inventories written down	186	100	186	100
Depreciation of property, plant and equipment	11,950	14,100	11,950	14,100
Amortisation of intangible assets	666	662	666	662
Net impairments of property, plant and equipment	9,950	(3,680)	9,950	(3,680)
Impairments of intangible assets	5	0	5	0
Audit fees - audit services - statutory audit	55	55	55	55
- audit services - charitable fund	19	4	0	0
Audit related assurance services	12	12	12	12
Clinical negligence	10,327	7,377	10,327	7,377
Legal fees	279	470	279	470
Consultancy costs (*)	1,677	1,286	1,677	1,286
Internal audit costs	231	127	231	127
Training, courses and conferences	795	880	795	880
Patient travel	91	83	91	83
Early retirements (*)	52	182	52	182
Redundancy (*)	2,305	3,576	2,305	3,576
Other services	1,243	0	1,243	0
Hospitality	2	20	2	20
Insurance	352	728	352	728
Losses, ex gratia and special payments	149	185	149	185
Other resources expended - charitable fund	1,188	1,166	0	0
Other	1,765	24	1,765	24
	<b>585,580</b>	<b>545,203</b>	<b>584,120</b>	<b>543,769</b>

(\*) within operating expenses redundancy £2.305 million (2015/16 £3.576 million), early retirements £0.052 million (2015/16 £0.182 million), consultancy costs £ nil (2015/16 £1.023 million) and employee expenses - staff £0.234 million (2015/16 £0.330million) relate to restructuring expenses incurred to facilitate transformational change.

The comparable figures have been restated to be shown on a comparable basis. The figures have changed with the note reflecting net impairments of property, plant and equipment to comply with DH GAM.

##### 4.2 Limitation on external auditors' liability

The Companies (Disclosure of Auditor Remuneration and Liability Limitations Agreements) Regulations 2008 (SI 489/2008), requires disclosure of the limitation of the external auditors' liability. The limitation amounts to £1.000 million, as stated within the external auditors' engagement letter, dated 15 December 2015.

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## 4. Operating expenses (continued)

### 4.3 Operating leases

#### 4.3.1 Arrangements containing an operating lease

Significant operating lease arrangements include photocopiers and the lease of a building for use by the Group and Trust. The terms of the leases range from 3 to 5 years.

#### Payments recognised as an expense

	2016/17 £000	2015/16 £000
<b>Group and Trust</b>		
Minimum lease payments	623	673
	<b>623</b>	<b>673</b>
<b>Total future minimum lease payments</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Payable:		
Not later than one year	532	573
Between one and five years	566	1122
Total	<b>1,098</b>	<b>1,695</b>

## 5. Employee expenses and numbers

### 5.1 Employee expenses (including Executive Directors' costs)

	2016/17			2015/16
	Total	Permanently employed	Other	Total
	£000	£000	£000	£000
Salaries and wages	277,037	277,037	0	272,378
Social security costs	26,069	26,069	0	20,628
Pension costs - defined contribution plans				
employer contributions to NHS Pensions	30,937	30,937	0	31,229
Termination benefits	2,305	2,305	0	3,576
Agency/contract staff	13,359	0	13,359	6,553
Charitable fund staff	253	253	0	264
<b>Total staff costs</b>	<b>349,960</b>	<b>336,601</b>	<b>13,359</b>	<b>334,628</b>
Costs capitalised as part of assets	(350)	(350)	0	(411)
<b>Total staff costs excluding capitalised costs</b>	<b>349,610</b>	<b>336,251</b>	<b>13,359</b>	<b>334,217</b>

The executive costs covers 13 directors (2015/16, 9) and consists of salaries amounting to £1.762 million (2015/16 £1.457 million), employers' NI contributions £0.260 million (2015/16 £0.184 million) and employers' superannuation contributions £0.216 million (2015/16 £0.159 million). Included within these values the highest paid director receives a salary amounting to £0.235 million (2015/16 £0.245 million), employers' NI contributions £0.031 million (2015/16 £0.033 million) and £0.034 million in employers' superannuation contributions (2015/16 Nil). The trust agreed an exit package with a director amounting to £0.120 million (2015/16 £0.126 million). For further information on Directors' remuneration and pension benefits please refer to the Remuneration Report in the Trust's Annual Report.

### 5.2 Monthly average number of people employed

	2016/17			2015/16
	Total	Permanently Employed	Other	Permanently Employed
	Number	Number	Number	Number
Medical and dental	873	873	0	842
Administration and estates	1,458	1,458	0	1,323
Healthcare assistants and other support staff	585	585	0	429
Nursing, midwifery and health visiting staff	2,439	2,439	0	2,548
Nursing, midwifery and health visiting learners	1,023	1,023	0	1,026
Scientific, therapeutic and technical staff	1,173	1,173	0	1,278
Other	169	0	169	119
<b>Total</b>	<b>7,720</b>	<b>7,551</b>	<b>169</b>	<b>7,565</b>
Number of staff (WTE) engaged in capital projects (included above)	<b>9</b>			<b>9</b>

Note: the figures represent the Whole Time Equivalent as opposed to the number of employees.

## 5. Employee expenses and numbers

### 5.3 Staff exit packages

#### Exit package cost band

Group and Trust	2016/17			2015/16		
	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
< £10,000	1	6	7	3	3	6
£10,000 to £25,000	2	5	7	0	2	2
£25,001 to £50,000	5	12	17	4	10	14
£50,001 to £100,000	2	10	12	9	14	23
£100,001 to £150,000	4	0	4	4	7	11
£150,001 to £200,000	0	0	0	0	0	0
> £200,001	0	0	0	0	0	0
<b>Total number of exit packages by type</b>	<b>14</b>	<b>33</b>	<b>47</b>	<b>20</b>	<b>36</b>	<b>56</b>
<b>Total resource cost £000</b>	<b>889</b>	<b>1,349</b>	<b>2,238</b>	<b>1,379</b>	<b>2,278</b>	<b>3,657</b>

Redundancy and other departure costs have been paid in accordance with NHS Agenda for Change terms and conditions. Exit costs are accounted for in full in the year of departure. Where the Group has agreed to early retirements, the additional costs are met by the Group and not by the NHS Pension Scheme. Ill health retirement costs are met by the NHS Pension scheme and are not included in the table.

### 5.4 Exit packages: non-compulsory departure payments

	2016/17		2015/16	
	Agreements number	Total value of agreements £000	Agreements number	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	33	1,349	36	2,278
<b>Total</b>	<b>33</b>	<b>1,349</b>	<b>36</b>	<b>2,278</b>

## **5. Employee expenses and numbers (continued)**

### **5.5 Retirements due to ill-health**

During 2016/17 there were 4 (2015/16, 18) early retirements from South Tees Hospitals NHS Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £0.405 million (2015/16, £1.118 million). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

### **6. Pension costs**

Past and present employees are covered by the provisions of the 2 NHS Pensions Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in each scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

#### **a) Accounting valuation**

A valuation of the scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period.

This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2017, is based on the valuation data as at 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FREM interpretations, and the discount rate prescribed by HM Treasury have been used.

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

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

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

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

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

The formal valuation used for funding purposes has been carried out on valuation data as at March 2012 and has informed the contribution rate of 14.3% used from 1 April 2017.

## **6. Pension costs (continued)**

### **c) Scheme provisions**

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

#### **Annual pensions**

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and the best of the last 3 years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

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

#### **Pensions indexation**

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in the Consumer Price Index (CPI) in the twelve months ending 30 September in the previous calendar year.

#### **Ill-health retirement**

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity.

#### **Early retirements other than ill-health**

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

#### **Death benefits**

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

#### **Additional Voluntary Contributions (AVCs)**

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

#### **Other pension funds**

Where the organisation has employees who are members of other schemes, disclosures will be required in respect of them too. Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.



7. Finance income	GROUP		TRUST	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Interest on bank accounts	31	58	31	58
Charitable fund - investment income	165	154	0	0
	<b>196</b>	<b>212</b>	<b>31</b>	<b>58</b>

## 8. Finance costs

8.1 Finance costs - interest expenses	2016/17 £000	2015/16 £000
<b>Group and Trust</b>		
Loans from Foundation Trust Financing Facility	1,735	1,048
Finance leases	635	761
Interest on late payment of commercial debts	26	0
<b>Finance costs in PFI obligations</b>		
- Main finance cost	8,399	8,682
- Contingent finance costs	5,407	5,457
<b>Total</b>	<b>16,202</b>	<b>15,948</b>

## 8.2 Impairment of assets (property, plant and equipment)

Group and Trust	2016/17 £000	2015/16 £000
<u>Income and Expenditure:</u>		
Impairment of PPE	10,015	4,261
Impairment of intangible assets	5	0
Reversal of impairments of PPE	(65)	(7,941)
Sub-total	<b>9,955</b>	<b>(3,680)</b>
<u>Other Comprehensive Income:</u>		
Impairment of PPE	6,954	0
<b>Total</b>	<b>16,909</b>	<b>(3,680)</b>

Further information on impairments is available within Note 9.3 to the Accounts.

## 8.3 Gain on disposal of assets

Group and Trust	2016/17 £000	2015/16 £000
Gain on disposal of land and buildings	1,467	0
Gain on disposal of property, plant and equipment	0	142
Losses on disposal of property, plant and equipment	(274)	(105)
<b>Total</b>	<b>1,193</b>	<b>37</b>

## 9. Property, plant and equipment

### 9.1 Property, plant and equipment comprise of the following:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
Group and Trust	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2016</b>	3,966	322,290	1,219	12,041	76,772	52	16,864	2,419	435,623
Additions purchased	0	26	0	6,746	8,805	0	626	0	16,203
Additions leased	0	2,919	0	3,270	0	0	0	0	6,189
Additions donated and government granted	0	134	0	1,464	141	0	0	0	1,739
Reclassifications from assets under construction	0	7,749	0	(13,983)	3,627	0	2,607	0	0
Reclassifications from intangibles assets	0	0	0	(34)	0	0	458	0	424
Disposals	0	(283)	0	0	(3,539)	0	0	0	(3,822)
Impairments charged to revaluation reserve	0	(6,954)	0	0	0	0	0	0	(6,954)
Revaluation surpluses	0	379	36	0	0	0	0	0	415
<b>Cost or valuation at 31 March 2017</b>	<b>3,966</b>	<b>326,260</b>	<b>1,255</b>	<b>9,504</b>	<b>85,806</b>	<b>52</b>	<b>20,555</b>	<b>2,419</b>	<b>449,817</b>
<b>Accumulated depreciation at 1 April 2016</b>	0	112,364	68	118	44,812	49	12,203	2,012	171,626
Disposals	0	0	0	0	(3,254)	0	0	0	(3,254)
Impairments	0	9,801	0	0	71	0	143	0	10,015
Reversal of impairments	0	(65)	0	0	0	0	0	0	(65)
Provided during the year	0	3,239	23	0	7,220	2	1,367	99	11,950
<b>Accumulated depreciation at 31 March 2017</b>	<b>0</b>	<b>125,339</b>	<b>91</b>	<b>118</b>	<b>48,849</b>	<b>51</b>	<b>13,713</b>	<b>2,111</b>	<b>190,272</b>
<b>Net book value at 1 April 2016</b>									
Owned	3,966	20,089	1,151	8,404	26,508	0	2,914	242	63,274
Private Finance Initiative	0	185,862	0	2,288	0	0	0	0	188,150
Finance Lease	0	440	0	0	2,716	0	1,288	0	4,444
Government granted	0	793	0	782	910	0	407	21	2,913
Donated	0	2,742	0	449	1,826	3	52	31	5,103
<b>Net book value total at 1 April 2016</b>	<b>3,966</b>	<b>209,926</b>	<b>1,151</b>	<b>11,923</b>	<b>31,960</b>	<b>3</b>	<b>4,661</b>	<b>294</b>	<b>263,884</b>
<b>Net book value at 31 March 2017</b>									
Owned	3,966	19,680	1,164	6,675	32,790	0	5,644	172	70,091
Private Finance Initiative	0	177,397	0	1,010	0	0	0	0	178,407
Finance Lease	0	360	0	0	1,861	0	895	0	3,116
Government granted	0	782	0	0	740	0	262	0	1,784
Donated	0	2,702	0	1,701	1,566	1	41	23	6,034
<b>Net book value total at 31 March 2017</b>	<b>3,966</b>	<b>200,921</b>	<b>1,164</b>	<b>9,386</b>	<b>36,957</b>	<b>1</b>	<b>6,842</b>	<b>195</b>	<b>259,432</b>

## 9. Property, plant and equipment (continued)

### 9.2 Prior year - Property, plant and equipment comprise of the following:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
<b>2015/16</b>									
<b>Group and Trust</b>									
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation at 1 April 2015</b>	3,966	308,590	1,207	7,130	72,144	52	15,639	2,419	411,147
Additions purchased	0	0	0	5,361	5,763	0	459	0	11,583
Additions leased	0	0	0	6,249	287	0	0	0	6,536
Additions donated and government granted	0	0	0	1,261	824	0	18	0	2,103
Reclassifications	0	4,878	0	(7,960)	2,334	0	748	0	0
Disposals	0	0	0	0	(4,580)	0	0	0	(4,580)
Revaluation surpluses	0	8,822	12	0	0	0	0	0	8,834
<b>Cost or valuation at 31 March 2016</b>	<b>3,966</b>	<b>322,290</b>	<b>1,219</b>	<b>12,041</b>	<b>76,772</b>	<b>52</b>	<b>16,864</b>	<b>2,419</b>	<b>435,623</b>
<b>Accumulated depreciation at 1 April 2015</b>	0	109,868	119	118	42,684	46	10,938	2,012	165,785
Disposals	0	0	0	0	(4,466)	0	0	0	(4,466)
Impairments	0	4,261	0	0	0	0	0	0	4,261
Reversal of impairments	0	(7,851)	(90)	0	0	0	0	0	(7,941)
Provided during the year	0	6,086	39	0	6,594	3	1,265		13,987
<b>Accumulated depreciation at 31 March 2016</b>	<b>0</b>	<b>112,364</b>	<b>68</b>	<b>118</b>	<b>44,812</b>	<b>49</b>	<b>12,203</b>	<b>2,012</b>	<b>171,626</b>
<b>Net book value at 1 April 2015</b>									
Owned	3,966	18,924	1,088	6,264	23,575	0	2,426	324	56,567
Private Finance Initiative	0	175,754	0	618	0	0	0	0	176,372
Finance Lease	0	757	0	0	3,589	0	1,681	0	6,027
Government granted	0	755	0	96	954	0	552	42	2,399
Donated	0	2,532	0	34	1,342	6	42	41	3,997
<b>Net book value total at 1 April 2015</b>	<b>3,966</b>	<b>198,722</b>	<b>1,088</b>	<b>7,012</b>	<b>29,460</b>	<b>6</b>	<b>4,701</b>	<b>407</b>	<b>245,362</b>
<b>Net book value at 31 March 2016</b>									
Owned	3,966	20,089	1,151	8,404	26,508	0	2,914	242	63,274
Private Finance Initiative	0	185,862	0	2,288	0	0	0	0	188,150
Finance Lease	0	440	0	0	2,716	0	1,288	0	4,444
Government granted	0	793	0	782	910	0	407	21	2,913
Donated	0	2,742	0	449	1,826	3	52	31	5,103
<b>Net book value total at 31 March 2016</b>	<b>3,966</b>	<b>209,926</b>	<b>1,151</b>	<b>11,923</b>	<b>31,960</b>	<b>3</b>	<b>4,661</b>	<b>294</b>	<b>263,884</b>

## **9. Property, plant and equipment (continued)**

### **9.3 Property, plant and equipment - revaluation**

Revaluation exercises were undertaken as at 31 March, 2017 on the Group and Trust's owned land and buildings by Mr. M. Riordan, a Royal Institute of Chartered Surveyors (RICS) qualified valuer, from the District Valuation Service for the North East, Yorkshire and Humberside. The exercise was undertaken in accordance with the HM Treasury's Modern Equivalent Asset (MEA) recommendation adjusting the valuation undertaken at 31 March, 2016, for changes in building cost indices and location factors during the year.

The exercise at 31 March, 2017, identified a revaluation decrease of £8.937 million on the James Cook Site offset by a revaluation increase amounting to £0.480m on the Friarage site. This resulted in a net impairment charge of £9.950 in operating expenses and a net impairment charge of £6.954 million to Other Comprehensive Income.

### **9.4 Economic lives of property, plant and equipment**

The remaining asset lives are as follows:

	<b>Min life Years</b>	<b>Max life Years</b>
Buildings excluding dwellings	15	90
Dwellings	62	62
Plant and machinery	1	15
Transport equipment	7	7
Information technology	3	10
Furniture and fittings	5	12

This represents the current range of asset lives relating to these assets.

### **9.5 Capital management**

The Trust's capital programme is approved on an annual basis via Capital Group, Investment Management Group, Finance Investment Committee with final approval through the Board of Directors. The full plan is included in the Annual Plan submitted to NHS Improvement. The capital programme for the year amounted to £25.0 million and included essential investment on the medical equipment replacement programme, site reconfiguration, Information technology replacement including Clinical Noting and lifecycle works under the PFI contract.

### **9.6 Donated assets**

There are no restrictions or conditions imposed by the donor on the use of a donated asset reported within the trust's Statement of Financial Position.

## 10. Intangible assets

### 10.1 Intangible assets

2016/17:	Computer software purchased	Assets under construction	Total
Group and Trust	£000	£000	£000
<b>Gross cost at 1 April 2016</b>	6,063	1,029	7,092
Additions purchased	130	164	294
Additions donated	0	0	0
Reclassifications from assets under construction	413	(447)	(34)
Reclassifications to tangible assets	34	(458)	(424)
<b>Gross cost at 31 March 2017</b>	<b>6,640</b>	<b>288</b>	<b>6,928</b>
<b>Accumulated amortisation at 1 April 2016</b>	2,958	0	2,958
Impairments charged to operating expenses	5	0	5
Provided during the year	666	0	666
<b>Accumulated amortisation at 31 March 2017</b>	<b>3,629</b>	<b>0</b>	<b>3,629</b>
<b>Net book value at 1 April 2016</b>			
Purchased	2,180	777	2,957
Donated	925	252	1,177
<b>Net book value total at 1 April 2016</b>	<b>3,105</b>	<b>1,029</b>	<b>4,134</b>
<b>Net book value at 31 March 2017</b>			
Purchased	2,244	288	2,532
Donated	767	0	767
<b>Net book value total at 31 March 2017</b>	<b>3,011</b>	<b>288</b>	<b>3,299</b>

### 10.2 Prior year Intangible assets

2015/16:	Computer software purchased	Assets under construction	Total
Group and Trust	£000	£000	£000
<b>Gross cost at 1 April 2015</b>	5,386	1,174	6,560
Additions purchased	6	346	352
Additions donated	0	180	180
Reclassifications	671	(671)	0
<b>Gross cost at 31 March 2016</b>	<b>6,063</b>	<b>1,029</b>	<b>7,092</b>
<b>Accumulated amortisation at 1 April 2015</b>	2,296	0	2,296
Provided during the year	662	0	662
<b>Accumulated amortisation at 31 March 2016</b>	<b>2,958</b>	<b>0</b>	<b>2,958</b>
<b>Net book value at 1 April 2015</b>			
Purchased	2,006	474	2,480
Donated	1,084	700	1,784
<b>Net book value total at 1 April 2015</b>	<b>3,090</b>	<b>1,174</b>	<b>4,264</b>
<b>Net book value at 31 March 2016</b>			
Purchased	2,180	777	2,957
Donated	925	252	1,177
<b>Net book value total at 31 March 2016</b>	<b>3,105</b>	<b>1,029</b>	<b>4,134</b>

## 10. Intangible assets (continued)

### 10.3. Intangible assets - asset lives

Each class of intangible asset has a finite remaining life as detailed below:

#### Economic lives of assets

	Min life Years	Max life Years
Computer software	1	7

This represents the current range of asset lives relating to these assets.

## 11. Assets held under finance leases

### 11.1 Assets held under finance leases comprise of the following:

	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
2016/17:	£000	£000	£000	£000	£000
<b>Group and Trust</b>					
<b>Cost or valuation at 31 March 2017</b>	<b>10,053</b>	<b>8,484</b>	<b>2,658</b>	<b>213,131</b>	<b>234,326</b>
<b>Accumulated depreciation at 31 March 2017</b>	<b>9,693</b>	<b>6,623</b>	<b>1,763</b>	<b>34,724</b>	<b>52,803</b>
<b>Net book value at 1 April 2016</b>					
Finance lease	440	2,716	1,288	0	4,444
PFI	0	0	0	188,150	188,150
<b>Net book value total at 1 April 2016</b>	<b>440</b>	<b>2,716</b>	<b>1,288</b>	<b>188,150</b>	<b>192,594</b>
<b>Net book value at 31 March 2017</b>					
Finance lease	360	1,861	895	0	3,116
PFI	0	0	0	178,407	178,407
<b>Net book value total at 31 March 2017</b>	<b>360</b>	<b>1,861</b>	<b>895</b>	<b>178,407</b>	<b>181,523</b>

### 11.2 Prior year assets held under finance leases:

	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
2015/16:	£000	£000	£000	£000	£000
<b>Group and Trust</b>					
<b>Cost or valuation at 31 March 2016</b>	<b>10,192</b>	<b>8,395</b>	<b>2,658</b>	<b>277,826</b>	<b>299,071</b>
<b>Accumulated depreciation at 31 March 2016</b>	<b>9,752</b>	<b>5,679</b>	<b>1,370</b>	<b>89,676</b>	<b>106,477</b>
<b>Net book value at 1 April 2015</b>					
Finance lease	757	3,589	1,681	0	6,027
PFI	0	0	0	176,372	176,372
<b>Net book value total at 1 April 2015</b>	<b>757</b>	<b>3,589</b>	<b>1,681</b>	<b>176,372</b>	<b>182,399</b>
<b>Net book value at 31 March 2016</b>					
Finance lease	440	2,716	1,288	0	4,444
PFI	0	0	0	188,150	188,150
<b>Net book value total at 31 March 2016</b>	<b>440</b>	<b>2,716</b>	<b>1,288</b>	<b>188,150</b>	<b>192,594</b>

Note: PFI arrangements includes assets constructed and financed through the PFI as part of the original scheme amounting to £72.868 million (31 March 2016, £75.790 million) and assets owned and funded by the Group and Trust of £105.540 million (31 March 2016, £112.360 million).

## 12. Capital commitments

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

Group and Trust	31 March 2017 £000	1 March 2016 £000
Property, plant and equipment	1,269	4,465
Intangible assets	42	13
<b>Total</b>	<b>1,311</b>	<b>4,478</b>

## 13. Subsidiaries and consolidation of charitable funds

The Trust's principal subsidiary undertaking, South Tees Hospitals Charity and Associated Funds, is included in the consolidation at 31 March 2017. The accounting date of the financial statements for the charitable fund is in line with the Trust date of 31 March 2017. The South Tees Institute of Learning, Research and Innovation LLP and South Tees Healthcare Management Limited both have financial year ends of 31 May 2017. The transactions of these companies in 2016/17 have not been consolidated on the basis of materiality. Key financial information for the charitable fund is provided as follows:

### 13.1 Reserves

	31 March 2017 £000	1 March 2016 £000
Restricted funds	14	520
Unrestricted funds	6,451	6,326
<b>Total</b>	<b>6,465</b>	<b>6,846</b>

Funds specific to wards or departments are held as un-restricted designated funds. Legacies and donations received for a specific purpose or 'trust' are recorded and accounted for as restricted funds. Further information covering the nature of the restricted and unrestricted funds is available within Accounting Policy 1.2.

### 13.2 Aggregated amounts relating to the charitable fund

	31 March 2017 £000	1 March 2016 £000
<b>Summary Statement of Financial Position:</b>		
Non-current assets	5,917	5,339
Current assets	3,758	1,943
Current liabilities	(3,210)	(436)
<b>Net assets</b>	<b>6,465</b>	<b>6,846</b>
<b>Reserves</b>	<b>6,465</b>	<b>6,846</b>
<b>Summary Statement of Financial Activities:</b>		
Income	2,679	2,612
Expenditure	(3,525)	(2,350)
<b>Total</b>	<b>(846)</b>	<b>262</b>
Net realised gains on investment assets and other reserve movements.	604	(189)
<b>Net movement in funds</b>	<b>(242)</b>	<b>73</b>

### 13. Subsidiaries and consolidation of charitable funds (continued)

In 2016/17 eliminations consisted of a £2.065 million adjustment to income and expenditure for capital transactions (£0.916 million in 2015/16) and adjustments to working capital amounted to £2.144 million (£0.138 million in 2015/16).

The above summary statements have initially been presented before group eliminations with an explanation to reconcile to the amounts included within the consolidated statements. As per accounting policy 1.2 the accounts of the charitable fund has been consolidated in full after the elimination of intra group transactions and balances.

### 14. Other investments

The investment portfolio of the charitable fund is managed by Barclays Wealth. Cash funds are held outside the portfolio by the fund to deal with short term cash flow issues.

	31 March 2017 £000	March 2016 £000
Market value brought forward	5,339	5,540
Additions	2,830	707
Disposals	(2,856)	(719)
Fair value (losses) / gains	604	(189)
<b>Market value at 31 March</b>	<b>5,917</b>	<b>5,339</b>
<b>Investments held:</b>		
Bonds	732	1,432
Equities	4,655	3,104
Alternative assets	363	459
Other holdings	167	344
	<b>5,917</b>	<b>5,339</b>

### 15. Inventories

	31 March 2017 £000	March 2016 £000
<b>Group and Trust</b>		
Drugs	2,131	1,986
Consumables	9,325	10,680
Energy	22	30
<b>Total</b>	<b>11,478</b>	<b>12,696</b>
<b>15.2 Inventories recognised in expenses</b>	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
<b>Group and Trust</b>		
Inventories recognised as an expense	120,051	113,389
Write-down of inventories recognised as an expense	186	100
<b>Total</b>	<b>120,237</b>	<b>113,489</b>



## 16. Cash and cash equivalents

	Group		Trust	
Group and Trust	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
At 1 April	4,440	12,816	2,755	11,142
Net change in year	3,118	(8,376)	1,817	(8,387)
<b>Balance at 31 March</b>	<b>7,558</b>	<b>4,440</b>	<b>4,572</b>	<b>2,755</b>
<b>Broken down to:</b>				
Cash with the Government Banking Service	4,435	2,654	4,435	2,654
Commercial banks and in hand	3,123	1,786	137	101
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>7,558</b>	<b>4,440</b>	<b>4,572</b>	<b>2,755</b>

## 17. Trade and other receivables

### 17.1 Trade and other receivables

	Group		Trust	
Group and Trust	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
<b>Current</b>				
NHS receivables	5,180	4,741	5,180	4,741
Other receivables with related parties	842	1,270	842	1,270
Other trade receivables	7,223	8,964	8,385	8,964
VAT	2,262	2,194	2,262	2,194
Accrued income	9,128	8,678	9,458	8,642
PDC dividend receivable	348	0	348	0
Provision for the impairment of receivables	(775)	(893)	(775)	(893)
Prepayments	27,414	25,479	27,414	25,479
<b>Total</b>	<b>51,622</b>	<b>50,433</b>	<b>53,114</b>	<b>50,397</b>
<b>Non-current</b>				
Other receivables	2,582	3,170	2,582	3,170
Provision for the impairment of receivables	(1,170)	(1,015)	(1,170)	(1,015)
<b>Total</b>	<b>1,412</b>	<b>2,155</b>	<b>1,412</b>	<b>2,155</b>

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

**17. Trade and other receivables (continued)**

<b>17.2 Receivables past their due date but not impaired</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Ageing of impaired receivables</b>		
Up to three months	<b>3,139</b>	2,299
In three to six months	<b>183</b>	900
Over six months	<b>1,373</b>	1,008
<b>Total</b>	<b>4,695</b>	4,207
<b>Ageing of non-impaired receivables past their due date</b>		
Up to three months	<b>3,203</b>	3,710
In three to six months	<b>433</b>	707
Over six months	<b>1,549</b>	465
<b>Total</b>	<b>5,185</b>	4,882

Ageing of impaired receivables includes non-NHS debtors and non-impaired receivables includes NHS debtors. The Group and Trust does not hold any collateral against these outstanding receivables.

<b>17.3 Provision for impairment of receivables</b>	<b>1 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>1,908</b>	1,149
Amount utilised	<b>(34)</b>	(7)
Increase in provision	<b>71</b>	766
<b>Balance at 31 March</b>	<b>1,945</b>	1,908

The provision relates to outstanding Compensation Recovery Unit debts concerning Road Traffic Accidents (22.94% provision created on all outstanding debt), and provisions on non-NHS debtors (providing between 25 and 100% dependant on the age and type of debt) and specific provisions on individual invoices in dispute and in formal recovery. The Group does not hold any collateral in support of these debts.

**18. Trade and other payables**

	<b>GROUP</b>		<b>TRUST</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current</b>				
Interest payable	<b>0</b>	44	<b>0</b>	44
NHS payables	<b>8,705</b>	9,436	<b>8,705</b>	9,436
Amounts due to other related parties	<b>3,866</b>	5,154	<b>3,866</b>	5,154
Other trade payables - revenue	<b>31,116</b>	28,891	<b>31,116</b>	28,891
Other trade payables - capital	<b>4,010</b>	6,912	<b>4,010</b>	6,912
Taxes payable (VAT, Income Tax and Social Security)	<b>7,878</b>	7,236	<b>7,878</b>	7,236
PDC payable	<b>0</b>	201	<b>0</b>	201
Accruals	<b>4,431</b>	3,451	<b>3,485</b>	3,237
Receipts in advance	<b>1,670</b>	3,535	<b>1,670</b>	3,535
Other payables	<b>4,303</b>	5,230	<b>4,303</b>	5,230
<b>Total current trade and other payables</b>	<b>65,979</b>	70,090	<b>65,033</b>	69,876

Other payables includes £4.303 million for outstanding pensions contributions (31 March 2016, £4.293 million).

## 19. Borrowings

Group and Trust	31 March 2017 £000	31 March 2016 £000
<b>Current</b>		
Loans from Foundation Trust Financing Facility	4,179	4,038
Obligations under:		
Finance leases	1,011	1,283
Private finance initiative contracts	3,286	3,184
<b>Total current borrowings</b>	<b>8,476</b>	<b>8,505</b>
<b>Non-current</b>		
Loans from Foundation Trust Financing Facility	85,227	51,847
Obligations:		
Finance leases	2,083	3,094
Private finance initiative contracts	99,046	102,331
<b>Total non-current borrowings</b>	<b>186,356</b>	<b>157,272</b>

The loans from the Foundation Trust Financing Facility covers periods ranging from 5 to 25 years and loan rate payment terms range from 0.77% to 3.84%. The loans are not secured against Trust assets.

## 20. Finance lease obligations

Significant contractual arrangements have been reviewed to assess compliance with IAS 17. Those identified as finance lease obligations include the Group and Trust's equipment agreements and Managed Service Contracts for Energy Management and the Picture Archiving and Communications System. The term of leases range from 5 to 15 years in line with the economic lives of the individual assets.

Minimum lease payments outstanding on the lease agreements amount to £4.476 million (£6.208 million as at 31 March 2016). The Present Value of minimum lease payments included on the Group and Trust's Statement of Financial Position amounts to £3.094 million (£4.377 million at 31 March 2016), with the variance of £1.382 million (£1.831 million at 31 March 2016) relating to future finance charges on the agreements. The values disclosed do not include any liabilities relating to the private finance initiative.

Amounts payable under finance leases:	Minimum lease payments	
Group and Trust	31 March 2017 £000	31 March 2016 £000
Within one year	1,476	1,743
Between one and five years	3,000	4,064
After five years	0	401
Less: finance charges allocated to future years	(1,382)	(1,831)
Present value of minimum lease payments	<b>3,094</b>	<b>4,377</b>
<b>Net lease liabilities</b>		
Not later than one year	1,011	1,283
Later than one year and not later than five years	2,083	2,787
Later than five years	0	307
	<b>3,094</b>	<b>4,377</b>

Note: the Group and Trust does not offer any leases as a Lessor and does not recover any rental income through such arrangements.

## 21. Private finance Initiative contracts

### 21.1 PFI schemes on-Statement of Financial Position

The scheme was for the development of the James Cook University Hospital (JCUH) site resulting in the rationalisation of four existing sites into one. Services at Middlesbrough General Hospital, North Riding Infirmary and West Lane Hospital transferred to JCUH upon completion of the scheme in August 2003.

The scheme comprised 60,000m<sup>2</sup> of new build with 11,000m<sup>2</sup> of refurbishment, with an approximate capital cost of £157 million. Upon completion of the scheme the Trust granted a head lease with associated rights to Endeavour SCH Plc for a period of 30 years. Endeavour maintain the site, providing facilities management services via Sovereign Healthcare (part of Carillion Group), and grant an underlease with associated rights to the Trust for the use of the buildings. The Trust makes a unitary payment, quarterly in advance, to Endeavour SCH Plc for use of the building and associated facilities management services that amounts to approximately £49.640 million per annum excluding VAT. An element of the payment is also set aside to fund lifecycle expenditure amounting to £6.334 million. In return the Trust receives guaranteed income of approximately £0.281 million in respect of mall retail units,

The annual service fee is indexed linked in line with the 12 month rolling average of retail price indices (CHAW) as at January of each year, for the following contract year. The availability fee is uplifted in line with RPI twice a year based upon the published CHAW indices for March (effective from 1 April) and September (effective from 1 October).

The soft services element of the facilities management service is subject to market testing or benchmarking every 5 years, although the Trust has the option to extend this period by a further 12 months. The hard service element of the service is subject to benchmarking every 10 years.

Upon the Contract Period Expiry Date the Trust has a number of options ("the Expiry Options"):

- to extend the agreement on terms to be agreed with the concessionaire;
- to re-tender for the provision of services;
- to leave the hospital and terminate the underlease; and
- to remain in the hospital and assume responsibility for the provision of services.

Under IFRIC 12, the asset has been treated as an asset of the Trust. The substance of the contract is that the Trust has a finance lease and payments to the contractor comprise 2 elements; an imputed finance lease charge and service charges.

Total imputed finance lease obligations for on-Statement of Financial Position PFI contracts due:

Group and Trust	31 March 2017 £000	31 March 2016 £000
Not later than one year	11,422	11,583
Later than one year, not later than five years	40,348	41,100
Later than five years	141,937	152,606
Sub total	193,707	205,289
Less: interest element	(91,375)	(99,774)
<b>Total</b>	<b>102,332</b>	<b>105,515</b>
<b>Net PFI liabilities</b>		
Not later than one year;	3,286	3,184
Later than one year and not later than five years;	9,795	9,762
Later than five years	89,251	92,569
	102,332	105,515

## 21. Private finance initiative contracts (continued)

### 21.2 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-Statement of Financial Position PFI contracts was £26.565 million (2015/16 £24.985 million).

The Trust is committed to the following annual charges:

	31 March 2017	31 March 2016
Group and Trust	£000	£000
Not later than one year	24,858	24,045
Later than one year, not later than five years	105,804	96,180
Later than five years	365,044	312,585
<b>Total</b>	<b>495,706</b>	<b>432,810</b>

### 21.3 Total concession arrangement charges

The Trust is committed to the following annual payments in respect of the PFI.

	31 March 2017	31 March 2016
Group and Trust	£000	£000
Not later than one year	50,484	49,081
Later than one year, not later than five years	216,093	202,803
Later than five years	760,270	733,422
<b>Total</b>	<b>1,026,847</b>	<b>985,306</b>

### 21.4 Total unitary payment charge on PFI scheme

The unitary payment paid in year to the service concession operator is made up as follows:

	31 March 2017	31 March 2016
Group and Trust	£000	£000
Interest charge	8,399	8,682
Repayment of finance lease liability	3,184	3,700
Service element	26,565	24,985
Capital lifecycle maintenance	6,334	5,072
Contingent rent	5,407	5,457
<b>Total</b>	<b>49,889</b>	<b>47,896</b>

## 22. Provisions

Group and Trust	Current		Non-current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Pensions relating to staff	107	105	578	602
Legal claims	394	304	470	443
Redundancy	0	2,797	0	0
<b>Total</b>	<b>501</b>	<b>3,206</b>	<b>1,048</b>	<b>1,045</b>
Group and Trust	Pensions relating to staff	Legal claims	Redundancy	Total
	£000	£000	£000	£000
At 1 April 2016	707	747	2,797	4,251
Arising during the year	0	278	0	278
Changes in discount rate	58	69	0	127
Utilised during the year	(125)	(132)	(2,797)	(3,054)
Reversed unused	0	(98)	0	(98)
Unwinding of discount	45	0	0	45
<b>At 31 March 2017</b>	<b>685</b>	<b>864</b>	<b>0</b>	<b>1,549</b>
<b>Expected timing of cash flows:</b>				
- not later than one year;	107	394	0	501
- later than one year and not later than five years;	358	131	0	489
- later than five years.	220	339	0	559
<b>Total</b>	<b>685</b>	<b>864</b>	<b>0</b>	<b>1,549</b>

### Pensions relating to staff

The amounts relate to sums payable to former employees who have retired prematurely. The outstanding liability is based on actuarial guidance from the NHS Pension Agency using computed life expectancies for the pension recipients. Variations in life expectancy will impact on these figures and the timings of payments. There is no contingent liability associated with this provision.

### Legal claims

The timings and amounts within the provision are based upon the NHS Litigation Authority's assessment of probabilities in line with IAS 37 guidance. The provision relates to employer and public liability claims with the Group and Trust raised by staff and patients. This provision also includes injury benefit claims made by NHS employees with the level of awards determined by the NHS Pension Agency. The discounted provision is based on notifications received from the agency.

£201.807 million is included in the provisions of the NHS Litigation Authority at 31 March 2017, in respect of clinical negligence liabilities of the Group and Trust (2015/16 £189.227 million). This is not provided for within these financial statements.

### Redundancy

This provision related to redundancy and voluntary severance costs arising from service restructures delivered in 2016/17. These are in line with the efficiencies and savings targets required within the Trust's Recovery Plan.

## 23. Financial instruments

### 23.1 Financial assets

	GROUP		TRUST	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
<b>Loans and receivables</b>				
Trade and other receivables excluding non financial assets	23,010	24,915	24,502	24,879
Cash and cash equivalents at bank and in hand	7,558	4,440	4,572	2,755
<b>Assets at fair value through income and expenditure</b>				
Investments	5,917	5,339	0	0
<b>Total</b>	<b>36,485</b>	<b>34,694</b>	<b>29,074</b>	<b>27,634</b>

There are no significant differences between book and fair value on the Trust's current assets and liabilities.

### 23.2 Financial liabilities

	GROUP		TRUST	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Borrowings excluding finance lease and PFI liabilities	(89,406)	(55,885)	(89,406)	(55,885)
Obligations under finance leases	(3,094)	(4,377)	(3,094)	(4,377)
Obligations under PFI contracts	(102,332)	(105,515)	(102,332)	(105,515)
Trade and other payables excluding non financial liabilities	(56,431)	(59,118)	(55,485)	(58,904)
<b>Total</b>	<b>(251,263)</b>	<b>(224,895)</b>	<b>(250,317)</b>	<b>(224,681)</b>

There are no significant differences between book and fair value on the Trust's current assets and liabilities.

### 23.3 Maturity of financial liabilities

	GROUP		TRUST	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
In one year or less	(64,907)	(67,248)	(63,961)	(67,034)
In more than one year but not more than two years	(13,910)	(8,335)	(13,910)	(8,335)
In more than two years but not more than five years	(61,722)	(19,756)	(61,722)	(19,756)
In more than five years	(110,724)	(129,556)	(110,724)	(129,556)
<b>Total</b>	<b>(251,263)</b>	<b>(224,895)</b>	<b>(250,317)</b>	<b>(224,681)</b>

## **23. Financial instruments (continued)**

### **23.4 Fair values of financial liabilities**

There were no non current trade and other payables held by the Group at the end of the current or prior reporting year.

### **23.5 Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the year in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Foundation Trust has with Clinical Commissioning Groups and NHS England and the way that these are financed, the NHS Foundation 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 Group has limited powers to invest surplus funds and can only borrow to the Prudential Borrowing Limit approved by Monitor. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Group in undertaking its activities.

The Group's treasury management operations are carried out by the finance department, within parameters defined formally within the Group's Treasury Management Policy and Standing Financial Instructions agreed by the Board. A key theme of the Group's strategic direction is business stability which means achieving target levels of financial surplus to enable investment. To support this target, the key objectives of the Treasury Management Policy include the achievement of a competitive return on surplus cash balances, ensure competitively priced funds are available to the Group when required and effectively identifying and managing financial risk.

#### **Currency risk**

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

#### **Interest rate risk**

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

The Trust is exposed to Interest rate risk on the PFI scheme due to the linkage of the availability payment to RPI which impacts on contingent rent, PFI lifecycle and non-operating expenditure.

#### **Credit risk**

Because the majority of the Group's income comes from contracts with other public sector bodies, the Group has low exposure to credit risk. The maximum exposures as at 31 March 2017 are in receivables from customers, as disclosed in Note 17.

The financial instruments utilised by the Group and Trust are deemed to be minimum risk; in relation to borrowing the Group and Trust has utilised the NHS Financing Facility with debt repayments linked to the economic life of the assets. In relation to investments, the Group and Trust only uses United Kingdom based financial institutions, investing a maximum of £4.000 million with one organisation for a period not exceeding 3 months. This is in line with Monitor guidance and investments are based on approved counterparty listings, supplied by Sector Treasury Services Ltd, and based on the ratings of leading credit rating agencies. Group treasury activity is subject to review by the Group's internal auditors.

#### **Liquidity risk**

The Group's operating costs are incurred under contracts with Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament. The Group and Trust funds its capital expenditure from funds obtained within its prudential borrowing limit and does not have any flexibility to vary principal or interest payments on any of its fixed term liabilities, including those relating to the PFI contract. This inability to vary its long term debt repayments introduces an element of risk into the medium term financial planning process. Further information on risk within the Group and Trust's annual plans is included within the Accounting Policy on Going Concern in Note 1.3.1.



## 24. Events after the reporting year

There have been no significant events after the end of the reporting year.

## 25. Related party information

### 25.1 Related party transactions

South Tees Hospitals NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health. The note has been prepared in accordance with the requirements of IAS 24 "Related Party Disclosures".

### 25.2 Whole of Government Accounts bodies

All government bodies which fall within the Whole of Government accounts boundary are regarded as related parties because they are all under the common control of HM Government and Parliament. This includes for example, all NHS bodies, all local authorities and central government bodies.

Significant transactions and balances with all Whole of Government account bodies are detailed below. The following tables incorporates information extracted from the accounts of the Group and Trust and is included in the income, expenditure and on the face of the Statement of Financial Position of the Group and Trust for the financial year ending 31 March, 2017.

	Income 2017 £000	Expenditur 2017 £000	Receivables 2017 £000	Payables 2017 £000
NHS Cumbria CCG	730	0	0	0
NHS Darlington CCG	5,590	0	1	1
NHS Durham Dales, Easington and Sedgfield CCG	10,843	0	150	18
NHS Hambleton, Richmondshire and Whitby CCG	81,534	34	1862	321
NHS Harrogate and Rural District CCG	2,725	0	118	9
NHS Hartlepool and Stockton-on-Tees CCG	38,298	0	0	4
NHS Newcastle Gateshead CCG	491	0	0	0
NHS North Durham CCG	1,201	0	0	0
NHS Scarborough and Ryedale CCG	767	0	48	0
NHS South Tees CCG	223,016	0	1,422	1,149
NHS Sunderland CCG	448	0	0	1
NHS Vale of York CCG	1,274	0	111	1
Cumbria, Northumberland, Tyne and Wear Area	7,183	0	90	0
NHS England	3,868	0	11	0
North East Specialised Commissioning	150,854	0	3,655	0
North Yorkshire and the Humber Area Team	1,448	0	63	0
South Central Area Team	2,458	0	0	0
Department of Health	1,153	5	267	0
Health Education England	15,693	0	52	0
Other NHS bodies	5,433	118	663	98
County Durham & Darlington NHS Foundation Trust	937	2,112	351	1,749
Harrogate and District NHS Foundation Trust	357	8	271	128
Newcastle Upon Tyne Hospitals NHS Foundation	2,795	578	294	358
North Tees and Hartlepool NHS Foundation Trust	1,227	2,368	1,982	3,535
Tees, Esk and Wear Valleys NHS Foundation Trust	1,463	160	363	159
Salford Royal NHS Foundation Trust	0	769	0	88
Other Foundation Trusts	421	374	245	470
NHS Blood and Transplant	0	675	0	193
NHS Litigation Authority	0	10,327	0	0
NHS Property Services	548	7,289	247	4,498
Middlesbrough Borough Council	745	889	128	335
North Yorkshire County Council	453	138	0	201
Redcar and Cleveland Borough Council	852	6	363	0

**25. Related party information (continued)**

	Income	Expenditure	Receivables	Payables
	2017	2017	2017	2017
	£000	£000	£000	£000
HM Revenue and Customs	0	26,069	2,262	7,878
NHS Pensions Agency	0	30,937	0	4,303
NHS Professionals	0	5,781	0	396
Ministry of Defence	197	880	56	0

Significant transactions and balances with all Whole of Government account bodies in 2015/16 are detailed below:

	Income	Expenditure	Receivables	Payables
	2016	2016	2016	2016
	£000	£000	£000	£000
NHS Cumbria CCG	756	0	17	0
NHS Darlington CCG	5,466	0	60	548
NHS Durham Dales, Easington and Sedgefield CCG	10,341	0	63	181
NHS Hambleton, Richmondshire and Whitby CCG	78,692	0	2093	305
NHS Harrogate and Rural District CCG	2,292	0	253	8
NHS Hartlepool and Stockton-on-Tees CCG	35,399	0	260	1,139
NHS North Durham CCG	959	0	145	68
NHS Scarborough and Ryedale CCG	696	0	70	0
NHS South Tees CCG	210,264	0	2,016	1,103
NHS Sunderland CCG	520	0	97	0
NHS Vale of York CCG	1,215	0	6	1
NHS England	212	0	83	0
Cumbria, Northumberland, Tyne and Wear Area	10,059	0	730	124
North East Area Team	147,512	143	3,496	0
North Yorkshire and the Humber Area Team	3,201	74	26	34
South East Area Team	49	0	49	0
Department of Health	453	2	0	0
Health Education England	15,136	0	155	83
Other NHS bodies	2,795	0	954	238
County Durham & Darlington NHS Foundation Trust	732	1,808	556	2,305
Newcastle Upon Tyne Hospitals NHS Foundation	2,898	751	31	82
North Tees and Hartlepool NHS Foundation Trust	1,130	3,359	521	2,906
Northumbria Healthcare NHS Foundation Trust	1	454	11	394
Tees, Esk and Wear Valleys NHS Foundation Trust	1,376	175	102	11
Calderstones Partnership NHS Foundation Trust	0	816	0	0
Other Foundation Trusts	314	470	375	349
NHS Blood and Transplant	0	1,517	0	0
NHS Litigation Authority	0	7,811	0	0
NHS Property Services	604	6,917	0	4,559
NHS Business Services Authority	0	146	0	150
Middlesbrough Borough Council	3,148	526	549	584
North Yorkshire County Council	386	0	173	247
Redcar and Cleveland Borough Council	1,831	12	222	9
Hambleton Borough Council	0	3	0	0
HM Revenue and Customs	0	20,628	2,194	7,236
NHS Pensions Agency	0	31,229	0	5,225
NHS Professionals	0	5,245	0	0
Ministry of Defence	166	997	317	0

None of the receivable or payable balances are secured. Amounts are usually due within 30 days and will be settled in cash.

## 25. Related party information (continued)

### 25.3 Charitable funds

The Trust receives revenue and capital payments from a number of charitable funds, including South Tees Hospitals Charity and Associated Funds, certain of the trustees for which are also members of the NHS Trust Board. The accounts of South Tees Hospitals Charity and Associated Funds are consolidated into the Trust's Annual Accounts as detailed in Accounting Policies 1.2 and

### 25.4 Board members and directors

During the year no Group Board Members or members of the key management staff, or parties related to any of them, have undertaken any material transactions with South Tees Hospitals NHS Foundation Trust.

Declarations of interests, completed on an annual basis by Executive and Non-Executive Directors, have been reviewed to identify any related party relationships requiring disclosure within this note.

IAS 24 specifically requires the separate disclosure of compensation payments made to management. In line with the standard, the HM Treasury has given dispensation that this requirement will be satisfied through disclosure in the Remuneration Report included in the Group and Trust's Annual Report.

## 26. Third party assets

The Group and Trust held £291 cash and cash equivalents at 31 March 2017 (£27,089 at 31 March 2016) relating to monies held by the Group and Trust on behalf of patients.

The Group and Trust held £746,803 cash and cash equivalents at 31 March 2017 (£670,716 at 31 March 2016) which related to monies held by the Group and Trust on behalf of staff, participating in the staff savings scheme. This has been excluded from the cash and cash equivalents figure reported in the accounts.

The Group and Trust held £2,324 cash and cash equivalents at 31 March 2017 (£6,151 at 31 March 2016) which related to monies held by the Group and Trust on behalf of the staff lottery scheme. This has been excluded from the cash and cash equivalents figure reported in the

## 27. Losses and special payments

The total number and value of losses and special payments in year amounted to the following:

	2016/17		2015/16	
	Number of cases	Total value of cases £000	Number of cases	Total value of cases £000
<b>Group and Trust</b>				
<b>Losses:</b>				
Losses of cash	12	1	24	1
Bad debts and claims abandoned	44	16	59	10
Damage to buildings, property as a result of theft, criminal damage etc.	94	9	109	10
<b>Special payments:</b>				
Ex gratia payments	68	123	92	164
<b>Total</b>	<b>218</b>	<b>149</b>	<b>284</b>	<b>185</b>

The amounts included above are reported on an accruals basis and exclude provisions for future

There were no special severance payments (2015/16, there were no cases over £100,000 and there were no severance payments requiring HMT approval) arising from divisional restructuring or other cases of clinical negligence, fraud, personal injury, compensation under legal obligation or fruitless payment cases where the net payment exceeded £300,000.



