South Tees Hospitals NHS
NHS Foundation Trust

ANNUAL REPORT & accounts

1 April
2014 –
31 March
2015

"Providing seamless, high quality, safe healthcare for all."

together we do the amazing

South Tees Hospitals NHS Foundation Trust

Annual report and accounts

1 April 2014 to 31 March 2015

Presented to Parliament pursuant to
Schedule 7, paragraph 25 (4)(a) of the
National Health Service Act 2006.

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ABOUT US

South Tees Hospitals NHS Foundation Trust runs The James Cook University Hospital in Middlesbrough and the Friarage Hospital in Northallerton, providing district general hospital services for the local population.

We also offer a range of specialist regional services to 1.5million people in the Tees Valley and parts of Durham, North Yorkshire and Cumbria, with a particular expertise in heart disease, neurosciences, children's 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 community services from Hambleton, Richmondshire, Middlesbrough and Redcar and Cleveland, including services at:

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

The organisation is built on the dedication and hard work of our staff and we are very proud of our 9,000 workforce. We are continuing to build links with the Universities of Teesside, Durham and Newcastle and have a purpose-built academic centre with medical students and nursing and midwifery students doing their clinical placements on site.

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.

Our continued links with the Ministry of Defence Hospital Unit (MDHU) also go from strength to strength with both organisations benefiting from close working arrangements; military staff having the opportunity to develop their clinical skills for use on operations while the trust benefits from the input of staff who have gained experience on duty.

OUR VISION AND VALUES

Our mission -
what we do, our purpose

- Seamless, high quality, safe healthcare for all

Our vision -
how well we will do it, our aspirations

- To be recognised nationally for excellence in quality, patient safety, patient experience, social engagement and continuous improvement

Our values -
how we work together

- 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

To deliver our strategy and achieve our aspirations, all our plans - at every level from ward to board - will be focussed on transformation or continuous improvement in four themes:

Quality, safety and patient experience

- Service quality, safety and patient experience
- Specialised services development
- Deliver integrated care
- Forefront of clinical innovation

Operational excellence

- Improved patient flow
- Improved innovation processes
- Strong governance and risk management

Business sustainability

- Improved cost control
- Increased productivity
- Increased revenue and market share
- Enhanced services

Organisational capability

- Workforce development
- Continuous service improvement culture
- Strong partnerships and community engagement
- Improved information

STRATEGIC REPORT

As a trust we will continue to focus on what we aspire to do best and be recognised for nationally; putting patients at the centre of everything we do by providing high quality, safe and integrated specialist, secondary and community health services.

This has to be set against the context of a changing health and social care system and difficult financial environment. Changes in patients' health needs and personal preferences, treatments, technologies and care delivery mean the trust must continue to adapt and evolve to meet new challenges and embrace opportunities.

Some of what can be done is in our own hands – other actions will require strengthened partnerships with a range of stakeholders including patients, GPs, commissioners, private, public and third sector organisations.

There is also considerable challenge in understanding external risks – and the impact this could have on the trust - in terms of the future strategic configuration of services both nationally and regionally.

This is particularly apparent around the future commissioning of specialised services as the general indications are for a reduced number of centres across the country, although specific plans are not yet known.

In the population we serve there is also a significant variation in health with Middlesbrough suffering some of the highest levels of deprivation and lowest life expectancies in England. Redcar and Cleveland remains worse than the national average on most measures but not to the same extent as Middlesbrough.

In contrast, Hambleton and Richmondshire districts are relatively affluent with above average life expectancies – the main issue is an elderly and dispersed rural population, often with poor access to transport.

In 2015/2016, the organisation – having made significant changes to the Board of Directors in-year – is now clearly resolute on delivering our annual plan which is under-pinned by a three-year £90.8million financial recovery programme (2014 – 2017).

The trust's financial position was one of three areas Monitor – our independent regulator – asked us to address after we were found to be in breach of our licence in July, the others being Board governance and infection control.

Prior to – and after Monitor's announcement – a number of steps have been taken including a comprehensive independent Board governance review, executive team restructure (which included three new director appointments) and a series of actions around Clostridium difficile, including external review.

STRATEGIC REPORT

A huge amount of work was also done around 'Continuing the Journey' – the trust's intensive transformational change programme – drawing on external advice and support from McKinsey, working alongside the trust's transformation office and in strategic partnerships. The scope of work included:

- Identifying key priority areas and the development of a set of realistic improvement plans to close the financial gap
- Carrying out a review of the trust's underlying position
- Making recommendations to help the trust assure itself that the plans can be successfully implemented

Extensive reports on these issues are shared with Monitor, with progress review meetings (PRM) held regularly between the Board and our independent regulator.

In our first year in recovery (2014/2015) the trust posted a £7million deficit (an improvement of £11.4million against plan) excluding impairments and restructuring costs (£16.8million including impairments and restructuring).

We also delivered a programme of cost reduction of £26million - exceeding the £21.8milion target set – although the challenge to us in year-two is to deliver a £36million cost improvement programme recurrently. While we are committed to achieving this – and have detailed plans in place of £27million – it will be a significant challenge and we have identified this as a risk in the annual plan.

The trust has also identified Clostridium difficile as a quality risk. We failed to meet our annual target – recording 76 cases against a target of 49 – and are currently subject to an enforcement action by Monitor.

This remains the Board's top concern and the organisation is working hard with commissioners, GPs, external experts and staff trust-wide to address the causes of this infection.

In terms of overall performance, the trust was fully compliant in meeting the 18-week referral to treatment target for admitted patients throughout 2014/2015 – a testament to staff as this was the organisational pressure which prompted Monitor's investigation in 2013.

However a busy winter period and rise in emergency activity meant the organisation - along with many others across the country – failed the four-hour accident and emergency target in the last two quarters of the year as demand for services increased.

The trust recognises this is an operational risk and has commissioned external support around the redesign of the emergency care pathway to reduce avoidable admissions, streamline patient flow, reduce length of stay and improve discharge processes. This work is being done in collaboration with our commissioners.

In December, the Care Quality Commission carried out a four-day inspection of all of our hospital sites and premises in both acute and community settings and had no serious concerns or enforcement actions. A quality summit is expected to be held in the summer of 2015 and actions for improvement will be taken forward on receipt of the CQC's final report.

In addition, we received strong endorsement from patients responding to national patient surveys – achieving some of our best ever results in the cancer patient experience and accident and emergency surveys - and the friends and family test.

Following a long period of engagement and consultation led by Hambleton, Richmondshire and Whitby Clinical Commissioning Group, changes were made to paediatric and maternity services at the Friarage Hospital in October with a midwifery-led unit and children's short-stay assessment unit now in operation.

Working closely with the CCG and other partners, the trust has ambitious plans to address the rising challenges of looking after a growing, ageing population living across this wide, largely rural, area through the 'Fit 4 the Future' programme which will be rolled out in 2015/2016.

The trust also 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 on the IMProvE - Integrated Management and proactive care for the Vulnerable and Elderly - programme.

A three-month public consultation was held and a number of recommendations are being taken forward including the centralisation of stroke services and consolidating and enhancing minor injury services onto a single site.

History of the trust

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) and received its terms of authorisation from Monitor, the independent regulator of NHS Foundation Trusts, on 1 May 2009. 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 – district general hospital 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 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.

Finance review

Key financial information for the year for the trust was:

- In our first year in recovery (2014/2015) the trust posted a £7million deficit (an improvement of £11.4million against plan) excluding impairments and restructuring costs (£16.8million including impairments and restructuring).
- Cash holdings amounted to £11.1million at 31 March 2015 – which was due to the early receipt of interim support funding from the Department of Health at the end of March
- Capital expenditure amounted to £21.6million (including property, plant and equipment (PPE) and intangible expenditure)

The trust delivered a programme of cost reduction of £26million which was a £4.2million improvement against the recovery plan set at £21.8million. Of this £22.5million of the delivered savings were recurrent.

Looking ahead to 2015/2016, we are forecasting a deficit of £3.1million excluding impairments and restructuring (£13.7million including impairments and restructuring). The trust is discussing with Monitor and the Department of Health the drawdown of interim support in 2015/2016 of £17.5million.

In 2014/2015, we received interim support of £24.9million which included £10.5million at the end of March 2015 for commitments in early April. Of this, £3million was repaid in mid-April and the final 2015/2016 drawdown of £10million is due in February 2016. This funding will contribute to a cash balance of £0.5million at 31 March 2016. The trust is aiming to generate its own cash surplus in 2016/2017.

We have included £36million worth of productivity and efficiency savings in this figure and our key strategic areas are to release capacity through the emergency care pathway and our service-line optimisation workstreams. This will provide the additional capacity needed to deliver the additional income workstream.

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

The group performance* in 2014/2015 included an overall deficit for the year of £17million and an overall cash position of £12.8million. Specifically the group consolidated £6.8million of charitable reserves, £5.5million of investments and £1.7million of cash. Intra-group transactions have been eliminated on consolidation.

Over the past year, the organisation invested £21.6million into the development and acquisition of property, plant and equipment and intangible expenditure, including:

- the equipment replacement programme (£4.8million) – investment in planned replacement, rolling and emergency medical equipment and information technology
- investment in IT desktop estate, windows and server development - £2.6million
- development of on-site staff and visitor car parking facilities - £3million

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

The trust has met the requirement within section 43 (2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012). This stipulates that income from the provision of goods and services and used for the purposes of healthcare in England must be greater than any income received for the provision of goods and services and used for any other purposes. There is no impact from other income received.

A full set of accounts have been prepared on a going concern basis and will be submitted to Parliament with the annual report in June 2015. 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 Monitor, the sector regulator for health services in England.

The Board of Directors does not have any evidence indicating that the going concern basis, as detailed on page 15, 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.

A full copy of the accounts is available from the director of finance and performance, Murray Building, The James Cook University Hospital.

*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.

STRATEGIC REPORT

Our strategic intent

The trust's annual plan is constructed around our four key themes for transformation or continuous improvement – quality, safety and patient experience, business sustainability, operational excellence and organisational capability. These are our intentions for 2015/2016.

Quality, safety and patient experience

Quality and safety is fundamental to maintaining and building our reputation and market share in the local health economy.

- Maintain an absolute focus on reducing the number of cases of Clostridium difficile across the organisation
- Continue to address our quality priorities for improvement (listed in detail in the quality report) to ensure we can deliver care free from avoidable harm for our patients
- Continue to develop new integrated business models and service pathways over the next two years to transform acute and community services through programmes such as IMPRovE and 'Fit for the Future' and reduce hospital admissions
- Defend, grow and maintain our market share by remaining at the leading edge of specialist services including cancer care, neurosciences, children's services and cardiothoracic surgery as well as being a major trauma centre
- Remain a lead partner in the Academic Health Science Network and Clinical Research Network North East and North Cumbria to keep our staff up-to-date with leading edge clinical practice
- Continue our commitment in delivering an outstanding patient experience through service improvement and standardisation

Business sustainability

- Reduce our cost base through innovative cost management methods to support the trust's drive towards financial sustainability (with a continued focus on the PFI contract)
- Building on the work of 2014/2015, continue to implement the transformation programme to enable the trust to deliver financially sustainable services in the long-term
- Increase revenue and market share - re-design the emergency care pathway to improve capacity, win back market share, reduce length of stay and delayed discharge, which in turn, will impact on waiting times and elective care

Operational excellence

- Improve patient flow through a robust emergency care hospital pathway with appropriate and flexible capacity, remodelling front of house activities to decrease admissions, support discharge and transform outpatients
- Increase innovation through robust service improvement and stakeholder methodologies to build and maintain our reputation as a recognised life science and healthcare system
- Strengthening our governance and risk management to support the implementation of the transformation programme, annual plan and recovery plan

Organisational capability

- Continue to develop a three-phased information technology strategy to help ensure information is available every time and everywhere it is needed
- Adopting effective and standardised methodologies to underpin service improvement training
- Develop and implement a workforce strategy, supported by an effective HR department, in line with recommendations of a recent HR review
- Further strengthening partnership working and engagement, building on the results of a communication and engagement review across the organisation and further afield

This is underpinned by our ambition to achieve our three-year recovery plan and be financially secure in order to invest in services and environmental improvements to improve quality of care

There is appetite and the capability for change over the next few years in our own processes - and in the way we work with others - but we will need to do this within a wider framework of system changes which addresses how we are remunerated and how our efficiency requirement is derived if we are to be financially and clinically sustainable.

In light of this, the Board has recognised there would be benefit from refreshing the trust's current strategy to ensure the organisation is effectively responding to the changing health and social care environment, defending and growing our market share and delivering integrated – and innovative – models of care in line with the Five Year Forward View (2014). This six-month programme will begin in June 2015.

Principal risks and uncertainties

The areas of South Tees Hospitals NHS Foundation Trust's activities to which the principal risks and uncertainties of the trust are perceived to be attributable are set out below:

- The trust is subject to enforcement action by Monitor for its failure to meet Clostridium difficile annual targets. This is a key area of quality concern and will be a challenging target to hit in 2015/2016
- Accident and emergency waiting times continue to be a concern, particularly on the James Cook site. The trust has commissioned external support for the redesign of the emergency care pathway and is also working with commissioners to redesign community services to support the delivery of this target
- The trust has taken a risk-based approach to capital expenditure and has had a review of the full-year capital programme by both Monitor and experts from NHS England. We are constrained by the PFI estate and continue to work with the provider to maximise the organisational benefit
- The trust has committed to delivering an extremely challenging £36million cost improvement plan both in-year and recurrently.
- Impact of the national financial efficiency challenges on the NHS

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

Social and community issues

Through our membership base and the Council of Governors, the trust plays an active part in its local community and, as a foundation trust, is accountable to the communities it services.

We also recognise collaborative work with strategic partners on the transformation of health and social systems across the Tees Valley and North Yorkshire, such as the IMPRovE and 'Fit 4 the Future' projects and the emergency care pathway work, is essential for future sustainability and continued quality improvement.

More than in any previous plan, this 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.

Many of these matters are explored further in detail in the strategic report and main body of the annual report and quality report.

Our employees

Headcount	Male	Female
All employees	1,574	7,473
Directors (including CEO)	3	5*
Senior managers*	6	17

* This figure does not include the directors of service strategy and infrastructure and operational services who left the organisation in-year. The above figures are taken in accordance with Occupation Code guidance – 'include as senior managers those staff at executive level and also includes those who report directly to the members of the executive team, such as assistant directors.

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.

This plan reports a deficit in 2015/2016 amounting to £3.1million excluding impairments and restructuring (£13.7million including impairments and restructuring) and a further borrowing requirement of £17.5million. In total in 2014/2015, the trust has borrowed £14.4million (£7.2million as interim capital and £7.2million as interim revenue support) from the Department of Health in February 2015 and a further £10.5million at the end of March in advance for 2015/2016 to fund trust commitments in early April.

The interim support was converted into loan funding on 23 March 2015 with £7.2million becoming interest only with repayment of the principal due in March 2020 and the remaining £7.2million being on repayment terms commencing at the end of September 2015 and concluding in March 2030.

Of the £10.5million interim support funding drawdown in March 2015, £3million was repaid in April 2015 and it is anticipated that the final drawdown of borrowing in 2015/2016 will take place in February 2016. The trust has set testing efficiency targets, including cost improvement plans amounting to £36million in 2015/2016. The trust believes that this forward plan provides a realistic assessment of the trust's position.

The trust recognises that there was an urgent need to develop a wider programme for delivery of recurrent savings and to derive benefits from transformational change. The trust has, therefore, formed a transformation team to build on the work undertaken by McKinsey & Company and develop these cost reduction programmes with the aim of delivering a stable financial plan.

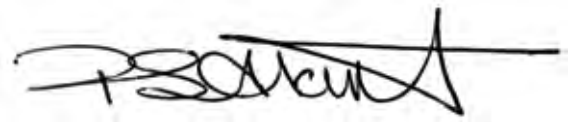
The trust does not have any evidence indicating that the going concern basis is not appropriate as the trust has not been informed by Monitor that there is any prospect of intervention or dissolution within the next 12 months.

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 2014/2015 that includes an advance of funds for 2015/2016. The trust is taking forward discussions with the Department of Health over the additional funding requirement expected to amount to £10million in February 2016.

Although support has been received, there is no certainty that the efficiencies required in 2015/2016 will be delivered, or the additional funding will be obtained, and this indicates the existence of a material uncertainty that may cast significant doubt about the trust's ability to continue as a going concern.

The trust is currently subject to enforcement action from Monitor regarding its financial sustainability, Board governance and target breaches. In 2014/2015, the trust submitted a recovery plan to Monitor that outlined an underlying deficit of £18.4million (excluding impairments and restructuring costs). At the year-end, the trust reported a £7million deficit, an improvement of £11.4million on the recovery plan. The trust has demonstrated significant progress during 2014/2015 and continues to provide monthly performance updates to Monitor.

The financial statements for the trust have been prepared on a going concern basis and do not include the adjustments that would result if the trust was unable to continue as a going concern.



Chief executive - Professor Tricia Hart

4 June 2015

DIRECTORS REPORT

The directors of South Tees Hospitals NHS Foundation Trust and their positions during 2014/2015 were as follows. Further information about the membership of the Board can be found in the chapter entitled 'The Board of Directors'.

Chair and non-executive directors

- Deborah Jenkins – chairman
- David Kirby- deputy chairman
- Maureen Rutter – senior independent director
- Amanda Hullick – non-executive director (from September 2014)
- Hugh Lang – non-executive director
- Brenda Thompson – non-executive director
- Jonathan Smith – non-executive director
- Henrietta Wallace – non-executive director (retired July 2014)

Executive directors

- Professor Tricia Hart – chief executive
- Professor Robert Wilson – deputy chief executive/ medical director (retired March 2015)
- Richard Wight – medical director (from April 2015)
- Ruth Holt – director of nursing
- Chris Newton – deputy CEO/director of finance and performance
- Maxime Hewitt-Smith – acting director of finance and performance (from December 2014 to June 2015)
- Caroline Parnell – director of communications and engagement (from September 2014)
- Ruth James – director of quality assurance (from February 2015)
- Siobhan McArdle – director of transformation (from April 2015)

Following a review of the portfolios of our corporate directors, a re-structure of the executive team was implemented in September 2014 which meant Jill Moulton and Susan Watson were no longer voting members of the board.

- Jill Moulton – director of service strategy and infrastructure (voting member until September 2014)
- Susan Watson – chief operating officer (voting member until September 2014)
- Chris Harrison – director of workforce (non-voting member of Board)

Details of company directorships and other significant interests held by directors are available to the public from the chairman and chief executive's office in the Murray Building, The James Cook University Hospital.

Accounting policies for pensions and other retirement benefits are set out in note 6 to the accounts. Details of senior employees' remuneration can be found in the remuneration report section of the annual report.

The principal activities of the trust during the course of the year were, in summary, the provision of diagnostic, acute care and community services in response to the contracts placed by clinical commissioning groups and specialist commissioning bodies to a population spanning the Tees Valley, County Durham and North Yorkshire (and in the case of spinal injuries a North East of England regional service).

In total, the organisation had more than 960,000 patient contacts including 85,780 emergency admissions, 188,078 inpatients and daycases, 201,582 emergency department/urgent care/walk-in centre attendances and 484,774 outpatients.

DIRECTORS REPORT

Business review

Given the organisation's financial challenges it was, overall, another tough trading year as our fifth year as a Foundation Trust. A key issue for us was to continue to plan for a sustainable future and address the issues flagged by Monitor around Board governance, the financial position and infection control, without compromising the quality of care we provide.

These plans are covered in detail in the strategic report, the quality report and referenced throughout the annual report but from an operational and strategic perspective the following were of note:

Performance

- **Clostridium difficile** – a key patient safety issue for us – and Monitor - action plans are in place to reduce infection and turn our performance around (end-of-year figure of 76 cases against a target of 49)
- **18-week referral to treatment time for all admitted patients** – originally identified by Monitor as a key area of concern in 2013, the trust fully met the target throughout the year.
- **Accident and emergency waiting times** – high numbers of emergency admissions during the winter months meant many trusts struggled to meet this four-hour target nationally. The trust achieved 94.9% against 95% although compliance has improved month-on-month since December.

Care Quality Commission

The trust has been registered with the CQC without conditions since the introduction of the mandatory registration requirement from 1 April 2010. It was among the next wave of providers to be inspected by the CQC between 9 and 12 December with the results expected to be published early in the next financial year 2015/2016.

Monitor

Our annual plan for 2014/2015 predicted a continuity of service risk rating of one with a 'red' governance rating given we were under investigation by Monitor. Quarterly performance is set out below:

National quality measures

- **National cancer experience programme survey** – the trust achieved its best ever results with nine out of ten cancer patients rating their care at The James Cook University Hospital and Friarage Hospital as "very good" or "excellent" and some departments achieving 100% patient satisfaction.

  More than 700 patients completed the questionnaire - a response rate of 66% - and the organisation was above - or equal to - the national average in 55 out of 63 questions, scoring particularly highly when it came to privacy and dignity, information given to GPs and perceptions of staffing levels.

  The trust was, subsequently, among the first in the country to be part of a pioneering 'buddy scheme' to help other NHS trusts in England to improve cancer patients' experience of care.

  Key results:

  - 90% of patients said the care they received was excellent or very good
  - 86% had confident and trust in all the doctors treating them
  - 90% said staff gave a complete explanation of what would happen during their operation
  - 92% said they received understandable answers to important questions all/or most of the time
- **Accident and emergency** – results from the fifth survey were published in December and the trust was one of 12 in the country achieving 'better than expected' results for more than 20 of the 35 questions. More than eight of out ten respondents (83%) said their overall experience was good.
- **National inpatient survey** – results did not vary significantly from last year with the organisation being rated highly for patients' overall views and experiences during their time with us.

	Annual plan 2014/2015	Q1	Q2	Q3	Q4
Continuity of service rating	1	2	1	1	TBA*
Governance rating	Red	Red	Red	Red	TBA*

* To be announced

Staff involvement and engagement

The trust is committed to engaging with staff at all levels in order to achieve a common awareness of issues and matters affecting the organisation - and to involve employees in decision making as appropriate. Formal mechanisms to ensure they are informed and involved include:

- The joint partnership committee – a partnership between trust managers and staff side colleagues
- Formal operational management board meetings
- Formal transformation board meetings
- Leadership forums
- Monthly staff experience network group
- Involvement of staff governors on the Council of Governors
- Patient safety walkabouts
- Chief executive/chairman holding regular face-to-face briefings with staff, with themes shared in the chief executive's monthly written core briefing to all staff
- Clinicians continue to contribute to policy and clinical practice guidelines by actively engaging in various national and local clinical networks and senates across a range of specialties
- Extensive intranet and internet sites, providing information on a range of subjects including all trust policies, procedures and guidelines
- A range of corporate communication including the staff bulletin and chief executive's blog
- A range of health and wellbeing events, including the Trinity Holistic Centre playing a key role in supporting staff wellbeing with the introduction of a range of holistic therapy sessions and activities
- A range of very comprehensive networks to ensure the involvement and engagement of its professional nursing and midwifery staff

We have done a lot of work in-year to achieve a common awareness on the part of all staff of the financial and economic factors affecting the performance of the trust including open forum meetings and staff engagement events, special briefings, questionnaires, as well as corporate induction training, mandatory update training and targeted training on specific areas.

Various professional forums are in place where staff can reflect on their practice and development and staff's individual performance is managed through the appraisal process.

Employee engagement remains absolutely crucial for us and through the trust's transformational change programme we are putting staff at the heart of decision making and making service improvements. The results of a trust-wide communications and engagement audit, carried out in February/March 2015 will further influence how we inform and involve staff in the future.

NHS staff survey results summary

This year the trust carried out a sample survey – rather than a full survey – achieving a 35.05% response rate compared to the national average of 44% and full details and analysis of our results can be found in the 'our staff' section of the annual report.

The report is structured around the pledges to staff in the NHS Constitution and our overall staff engagement indicator was 3.75 – a marginal increase on last year's figure of 3.74 and in line with the national average for acute trusts in 2014.

Compared to the previous survey, there was no significant difference to results. Our overall staff engagement indicator was a rate of 3.75 – a marginal increase on last year's figure of 3.74 which, although slight, is positive given the current climate of the NHS when many trusts, including ourselves, are implementing significant change and feeling financial pressures.

Our best ranked scores were: (national average for acute trusts shown in brackets)

- Percentage of staff experiencing harassment, bullying or abuse in the last 12 months - 18% (23%)
- Support from immediate managers - 3.77 (3.65)
- Percentage of staff working extra hours - 66% (71%)
- Percentage of staff feeling satisfied with the quality of work and patient care they are able to deliver - 83% (77%)
- Percentage of staff witnessing potentially harmful errors, near misses or errors in the last month - 29% (34%)

Areas for improvement:

- Percentage of staff experiencing physical violence from staff in the last 12 months - 4% (3%)
- Percentage of staff receiving health and safety training at work in the last 12 months - 70% (77%)
- Percentage of staff reporting errors, near misses or incidents witnessed - 88% (90%)
- Percentage of staff having equality and diversity training - 56% (63%)
- Percentage of staff receiving job-relevant training, learning or development - 81% (same as the national average)

In March, the Board of Directors agreed to support a number of high level corporate/centre actions arising from the 2014 survey including a review of the staff experience network group, addressing specific issues around health and safety/equality and diversity training, regular 'you said, we did reports' and agreeing performance management mechanisms for monitoring achievement against action plans.

The staff experience network group will be reviewed and take forward analysis of the overall results and an action plan developed on the areas for improvement. Information will also be triangulated with patient surveys and the staff 'friends and family' test to see if there are any underlying trends.

DIRECTORS REPORT

Equality and diversity/human rights

The trust is committed to promoting equality, diversity and human rights, being an inclusive employer by ensuring we meet the aims of the Public Sector Equality Duty (PSED) and operates within an equal opportunities policy framework.

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, with also includes support mechanisms – if required – through the trust's occupational health and staff counselling services.

An overview of staff profile is set out in the table below:

	Staff 2013/2014	%	Staff 2014/2015	%
Age				
0-16	0	0.00%	0	0.00%
17-21	136	1.52%	132	1.46%
22+	8790	98.48%	8915	98.54%
Ethnicity				
White	7578	84.90%	7618	84.20%
Mixed	43	0.48%	45	0.50%
Asian	304	3.41%	310	3.43%
Black	45	0.50%	40	0.44%
Other	133	1.49%	151	1.67%
Unknown	823	9.22%	883	9.76%
Gender				
Male	1474	16.51%	1574	17.40%
Female	7452	83.49%	7473	82.60%
Transgender	0	0%	0	0%
Recorded Disability	168	1.88%	152	1.68%

Data extracted from the Electronic Staff record (ESR) on 31 March 2015 and includes all staff with a record on the ESR

Sickness absence

The trust's position in terms of sickness absence is consistent with both national and peer group averages, with the highest rates recorded in the nursing and midwifery group and support workers.

The organisation has a policy for the reporting, monitoring and managing sickness absence with a view to reducing rates across all staff groups to 3.9% - or lower – so we can reduce expenditure on overtime cover for such absence.

At the end of 2014/2015 the average sickness absence rate for the trust was 4.53% – a 0.37% increase on the previous year's figure of 4.16%. Constant improvement is the key to secure our organisational target.

Anti-bribery and corruption

The trust is committed to applying the highest standards of ethical conduct, following good NHS business practice and having robust controls in place to prevent bribery. However, as an organisation we cannot afford to be complacent and under no circumstances is the giving, offering, receiving or soliciting of a bribe acceptable and the trust will not tolerate this in any form.

The trust's zero tolerance approach to bribery and corruption is set out in further detail in the counter fraud, bribery and corruption policy, and across a range of other trust policies and procedural documentation. This applies to all staff and non-executives, together with contractors and agents working or acting on behalf of the trust.

All staff are responsible for gaining an understanding of the requirements, the standard of conduct expected of them and ensuring that they comply at all times with all of our policies and procedures. This includes those in relation to procurement, hospitality and the acceptance of gifts.

Bribery and corruption under the act are punishable for individuals as a criminal offence by up to 10 years imprisonment and if the trust is found to have taken part in the corruption the trust could face an unlimited fine and face incalculable damage to our reputation. The trust therefore takes its legal responsibilities very seriously.

All staff and others acting for, or on the behalf of the organisation are encouraged to report any suspected bribery in accordance with the procedures set out in either the reporting concerns at work or the counter fraud, bribery and corruption policy.

Research and development

The trust aims to integrate clinical research into the daily care received by patients and is committed to improving quality of care and to making a contribution to wider health improvement.

In year, 2,546 patients who were receiving NHS services provided or sub-contracted by the trust were recruited to 190 National Institute for Health Research (NIHR) portfolio studies – the second highest number of any partner organisation in the North east and North Cumbria – and together with other research studies, the trust is supporting over 300 projects.

The trust is also supporting 31 'commercial' research studies – the second highest number in the region – ranging from complex interventional trials involving small numbers to large non-interventional studies and was selected as a pilot site by the NIHR for its 'research awareness' initiative to raise patient awareness of research.

Further information about our research and development activity is available on page 62.

Sustainability

The trust recognises the need to operate economically and ethically and is committed to reducing its carbon emissions and taking actions to reduce its impact on the environment. The emphasis this year was on managing gas consumption to deliver financial saving and reduction in carbon emissions.

In year we launched 'South Tees unplugged' as part of our transformation work which aims to achieve a 4% (£200,000) saving in our energy use for the James Cook and Friarage sites between October 2014 and September 2015.

This forms part of our stated sustainability commitments and will help us meet our expectations, and reduce our environmental impact and the associated costs of energy and carbon. Further details can be found in the sustainability section of the annual report but key environmental performance data for 2014/2015 is below:

Area		Non-financial data	Non-financial data		Financial data (£k)	Financial data (£k)
		2013/2014	2014/2015		2013/2014	2014/2015
Waste minimisation and management	Absolute values for total amount of waste produced by the trust	2158	2249	Expenditure on waste disposal	649,237	648,746
Finite resources	Water (m3)	333,849	284,738	Water	418,017	397,838
	Electricity (GJ)	110,174	110,172	Electricity	2,746,284	2,912,408
	Gas (GJ)	227,770	202,533	Gas	1,791,958	1,518,832

Code of governance

South Tees Hospitals NHS Foundation Trust has applied the principles of the NHS Foundation Trust 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 of Directors provides effective and proactive leadership within a framework which enables risk to be assessed and managed appropriately (available in detail in the annual governance statement). The Board ensures compliance with the terms of authorisation, the constitution, mandatory guidance, relevant statutory requirements and contractual obligations. It sets the strategic aims of the trust, taking into account the views of the Council of Governors, and ensures the necessary resources are in place to meet the priorities and objectives. There is a periodic review of progress and management performance.

The Board also has systems and processes in place to monitor the economy, efficiency and effectiveness of the trust as well as quality.

Full details about the Board are available in The Board of Directors section of the annual report.

Principles and standards of clinical and corporate governance are set and overseen by standing committees of the Board. 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 accounting officer.

Specific mechanisms are in place for the appointment, terms of service and removal of executive directors.

Non-executive directors are independent and challenge and scrutinise the performance of executives in order to satisfy themselves of the integrity of the financial, clinical and other information they receive and to ensure that risk management and governance arrangements are robust and effective. There is a formal scheme of delegation and reservation powers defining which functions are reserved to the Board and which are delegated to committee and officers. There is a designated senior independent director.

As part of the Monitor enforcement action the trust commissioned an independent review of its board governance, effectiveness, capacity and capability. The review was carried out at a time when the trust was making changes to the board, appointing to key roles, and embedding further changes to the organisation's structure. The board received the independent report in February and was pleased that the independent review shared its view that once fully embedded, the changes we had begun to make prior to the review will strengthen governance in the organisation.

In response to recommendations the board has agreed an action plan against which it tracks improvements to governance processes on a monthly basis. The independent advisor will return to the trust in Autumn 2015 to take a view on how well the changes have been embedded.

Members of the Board have an invitation to attend meetings of the Council of Governors and the Constitution of the latter sets out the statutory responsibilities of governors in relation to the appointment and removal of the chairman and non-executive directors, the appointment or removal of the external auditors, the approval of the appointment of the chief executive, receiving the annual audit letter and providing input to the annual plan and its strategies. The Board determines which of its standing committees and panels may have governors as members or in attendance.

The Board complies with the provisions of the code and its key principles. Further information is available in the annual governance statement.

DIRECTORS REPORT

Our priorities for future development

Looking forward, the Board will continue to focus on enhancing our strong tradition and culture of clinically led continuous improvement in quality and safety, enhancing the specialised services we provide and ensuring greater integration of our acute and community services.

We are now clearly resolute on delivering our annual plan, which is under-pinned by a three-year £90.8million financial recovery programme (2014 – 2017) and addressing the concerns around Clostridium difficile.

Growth rates in hospital-based care will reduce as NHS funding overall diminishes and as national and local policy with regard to moving care out of hospitals and nearer to patients is developed and implemented.

With the changing health and social care environment, the Board will, this year, refresh its overall strategy to ensure the organisation can effectively respond to this, defend and develop our market share and deliver integrated models of care that best meet our population in line with the Five Year Forward Review.

These plans are covered in detail in the strategic report, the quality report and referenced throughout the annual report. There are no important events since the end of the financial year affecting the trust.

Finance review

In relation to financial instruments the trust's exposure to risk is not material in terms of the impact on assets, liabilities or the impact on the overall financial position. The trust's major financial instruments include outstanding debtors, creditors and its long term liabilities.

In relation to the PFI scheme and borrowing, the trust is not exposed to significant liquidity and cash flow risk as the majority of trust income comes from contracts with other public sector bodies. Credit and price risk is minimised as borrowing utilises the NHS Financing Facility with debt payments linked to the economic life of assets and interest charged at the National Loan Fund rate, fixed for the term of the loan.

The most significant risk relates to the delivery of the annual financial plan, where major cost pressures have been identified. Further information is detailed in the strategic report.

The financial risk management objectives and policy reference are available in the full set of accounts – note 23.

Better payment practice

The better payment practice code looks at the trust's compliance in paying its invoices - received from NHS and non-NHS trade creditors – by the due date or within 30 days of receiving goods (or a valid invoice), whichever is later.

Political and charitable donations

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

Cost allocation and charging guidance

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

Directors' statement

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.

	2014/2015		2013/2014	
	Number	£000	Number	Number
Total non-NHS trade invoices paid in the year	**112,380**	**351,042**	111,833	329,969
Total non-NHS trade invoices paid within target	**63,265**	**242,768**	54,481	273,473
Percentage of non-NHS trade invoices paid within target	**56%**	**69%**	49%	83%
Total NHS trade invoices paid in the year	**3,783**	**53,125**	3,531	53,387
Total NHS trade invoices paid within target	**1,148**	**34,664**	1,044	34,932
Percentage of NHS trade invoices paid within target	**30%**	**65%**	30%	65%

The trust incurred £1,000 in charges under the Late Payment of Commercial Debts (Interest) Act 1998.

Statement of chief executive's responsibilities as the accounting officer of South Tees Hospitals NHS Foundation Trust

The NHS 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 Monitor.

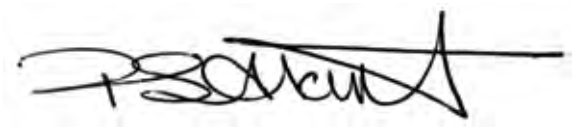
Under the NHS Act 2006, Monitor has directed South Tees Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state 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 NHS Foundation Trust Annual Reporting Manual and in particular to:

- Observe the accounts direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the *NHS Foundation Trust annual reporting 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 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*.



Professor Tricia Hart - chief executive

4 June 2015

CHAIRMAN & CHIEF EXECUTIVE'S STATEMENT

There's no doubt this has been a difficult year and while we still have so much to shout about, the last 12 months have been very challenging for the trust.

The NHS is constantly under the spotlight - from regulators, politicians, the media and the public - and while it is only right we should be held accountable when things go wrong, it should not detract from the fantastic work staff are doing for our patients, day in and day out and for that we thank them.

The culture of this organisation is very special and that was reinforced in the high level feedback we received from the Care Quality Commission after their inspection of all our hospital and community premises in December.

While we still await the CQC's final report – and will take forward any actions where we need to make improvements - no serious concerns or enforcement actions were identified.

In a changing health and social care environment, our priority was, as always, to put patients at the centre of everything we do by providing high quality, safe and integrated specialist, secondary and community services and, overall, our year-end performance did reflect that.

Despite the trust's financial challenges, we met most of our performance targets – completely turning around our 18-week wait position, which was flagged as an area of investigation by Monitor last year.

Staff continued to innovate and drive forward change to make our services even better - from leading-edge robotic surgery to establishing key patient safety initiatives such as the pressure ulcer collaborative – and feedback from patients has been consistently positive, achieving our best ever results in the national cancer patient survey.

It was a year of change. A huge amount of work was done around 'Continuing the Journey' – the trust's transformation programme – and there was a significant restructure of the Board. Children's and maternity services at the Friarage Hospital were also reconfigured following a long period of engagement and consultation and stroke services were centralised through the IMProVE programme.

The trust's financial position was also one of three areas Monitor – our independent regulator – asked us to address when we were found to be in breach of our licence in July, the others being Board governance issues and infection control and all these areas are being addressed in detail.

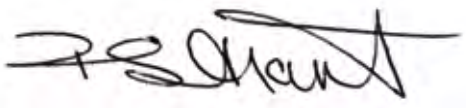
A three-year £90.8million financial recovery programme is now in place and in our first year of recovery (2014/2015), the trust had a £7million deficit (an improvement of £11.4million against plan), excluding impairments and restructuring costs.

We also delivered a programme of cost reduction of £26million - £22.5million of which was recurring – again exceeding our target although we do not under-estimate the challenge of delivering a £36million cost improvement programme in 2015/2016.

Reducing the rate of Clostridium difficile remains a key patient safety priority for us after failing to meet our annual target but we are committed to do this and are working hard with commissioners, GPs, external experts and staff.

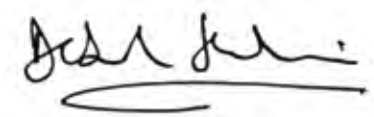
A busy winter period and rise in emergency activity also meant the trust - along with many others across the country – did not meet our four-hour accident and emergency target. In partnership with our commissioners, we are looking to redesign the emergency care pathway to reduce avoidable admissions, streamline patient flow, reduce length of stay and improve discharge processes.

In summary, our task now is to return to financial balance and, most importantly, make the necessary quality improvements to create a local NHS which we can continue to be proud of.



Professor Tricia Hart - chief executive

4 June 2015



Deborah Jenkins - chairman

4 June 2015

TRUST STRUCTURE

Board of Directors

Provides strategic direction to the trust to meet health and healthcare needs within the framework of government policy. The board is accountable both nationally (to the foundation trust regulator Monitor and to the health quality regulator the Care Quality Commission) and locally (to the council of governors and FT members) and must ensure the trust delivers high quality services within the financial resources available.

Operational Management Board

- Responsible for overall management of the trust.
- Chaired by the chief executive.
- Membership includes the chief/chiefs of each clinical centre, chairman of the senior medical staff committee and corporate directors.

Clinical centres

Clinical and diagnostic services centre:

Radiology – plain film imaging, CT, MRI, ultrasound, fluoroscopy and interventional radiology; neuroradiology; **pathology** – cellular pathology, clinical chemistry, haematology and blood transfusion, immunology, microbiology (including virology and mycology); **clinical support services** – cancer family history, clinical psychology, medical illustration, medical physics, nutrition and dietetics, occupational therapy, orthotics, pharmacy, physiotherapy, speech and language therapy, sterile services.

Integrated medical care centre:

Acute medicine, chest medicine, care of the elderly, critical care, general HDU, clinical infection, diabetes/endocrinology, **community services** - community hospitals, community nursing, community matrons, continence, dietetic and nutrition, falls, fast response teams, osteoporosis, Resolution Health Centre, intensive home support, intermediate care, lymphedema, podiatry, specialist musculoskeletal service, specialist nursing, stroke rehabilitation.

Speciality medicines centre:

Dermatology, haematology, radiotherapy and oncology, nephrology, rheumatology, palliative care, bereavement service, specialist skin service and gastroenterology. The centre also includes a directorate of primary care.

Surgical services centre:

Ear nose and throat, general and vascular surgery, ophthalmology, oral surgery, orthodontics, plastic reconstructive surgery, urology.

Tertiary services centre:

Cardiothoracic services – cardiology, cardiothoracic anaesthesia and intensive care, cardiothoracic surgery, cardiovascular primary prevention; **neurosciences** – neurology, neurophysiology, neurosurgery, disablement services centre, rehabilitation medicine; sleep medicine.

Trauma and theatres centre:

Trauma – accident and emergency, community urgent care services, orthopaedics, spinal injuries; **anaesthesia and theatres** – anaesthesia (adult and paediatric), operating theatres (day surgery and inpatient), day of surgery admission units, acute and chronic pain services, academic anaesthesia (education and research).

Women and children centre:

Community paediatricians, gynaecology, neonatology, obstetrics, paediatrics, health visitors, school nursing.

Support Directorates

- Chief executive's office
- Finance and performance
- Quality
- Nursing
- Medical director
- Transformation
- Communications and engagement

HIGHLIGHTS OF THE YEAR

Very special deliveries:

We welcomed two little boys into the world on the first day the midwifery-led maternity centre at the Friarage Hospital officially opened.

Flu fighters:

The trust's flu team were named 'best flu fighter team' at the annual national NHS flu fighter awards. This follows on from our success in achieving the highest uptake rate to-date with 75.5% of frontline healthcare workers vaccinated.

Embracing technology:

Prostate cancer patients were the first on Teesside to benefit from leading-edge robotic surgery – a da Vinci robot – which has since been used for other procedures.

Leading-edge cancer care:

The James Cook University Hospital's radiotherapy department became the first in the country to use Catalyst technology to improve further the accuracy of radiotherapy delivered to breast cancer patients.

Enhancing stroke services:

Community therapists in Middlesbrough, Redcar and Cleveland launched a stroke early supported discharge (ESD) service enabling patients - who are well enough - to return home from hospital much faster and receive up to six weeks of therapy in the familiarity and comfort of their own home.

Five star:

South Tees became the first NHS trust in the country to receive five Macmillan quality awards with the trust's purpose-built radiotherapy centre – the Endeavour Unit - the latest service to receive the prestigious Macmillan Quality Environment Mark (MQEM).

My viewpoint:

The Trinity Holistic Centre launched a pilot photography project to provide greater emotional support to men living with and beyond a prostate cancer diagnosis. Their powerful and poignant images have been displayed in an exhibition at the centre.

Fancy a game?

Nursing staff developed the Who Cares Wins board game, designed to help highlight and address key patient safety issues while promoting learning in a way that is interactive, fun and memorable.

Improving the environment:

A new purpose-built IVF unit opened its doors at The James Cook University Hospital bringing all reproductive medicine services together in one place and includes its own theatre, lab, tank room, air quality control, recovery area, patient rooms, changing rooms, reception and waiting area.

Hello my name is:

The trust joined a massive social media movement to boost compassionate care by supporting the national "Hello my name is…" campaign, led by Dr Kate Granger who became frustrated with the number of staff who failed to introduce themselves to her when she was in hospital.

#hello my name is…

Regional first:

The trust became the first in the region to be commissioned to provide middle ear implants making it a major provider for all recognised forms of hearing loss treatments.

Half way there!

South Tees Hospitals Charity and the Friends of the Friarage Hospital's ambitious appeal to raise £2million for an MRI scanner for patients across the Hambleton and Richmondshire area reached its halfway mark.

All aboard:
Minister of State for Transport, Baroness Kramer officially opened the new £2.2m Tees Valley rail station at The James Cook University Hospital. Up to 17 Northern Rail trains on the Esk Valley line now call at the new stop.

Dedicated support:
The James Cook University Hospital Voluntary Services donated a £21,000 ultrasound machine to the James Cook birthmark clinic. Patients from across the country will benefit from the state of the art machine which can treat birthmarks without the need for any surgery or scars.

UK first

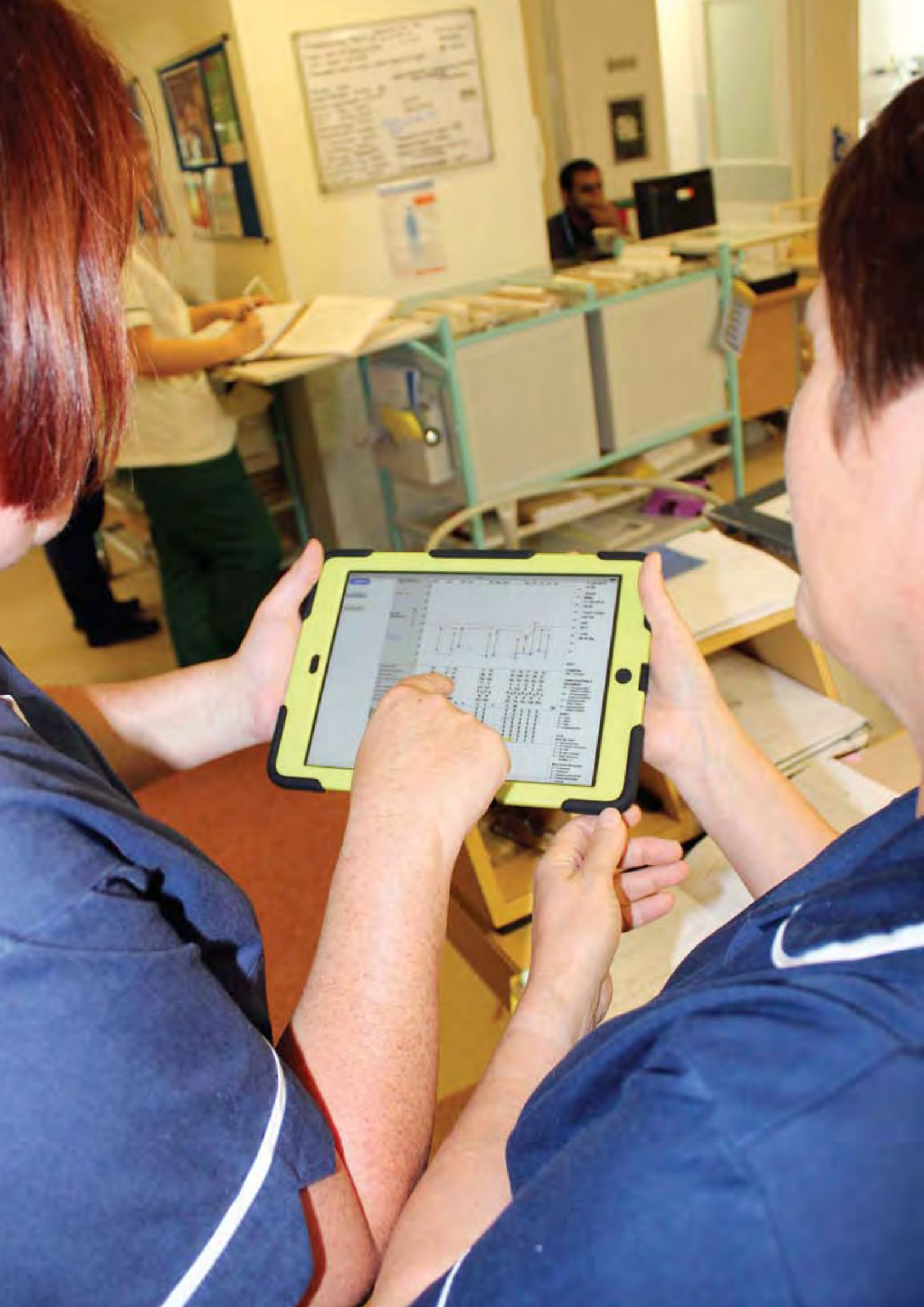
The James Cook University Hospital has become the first in the UK to perform a new endoscopic procedure for NHS patients with serious reflux problems. Stretta® therapy offers an alternative to surgery for patients who suffer from chronic gastro-oesophageal reflux disease.

Double honour:

Dr Kumar Das, associate specialist in orthopaedics at the Friarage Hospital was awarded an MBE in the Queen's Birthday Honours while Major Duane Fletcher, second in command of nursing at the Friarage, received the same accolade in the New Year Honours, for his humanitarian efforts.

SPARED/ERA:

A new campaign was launched by the trust to encourage all staff who prescribe or administer antibiotics to follow a few simple steps to prevent unnecessary use.



PATIENT SAFETY & QUALITY OF CARE

At South Tees we have a clear ambition – to be the safest organisation not only in the North east but across the NHS. This means that patient safety and quality are at the heart of everything we do; with our staff being proud to provide safe, clean and personal care to every patient, every time.

Due to our hard work and results, we are gaining a national reputation as a leader in quality improvement and patient safety, but our aim is to deliver higher standards and seamless, high quality safe healthcare for all year-on-year.

Tackling infection

Reducing the rate of infection across the organisation, particularly the number of cases of Clostridium difficile, is our – and Monitor's – biggest current area of concern at the moment and a key patient safety priority for us.

We ended the financial year with 76 trust-attributed cases against an upper threshold of 49 and in 2015/2016 our target has been set to have no more than 50 cases which means, collectively, we really need to strengthen all our practices to reduce our infection rate.

Constant purpose and sustained good clinical practice is needed if we are to keep patients, visitors and staff free from harm and there are a number of key areas we need to continue to concentrate on:

- Use of the diarrhoea assessment tool and isolation of patients
- Hand hygiene
- Environmental cleanliness
- Antibiotic prescribing
- Communication

A range of training measures, policies and procedures are in place across the trust and we take a zero-tolerance approach to poor hand hygiene and failure to adopt best practice - although the risk of infection can never be completely eliminated.

The trust's mandate to infection, prevention control is:

- Ensure all staff working in the trust have appropriate infection control knowledge, skills and behaviour
- Ensure all infection prevention and control staff have the skills and training to maximise their potential and use their skills
- Ensure patients, carers and the public are informed of infection prevention and control issues and associated decision-making in the trust.

Further information about the actions we have taken is addressed in the 'external scrutiny and regulatory ratings' section of the annual report on page 43.

PATIENT SAFETY & QUALITY OF CARE

Antibiotic prescribing

A new campaign to minimise the use of antibiotics and help in the trust's key quality priority to reduce healthcare associated infections and the spread of antibiotic-resistant bacteria was launched in June.

The SPARED and ERA initiative is aimed at all trust staff prescribing or administering antibiotics and is based on a few simple but vital steps to follow and stop unnecessary use:

- **Samples** – Have you sent relevant samples for microbiology tests before starting antibiotics? Have you checked previous microbiology results?
- **Policy** – Have you followed the trust's antibiotic policy or looked at specialist directorate guidelines? If you deviate from recommendations, document why in the notes
- **Allergy** – Are you considering drug allergies while prescribing antibiotics?
- **Reason** – Have you documented the reason/indication for antibiotics in the notes and on the drug chart?
- **End date** – Have you specified an end/stop date for antibiotic courses in the notes and on the drug chart? If not, write a review date
- **Daily review** – Review antibiotic courses daily to check: 1) they are still needed; 2) whether IVs can switch to oral; 3) if microbiology results are available; 4) whether the antibiotic should change

Nurses are also urged to check three vital steps when administering antibiotics to patients – ERA – end date, reason and allergy.

The spread of antibiotic-resistant bacteria is a major threat to public health and at least 50% of all antibiotics prescribed in hospitals and in the community are not needed. This campaign, which was a finalist in the NHS Innovation North Bright Ideas in Health Awards 2014, is one way we can encourage staff to act now and make sure these medicines remain effective for future generations.

Emergency care pathway

Providing out-of-hours, urgent or emergency care is a serious business; patients accessing it are usually doing so at their most frightened and vulnerable, and we have a duty of care to ensure the system is as seamless and uncomplicated to navigate as possible.

The key to providing this is integration and a 'whole system' approach from the point a patient comes into hospital to when they leave. It makes good clinical, financial and practical sense for GPs, our secondary and specialist colleagues, local authorities and the third sector to work together in designing, providing and maintaining services that ensure our patients receive the highest quality care possible.

In the trust, an emergency pathway steering group has been set up and five 'task and finish' groups established in the following priority areas:

- Accident and emergency process
- Acute assessment unit/short-stay
- Ward processes – particularly around length of stay
- Complex discharges – length of stay
- Bed management and case management - looking at how our beds are managed to enable steady patient flow out of accident and emergency/acute assessment unit into the right bed on the right ward

Having good patient flow is a good indicator of the quality of care provided. Research shows patients have a shorter length of stay if they are admitted earlier rather than later in the day so it is important that patients, who are ready to leave hospital, do so promptly, making way for those coming in.

The trust has started the 'two by 10am' discharges per ward and reviewed bed management processes setting up an operations centre (from 1 April 2015). This is a key operational area and features heavily in the annual plan.

Dementia

The trust's dementia strategy - a five-year drive to improve hospital care for patients with this condition – sets out a number of goals including:

- Actively seeking feedback from patients with dementia and their carers
- Creating dementia friendly environments across all sites
- Specialist staff training
- A focus on compassionate and individualised care

With more than 32,500 people in the North east living with dementia – a number expected to double in the next 30 years – we're aiming to make all of our sites dementia friendly. Further information is available in the quality report.

Safer staffing

From June 2014 all hospitals have been required to publish information about the number of nursing and midwifery staff working on each ward as part of the NHS response to the Francis enquiry.

This is to provide assurance that we have the right number of staff to deliver high quality, safe and effective care and all inpatient areas have introduced staffing boards to publicly display planned versus actual staff on duty on a daily basis.

An escalation plan has been implemented at the trust to ensure staff have a clear process to follow if actual numbers are not in line with those planned and information about staffing levels is published on the trust's website.

Standardise for safety

In today's dynamic and ever-changing health care environment, the delivery of quality, safe, evidence-based patient care is an absolute requirement.

One way to improve patient safety is to implement standardised documentation which enables healthcare staff to effectively communicate their contributions to patient care to other members of the healthcare team.

Standardisation reduces human error which may occur when multiple copies of the same document are in circulation and promotes continuity for staff that rotate across clinical areas. It reduces waste and variation in expected measurable standards.

The trust has introduced standardised nursing documentation, core care plans and the National Early Warning Score (NEWS) and is continuing this journey with a standard fluid balance chart.

Sign up to Safety

The Board supported the submission of our pledges to Sign up to Safety - a national campaign that aims to make the NHS the safest healthcare system in the world.

Building on the recommendations of the Berwick advisory group, the ambition is to reduce avoidable harm in the NHS over the next three years by 50%.The campaign requires trusts to make five pledges under the following headings with a broad summary of our pledges outlined against them:

- **Put safety first** – Reducing the incidence of pressure ulcers through collaborative working and driving improvements, introducing technology to support the early recognition of the deteriorating patient and displaying nurse staffing levels on every ward
- **Continually learn** – make our organisation more resilient to risks, by acting on the feedback from patients and by consistently measuring and monitoring how safe our services are
- **Honesty** – be transparent with people about our progress to tackle patient safety issues and support staff to be candid with patients and their families if something goes wrong
- **Collaboration** – Take a leading role in supporting local collaborative learning, so that improvements are made across all of the local services that patients use
- **Support** – Help people understand why things go wrong and how to put them right. Give staff the time and support to improve and celebrate the progress

This will be appraised by Monitor, the Care Quality Commission and the NHS Litigation Authority as part their regulatory processes offering leadership and advice where appropriate.

South Tees Accreditation for Quality of Care (STAQC)

We currently deliver high standards of care to our patients across the organisation but we currently only measure this as part of a performance framework approach in addition to separate elements of patient experience work.

STAQC, which is part of our 'Sign up to Safety' pledges, is an quality assessment framework of nursing care delivered by individuals and teams and is based on the trust's nursing and midwifery strategy and trust-wide quality approach to service delivery.

It is hoped this framework, which is also built around national guidance and CQUiN, will support our nursing teams to improve the care given to our patients as well as building strength into the nursing profession.

Built around a range of standards - pressure ulcers, falls, hospital acquired infections, end of life care, VTE, weight loss and dehydration, medical errors, early warning signs, record keeping, privacy and dignity, safe transfer, environment, staff skill and knowledge, safeguarding, communication, management, discharge, dementia care, pain management and patient experience – wards are visited unannounced over the course of a day.

The process involves:

- Interviews with patients and staff members, as well as the ward manager/senior sister/charge nurse
- Observation of care given and patients' documentation
- Training records/staff development reviews
- Adherence to key trust policies (infection control, medicines, protected mealtime)
- Review of the areas key performance indicators

Wards then receive a RAG – red, amber, green – rating and are expected to produce action plans, which are followed up, to address any improvements to be made.

The trust has set an ambitious goal that 75% of all inpatient areas will have had – at the very least - their first STAQC assessment and a STAQC status recorded on the ward dashboard by the end of March 2016 with all inpatient wards assessed by 2017. Six inpatient areas at the James Cook, Friarage, Lambert and Friary hospitals are currently on the assessment programme.

PATIENT SAFETY & QUALITY OF CARE

Open and honest care

The trust is a member of the 'open and honest care: driving improvement' programme in which we have made a commitment to publish a set of patient outcomes, patient experience and staff experience measures so that patients and the public can see how we are performing in these areas.

Each month we collaborate with other care providers to share what we have learned and use this information to identify where changes can be made to improve care, further reducing the harm that patients can sometimes experience when they are in our care. Further information can be found on the trust's website.

Managing the deteriorating patient

Our ability to recognise, react and treat patients whose condition suddenly deteriorates is a key patient safety priority for us. Patients who come into hospital want to feel safe and cared for and comforted in the knowledge they're in the best place for prompt and effective treatment if they do become very ill, very quickly.

Throughout the year the trust rolled out 'vital signs' monitoring – a clinical technology system which helps clinical staff deliver safer, higher quality, more efficient care to their patients – following a successful £1million bid to the Nursing Technology Fund. The system known as 'VitalPAC':

- Allows staff to quickly and easily record vital signs data at the bedside using an iPod touch
- Automatically creates physiological observations charts
- Automatically calculates the National Early Warning Scores (NEWS) for each patient
- Helps staff effectively manage any pain experienced by their patients
- Enables clinicians to check the condition of their patients in real time from any networked computer or iPod

Wards were also given iPods for recording observations and iPads to use on ward rounds. Introducing vital signs monitoring has also enhanced the efficiency of the critical care outreach team as they can prioritise their workload with objective data and can do remote surveillance of acutely unwell patients.

Key benefits of the system is the more rapid identification of deteriorating patients which in pilot sites led to a reduction in hospital and critical care length of stay and a reduction in mortality - all of which are a huge benefit to both patients and clinicians.

Pressure ulcers

The majority of pressure ulcers are preventable and can be avoided through simple actions by frontline healthcare staff, patients and carers. As well as causing long-term pain and distress for patients, treatment for each pressure ulcer is costly, causing a financial burden on the NHS of between £1.4 and £2.1 billion per year.

Avoidable pressure ulcers are a key indicator of patient safety and good quality care and preventing them from happening will improve all care for vulnerable patients. One of our ambitions is to eliminate avoidable grade three and four pressure ulcers which develop in our care and reduce the number of avoidable category two pressure ulcers by 50%.

This is, again, a key quality report priority for 2015/2016 but some of the progress made in-year includes:

- A 12% reduction in category 2-4 pressure ulcers (working towards our three-year goal of 50%)
- Director/deputy director of nursing-led case reviews are now carried out for all category three and four pressure ulcer cases
- Specific learning and action assigned to the ward/department involved
- Learning and sharing practice with other organisations

In May, the South Tees pressure ulcer collaborative – a multi-professional steering group including commissioners - was established and meets monthly, overseeing six workstreams:

- Engagement, ownership, culture - working with key groups in the organisation to focus on improvement
- Prevention strategies - reviewing current practice and introducing new initiatives
- Equipment - review current provision
- Education - mandatory training, competency training, review of current provision
- Reporting - build on existing process to improve use of information and sharing of lessons learned
- Partnership - working not only with other agencies but our patients and carers to focus on the preventative side of pressure ulcers


ATTENTION DOCTORS AND PRESCRIBERS
South Tees Hospitals NHS
NHS Foundation Trust
Antibiotics and patients SPARED
If we improve antibiotic prescribing patients will be SPARED from HCAIs and antibiotics will be saved for a new ERA.
Samples
Have you sent relevant SAMPLES for microbiology tests before starting antibiotics? Have you checked previous microbiology results?
Policy
Have you followed the trust's antibiotic POLICY or looked at specialist directorate guidelines? If you deviate from recommendations, document why in the notes.
Allergy
Are you considering drug ALLERGIES whilst prescribing antibiotics?
NB: Co-amoxiclav (Augmentin®) and piperacillin / tazobactam (Tazocin®) are penicillins.
Reason
Have you documented the REASON / INDICATION for antibiotics in the notes and on the drug chart?
End date
Have you specified an END / STOP DATE for antibiotic courses in the notes and on the drug chart? If not, write a REVIEW DATE
Daily
Review antibiotic courses DAILY to check
CARDIAC ARREST
TEAM
EXT. 2222

PATIENT SAFETY & QUALITY OF CARE

Saving the lives of trauma patients

Staff are helping to save the lives of more trauma victims - just two years after major changes were made to how they are cared for.

An independent audit commissioned by NHS England and produced by TARN – the Trauma Audit and Research Network – in July 2014 has shown that patients now have a 30 percent improved chance of surviving severe injuries.

This follows the introduction of regional trauma networks across England in 2012, which included James Cook being formally designated as a major trauma centre for the southern part of the Northern region.

National figures show that about 600 more patients are now surviving major trauma since changes to services and the number of people left with permanent disability has also reduced.

Local figures suggest we're saving the equivalent of an extra 19 lives a year - or saving approximately two more lives than the national average for every 100 major trauma patients we see.

For our most severely injured patients, consultant-led treatment on arrival has increased from 76.7% of cases in the second quarter of 2012/2013 to 89.2% of cases in quarter four of 2013/2014 compared to a national average of 67.2%.

Quality report

The quality report, which is part of the annual report, provides information to the public about the quality of services the trust provides and allows clinicians, managers, governors and staff to demonstrate their commitment to evidence-based quality improvements so we can continually drive forward patient experience and outcomes.

It does not include all of the trust's improvement targets but - after consultation with a range of stakeholders - identifies a selection of quality initiatives each year re-grouped into three categories - patient safety, clinical effectiveness and patient experience.

The quality priorities for improvement in 2015/2016, which are listed below, were identified most frequently in the consultation process and have been supported – and approved – by the Board of Directors and the Council of Governors.

Sign up to safety	Right care, right place, right time	At the heart of the matter
• Reduce avoidable harm by 50% over three years • Falls • Pressure ulcers • Healthcare associated infection • Missed diagnosis	• Improving the recognition and treatment of the deteriorating patient	• Improving care for people with dementia through accurate assessment of needs and person centred care planning • Listening and learning; improving how we respond to complaints and patient feedback

Supported by our clinical strategy

A full copy of the trust's quality report is available in the annual report on page 121

Sentinel stroke national audit programme

Results from the Sentinel stroke national audit programme (SSNAP) placed James Cook as the best performing stroke centre in the North East region – with a C rating.

The reports - commissioned by NHS England and run by a specialist unit of the Royal College of Physicians – found that stroke care was improving overall, mainly due to re-organisation which has established fewer but more specialist stroke services.

The standards of care set by the SSNAP are very high, meaning many hospitals did receive low scores and a national issue remained the shortage of stroke clinicians – both doctors and nurses.

While care is improving we cannot be complacent and one key area we worked on with South Tees Clinical Commissioning Group through the IMProVE programme was providing a new centralised stroke rehabilitation service at Redcar Primary Care Hospital in April 2015.

Preventing under-nutrition

The trust's health improvement team is now delivering a new training package, commissioned by Middlesbrough Council public health, to help prevent under-nutrition in care homes across Middlesbrough, Redcar and Cleveland.

The 'focus on under-nutrition' package is designed to improve nutrition and reduce the cost of supplying supplements to care home residents and provides training for everyone - from the home manager to the chefs, care assistants and domestics, taking into account the role of every member of staff in preventing under-nutrition.

This kind of partnership working is invaluable – it provides the home with the knowledge and skills needed to deliver a food-first approach to nutritional care by developing new ways of working and delivers numerous benefits to the quality of life for residents.

Information governance

Information governance is the framework by which the NHS handles information about patients and employees, in particular personal and sensitive information, bringing together all the requirements, standards and best practice.

It has four fundamental aims:

- To support the provision of high quality care by promoting the effective and appropriate use of information
- To encourage staff to work closely together, preventing duplication of effort and enabling more efficient use of resources
- To develop support arrangements and provide staff with appropriate tools and support to enable them to discharge their responsibilities to consistently high standards
- To enable organisations to understand their own performance and manage improvement in a systematic and effective way

Information governance not only covers personal information relating to patients, service users and employees, but also corporate information such as financial and accounting records.

The trust must publish details of any personal information related incidents categorised as level 2 serious incidents requiring investigation (SIRI) as part of the statement of internal control.

Incidents classified at an IG SIRI severity level 2 are those classed as a personal data breach (as defined in the Data Protection Act) or high risk of reputational damage and these are reportable to the Department of Health and the Information Commissioner's office through the HSCIC reporting tool.

In November 2014, the HSCIC updated their 'checklist guidance for reporting, managing and investigating information governance serious incidents requiring investigation (IG SIRI)' document to reflect a revision of the sensitivity grading of the data loss/breach and to make the incident grading process more relevant to social care bodies.

Between April 2014 and March 2015, the trust had no serious untoward incidents relating to information governance with a severity rating of two.

The trust also assesses itself against Department of Health information governance standards using the IG toolkit – an online system which members of the public can also view. Through the toolkit, we develop a strategy and annual work programme to raise our level of compliance year-on-year, and also improve our information risk management process.

Each standard is scored on a scale of level 0 to three, with 0 or one resulting in a red rating and 2 to 3 a green grading. In 2013/2014, the trust submitted a 'red' unsatisfactory rating as its overall compliance after failing to meet standard 112 – annual mandatory information governance training for staff.

This year the trust got an overall score of 90.24% for mandatory information governance training and achieved the required minimum level two standard on all 45 of the 45 standards, reporting an overall score of 80% which is graded green (satisfactory).

Health and safety

The health and safety team are now part of the directorate of finance and performance, working closely with both clinical and non-clinical areas.

Throughout the year the team has continued supporting patient, visitor and staff safety and worked on the on-going development of the trust's HS24 inspection self-assessment tool with further categories added to allow improved data analysis and provide a better understanding of risk in the organisation. This information has been used to help the centres provide more robust systems for managing safety.

General and specific risk assessment training was also provided, involving all parts of the organisation which helped to deliver hazard identification and safe operational practice at a local level.

The continued commitment to incident investigation and providing safe systems of work has helped to provide the trust with efficient processes regarding its legal status and necessary compliance to health and safety legislation.

Summary of other personal data-related incidents in 2014/2015

Category	Breach type	Total
A	Corruption or inability to recover electronic data	0
B	Disclosed in error	7
C	Lost in transit	0
D	Lost or stolen hardware	0
E	Lost or stolen paperwork	2
F	Non-secure disposal – hardware	0
G	Non-secure disposal – paperwork	1
H	Uploaded to website in error	0
I	Technical security failing (including hacking)	0
J	Unauthorised access/disclosure	0
K	Other	0

OUR PERFORMANCE

MONITOR compliance framework	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2014/2015 Target
Healthcare associated infections							
Clostridium difficile year on year reduction of infection rates	141	**125**	67	49	**57**	**76**	49
Cancer – 12/13 figures are indicative - awaiting final validation							
Cancer waits 2 week wait target	95.4%	93.6%	93.7%	94.7%	95.3%	94.3%	93%
2 week wait breast symptom referrals - % seen within 2 weeks	96.3%	96.2%	95.9%	96.5%	96.5%	94.5%	93%
Cancer wait 31 day wait for first definitive treatment for all cancers	98.6%	98.1%	98.8%	99.0%	98.3%	97.9%	96%
Cancer wait 31 day wait for subsequent drug treatments for all cancers	100%	99.9%	100%	99.6%	99.4%	99.6%	98%
Cancer wait 31 day wait for subsequent surgery treatments all cancers	98.8%	98.8%	99.1%	98.0%	98.6%	98.4%	94%
Cancer wait 31 day wait for subsequent radiotherapy treatments all cancers	NA	99.5%	98.7%	98.4%	98.8%	99.1%	94%
Cancer wait 62 day wait for the first definitive treatment for all cancers	88.3%	85.2%	86.9%	86.4%	**84.7%**	85.3%	85%
Cancer wait 62 day wait following consultant upgrade	NA	NA	NA	NA	94.2%	**89.8%**	90%
Cancer wait 62 day wait for treatment of all cancers referred from a national screening service	92.5%	94.7%	94.5%	92.8%	94.9%	92.6%	90%
18 weeks referral to treatment time (RTT)							
18 Week RTT for admitted patients	93.3%	95.4%	92.1%	91.1%	**86.7%**	93.3%	90%
18 Week RTT for non-admitted patients	98.6%	98.8%	98.8%	99.0%	98.7%	98.4%	95%
18 Week RTT for inco				94.0%	94.6%	95.2%	92%
Accident and emergency							
4 hour maximum wait in A&E from arrival to admission, transfer or discharge	98.9%	98.4%	97.5%	95.9%	96.7%	**94.9%**	95%
Community care data completeness							
Referral to treatment information				82.4%	93.9%	98.5%	50%
Referral information				68.2%	98.2%	98.9%	50%
Activity information				64.4%	98.8%	99.9%	50%
Self-certification against compliance with requirements regarding access to healthcare for people with a learning disability.	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	

*The figures in this table show the cumulative year-end position to enable comparison from year to year.

The numbers of patients we saw in 2014/2015 compared to 2013/2014 (denoted in brackets) include:

- **85,780 emergency admissions (86,282)**
- **127,042 patients in accident and emergency (125,873) – including 104,808 at James Cook (102,786) and 22,234 at the Friarage (23,087)**
- **28,490 through our urgent care centres (26,757) and 46,050 through the Resolution walk-in centre (41,475)**
- **187,085 inpatient and daycase patients (186,172) in our acute hospitals and 1,906 in our community hospitals (2,142) (both figures based on finished consultant episodes to allow a previous year comparator)**
- **484,774 outpatient attendances - new and review (486,091)**


Patient Applications Transfer Edit View Settings Orientation Type Image Tools
A
Waiting for patient registration.

EXTERNAL SCRUTINY & REGULATORY RATINGS

There are many ways the NHS is monitored to ensure the services we provide are safe, effective, compassionate and of high quality including key performance measures and patient surveys, as well as external scrutiny from organisations such as the Care Quality Commission and Monitor.

All have a common purpose – to ensure we're putting the patient at the centre of everything we do – and through them we can assess our own performance and look to make improvements.

Monitor investigation

In October 2013, Monitor began an investigation into the trust's compliance with its licence, primarily around governance concerns that patients were waiting too long for treatment (the 18-week referral to treatment time for admitted patients).

Other areas picked up by the regulator included the trust's challenging Clostridium difficile target, mortality and never events and in 2014, the investigation was widened to include the trust's financial deficit.

For a number of months, the trust worked closely with Monitor to help the regulator understand the situation that led to the position we found ourselves in and also to address the key areas of concern.

By July 2014, Monitor announced no further action would be taken on:

- The referral to treatment target - as we have been compliant with this target since April 2014
- Never events – as we have a much lower rate than the national average
- Mortality - as we were not an outlier compared to others in the North East

However, the trust was found to be in breach of its licence and asked to take the following legally binding steps to address Board governance issues, the financial position and infection control:

- Develop and implement a financial recovery plan
- Appoint a transformation director
- Commission an external leadership review to identify what has gone wrong and why, and what action the trust needs to take to address any recommendations
- Develop and implement an infection control action plan
- Seek external assurance that all these actions are properly completed

Prior to Monitor's announcement, we had already taken a number of steps including developing a Clostridium difficile action plan, commissioning a further external review of our arrangements to prevent Clostridium difficile, starting work on a detailed financial recovery plan (supported by McKinsey) and setting up a transformation office.

Background and a summary of actions taken around these key areas are included on the next page although extensive reports are shared with Monitor and progress review meetings (PRM) are held regularly with the Board of Directors and the regulator.

EXTERNAL SCRUTINY & REGULATORY RATINGS

Finance

In November, the organisation shared extensively its three-year recovery plan with staff, the public and a range of stakeholders, which set out that we had to save £90.8million between now and 2017 – a savings target broken down as:

- £21.8million (3.8% this financial year)
- £40.0million (7.8% in 2015/2016)*
- £29.0million (5.8% in 2016/2017)

*This was the figure quoted in the original recovery plan - the recurrent impact of savings in 2014/2015 has reduced the 2015/2016 requirement to £36million.

At year-end, we had exceeded our first year target, delivering a £26million cost improvement programme of which £22.5million was recurrent - a culmination of staff tightly managing budgets in their own clinical and corporate centres and the trust's transformation programme 'Continuing the Journey'.

Our newly established transformation directorate will continue to take forward the lessons we have learned to drive further change to not only save money and drive out waste but also improve services, systems and processes to benefit patients and staff. Areas we are targeting for savings include:

- making improvements to our emergency pathway
- helping some of our clinical services that currently operate at a loss to at least break even
- improving the cost effectiveness of a number of our corporate support services
- driving the standardisation of many of the clinical supplies we use so we can get better deals from the companies that provide them

We will also seek Government support to meet the increasing costs of working out of a PFI hospital at James Cook as we know that in the long term it is unaffordable.

Inevitably with such huge savings having to be made, the trust has to scrutinise its workforce costs to ensure it gets the best value for money from the resources we invest in staff and that staff are working in the most efficient and effective structures.

This year we made changes to the way our clinical and corporate services were structured, which involved outsourcing some services, and introduced a voluntary severance scheme which 23 staff took up at a cost to the organisation of £340,000.

The total number of staff compulsory redundancies in 2014/2015 was 12.

Clostridium difficile

Reducing Clostridium difficile infection is reliant on constant purpose around a small number of actions including hand hygiene, cleaning, antibiotic prescribing control, prompt isolation of infected patients and infection prevention control training.

The organisation was set a national target of no more than 49 trust-attributable cases in 2014/2015 but finished the year with 76 cases.

Reducing infection is a key patient safety target and Board priority which will always require constant vigilance from every member of staff if we are to create a zero-harm culture for all our patients.

An executive overview group was set up in response to the trust's position and we also commissioned two further external reviews by Professor Mark Wilcox – one of the country's leading experts in this infection - to identify further actions the organisation should be taking.

In 2015/2016 we have been set a target of 50 trust-attributed cases, so we recognise further improvement is needed through constant purpose and sustained good clinical practice. The trust is working hard with commissioners, GPs, external experts, and staff to effectively address the causes of this infection and the content of our action plan will be scrutinised by an external reviewer, commissioned by the trust.

To reinforce the need for all staff to contribute to reducing harm to patients, the director of nursing and the infection prevention control team led a number of actions including:

Cleaning and estate

- Board to Board meetings have been established with our PFI providers, Carillion and Endeavour, to address cleaning issues and performance
- An independent cleaning audit was also commissioned with the results shared
- Assurance visits have taken place at the James Cook and Friarage hospitals
- A programme of decanting and deep cleaning wards began in April 2015, using the space created by temporary winter ward at James Cook
- Review of equipment in every isolation room across all hospital sites

Antimicrobial prescribing

- A revised medication chart was rolled out with increased focus on the reason for antibiotic prescribing and provision of an end date
- Monthly ward-based antimicrobial audits were carried out with the data used in centre governance processes, Clostridium difficile reviews and the monthly Board report

Communication

- 'Focus on Five' was launched in-year to reinforce priority areas to staff backed up by written and electronic communication
- This was backed up with a public campaign with key messages for patients and visitors on how they could help to reduce infection
- In April 2015, the trust launched 'further focus on five' which began with over 90 walkabouts to clinical areas involving Board members and senior staff from the trust and CCG colleagues

Hand Hygiene

- Competency in hand hygiene became a requirement for all staff in 2014 and in 2014/2015 we achieved 98% compliance for all clinical staff (excluding medical staff) and 90% including medical staff
- The focus remains on both competence assessment and audit of practice
- Additional work is being done to support medical staff specifically with the hand hygiene competencies through the postgraduate centre and clinical centres
- Further plans are in place to move away from self-audit of hand hygiene practice by staff in their own clinical area to peer review (a recommendation by Mark Wilcox)

Board governance review

As part of the undertakings to Monitor - and after a rigorous selection process - the trust appointed an independent company to carry out a board governance review which began in September.

Already the trust had recognised – and was making changes to – the structure of the organisation and executive roles in direct response to the rapidly changing health and social care environment, as well as performance and financial pressures.

Using Monitor's well-led framework, the review took place over three months and used a comprehensive range of methods to assess the trust's governance, including:

- One-to-one interviews with board members, senior managers, clinicians and other staff
- Observations of the board, key committees and clinical centre meetings
- Desktop review of information provided by the trust on request
- Focus groups with staff and governors
- Ward walkabouts
- Interviews with external stakeholders.

Initial findings were fed back to the Board of Directors in December at a half-day development session with a draft report received later in the month. The final report was received in January and actions taken to-date include:

- Completing the restructure of the Board
- Revising the budget setting and annual plan process for 2015/2016
- Strengthening the financial management team
- Setting up a finance and investment committee
- Refreshing the trust's communication audit to underpin staff and stakeholder engagement

CQC inspection

In July, the CQC announced the next wave of acute, community healthcare and mental health providers to be inspected between October and December as part of its new approach to regulation.

The inspections, which are carried out by a mixture of inspectors, clinicians, and experts by experience, assess whether the service overall is: safe, effective, caring, responsive to people's needs and well-led and the trust was visited between 9 and 12 December.

During the inspection, information was gathered in a number of ways including:

- Speaking with people who use services
- Holding focus groups with separate groups of staff
- Holding drop-in sessions for people who use services and staff
- Interviewing individual directors as well as staff of all levels
- Checking the right systems and processes are in place

We expect the results will be published in June 2015 and will receive an overall rating with each of the eight core services, such as maternity and accident and emergency, also being rated in the same way to provide performance information at a service, hospital and trust level.

However we did receive some initial high level feedback from the Care Quality Commission on the practices they observed during their four day-inspection across all our sites - the James Cook and Friarage hospitals and our community settings including primary care hospitals. This included:

- The high level of staff engagement and mutual support across the organisation
- Inspectors were really impressed with maternity and paediatric services
- The trust's position on pressure ulcers and infection control – key priority areas we're already addressing
- Consistent planning for staffing levels, particularly overnight in some of our acute areas both on the James Cook and the Friarage sites
- Mental Capacity Act and deprivation of liberty assessment (DoLS) – particularly around whether patients who lacked capacity had received an assessment
- Issues around patient flow (which is being picked up as part of our emergency care pathway work)

Risk assessment framework - Monitor

The risk assessment framework is a regulatory framework under which Monitor ensures NHS foundation trusts are well run and can continue to deliver good quality services for patients in the future.

It assesses both how well they are governed and any potential risk to their financial sustainability. Where a concern is indicated, Monitor will consider whether to request additional information or launch a formal investigation and, subsequently whether to take regulatory action.

Following a public consultation in late 2014, the risk assessment framework was updated to include:

- introducing new access measures for mental health as governance proxies
- specific requirements for providers of high security psychiatric services
- adding an additional trigger for investigating financial risk at trusts
- general updates to bring it up to date with recent policy changes

EXTERNAL SCRUTINY & REGULATORY RATINGS

Again the framework is divided into a governance rating – which highlights any concerns about the way a trust is being run – and a continuity of services risk rating which represents Monitor's view of the level of financial risk a provider is running and what Monitor is doing about it.

All foundation trusts are asked to assess their own compliance with the terms of their licence, as part of a risk-based approach to regulation.

Each trust submits an annual plan, plus quarterly and ad-hoc reports to Monitor, which uses this information to assign annual and quarterly ratings, review actual performance against plans and identify any steps that need to be taken to address problems. Compliance issues against each quarter are outlined below and, in each case, an action plan was submitted:

Quarter one:

- Clostridium difficile - performance was 15 cases (year to-date) against a target of 13

Quarter two:

- 62-day wait for first definitive treatment of all cancers referred from a national screening service - performance was 89.7% against a target of 90%
- Clostridium difficile - performance was 24 cases (year to-date) against a target of 25

Quarter three:

- Accident and emergency waiting time of four hours from arrival to admission, transfer or discharge - performance was 93.66% against a target of 95%
- Clostridium difficile - performance was 50 cases (year to-date) against a target of 37

Quarter four:

- Accident and emergency waiting time of four hours from arrival to admission, transfer or discharge – performance was 93.6% against a target of 95%
- Clostridium difficile - performance was 76 cases against a year-end target of 49
- Cancer wait 62-day wait for the first definitive treatment of all cancers referred from a national screening service – performance was 84.6% against a target of 90%
- Cancer wait 62 day wait for the first definitive treatment of all cancers following consultant upgrade- performance was 89.4% against a target of 90%

Quarterly reports are published by Monitor on its website at www.monitor.gov.uk and the two risk ratings are now:

- Continuity of services rating (rated 1-4, where 1 represents a significant risk, 2 a material risk, 2* a material risk which is stable, 3 emerging or minor concerns and 4 no evident concerns – the lowest risk)
- Governance rating (trusts are rated green if no issues are identified and red where they are taking enforcement action)

The following tables show the trust's risk assessment framework for the year and a comparator to 2013/2014. An analysis of our performance – and action taken - is detailed under the next section. The trust automatically received a red rating when Monitor took enforcement action.

The risk assessment changed in September 2013, moving to continuity of service risk ratings. The impact on the trust was a change from a risk rating of 3 to 1 due to a change of emphasis from a range of performance indicators to liquidity and debt servicing.

	Annual plan 2014/2015	Q1	Q2	Q3	Q4
Continuity of service rating	1	2	1	1	TBA*
Governance rating	Red	Red	Red	Red	TBA*

*To be announced

	Annual plan 2013/2014	Q1	Q2	Q3	Q4
Continuity of service rating	3	2	2	2	2
Governance rating	Amber/red	Amber/red	Issues identified – c.diff & RTT	Investigation open	Under review

Intelligent monitoring

Intelligent monitoring is one of the four key elements in the way Monitor regulates services and more than 150 different sets of data on NHS trusts are looked to help the regulator decide when, where and what to inspect, alongside local information from healthcare partners and patients.

The data looked at includes information from staff, patient surveys, mortality rates and hospital performance indicators such as waiting times and infection rates and trusts are then grouped into one of six priority bands for inspection based on the results – band one being the highest priority and band six the lowest.

Intelligent monitoring reports are published by the Care Quality Commission and in-year a number of changes were made to the indicators including:

- Introduction of how well trusts responded to various patient safety alerts
- Introduction of scores from the Patient-Led Assessments of the Care Environment (PLACE) programme
- Inclusion of Monitor's financial risk rating in addition to the governance risk rating
- Changes to the indicator used from the Sentinel Stroke national audit programme

The trust's risk rating has moved from a band 4 in July to a band 5 in December with the risks identified included in the table below:

Risk	July 2014	December 2014
Composite of central alerting system (CAS) safety alert indicators	√ (Elevated risk)	**
Hospital standardised mortality ratio indicators (HSMR)*	√ (Elevated risk)	√ (Elevated risk)
Composite indicator in-hospital mortality – musculoskeletal conditions*	√ (Elevated risk)	√ (Risk)
Monitor – governance risk rating	√ (Risk)	√ (Elevated risk)
Monitor – continuity of service rating	√ (Risk)	√ (Risk)

* Note HSMR and composite indicators are grouped as one risk each

The issues around our governance and continuity of service rating are covered under the Monitor investigation in the annual report. We have also looked in detail at the composite indicators for musculoskeletal conditions and while we cannot replicate the methodology used, the Board was assured that there no quality of care concerns.

** The risk level for December 2014 for the composite of central alerting system (CAS) is not shown because the consistency of reporting safety alerts was flagged as a result of delays in uploading the incident data and has subsequently been rectified and removed as a risk.

Healthwatch – North Yorkshire

In November, Healthwatch North Yorkshire carried out an 'enter, view and observe' visit to the Friarage Hospital as part of its wider programme of work looking at the quality of health and social care across the county.

The purpose of the visit was to get a 'snapshot' of the hospital and the team went to several areas including accident and emergency, Romanby ward, post-operative surgical day unit, Gara ward, Rutson rehabilitation unit, paediatrics and maternity, the surgical admissions unit, cardiology outpatients and the MDHU health unit.

A summary of their key findings were:

- Staff are very passionate and committed across the entire hospital and this was reflected in the feedback from patients
- More consistency needed for applying the dementia policy
- Discharge procedures were largely effective
- Extra support needed to assist at mealtimes
- More consistency needed for using patient status at a glance (PSAG) boards
- The management of paperwork involved in trust's current policies

The trust has subsequently fed back to the issues raised by Healthwatch and developed an action plan to address the issues raised. The formal response from Healthwatch is below:

"We are very pleased with the positive approach of South Tees Hospitals NHS Foundation Trust to addressing the issues raised in our draft enter and view report, as we believe it is testament to the good leadership and a willingness of the trust to continuously improve the quality of care patients receive at the Friarage Hospital."

Gastroenterology – JAG accreditation

The gastroenterology team on the James Cook site received JAG (Joint Advisory Group) accreditation – the formal recognition that an endoscopy service has demonstrated it has the competence to deliver against the measures in the endoscopy GRS Standards – following an external visit.

This is a patient-centred and workforce-focused scheme based on the principle of independent assessment against recognised standards and was developed for all endoscopy services and providers across the UK in the NHS and independent sector.

To be accredited enables the unit to be officially recognised for providing an efficient unit, with high quality and safe patient care and excellent training, thus attracting the best practice tariff.

PATIENT EXPERIENCE & THE ENVIRONMENT

Patients tell us that their experience of care is just as important as clinical effectiveness and safety. They want to feel informed, supported and listened to so they can make meaningful choices about their treatment and are seen as more than just a number and at South Tees, we capture patient experience feedback in a variety of ways.

Good environments also matter - every NHS patient should be cared for with compassion and dignity in a clean, safe environment. We work hard to get this right and by asking, monitoring and acting on feedback, we will continue to make improvements in areas that patients say matter most to them.

Friends and family test

The friends and family test (FFT) was introduced in 2013 and provides patients – and their carers – the opportunity to feedback on the services that provide care and treatment, essentially asking if they would recommend them to their friends and family.

Areas covered include hospital wards, accident and emergency departments and maternity services and, as part of a pilot project from October 2014, all outpatients and patients who have had a daycase procedure (rolled out nationally, 1 April 2015)

Patients receiving treatment in the two pilot areas were also given the opportunity to feedback on their care by text or by responding to an automated telephone call to their home phone.

The following section describes the on-going work in the organisation and during 2015/2016 we will aim to continue to improve on our baseline figures and to increase - or maintain - response rates.

The FFT is a simple comparable test and data is collected monthly. Following an NHS England review of the patient FFT published in July, changes were made to how the data was calculated, moving away from the Net Promoter Score (NPS) and introducing a simpler scoring system for both patients and staff to understand and use.

Based on the findings of the review, NHS England is now calculating and presenting the FFT results as a percentage of respondents who would/would not recommend the service to their friends and family and this change was introduced across all existing patient settings in October.

The following two tables show the scores from the friends and family test survey results. The first shows the scores and response rates, month by month, from patients who completed the survey following a visit to accident and emergency. The second table shows the scores and response rates, month by month, from patients who completed the survey following an inpatient visit to hospital.

PATIENT EXPERIENCE & THE ENVIRONMENT

Accident and emergency

Month	A & E response rate	% extremely likely/ likely to recommend it	A & E target response rate	National average response rate
April 2014	16.6%	94.2%	15%	18.6%
May 2014	11.8%	87.7%	15%	19.1%
June 2014	23.5%	89.9%	15%	20.8%
July 2014	11%	95.7%	16%	20.3%
August 2014	7.3%	98.5%	16%	20%
September 2014	9.7%	86%	16%	19.5%
October 2014	12.5%	90.5%	18%	19.6%
November 2014	2.9%	98.9%	18%	18.7%
December 2014	4.4%	93.6%	18%	18.1%
January 2015	16.7%	88.6%	20%	20.1%
February 2015	20.3%	90.7%	20%	21.2%
March 2015	26%	90.1%	20%	22.9%

Inpatients

Month	Trust inpatient response rate	% extremely likely/ likely to recommend it	Target response rate	National average response rate*
April 2014	38.2%	98%	25%	34.8%
May 2014	39.1%	97.7%	25%	35.3%
June 2014	27.9%	98.4%	25%	37.7%
July 2014	56.4%	97.5%	27%	38%
August 2014	30.8%	98.5%	27%	36.3%
September 2014	43.1%	97.8%	27%	36.2%
October 2014	28.4%	97.5%	30%	37.1%
November 2014	22%	96.5%	30%	36.8%
December 2014	45.8%	98.2%	30%	33.5%
January 2015	38.4%	98.3%	30%	35.8%
February 2015	39.4%	98.4%	30%	39.8%
March 2015	43.9%	98.3%	40%	44.9%

*Figures for the national inpatient response rate exclude the independent sector

Listening to and acting on complaints and concerns

Poor communication often lies at the heart of many NHS complaints and can lead to patients and their families feeling increased anxiety, vulnerability and powerlessness. Getting it right is a cornerstone of providing quality health care and an area we 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 make improvements in the areas that patients say matter most to them.

Between 2014/2015 we dealt with 430 formal complaints, which received a written response from the chief executive compared to 371 in 2013/2014. This increase is in line with national trends however responding to these formal complaints is not without challenge.

Currently the standard response time to complainants is set at 25 working days, although the trust has not achieved the target for 80% of complaints to be closed in this time period.

A number of measures are being put in place to ensure a systematic approach to managing and analysing incidents, complaints, PALS, claims and information governance and some improvements to-date include:

- Review of complaints policy (completed in association with the Patient Association)
- Review of complaints and root cause analysis training incorporating a more investigatory approach – delivered monthly
- Business case to support the purchase of a specific web-based module which will standardise systems and processes and reduce duplication
- Strengthening links between the patient relations team and clinical centres and departments
- All patient information leaflets reviewed and updated
- Standardised meet and greet introduced and signposting regarding how to raise concerns at ward/ department level
- Profile raised among clinical teams of availability of patient advocacy services
- Independent complaint review panel meets monthly

The complaints leads group - whose purpose is to monitor and discuss information from complaints and PALS, identify themes, lessons learned and any areas of good practice and service improvement - was also revised with members approving and accepting the new terms of reference in May 2014.

In light of the Clwyd/Hart report 'A review of NHS hospitals complaints system – putting patients back in the picture' and subsequent recommendations, a significant amount of training was also done in-year to ensure staff are appropriately skilled and confident to be able to manage and handle complaints effectively.

This focused on the legal aspects of complaints, as well as a number of interactive workshops which looked at processes and specific case studies. Almost 80 staff have received this training, with a further 40 also completing more in-depth root cause analysis training.

A total of 11 requests were received by the Parliamentary and Health Service Ombudsman, whose role is to investigate complaints where individuals feel they have been treated unfairly or have received a poor service.

Of these, three were not upheld, one was partially upheld and four the trust is still awaiting a decision from the Ombudsman. The remaining three were cases the trust had assisted external organisations – two were requests for information only and we still await a decision from the Ombudsman for the other one.

We also had 2,481* PALS enquiries in 2014/2015, a slight increase on the previous year of 2,281* (*figures include all advice enquires and compliments). During the past year a new system for monitoring and handling PALS enquiries has been introduced which has had a positive effect on the trust response times.

Some of the changes we've made as a direct result of complaints or concerns being raised include:

- Full review of the discharge process on elective orthopaedic wards, resulting in better information being given out through use of an educational DVD and the introduction of 'home for lunch' – an initiative which involves patients and families more in the discharge process. This is now going to be rolled out across the trust
- Introducing patient safety huddles. These are over and above existing ward handover arrangements and give everyone involved in the care of patients the opportunity to discuss key patient safety issues relevant to their patients. The huddles take place at the patient status at a glance board, three times a day
- Introducing red 'nurse in charge' badges to improve communication and help patients and their families easily identify who is who. This is currently being rolled out across the organisation
- Better communication processes specifically for patients with some degree of communicating problems (for example the hard of hearing)
- Process review for appointment scheduling in ophthalmology
- Customer service training on the back of a number of complaints highlighting staff behaviour and attitude as a concern

Patient experience

The trust's patient experience sub-group provides a forum to feedback progress on different patient experience workstreams across the organisation, discuss potential barriers and provide a platform for discussion and debate around patient experience.

A central database has been developed which, to date, holds details of 50 patient experience projects happening across the trust, with the patient experience team providing varying levels of assistance to these.

Throughout the year, each Board of Directors meeting has begun with a story about a patient's experience of care – good and bad – to provide assurance of some of the issues and actions being taken forward.

To further strengthen staff, patient and carer engagement activity – and how it fits in with external stakeholders – the patient experience team will sit under the management of the director of communications and engagement from April 2015.

PATIENT EXPERIENCE & THE ENVIRONMENT

My viewpoint - photography project

The Trinity holistic centre launched a pilot photography project for men diagnosed with prostate cancer with an aim of providing greater emotional support to men living with – and beyond – a prostate cancer diagnosis and giving them the opportunity to learn and develop new photography skills.

The small-group programme - funded by Prostate Cancer UK – was delivered by a local photographer and qualified counsellor with the work of the four men being exhibited in the centre.

Each image also included a personal viewpoint of their illnesses and it is hoped to take the exhibition into the community to help tackle the taboo surrounding this part of men's health and encourage more to recognise the early signs and seek help.

National cancer experience programme survey

The trust received its best ever results in the national cancer patient experience survey, with nine out of ten cancer patients rating their care at The James Cook University Hospital and Friarage Hospital as 'very good' or 'excellent.'

Some departments achieved 100% patient satisfaction in a number of areas, including the head and neck team which received maximum marks in several categories including privacy and dignity, providing understandable answers and doing everything possible to control the side effects of chemotherapy.

More than 700 patients completed the questionnaire - a response rate of 66% - and were asked to rate their whole experience – from seeing their GP and having diagnostic tests through to the care and treatment they received in hospital, access to staff, the quality of information given and the discussion and inclusion into clinical research trials.

Our organisation was above - or equal to - the national average in 55 out of 63 questions and scored particularly highly when it came to privacy and dignity, information given to GPs and perceptions of staffing levels.

Key results showed:

- 90% of patients said the care they received was excellent or very good
- 86% had confidence and trust in all the doctors treating them
- 90% said staff gave a complete explanation of what would happen during their operation
- 92% said they received understandable answers to important questions all/or most of the time

The survey also highlighted a couple of areas that could be improved such as providing patients with more information on financial help and any possible future side effects of their treatment and this is being addressed through action plans.

Cancer 'buddy scheme'

The trust's results in the national cancer survey led to us being among the first in the country to be part of a pioneering 'buddy scheme' to help other NHS trusts in England to improve cancer patients' experience of care.

The buddy scheme is being run by NHS Improving Quality - the national NHS improvement organisation – with the aim to spread and accelerate innovative practice through peer to peer support and learning and our organisation is currently mentoring University Hospitals Bristol NHS Foundation Trust to help them learn from what we do and improve their patients' experience of care.

It is hoped the scheme will lead to a reduction in national variation in cancer patients' experiences and all the trusts involved have volunteered to take part in the improvement programme.

Our work with Bristol, with support from NHS Improving Quality, involves developing improvement plans specific to their individual needs which will be implemented between February and July 2015.

At the end of the scheme, an evaluation will be carried out to measure the impact of the improvement plans with a report published towards the end of 2015.

Accident and emergency department survey

In December, the Care Quality Commission published the results from the fifth accident and emergency survey, and the trust was one of 12 in the country which achieved 'better than expected' results for more than 20 of the 35 questions.

A&E is one of the eight core services the CQC inspects and rates in acute hospitals, and patients' experiences of care are a key aspect in determining these ratings. The national findings are presented under the questions inspectors ask about A&E departments: are they safe, caring, effective and responsive to people's needs.

At South Tees, 850 patients who were seen in our accident and emergency departments at the James Cook and Friarage hospitals in January, February and March 2014, were asked to take part and our response rate was 32%.

Overall we had very positive results and were in the top 5% nationally in a number of areas – first examination, time to discuss health problems, confidence and trust in doctors and nurses, privacy, medication side effects explained and experience.

Encouragingly, more than eight of out ten respondents (83%) said their overall experience was good and a breakdown of the results is as follows:

- **Caring:** Most of the questions (22 out of 35) relate to 'caring' and the results are, overall, encouraging as 90% of patients reported that they were treated with respect and dignity all of the time and 85% 'definitely' had confidence and trust in the doctors and nurses examining them.
- **Safe:** Half (50%) of patients waited less than 15 minutes to speak to a doctor or nurse when they first arrived, with 82% waiting less than one hour to be examined by a doctor or nurse. Less than four in 10 patients (38%) arrived at A&E in an ambulance and 5% said they waited over 30 minutes for their care to be handed over to the A&E staff, with 1% experiencing waiting times of over an hour.
- **Effective:** More than eight out of ten patients (85%) said they got their pain relief medication within 30 minutes, although 9% who requested pain relief medication waited for more than 30 minutes. 73% of patients thought that staff did everything to control their pain.
- **Responsive:** In total 79% of patients said that their visit to the A&E department lasted less than four hours and the vast majority (88%) reported having enough privacy when being examined or treated.

Small changes which have been made in the department have also had a big impact on patients, for example ensuring privacy at reception areas but we recognise more work still needs to be done in some areas, for example having better triangulation with other data sources in the trust and reducing self-referral rates to accident and emergency by working with our health and social care partners.

National inpatient survey

The Care Quality Commission's annual survey of inpatients was carried out in-year which asked people to give their opinions on the care they received, including information provided by staff, whether they were given enough privacy, the cleanliness of their wards, and their discharge arrangements.

Responses were received from 425 patients aged 16 and above who had stayed in hospital at least overnight, a response rate of 52% which was higher than the national average (47%).

Results were around the same as last year and, again, the organisation was rated highly for patients' overall views and experiences during their time with us with quite a number of areas scoring in the top 20% of performing trusts. There were three specific questions – out of 70 – where we fell into the bottom 20%:

- Patients did not share a sleeping area with patients of the opposite sex - 73% (the threshold for the lowest scoring 20% of all trusts was 79%)
- Patients did not share a bathroom/shower with patients of the opposite sex – 79% (the threshold for the lowest scoring 20% of all trusts was 83%)
- Patients did not feel threatened by other patients or visitors during their stay – 96% (the threshold for the lowest scoring 20% of all trusts was 96%)

We will now triangulate the organisation's staff survey and other patient data to identify whether there are any common themes relating to patient experience or quality of care concerns and will develop an action plan, specifically looking in detail at mixed gender rooms, bathrooms and bays, and consider why patients still perceive these to be in use and also at the 4% of our patients interviewed who said they felt threatened by other patients.

National cancer screening programme – colposcopy survey

Colposcopy services at the James Cook and Friarage were rated 'excellent' by the majority of patients who took part in a survey carried out by the national screening programme.

In April 2014, patient satisfaction questionnaires were sent out to both hospitals to be returned to the Quality Assurance Reference Centre (QARC) – part of public health - by the end of June.

Patients were asked to rate their whole experience from whether they were contacted before their appointment, to the care they received from staff, the quality of information given, privacy and dignity and the hospital environment.

The return rate was 38% (34 patients) at the Friarage and 37% at James Cook (124 patients) and, overall, patients rated the level of service they received as either excellent or good.

Hello my name is

The trust was among more than 100 NHS organisations to collectively launch the 'Hello my name is…' campaign, which was spearheaded by Dr Kate Granger, a young hospital consultant from Yorkshire who became frustrated with the number of staff who failed to introduce themselves to her when she was in hospital.

Dr Granger, 33, has terminal cancer and has made it her mission in whatever time she has left to get as many members of NHS staff as possible pledging to introduce themselves to their patients.

The campaign is simple – reminding staff to go back to basics and introduce themselves to patients properly – and many staff pledged their support, adding photographs to the trust's website, Twitter feed (@SouthTees) and Facebook page (www.facebook.com/southteeshospitals) to help spread the word.

PATIENT EXPERIENCE & THE ENVIRONMENT

Patient-led assessments of the care environment (PLACE)

The Health and Social Care Information Centre (HSCIC) published its first report on the new Patient-Led Assessments of the Care Environment (PLACE) programme, a voluntary initiative covering both the NHS and the independent sector.

PLACE is the new system for assessing the environmental quality of hospitals, hospices and day treatments providing NHS funded care and replaced the Patient Environment Action Team (PEAT)

The assessments see local people go into hospitals as part of teams to assess how the environment supports patient's privacy and dignity, food, cleanliness and general building maintenance.

It focuses entirely on the care environment and does not cover clinical care provision or how well staff are doing their job. Assessments take place every year and the overall trust breakdown for 2014 is as follows:

	Overall trust score	National average
Cleanliness	98.61%	97.25%
Condition, appearance and maintenance	95.69%	91.97%
Privacy, dignity and wellbeing	88.41%	87.73%
Food and hydration	90.52%	88.79%

	Cleanliness	Condition, appearance and maintenance	Privacy, dignity and wellbeing	Food and hydration
National average	97.25%	91.97%	87.73%	88.79%
James Cook	98.37%	95.73%	87.57%	90.73%
Friarage	99.38%	95.04%	92.14%	88.84%
Carter Bequest	98.68%	96.67%	87.80%	92.93%
Guisborough	99.12%	96.67%	86.84%	92.48%
Friary	100%	95.31%	93.75%	95.17%
Redcar	100%	98.47%	89.74%	94.70%
Lambert Memorial	98.41%	92.45%	83.33%	90.86%
East Cleveland	97.66%	96.20%	86.36%	84.59%

Corrective action plans have been developed to address any improvements which were identified during the PLACE inspections and this was shared with the Board of Directors in September.

Macmillan quality awards

South Tees became the first NHS trust in the country to receive five Macmillan quality awards. The trust's purpose-built radiotherapy centre, the Endeavour Unit, was the latest service to receive the prestigious Macmillan Environment Quality Mark (MQEM) which demonstrates to staff, visitors and patients that a facility is:

- Welcoming and accessible to all
- Respectful of people's privacy and dignity
- Supportive to the user's comfort and well-being
- Giving choice and control to people using the service
- Listening to the voice of the user

MQEM awards have previously been presented to ward 14, the chemotherapy day unit and the Macmillan information centre at James Cook and the Macmillan information centre at the Friarage.

New purpose built IVF unit

A new purpose-built IVF unit was opened at James Cook, bringing all reproductive medicine services together in one place including a theatre, lab, tank room, air quality control, recovery area, patient rooms, changing rooms, reception and waiting area.

As demand for fertility services across Teesside continues to grow the development will ensure the hospital can continue to accommodate increasing numbers of patients.

The unit offers both NHS and private fertility treatment to people in the North of England with services including advanced techniques such as egg freezing, oncology freezing (freezing eggs/sperm of cancer patients) and surgical sperm extraction, and has one of the best success rates in the country.

Building Better Healthcare awards

In collaboration with P+HS Architects and partners, the trust was a winner in the Building Better Healthcare Awards, winning the 'Innovations in Procure21+' category for estates improvements across the organisation.

This framework has enabled us to deliver more than £62million worth of schemes across the James Cook and Friarage hospitals and uniquely with Interserve we have formed a partnership with the PFI concessionaire Endeavour, and facilities management provider, Carillion, to deliver a highly-bespoke series of capital schemes together with hard FM services, including the backlog maintenance programme for the entire estate.

This has allowed the team to ensure that all schemes, whether they are new build, refurbishment or maintenance projects, are fully co-ordinated and constitute exceptional value for money for the NHS. The judges praised the entry for setting an exemplar for cross-party working and for ensuring value for money for the NHS.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SERVICE DEVELOPMENTS AND CHANGE

The NHS is constantly seeking out ways to modernise services, but there is still more to do to improve health outcomes, reduce health inequalities, and secure the long-term sustainability of services through transformative plans and, potentially, reconfiguration of health services.

South Tees, like all healthcare organisations, is looking at how we can be more productive and efficient without affecting patient quality if we are to respond to – and meet – these challenges.

Organisational restructure – continuing the journey

From 1 April 2014, the way our organisation was structured changed from having 13 clinical divisions to seven clinical centres. The rationale behind the restructure was to strengthen the trust's leadership so we are fit for the future at every level - from the Board to frontline – and can respond to and meet the oncoming challenges we face due to changes in the health service which include:

- Challenging NHS financial settlements and efficiency targets
- Increased competition
- GP commissioning changes, which means existing referral patterns are not guaranteed
- Greater patient choice and information,
- Increased public scrutiny
- Increased external scrutiny and regulation

The new structure recognises that the success of the trust to-date is largely due to the level of staff engagement, continuing leadership and involvement of clinical staff in everything we do, and that remains very much at the heart of how the organisation will move forward.

It will be underpinned by leadership, behaviour, accountability and performance and also addresses some of the blocks that occur from the way services were structured – reducing silo mentality.

The seven clinical centres each have a senior leadership structure of a chief or chiefs of service, a managing director to replace the existing divisional manager roles (rotational posts) and a head of nursing (again rotational posts).

Further changes were also made to the trust's corporate structures and executive director roles/ responsibilities following a review by the chief executive, which was accepted by the remuneration committee in August. This has resulted in a smaller number of executive directors reporting to the Board on a regular basis, with further details covered in the Board of Directors section of the annual report.

SERVICE DEVELOPMENTS AND CHANGE

Continuing the Journey – our transformation programme

For many years the trust has taken an innovative approach to service change, but it was clear that if we were to resolve our financial position, we had to drive our existing change programme harder and faster.

In year we enlisted the help of McKinsey, who worked alongside teams of staff from within the trust with a wide range of skills and knowledge to identify further efficiencies and make rapid improvements, initially concentrating on six key areas for transformation:

- **Corporate support services –** looking at opportunities to streamline the gathering of information, duplication of activities, and the value in support frontline services require
- **Procurement –** aiming to get better value for money from contracts for goods and services, as well as further reducing the use of non-essential items
- **Non-ward nursing –** in line with a previous review of ward nurses we will look at community, critical care and specialist nursing roles
- **Outpatients –** improving processes and further standardising systems and, potentially, looking for innovative or technical-based solutions
- **Surgery –** looking at best practice, reducing cancellations and improving patient flow
- **Theatres –** looking at best practice around theatre use, reducing cancellations and improving patient flow

The change programme was based on the potential for improvement, having an engaged leadership keen to drive through change and the opportunity to make rapid impact while preserving the high quality care on which we have built the reputation of our organisation.

Our transformation office is now firmly established in the trust, so we will take the lessons we have learned to drive forward more 'Continuing the Journey' projects over the next two years to not only save money and drive out waste but also improve services, systems and processes to benefit patients and staff.

In year, the trust also appointed an interim transformation director – at the request of Monitor – to ensure we developed an effective recovery plan.

As the 'Continuing the Journey' transformation programme developed with the support of the transformation office and McKinsey, the Board recognised there was a need to have permanent senior leadership devoted to driving this programme forward and took the decision to appoint a permanent transformation director who took up post in April 2015.

This director will lead our newly developed transformation office and support our strengthening clinical centres with the overall aim of the centres being robust business units with a strong culture and ethos of accountability, rapid decision making and improvement.

Embracing information technology

One of the major strategic issues for the trust is to transform care we provide for patients, underpinned by supporting information technology. In the health service writing everything down on pen and paper is not always efficient and there are considerable patient safety benefits of moving towards electronic ways of working.

In year, the trust received £1.35million from the Integrated Digital Care Fund to invest in new technology as part of our ambition to be 'paperless' in the future and support us in moving from paper-based clinical record keeping to an integrated electronic system.

The Fund - previously known as the Safer Hospitals, Safer Wards Technology Fund - was launched to improve information flow across care settings.

Digital systems have the potential to benefit patients and clinicians by enabling safer, more joined-up care through the sharing of comprehensive clinical information, hopefully leading to improved clinical decision-making.

It is the latest investment to come into the trust – in 2013/2014 we received £1.4m from NHS England's Nurse Technology Fund on two projects which have already made a real difference to staff and patients.

- **Vital signs monitoring - £1million –** This patient safety initiative is helping ward-based clinicians to record clinical data on hand held devices, so the NEWS – national early warning score – can be calculated electronically and accurately in a standardised manner. The project further supports the escalation of care for deteriorating and high risk patients.
- **Mobile computing in community - £444,000 –** New high specification and lightweight laptops have now been introduced for staff mobile working in the community, supporting patients in their own homes.

These investments are allowing us to lay the foundation for us to expand our digital enhancements to support improved care and deliver an increasingly effective service to meet the growing demands of clinicians and patients.

Middle ear implants

The trust is now a major provider for all recognised forms of hearing loss treatments after James Cook became the first hospital in the region to be commissioned to provide middle ear implants.

Previously patients had to travel to Manchester, Nottingham or Birmingham for this life-changing treatment which opens up a new world of hearing opportunities for patients who are unable to benefit from conventional hearing aids.

Middle ear implants use a clever magnet to vibrate the structures of the middle ear. The implant is fitted to a tiny bone in the ear and receives signals from a compact audio processor that sits discreetly behind the patient's ear.

In December, patient Bridie Hope become the first person in the country to have a new type of middle ear implant, meaning she could hear 'normally' after decades of hearing only frustrating, muffled sounds.

Ultrasound boost for lung cancer patients

A new procedure in the early treatment of lung cancer was carried out at the trust for the first time, meaning patients no longer had to travel to other hospitals for the test and are diagnosed and treated quicker.

As lung cancer is a rapidly progressive disease, early diagnosis and accurate treatment is crucial to making the correct course of action to increase the patients' survival chances.

By the time patients are referred to secondary care, over one third already have cancer that has spread to the lymph glands. Taking samples of the glands is vital for deciding the best way to treat patients and traditionally this has been done through surgery, requiring a stay in hospital and leaving scarring.

The trust now offers an endobronchial ultrasound (EBUS) service, where the nodes are sampled by doing a camera test under light sedation as a day case procedure, so patients can be discharged home the same day within a couple of hours of having the procedure.

The future of cancer services on Teesside

The integration of cancer care project – a joint initiative between the trust and Macmillan – was launched to closely look at existing services and how patients move through the healthcare system, covering everything from diagnosis to recovery support and end of life care.

Funded by Macmillan until autumn 2015, it involves working closely with primary care, community health services, social services and the third sector as well as patients and their carers.

Recommendations will be made to help transform services with an emphasis placed on improving patient experience, patient information, communication between services, staff training, standardisation of care and providing care closer to home.

UK first in advanced endoscopic treatment

A new endoscopic procedure for NHS patients with serious reflux problems, known as Stretta therapy, was performed for the first time in the UK, offering an alternative to surgery for patients who suffer from chronic gastro-oesophageal reflux disease.

GORD - gastro-oesophageal reflux disease - is a common condition where acid from the stomach leaks out of the stomach and up into gullet causing symptoms such as heartburn, acid reflux and difficulty swallowing.

The condition can usually be treated with medication but where this is not effective selected patients can now be offered the therapy, which uses a special catheter to deliver radiofrequency energy to strengthen the muscle tissues, instead of surgery.

This minimally invasive outpatient procedure takes less than an hour and does not require any incisions, stitches or implants so patients can return to normal activities the following day and experience significant symptom relief for up to ten years.

First to trial new stroke treatment

The trust was selected as one of the first ten centres in the UK to offer a leading-edge stroke-prevention treatment - Left Atrial Appendage (LAA) closure - as part of NHS England's £15m Commissioning through Evaluation (CtE) programme.

LAA closure is a treatment to prevent blood clots in patients suffering from abnormal heart rhythms which can now be offered as an alternative for those who cannot safely take blood-thinning drugs such as Warfarin.

The left atrial appendage is a small pouch which empties blood into one of the top chambers of the heart. When it does not squeeze consistently because of an abnormal heart rhythm the blood inside the pouch can become stagnant and may form clots.

This new keyhole procedure involves inserting a small disk known as a Watchman device into the heart chamber to close the pouch and prevent clots from forming. The James Cook is now the regional centre for the north east jointly with The Freeman Hospital in Newcastle.

The CtE programme is an innovative approach to evaluating potentially promising specialised treatments for which there is currently insufficient evidence available to support routine commissioning in the NHS.

Clinicians involved are now gathering evidence on the relative clinical and cost effectiveness of the procedures which will be compared to other treatments already available in the NHS by the National Institute for Health and Care Excellence (NICE) and NHS England.

SERVICE DEVELOPMENTS AND CHANGE

Leading edge robotic surgery

Prostate cancer patients became the first on Teesside to benefit from leading-edge robotic surgery in November, when urologists used a da Vinci robot for the first time.

The robot has revolutionised surgical treatment for prostate cancer by making it possible for surgeons to perform minimally-invasive surgery with greater precision and control than ever before which has significant benefits for patients.

It uses tiny instruments, controlled remotely by the surgeon sitting at a console. The surgeon has the benefit of 3D vision and hand and foot controls to control the micromanipulators, which have a greater range of movement than the human hand.

It is hoped that the hi-tech procedure will dramatically improve outcomes and cure rates for men with the disease, while reducing the side effects and complications of surgery and the length of time patients have to stay in hospital.

The robot is now being used in thoracic and general surgery and will, over time, also treat bladder cancer, kidney cancer, colorectal and gynaecological disease and head and neck disease.

This complements our specialist cancer centre portfolio as we can now offer state-of-the-art surgical oncological treatment as well as state-of-the-art radiotherapy and was made possible through commissioners' support and the use of the trust's charitable funds.

UK first for Catalyst technology

The James Cook's radiotherapy department was the first in the country to use Catalyst technology to improve further the accuracy of radiotherapy delivered to breast cancer patients.

Patient movement can sometimes occur during treatment affecting the precision of radiotherapy delivered. This innovative system is used for positioning and monitoring movement of patients before and during radiotherapy, to provide a new level of treatment quality and safety.

Catalyst works by 'projecting' green and red light directly onto the patient to generate a 3D surface map of the area to be treated, giving immediate and real-time feedback on the patient's position and highlighting if adjustments need to be made.

It is currently the only system of its type in the UK, meaning that patients across the Tees Valley are receiving one of the most cutting-edge treatments available – a level of service currently only available to breast cancer patients receiving radiotherapy at the trust.

Donations of over £100,000 to the STAR fund and South Cleveland cancer research fund, both of which are part of South Tees Hospitals Charity, enabled the unit to buy the technology for local patients.

Robotic arm for pharmacy

A hi-tech robot is helping to ensure patients at James Cook get their medicines quicker. The state-of-the-art automated system, based in the hospital's main pharmacy, dispenses and labels a required drug in just seven seconds.

As well as increasing the speed at which medicines are given out to inpatients, using the robot will also allow the pharmacy team to redesign the services they provide to patients, supporting more staff to work on the wards.

The new robot will be used for dispensing discharge prescriptions, supplying medicines for named inpatient use and providing stocks to wards and departments.

Costing just over £200,000, automated dispensing systems (ADS) automate the storing and picking of products and the labelling stage of the dispensing process. Most of the stock will be stored inside the robot, with items all individually bar-coded and scanned to identify the product and the pack dimensions.

The pharmacy's stock control system is connected to software which triggers the system to 'pick' an item during the medication supply process using a robotic arm. Once picked, items are transferred directly to the requesting station by a conveyer belt and it is estimated around 350,000 items will be dispensed by the robot each year.

MRI scanner appeal

In November, South Tees Hospitals Charity reached the half way mark of its first major fundraising campaign to raise £2million for an MRI (magnetic resonance imaging) scanner at the Friarage Hospital.

In partnership with the Friends of the Friarage – who have pledged an incredible £500,000 towards the appeal – they hope to reach this ambitious target by December 2015.

MRI scanners are increasingly used to diagnose a wide range of health conditions and the trust carries out over 17,000 scans every year – 4,000 of which are for patients living in the Hambleton and Richmondshire area.

However, as the Friarage Hospital does not have an MRI scanner, North Yorkshire patients currently travel to Middlesbrough or Darlington for these important imaging tests.

This campaign will help ensure the hospital remains at the forefront of patient care for the local population and will, ultimately, provide care closer to home, reducing travelling times and waiting times for patients.

SERVICE DEVELOPMENTS AND CHANGE

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.

It presents a unique opportunity to pull together the adoption and spread of innovation with clinical research and trials, informatics, education, and healthcare delivery. The trust's chief executive is a board member and other core members also include universities and clinical commissioning groups.

The chief executive also chairs the partnership group of the Clinical Research Network North East and North Cumbria which helps to increase the opportunities for patients to take part in clinical research, ensures that studies are carried out efficiently, and supports the Government's strategy for UK life sciences by improving the environment for commercial contract clinical research in the region.

Since the appointment of several new posts in the research and development team, we have been able to support a significant increase in the number of studies conducted by the trust and get involved in new research activities and events.

Northern Health Science Alliance

The Northern Health Science Alliance (NHSA) is a new partnership established by 16 of the leading universities and NHS hospital trusts plus four academic health science networks in the North of England.

By coming together the NHSA represents a major world region, providing unrivalled access to some of the UK's top academic research centres, as well as over 15 million patients.

The NHSA represents an exciting opportunity to recognise and promote the value of the North of England to the global innovation, health and wealth agenda and as one of the 16 founding members, we have agreed to collaborate to create a single portal, bringing together research, health science innovation and commercialisation to provide benefits for researchers, universities, hospitals, patients as well as commercial partners.

Teaching and training

South Tees continues as the lead trust for the Tees base unit of the Newcastle University's regional medical school, with our teachers involved in the development and delivery of the medical student programme.

Our commitment to 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.

Figures released by the National Institute for Health Research (NIHR) during the year ranked us as one of the top 40 NHS trusts in the country in 2013/2014 for the number of 'recruiting' research studies featured on the NIHR portfolio.

The number of patients receiving relevant health services provided or sub-contracted by the trust in-year recruited to take part in research approved by a research ethics committee in 2014/2015 was 2,546.

The trust is also supporting 31 'commercial' research studies – the second highest number in the region – ranging from complex interventional trials involving small numbers to large non-interventional studies.

In year we set a target to support 160 studies and exceeded this by recruiting to 190 NIHR portfolio studies – the second highest number of any partner organisation in the North east and North Cumbria – and together with other research studies are supporting over 300 projects.

The trust has also been selected as a pilot site for the NIHR 'research awareness' initiative to raise patient awareness of research.

The research and development team also works closely with 'NHS Innovations North' to identify and develop new innovation ideas and Intellectual Property opportunities from staff and 19 projects are currently being worked on with four in the process of 'commercialisation' and one product ready for launch.

A dragon's lair event was also held to invite colleagues to pitch for a research grant – the overarching aim being to help researchers develop grant applications that would be competitive in national award programmes.

The winning project will examine the effect of early adenectomy (surgical removal of all or part of a gland) on sleep quality and cognitive development in young children.

Five-year study into shoulder fractures

A five-year study led by Middlesbrough surgeon Professor Amar Rangan to determine the best treatment for a broken shoulder – surgery versus no surgery – was published in-year and could lead to significant financial savings.

Together with researchers from Teesside University and the University of York, Prof Rangan, clinical professor in trauma and orthopaedic surgery, secured over £1.25million funding from the National Institute for Health Research's Health Technology Assessment Programme in 2008 to lead the largest randomised clinical trial (ProFHER) to-date on proximal humerus (shoulder) fractures.

The results were published in the prestigious international Journal of the American Medical Association, (JAMA), and could lead to considerable cost savings for the NHS as the researchers found no significant difference between having surgery – which is being increasingly used - for the more serious types of proximal humerus fracture (broken shoulder) compared with non-surgical treatment.

The current treatment for this increasingly common injury, in people aged over 65, involves either putting the arm in a sling or surgery for the more serious fracture, but clinicians were unsure which treatment had the best outcome.

Professor Rangan, chief investigator on the five-year project in collaboration with clinicians from 32 NHS hospitals across the country, recruited 250 patients into the trial who were randomly allocated and followed up for two years with data collected at six, 12 and 24 months.

In total the data for 231 patients – 114 in the surgical group and 117 in the non-surgical group – were included in the primary analysis. This showed that there was no significant difference in self-assessed function and pain between those patients who were allocated surgery and those who were not allocated surgery.

Other data showed no clinically or significant differences on measures of health-related quality of life, complications related to surgery or shoulder fracture, later surgery or treatment for these complications, and death. This means there is now the potential to change future clinical treatment of this condition considerably. The team intend to publish a separate paper on cost-effectiveness shortly.

Funding into blood clot risk reduction research

A grant of £120,000 was awarded to carry out research work into reducing the risk of blood clots following orthopaedic surgery for hip fracture repair or total hip or knee replacements.

Orthopaedic surgical procedures such as repairs to a hip fracture, hip and knee replacements carry a relatively high risk of causing venous thromboembolism (VTE) – where blood clots can form in the vein, sometimes breaking off and reaching the heart and lungs causing a serious complication called pulmonary embolism (PE).

Hospitals routinely assess patients for risk of developing VTE and give medication to prevent this from happening but despite this, a small proportion of patients having orthopaedic surgery still develop life threatening VTE.

The purpose of the study - funded by the Academic Health Science Network, North East and North Cumbria – is to develop a novel testing protocol by studying the blood from patients having such procedures, using a technique known as rotating thrombo-elastometry (ROTEM).

This technology helps to identify those who have the greatest risk of developing VTE at different time points while they are in hospital, in turn developing a clinical pathway to assist surgery and to mitigate the risk.

Up to 400 patients will take part in the trial which is being led by Professor Amar Rangan - 200 patients with hip fractures needing surgical repair and 200 patients undergoing total hip replacements or total knee replacements.

Breaking through the pain barrier

Physiotherapists are conducting a clinical trial to see whether an electrical nerve stimulating device known as TENS can help relieve debilitating hand pain. Patients with complex regional pain syndrome (CRPS) in their upper limbs are now being recruited for the study as part of a joint project with Teesside University and Leeds Beckett University.

CRPS is a poorly understood condition in which a person experiences persistent severe and debilitating pain which is usually confined to one limb. The trial aims to look at whether transcutaneous electrical nerve stimulation (TENS) - available from major pharmacies - could be used as an effective method of pain relief for the condition.

Research funding has been secured from the British Association of Hand Therapists and the Chartered Society of Physiotherapy and patients will be randomised into two groups, half receiving the TENS treatment.

Leading-edge research for heart surgery

The trust signed up the hundredth patient to take part in a leading-edge heart valve trial – the MAVRIC trail - at James Cook.

The £250,000 research project, funded by the National Institute of Healthcare Research, is comparing keyhole surgery to conventional surgery for patients requiring aortic valve replacements – the second most common type of heart operation.

Patients taking part in the trial are randomly selected to receive either the new keyhole procedure or the more conventional treatment to enable surgeons to compare clinical benefits such as recovery times.

We have been recruiting since April 2014 and the aim is to sign up 200 patients in total to the trial, which is also attracting new patients to the region from across the country who would have had treatment elsewhere. The results will be published in 2017.


Welcome to
Redcar Primary Care Hospital

OUR STAFF

South Tees has a long and strong tradition of providing high quality care to the local population but we depend on people to do that - nurses, porters, consultants, receptionists, therapists, IT technicians and many others. Everyone working here has an important role, whatever their job.

We want to be a good employer – looking after the health and wellbeing of frontline staff, supporting them to raise concerns (and ensure we act on them quickly) and provide opportunities and development.

Staff survey

Staff experience is one of the best predictors of future patient experience and the NHS staff survey is a vital tool to help organisations make improvement.

This year the trust carried out a sample survey – rather than a full survey – achieving a 35.05% response rate compared to the national average of 44%.

At the time of sampling 8,485 staff were eligible to receive the survey and the questionnaires were sent to 850 staff directly employed by the trust and working across all areas (10% random sample rate).

The report was structured around the pledges to staff in the NHS Constitution with some additional themes:

- **Staff pledge 1** – to provide all staff with clear roles and responsibilities and rewarding jobs for teams and individuals that make a difference to patients, their families and carers and communities
- **Staff pledge 2** – to provide all staff with personal development, access to appropriate education and training for their jobs, and line management support to enable them to fulfil their potential
- **Staff pledge 3** – to provide support and opportunities for staff to maintain their health, well-being and safety
- **Staff pledge 4** – to engage staff in decisions that affect them and the services they provide, individually, through representative organisations and through local partnership working
- **Additional theme** – staff satisfaction
- **Additional theme** – equality and diversity
- **Additional theme** – patient experience

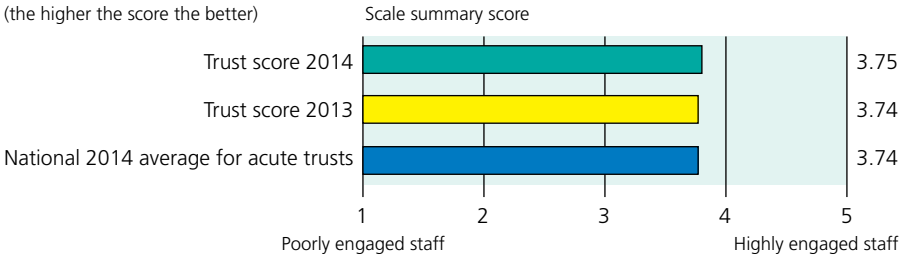
OUR STAFF

An overall staff engagement indicator was also published with a rate of 3.75 – a marginal increase on last year's figure of 3.74 and slightly above the national average for acute trusts in 2014.

This score needs to be reviewed in the context of the trust's performance in the three key findings which contribute to this overarching indicator below, which has seen no overall change since 2013.

Although this is only a marginal increase, it is positive outcome in the current climate of the NHS as a wider organisation when many trusts, including ourselves, are implementing significant change and feeling financial pressures.

Overall staff engagement



	Change since 2013 survey	Ranking, compared with all acute trusts
Overall staff engagement	No change	Average
KF22. Staff ability to contribute towards improvements at work (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.)	No change	√ Highest (best) 20%
KF24. Staff recommendation of the trust as a place to work or receive treatment (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.)	No change	Average
KF25. Staff motivation at work (the extent to which they look forward to going to work, and are enthusiastic about and absorbed in their jobs.)	No change	Average

Since the last survey was published a number of actions have been taken including reviewing and redefining the improving working lives (IWL) group to become a staff experience network group, incorporating the full agenda of staff experience relating to the staff survey including:

- Staff engagement
- Health and wellbeing
- Learning and development
- Equality and diversity

Following changes to the trust structure, this group - including its terms and conditions - will be reviewed again to reflect the new centres and directorates and to incorporate actions arising from the staff friends and family test.

Its focus will be on the action plans developed from the outcomes of the staff survey and staff friends and family test, while responsibility and accountability level for the action plans will be at directorate manager level or equivalent.

Since the 2013 results were published, centres and directorates have been offered one-to-one sessions to review results and support the development of their own action plans and during the year some of the work taken forward includes:

- Continuing the 'maintaining a healthy workforce training programme' for managers which includes sickness absence and management of stress policies, occupational health, health promoting hospitals – Extra Life, health and human resources
- Implementation of Extra Life – the health promoting hospitals framework - which now has an established leadership group with key partners, as well as delivery groups taking forward the developed action plans on key themes identified through a health needs assessment carried out in 2014
- These key themes include mental health and resilience, healthy eating and environment, physical activity and environment, maintaining a healthy workforce, physical activity and environment, becoming smoke free, communications training and health campaigns

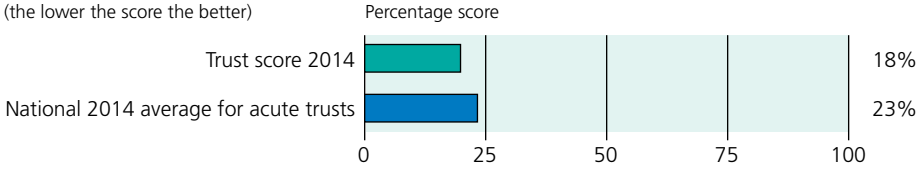
It is important to continue to build on the work carried out in 2014 to ensure that staff's experience of working at the trust is a positive and rewarding one and the staff experience network leads will receive individual reports for their areas. In March 2015, the Board agreed to support the following high level corporate/centre actions arising from the 2014 survey:

- The staff experience network group will be reviewed and take forward analysis of the overall results, agreeing key corporate action areas to support improvements to address the lowest reported staff perceptions
- The group will specifically address the issues of health and safety/equality and diversity training
- Each staff experience network lead to work with their HR contact to develop and agree staff experience action plans for their areas - agreeing performance management mechanisms for monitoring achievement against them
- Internal communications will be produced to feedback the 2014 results to all staff based on the theme of 'you said, we did' and 'you said, we could not' to support open and honest feedback about what changes did/did not take place
- Continue to improve staff engagement, learning from and adopting best practice from other organisations
- Continue to implement action plans relating to health and wellbeing priorities identified through the health needs assessment carried out in January 2014 relating to the Health Promoting Hospitals framework – Extra Life – using the results, together with the staff survey results, to help staff to manage their work life balance and maximise their contribution to the trust
- These key themes include mental health and resilience, healthy eating and environment, physical activity and environment, maintaining a healthy workforce, physical activity and environment, becoming smoke free, communications training and health campaigns

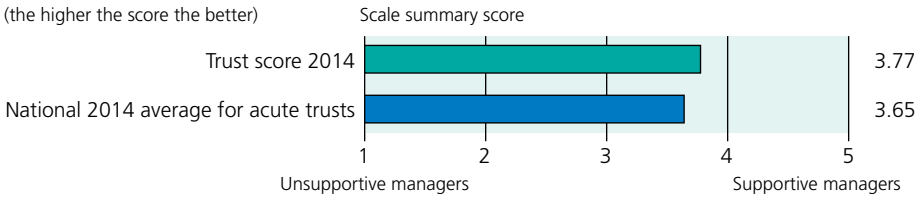
OUR STAFF

Top five ranking scores

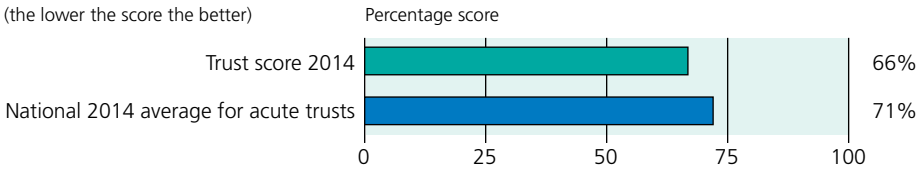
KF19. Percentage of staff experiencing harassment, bullying or abuse from staff in the last 12 months



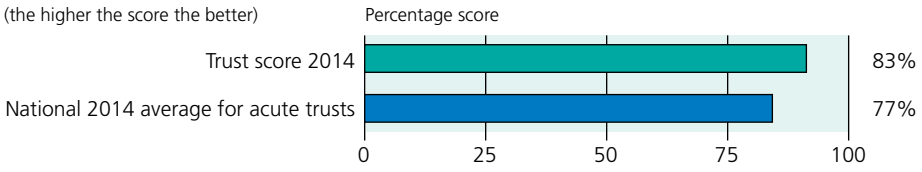
KF9. Support from immediate managers



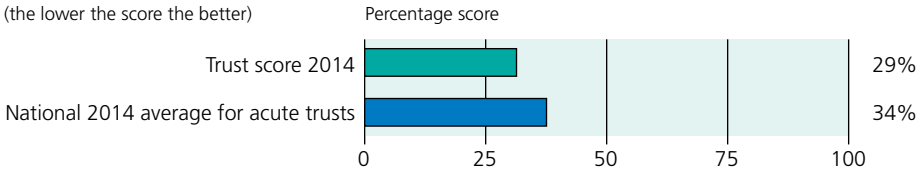
KF5. Percentage of staff working extra hours



KF1. Percentage of staff feeling satisfied with the quality of work and patient care they are able to deliver

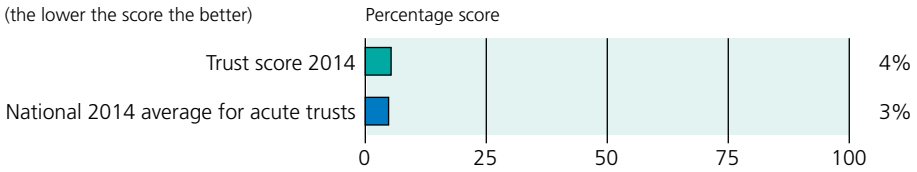


KF12. Percentage of staff witnessing potentially harmful erroes, near misses or incidents in the last month

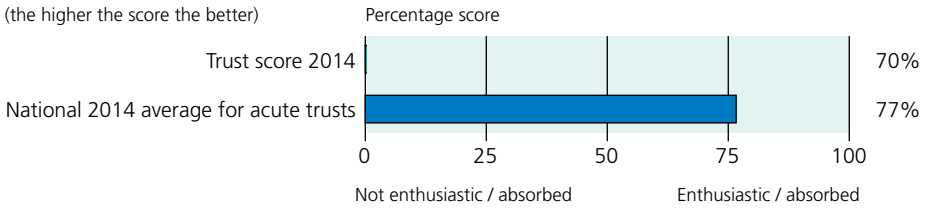


Bottom five ranking scores

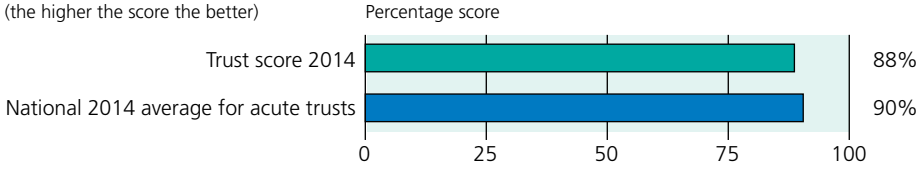
KF17. Percentage of staff experiencing physical violence from staff in the last 12 months



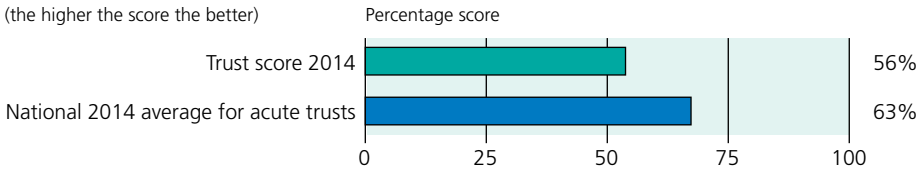
KF10. Percentage of staff receiving health and safety training in the last 12 months



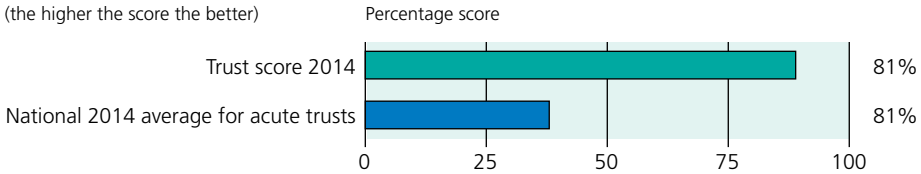
KF13. Percentage of staff reporting errors, near misses or incidents witnessed in the last month



KF26. Percentage of staff having equality and diversity training in the last 12 months



KF6. Percentage of staff receiving job-relevant training, learning or development in the last 12 months



OUR STAFF

Staff communication and engagement

Staff engagement continues to be at the heart of the workforce strategy group and is 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 which through consultation and communication enables staff, through their elected union representatives, to influence decisions made across the organisation.

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 the chief executive's monthly core briefing, staff bulletin, trust magazine and intranet, there are also regular opportunities for two-way communication – and feedback - including the chief executive's blog, social media (including facebook and twitter) centre/directorate team meetings, informal drop-in sessions and workshops.

Centres and directorates continue to be involved in a range of activities to enhance staff engagement, communication and motivation, examples of which include the introduction of a 'divisional manager' question time (academic), quarterly welcome events for new starters, leadership days and focus groups for specific issues.

Talent for Care

The national strategic framework 'The Talent for Care' – which focuses on the role and work of support staff working in bands one to four in the NHS - was published by Health Education England in October 2014.

The framework was produced following a formal consultation with this staff group in early 2014 and the trust contributed to that feedback by holding focus groups and asking staff to fill in a questionnaire.

'Talent for Care' sets out ten strategic intentions which are split into three key themes:

- Get in – opportunities for people to start their career in a support role
- Get on – support people to be the best they can be in the job they do
- Go further – provide opportunities for career progression including into registered professions

In response to the national framework, we have supported Health Education North East (HENE) to produce a local strategy document for the support staff working in the region, which is currently in draft format. Once this is complete the HENE learning and development sub-group will oversee the strategy's implementation.

Flu campaign

The trust achieved its best ever uptake for flu vaccination at 75.5% and was, subsequently, named the 'best flu fighter team' at the annual national NHS flu fighter awards run by NHS Employers.

A total of 5,880 vaccinations were given to staff working to support patients and families in our care with the breakdown as follows:

- Doctors – 699 (98%)
- Nurses, midwives and health visitors – 1,931 (68%)
- Other professionally qualified staff – 761 (72%)
- Support to clinical staff – 2,489 (79%)

A further 415 staff were vaccinated as part of the trust's overall flu vaccination programme and the campaign's success was attributed to the range of skills the flu team used across the organisation to encourage uptake – from the use of social media and technology, patient safety supporting governance, communications, pharmacy support, flu champions and pharmacy input.

The panel of judges, including the editor of Nursing Times magazine Jenni Middleton, said that the team's 'remarkable' efforts would be promoted across the country to inspire similar work. Judges were particularly impressed with the team's collaborative approach.

"This team has done fantastic work to help make the NHS an even safer place for staff, patients, and anyone they come into contact with. More than a million people use the NHS every 36 hours and many can be very vulnerable to flu. So it's great that the majority of NHS staff find time in their busy days to seek out these voluntary vaccinations."

Danny Mortimer, chief executive of NHS Employers

Equality and diversity

In looking at the equality and diversity agenda, the trust has embraced the legal duties of the Equality Act 2010 and the Public Sector Equality Duty and in 2015/2016 will start 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 established five equality and diversity objectives in 2012 which continue to be implemented over a four-year period up until 2016:

- 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

These objectives will need to be reviewed and refreshed in line with the new requirements we need to take forward.

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

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.

Recruitment

Targeted work around the recruitment of registered nurses was carried out with the senior nursing team including:

- Analysing band 5 vacancies across the trust and difficult areas to recruit to
- Running monthly assessment centres to recruit band 5 registered nurses matching candidates to suitable posts following group exercises, individual
- Interviews based on values, behaviours and the 6Cs and a drug calculation test
- Widening attraction of student nurses to apply for trust jobs through attending recruitment events at universities including, Teesside, York and Leeds
- Engaging further in trying to recruit from the Return to Practice course being offered through Teesside University
- Undertaking European Economic Area (EEA) recruitment for nurses to work in the trust through NHSP on 12 month contracts. To-date this has recruited nurses of a high quality from Italy and Portugal
- Exploring with existing staff that are from EEA or non EEA countries if they have relatives/friends who may be working with other care providers that would consider employment at the trust

OUR STAFF

Sickness absence

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.

The trust's position in terms of sickness absence is consistent with both national and peer group averages, with the highest rates recorded in the nursing and midwifery group and support workers.

A series of actions have been taken to support the organisation in its management of sickness absence including:

- Monthly sickness absence reports – broken down into ward/departments – are generated by the workforce information team and shared with managers. These include information on long-term sickness and trend analysis
- 'Maintaining a healthy workforce' training sessions, which support the trust's management of attendance at work policy, continue to be available to line managers
- Occupational health providing a monthly case conference service to support more difficult sickness absence cases. This allows managers to discuss more complex cases and can also be facilitated for the staff member and their representative to attend, allowing more openness and transparency
- Some clinical centres formally recognising good attendance, with staff receiving letters of recognition if they have not been off work for 12 months
- Occupational health offering a range of services such as a back care service, sports injury clinic, advice line and self-help material for staff. A number of health promotion strategies are also being taken forward for staff and their families as part of the Health Promoting Hospitals work which follows

At the end of 2014/2015 the average sickness absence rate for the trust was 4.53% – a 0.37% increase on the previous year's figure of 4.16%. Constant improvement is the key to secure the organisational target of 3.9% and better.

Health promoting hospitals

Hospitals are in a good position to prevent illness among staff and patients, as well as the thousands of people who visit each year, and we have pledged our commitment to implementing the World Health Organisation's Health Promoting Hospitals (HPH) framework. As part of this, we joined forces with three other main employers in Middlesbrough - Middlesbrough Borough Council, Teesside University and Middlesbrough College - this year to launch Extra Life.

This unique initiative is aimed at improving the health and wellbeing of staff and the local communities they serve and under the Extra Life banner, the organisation carried out a staff needs assessment that identified a number of key areas on which to focus our health promotion efforts over the coming 12 months. These include:

- Mental wellbeing
- Physical activity
- Health eating
- Maintaining a healthy workforce

During 2015/2016 we will focus on developing a pathway for staff with mental health problems. This will include a single point of contact into the most appropriate intervention available (internally or externally), developing a mental health toolkit for staff and their managers to use, and raising awareness of the many activities already available to support staff, including resilience workshops, mindfulness sessions, and access to counselling.

To encourage staff to take more physical activity we are planning a bid for external funding to support a number of initiatives including the development of a trim trail at James Cook and map walking routes around our sites.

In supporting staff to adopt healthy eating habits we will focus on ensuring all staff have access to healthy food, whatever hours they work, and to maintain a healthy workforce we plan to target staff with long-term conditions, improving access to early screening and offering programmes for staff with diabetes and coronary vascular disease.

During the year, we organised a number of campaigns including supporting Breast Cancer Awareness Week, with information shared across the four Extra Life partner organisations and also had a 'stress down' week which gave staff advice and information on how to identify and manage stress.

We are looking to repeat these campaigns in the coming year, as well as holding a festival of wellbeing from June to September 2015.

The Trinity holistic centre at James Cook has played a key role in supporting staff wellbeing with the introduction of a range of holistic therapy sessions as well as a focus for a range of activities such as a weekly singing group, walking and running groups, and yoga sessions.

Thanks to funding from the Extra Life programme the centre, which is funded by charitable donations, has recently been kitted out with a kitchen where, over the next year, it will run a range of healthy eating and cooking sessions for both staff and patients.

Staff friends and family test

The staff friends and family test (FFT) test was introduced into all trusts by NHS England in April 2014 to give staff the opportunity to feedback views on their organisation at least once a year.

It is hoped this will help to promote a big cultural shift in the NHS, where staff have further opportunity and confidence to speak up, and where the views of staff are increasingly heard and are acted upon.

The trust has conducted this survey over the full year with results received by the Board of Directors and shared with relevant centres/directorates so that actions are taken forward by them and combined with the national staff survey results.

Data related to staff's perception of the trust as a place they would recommend their family or friends to be treated is shared with the quality assurance team so that any actions arising are linked with the patient friends and family test data and analysis.

For the first year, NHS England has adopted a flexible approach to how trusts roll-out the staff FFT and at South Tees, uptake rates have been low. We have taken actions to improve the level of staff engagement including opening up the quarter 4 survey to all staff rather than selected areas.

SEQOHS accreditation

SEQOHS stands for safe, effective, quality occupational health service, and is a set of standards and a voluntary accreditation scheme for occupational health services in the UK and further afield.

In year the trust received SEQOHS accreditation – a formal recognition that our occupational health service has demonstrated it has the competence to deliver against the standards measures – after being visited by assessors.

The standards are grouped into six domains as follows:

- Business probity
- Information governance
- People
- Facilities and equipment
- Relationships with purchasers
- Relationships with workers

The scheme is managed by the Royal College of Physicians on behalf of the Faculty of Occupational Medicine and the trust is now required to renew its accreditation annually. This encourages organisations to reflect on the past year and to continuously improve their service by addressing issues raised through audits, surveys and complaint procedures.

Schwartz rounds

In year, the Point of Care Foundation announced that 104 organisation are now running Schwartz Rounds, compared to 23 when it took over the responsibility for supporting them from The King's Fund in April 2013.

The trust was one of the early implementers of this programme, which involves staff from all backgrounds and professions voluntarily coming together to discuss the emotional and social challenges associated with their jobs.

Since introducing the rounds three years ago, more than 20 have taken place with topics ranging from 'a patient I will never forget' to 'living on the edge – reflections of staff in the acute admissions unit.'

The sessions are expertly facilitated, confidential, meetings where staff from all backgrounds can talk openly. Their underlying premise is that the compassion shown by staff can make all the difference to a patient's experience of care, but to provide care with compassion, staff must themselves feel supported in their work.

Feedback from staff has been extremely positive with them saying the rounds really provide an insight into each other's experiences and create a very safe space where they can be open and honest with each other.

AWARDS & ACHIEVEMENTS

Nightingale Awards

Every year the trust holds the Nightingale Awards, which recognise the unique and important contribution nursing and midwifery makes to patients and their families on a day-to-day basis.

In May, Jamie Goldswain – a healthcare assistant on ward 2 at James Cook – was named overall Nightingale Award winner for 2014 as well as picking up the award for healthcare assistant of the year.

As well as being the first male to pick up the coveted award, Jamie was also the first non-registered nurse to collect the prize in the ten years the scheme, organised by the nurse and midwife consultants, has been running.

Student of the year – Jennifer Gilbey
Healthcare assistant of the year – Jamie Goldswain
Staff nurse/midwife of the year – Haley Hutchinson
Sister/charge nurse of the year – Jill Best
Senior nurse/midwife of the year – Deborah Slimings
Team of the year – Victoria ward, Friary Hospital, Richmond
Midwifery award – Sue Wheeldon
Military award – WO2 Zoe Clarke
The McCormack patients award – Ward 28
Friends of the Friarage award – Sarah Batty
Community award – Tocketts ward, East Cleveland Primary Care Hospital
Paediatric award – Cheryl Honeyman
Mentors award – Katie Milburn
Practice placement award – Neonatal unit
Matron award – Sallie Southall
Poster winner – Jenny Brown

Peer recognition: Kate Linker was named the northern regional representative of the year by the Society of Radiographers, in recognition of the work she does on behalf of the society in the trust and the wider region.

Birthday honour: Dr Kumar Das, an associate specialist in orthopaedics at the Friarage Hospital, was awarded an MBE in the Queen's Birthday Honours. Dr Das has worked in trauma and orthopaedic surgery for 29 years, bringing new surgical techniques to the hospital in the late 1980s and early 1990s.

Clean sweep: The hotel services team at the Friarage Hospital won two awards at the Association of Healthcare Cleaning Professionals (AHCP) Awards 2014 - the 'working in partnership' category and the 'supervisor team award'.

Double delight: Chief executive Professor Tricia Hart was named by the Health Service Journal as one of the top 100 clinical leaders in the NHS (ranked number 10) making the greatest impact on health policy, service transformation, and innovation and also one of the top 100 inspirational women in healthcare.

Baby friendly: Community-based health visitors received national recognition from UNICEF (The United Nations Children's Fund) after achieving a Baby Friendly Award for increasing increase breastfeeding rates and improving care for mothers in Middlesbrough, Redcar and Cleveland.

Cementing relationships: The trust won the 'Innovations in Procure21+' category in the Building Better Healthcare Awards in collaboration with P+HS Architects and partners for estates improvements across the organisation, enabling us to deliver more than £62million worth of schemes across the James Cook and Friarage hospitals through the P21/P21+ framework.

Queen's nurse: Continence specialist nurse Michelle Payne was one of 79 nurses to receive the Queen's nurse title, which was presented by Professor Viv Bennett, director of nursing at the Department of Health and Public Health England.

Hitting their own headlines: The communications team were double winners at the Association for Healthcare Communications and Marketing (AHCM) Awards 2014, winning team of the year and the Jonathan Street Award for Excellence.

Strong leadership: We also had double winners at the North East NHS Leadership Recognition Awards with nurse consultant in critical care, Lindsay Garcia, being named NHS Inspirational leader of the year and nursing sister in therapeutic care, Debi McKeown, taking the title of NHS innovator of the year.

Caring for cancer patients: The North of England Cancer Network, now part of the Northern England Strategic Cancer Network (NSCN), won the Quality in Care Oncology Award for its work around improving early diagnosis of cancer. The team worked with the Department of Health, Public Health England and Cancer Research UK on two regional pilots for Be Clear on Cancer: 'blood in pee' (bladder and kidney cancers) and oesophago-gastric, increasing awareness of cancer symptoms, leading to more referrals for tests and ultimately more cancers being diagnosed.

Five star: The trust was the first in the country to receive five Macmillan quality awards – the latest being the Endeavour unit. MQEM awards have previously been presented to ward 14, the chemotherapy day unit and the Macmillan information and support centre at James Cook and the Friarage Hospital.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PARTNERSHIPS & ENGAGEMENT

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.

Children's and maternity services – Friarage Hospital

From October, changes were made to the way children's and maternity services were provided at the Friarage, following a long period of engagement and consultation around their safety and long-term sustainability.

In March 2014, the health overview and scrutiny committee (OSC) of North Yorkshire County Council had referred the proposals to the Secretary of State for the second time which were analysed by the Independent Reconfiguration Panel (IRP), made up of independent national clinical experts.

But in May, health secretary Jeremy Hunt wrote to them to confirm the plans could go ahead without any further review. In summary, the changes meant:

- An inpatient (overnight) children's ward would no longer be available at the Friarage
- In its place is a short-stay paediatric assessment unit (SSPAU) which assesses and treats children referred by their GP or who have open access arrangements
- The opening of the Friarage maternity centre – a midwifery-led unit – where women who have been assessed as low risk can give birth
- Mums-to-be assessed as high risk (and need consultant-led obstetric and neonatal services including the special care baby unit) now deliver at another hospital of their choice
- The closure of the special care baby unit

A range of women and children's services at the Friarage Hospital remained unchanged including outpatient gynaecology, inpatient gynaecology (for elective surgery), children's outpatients and planned day surgery, outpatient antenatal clinics, early pregnancy services and community midwifery and paediatric nursing services.

In January, the opening hours of the short-stay paediatric assessment unit were temporarily reduced due to staffing pressures and while the trust has successfully recruited to one consultant post, we anticipate opening times will not be fully resumed until September.

PARTNERSHIPS AND ENGAGEMENT

Fit 4 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, area.

We want to redesign health and care services and be a beacon of rural health and care - delivering the highest quality health and care services – and over the coming months, members of the public, staff and other key stakeholders will be invited to take part in a 'care conversations' designed to identify opportunities for working together to improve and enhance local services.

The 'Fit 4 the Future' project has a number of objectives to:

- Keep the Friarage Hospital at the centre of healthcare for the people of Hambleton and Richmondshire
- Address the immediate issues of the urgent care pathway
- Ensure that treating people at, or near to home, is a viable option wherever possible
- Work together across the system to shift the focus from illness to wellness
- Assess the future purpose of the community hospitals
- Create a step change in the integration of health and social care
- Radically rethink the delivery of health and care in rural areas, including the use of technology
- Radically rethink and take opportunities to reform our workforce

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.

Through this programme – known as the Integrated Management and proactive Care for the Vulnerable and Elderly (IMProVE) – the CCG's plans included:

- Improving stroke rehabilitation services
- Improving community support for elderly and vulnerable people, bringing more services to their homes
- Setting up a single point of contact for all community health and social care needs
- Integration of services across primary, community, acute and social care
- Moving away from a more traditional bed-based model of care
- Making sure that urgent care services in our area are safe and sustainable
- Investing more in services and staff instead of maintaining buildings
- Making best use of our existing community hospitals.

A three-month public consultation was held between April and July 2014, and the CCG received 586 responses to its questionnaire which showed 96% agreed with its vision to improve prevention and deliver more care in the community.

In October the CCG's governing body agreed to take forward the following recommendations in a phased approach:

- Centralising stroke services to Redcar Primary Care Hospital by April 2015
- Closing two minor injury services in East Cleveland and Guisborough Primary Care Hospitals and consolidating and enhancing minor injury services onto one single site (Redcar Primary Care Hospital) by April 2015
- Closure of Carter Bequest Hospital and transfer of services within the community by April 2015 alongside the progression of improved community infrastructure
- Part closure of Guisborough Primary Care Hospital (main building) by removing beds, subject to the implementation of an improved community infrastructure by April 2016
- Redeveloping the Chaloner building in order to house transferred services as well as additional community based services by April 2016
- Developing a pilot weekend district nursing clinic in East Cleveland Hospital to start by April 2015 in line with consolidation of minor injury services

Partnership working

The 'Fit for the Future' and 'IMPRovE' projects are examples of the collaborative work which is underway with our strategic partners on transforming the health and social care system across the Tees Valley and North Yorkshire.

Working with commissioners and local authorities will be a key success factor as we jointly respond to a very challenging financial environment, specifically, work towards more fully integrated health and social care as we develop proposals under the banner of the Better Care Fund.

This offers opportunities for different ways of working and high level of engagement 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 and built on our established links with our commissioners, specialist commissioners, NHS England area team, local authorities, universities, health scrutiny committees/ health and wellbeing boards, Council of Governors and local MPs.

Looking after our frail and elderly

The trust, in partnership with Hambleton, Richmondshire and Whitby Clinical Commissioning Group, launched weekly clinics for frail elderly people as part of our efforts to reduce unnecessary hospital admissions.

The clinics at the Friary Community Hospital in Richmond and on the Rutson Ward at the Friarage Hospital, are run by a team including a consultant geriatrician, occupational therapist, nurse/case manager, physiotherapist and a social worker from North Yorkshire County Council with patients referred by their GP.

The patient's assessment includes looking at factors such as their home environment, communication and nutritional needs and their general health and mobility, with an individual care plan developed for them.

The type of patient typically seen at the clinic are those who will be able to be discharged from care at the end of the assessment with a clear plan in place, not those patients who will need an immediate hospital admission or referral on to another specialty. The whole focus of the clinics is on working proactively with patients to prevent unnecessary admissions to hospital.

Pathology

Our trust, like all healthcare organisations, is looking at how we can be more productive and efficient without affecting the quality of services we provide, and one way of doing this is to look at how we work more collaboratively together with partner organisations.

Pathology services both nationally and regionally are currently undergoing significant change to address how services may be provided in the future and the trust – in partnership with North Tees and Hartlepool NHS Foundation Trust - began discussions with staff across both organisations to look at how these services may be shared in future.

Initial work focussed on identifying potential options for service delivery but the aim is to develop single pathology services across Tees and North Yorkshire that provides efficient, timely, clinically effective services that are underpinned by a robust business model.

The proposed model is being developed through a Joint Venture Company (JVC) – an approach which both retains ownership, joint and equal control over the service and supports compliance with competition and procurement legislation and this work will continue in 2015/2016.

PARTNERSHIPS AND ENGAGEMENT

Pioneering research from Durham University

Consultants at the trust were involved in new research which suggests the harmful effects of smoking during pregnancy may be reflected in the facial movements of mothers' unborn babies.

Researchers at Durham and Lancaster universities said the findings of their pilot study added weight to existing evidence that smoking is harmful to fetuses as they develop in the womb and warranted further investigation.

Observing 4-d ultrasound scans, the researchers found that fetuses whose mothers were smokers showed a significantly higher rate of mouth movements than the normal declining rate of movements expected in a fetus during pregnancy.

Larger studies are now needed to confirm and further understand the relationship between maternal smoking, stress, depression and fetal development which should also take into account the smoking behaviours of fathers.

Volunteering

The value of the contribution made by our volunteers across the trust is considerable and in-year, over 700 individuals donated their time offering a wide variety of services to patients and visitors to our hospitals.

This included giving directions, offering bedside support, assisting in accident and emergency or volunteering for a number of voluntary organisations such as the Friends of the Friarage or The James Cook University Hospital Voluntary Services.

Much anecdotal evidence of their impact has been collected, but to us their impact is immeasurable and we are profoundly grateful for their contributions that help make patients, friends and family visits to hospital that little bit better.

Building on the success of a pilot project in collaboration with Teesside University in 2014/2015, we were able to extend the ward-based therapeutic care volunteers (TCVs) programme, which now has over 250 TCVs helping out across all areas of the trust.

The scheme gained wider recognition when nursing sister in therapeutic care, Debi McKeown, was named 'NHS innovator of the year' in the North East NHS leadership recognition awards and the trust has also been visited by other NHS organisations seeking to replicate our success.

We would also like to acknowledge the invaluable contribution made by our volunteers who contribute to a number of support groups and forums and to governors who provide an oversight to our work.

In the coming year we will look to build our services, working with trust partners and extending our volunteering base with roles being further developed around dementia care, mealtime volunteers, patient transport volunteers and trinity holistic centre therapy volunteers.

Our charities

We would like to thank our volunteers, patients, carers, staff and local communities who, throughout the year, have organised fundraising events and given donations to the trust. All have made an invaluable contribution to help improve the services we provide.

The mission of South Tees Hospitals Charity is to enhance the care, treatment and environment of patients. Through charitable giving, the management of charitable funds and other activities, the charity seeks to:

- Keep the services of the trust at the forefront, delivering the best possible care by purchasing state-of-the-art equipment
- Create the best possible environments for patients and staff
- Enhance our staff's training to keep teams at the leading edge of medical advances and
- Grow levels of charitable giving to ensure that the work can continue by supporting staff and patients in their fundraising activities.

During the financial year voluntary income from donations totalled £788,000 (£770,000 in 2013/2014) and bequests totalled £107,000 (£499,000 in 2013/2014).

Investment income of £143,000 (£142,000 in 2013/2014) was received as well as income from charitable activities totalling £392,000 (£451,000 in 2013/2014) which relates primarily to income from the provision of training courses.

The principle function of the charity's team is to ensure that donations are processed, acknowledged and spent in their intended areas.

Overseeing the 325 funds, the team processed 9,000 donations and transactions in the last financial year and, in total, over £1.732million was spent on enhancing care and the environment.

Having launched the £2million Friarage Scanner Appeal in 2013, the appeal reached £1million in November 2014 and last year the charity also saw one of its major objectives realised with the installation of a da Vinci surgical robot, ensuring the services of the trust remain at the forefront of medical care.

In the coming year (and next five years to come) the charity will benefit from the generous donation of space from Endeavour in a busy area of James Cook hospital University Hospital.

This will enable the charity team to show the impact donations made to the trust are really having, as well as being able to promote events and accept donations from the general public ensuring we continue delivering excellent donor care.

The charity will also revisit the three-year plan and look to invest in staffing resources to ensure we maximise fundraising opportunities, with particular emphasis on corporate donations to improve services and environment.

While our fundraised income rose from £105,000 to £192,000 in year, legacy income fell from £499,000 to £107,000 and grants received was considerably less resulting in a total income of £1.699million against a prior year of £2.444million. At the end of the financial year, the total funds carried forward were £6.773million.

South Cleveland Heart Fund

In June, South Cleveland Heart Fund launched a £1million appeal to enhance heart scanning services at James Cook, which aims to help fund the major upgrade of an MRI Scanner so it can deliver state-of-the-art scanning and a full cardiac magnetic resonance imaging (CMR) service.

CMR is an advanced non-invasive imaging technique that can be used to assess why a heart is not working properly, allowing cardiac consultants to view the moving heart in high definition, from any angle, without exposure to X-rays.

It also enables them to take a look at the composition of the heart muscle and identify areas of scarring due to conditions such as heart attacks or heart muscle disorders. The appeal will also contribute towards the replacement of a second MRI scanner, with a higher magnetic field strength and a wider tunnel – a particularly important benefit for patients who are obese or who suffer from claustrophobia.

These, in turn, will increase the trust's capacity for complex cardiac and general MRI scanning, enabling more patients to benefit from such scans.

Acute frailty network

The trust secured a place on the first cohort of the acute frailty network from January to December 2015. The work of the network is based on the silver book – a set of quality standards for the emergency care of older people – and looks at the first 24 hours after access to urgent care, irrespective of provider. It also offers expertise to NHS and social care organisations with their work relating to frailty.

This 12-month programme is not about discussing change or debating what needs to happen, but about making changes, and a number of workshops will be held throughout the year.

SUSTAINABILITY

As the largest public sector organisation, the NHS is committed to reducing its own carbon footprint to protect the health and future wellbeing of the population it serves.

As South Tees we want to play a leading role in developing a sustainable NHS and combatting climate change. We have developed our own strategy to minimise - by the sustainable management of energy, water, transport and waste - the environmental impact of our buildings and operations.

Winter planning

Winter planning is part of the annual cycle of trust activities and the Board of Directors is expected by NHS England to assure itself that appropriate measures have been put in place to ensure the trust is ready and able to respond to the predicted surge in activity that occurs between October and March each year.

Plans developed by each centre collectively form our winter plan but as an organisation we work closely with partners in other key agencies through formal structures such as the local resilience forum to develop specific plans.

An extra £2million was provided from a combination of funds from the local clinical commissioning groups and national money to make our services more resilient throughout the challenging winter months.

Like other hospitals across the region, the trust saw an upsurge in emergency patients needing to be admitted onto wards for care and treatment and a key part of the plan was to set up a temporary winter ward at James Cook to help alleviate pressure on beds.

The 32-place ward – staff by an experienced team from James Cook and primary care hospitals - included 18 inpatient beds and a discharge lounge for up to 14 patients, fit enough to be discharged but waiting for either family to pick them up, prescriptions or an ambulance to take them to a primary care hospital or care home.

SUSTAINABILITY

Emergency preparation, resilience and response

The NHS needs to plan for and respond to a wide range of emergencies and business continuity incidents that could affect health or patient care. These could be anything from an infectious disease outbreak to a major transport accident. Under the Civil Contingencies Act (2004), the trust is designated a Category 1 responder.

This means that we must be able to provide an effective response in emergencies while maintaining services and are subject to the full range of civil protection duties, including risk assessment, to inform contingency planning and sharing information with other responders to enhance co-ordination.

This work is referred to as emergency preparedness, resilience and response (EPRR). Risk assessment underpins all emergency planning and ensures that local responders have plans that are relevant to current risks and proportionate to the severity and the likelihood of occurrence.

Each locality has a community risk register which describes the particular hazards in the area which the trust contributes to, along with its multi-agency partners.

One of the requirements of the 2013/2014 EPRR core standards was for organisations to have a risk register - linking back to the national risk assessment and community risk register – which holds all the risks that affect the trust, plus the controls and action plans which are in place.

The organisation also carried out a self-assessment against the national core standards and of the 124, there were 19 where we were non-compliant, none of which were considered detrimental to our immediate preparedness and resilience.

During the year, NHS England area teams asked for the assurance process against the 2014/2015 standards to be completed and the Board received the self-assessment and statement of compliance in November. There were five non-compliant standards and an action plan has been produced against these.

During 2014/2015 a number of emergency planning activities were carried out including:

- A review of the major incident plan to reflect changes to the trust's organisational structure and on-call arrangements
- A review and update of the trust's heatwave plan – in line with the national plan
- An evacuation exercise (sleeping beauty) in main theatres at James Cook to inform a wider site evacuation plan of the hospital
- A review of the trust's business continuity management (BCM) including the list of critical services and winter-specific plans for all centres
- Involvement in regional/local planning for the Grand Depart of the Tour de France in July, which included opening the major incident room at the Friarage during the event. (There were no issues which directly affected trust services)
- A programme of major incident training for heads of nursing and the establishment of a bronze (operational) command rota across all clinical centres
- Exercise 'mother goose' – a tabletop exercise to test the North of England critical care network paediatric escalation plan
- Exercise 'strider' – a multi-agency out of hours 'live' exercise led by Durham Tees Valley Airport designed to test the response and action of the emergency services and supporting units in dealing with an aircraft accident
- Contingency plans were put in place during a half-day of industrial action over NHS pay in November, although there was little impact on the trust with services maintained

Ebola

Since being first identified in March 2014, the outbreak of the Ebola virus in Sierra Leone, Guinea and Liberia has been closely monitored by Public Health England (PHE).

The trust has been following national guidance in developing an operational response plan, which includes having arrangements in place should we receive a patient infected by the virus.

The Ebola plan sets out the operational planning and response arrangements at the various stages of the presentation and treatment of patients suspected to be affected by Ebola virus disease (EVD). It describes how the health, safety and welfare of staff, patients and visitors will be safeguarded through the implementation of robust infection control measures and summarises the communication arrangements which will ensure that staff, key stakeholders and the general public are kept informed.

New rail halt

In July 2014, Minister of State for Transport, Baroness Kramer, officially opened a new £2.2million Tees Valley rail station behind James Cook - a vital link to the area's transport infrastructure.

The new station was achieved through a partnership involving the trust, Tees Valley Unlimited (TVU), Northern Rail, Network Rail and Middlesbrough Council.

Up to 17 Northern Rail trains on the Esk Valley line now call at the new stop, which was established following a successful Local Sustainable Transport Fund bid from the Department for Transport by TVU, which is the local enterprise partnership for Tees Valley.

The development of the station is important for Tees Valley as it provides an alternative means of access to the hospital - a large employment site – for staff, patients and visitors and surrounding developments and helps to ease congestion and improve traffic flow along one of the area's busiest transport corridors.

It is also a key part of the trust's travel plan, which focuses on establishing alternative ways for staff, visitors and patients to reach the hospital rather than by car.

Carbon management plan

The trust continues to implement its approved carbon reduction management plan, with an emphasis on managing gas consumption to deliver financial saving and reduction in carbon emissions.

In October we launched 'South Tees unplugged' – an internal year-long campaign aimed at staff with the aim to achieve a 4% (£200,000) saving in our energy use for the James Cook and Friarage sites and at year-end we made accumulated savings of £83,746 against a target of £77,257.

We're working more closely with our PFI partners around introduction of LED lighting internally and externally and investing in heating and lighting controls across the estate

Carillion are also reviewing the feasibility of processing food waste into compost/bio fuel pellets which would have the following benefits:

- An improved sustainable solution to food waste disposal
- Potential revenue stream/community scheme benefit
- Elimination of food waste being disposed of via macerator/ drains.

BOARD OF DIRECTORS

Foundation trusts are led by boards consisting of executive and non-executive directors. Executive directors (including the chief executive) are responsible for the day to day management of the trust while the non-executive directors (which are a greater number) provide an independent perspective at board level.

Together they form a unitary board of directors that is responsible for:

- Setting a robust and achievable strategy for the foundation trust and its leadership
- Supervising the organisation's management so that financial, operational and other strategic objectives are met to the right standard and to timetable, while ensuring strategic risks are identified and managed
- Setting and embedding the organisational culture of the foundation trust
- Taking those decisions that the board decides to reserve to itself, rather than delegate to an executive director
- Having systems in place to monitor the economy, efficiency and effectiveness of the trust as well as quality
- Ensuring compliance with its terms of authorisation, its constitution, mandatory guidance issued by Monitor, relevant statutory requirements and contractual obligations
- Ensuring the quality and safety of healthcare services, education, training and research are delivered and applying the principles and standards of clinical governance set out by the Department of Health, the Care Quality Commission and other relevant NHS bodies
- Exercising its functions effectively, efficiently and economically
- Note advice from - and consider the views of - the Council of Governors

The board is accountable nationally to the foundation trust independent regulator Monitor and to the health quality regulator, the Care Quality Commission, and locally to the Council of Governors and members.

Debate is facilitated by the presentation of regular reports and detailed high quality information against performance, quality and financial targets as well as other issues key to the on-going success of the trust, such as public consultations around service changes.

The board also ensures that directors, especially non-executive directors, have access to the independent professional advice (at the trust's expense), where they judge it necessary to discharge their responsibilities as directors.

BOARD OF DIRECTORS

As part of our programme of change – Continuing the Journey – that began in January 2013 with the appointment of Professor Tricia Hart as chief executive; the board has seen a number of significant changes in the last year.

Taking into account feedback from external experts and an internal engagement programme led by Professor Hart, the trust's remuneration committee supported a proposal to make changes to the executive director team.

The remuneration committee, which is a sub-committee of the board and is made up entirely of non-executive directors, is responsible for the identification and nomination of executive directors, confirming their appointment and determining their remuneration.

It agreed to changing the make-up of the executive team as well as changes to the executive director portfolios so they are best able to support our clinical centres.

As a result of that agreed change the board is now made up of seven executive directors including four appointed in-year - a director of transformation, director of quality, director of communication and engagement and a medical director (to replace Professor Rob Wilson who retired) - and seven non-executive directors, including the chairman.

The trust is currently in the process of appointing new non-executive directors to replace David Kirby, deputy chairman and chair of the audit committee and Councillor Brenda Thompson - who both step down in July 2015 - and a third non-executive director to ensure there is an appropriate executive/non-executive balance on the board.

All directors must take decisions objectively in the interests of the NHS foundation trust and all members of the board have joint responsibility for every decision regardless of their individual skills or status - the concept being that both non-executive directors and executive directors share the same responsibility. This does not impact upon the particular responsibilities of the chief executive as the accountable officer.

The chief executive - as the accounting officer – follows the procedure set out by Monitor 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 accounting officer for economy, efficiency and effectiveness.

As part of their role as members of a unitary board, non-executive directors have a particular duty to ensure appropriate challenge is made and scrutinise the performance of the executive management in meeting agreed goals, objectives and financial and clinical quality controls.

They are also responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary, removing executive directors and in succession planning. Non-executive director meetings are frequently held throughout the year without directors present.

Responsibility for the appointment of the chairman and non-executive directors resides with the nominations committee – a committee of the Council of Governors, which comprises of three members of the Council and two directors (including at least one non-executive director) although membership is flexible.

In 2014/2015, membership of the nominations committee included the chairman Deborah Jenkins (committee chairman), governors Jean Herbert, Jonathan Broughton and Sheelagh Clarke and executive director of communications and engagement Caroline Parnell.

The committee met once to determine the process we are currently undertaking to appoint three non-executive directors to the board, which involves using one of the UK's leaders in executive search as well as open advertising to identify potential candidates.

The make-up of the board is set out in a table on the following pages and includes details of background, committee membership and attendance.

The board may delegate any of its powers to a committee of directors or to an executive director and these matters are set out in the scheme of decisions reserved to the board and the scheme of delegation. The board also ensures committees have access to the necessary resources to meet priorities and objectives.

Decision-making for the operational running of the trust is delegated to the operational management board, which comprises of executive directors and chiefs of service.

The board has an annual schedule of business and a strategy map which ensures it focuses on its responsibilities and the long-term strategic direction of the trust.

Meetings to conduct its business are held monthly in public (normally on the last Tuesday of each calendar month) and board members also attend seminars, development sessions, and training throughout the year.

A rigorous evaluation of the board's performance - and that of its committees and individual directors - is based on the 'Seven Principles of Public Life'; the Nolan principles of selflessness, integrity, objectivity, accountability, honesty, transparency and leadership.

With so much change in the board over the last two years, executive and non-executive directors supported the commissioning of a formal board development programme with a strong focus on effective governance.

Led by Paul Stanton, who has extensive experience of working with boards across the country, the programme started in April 2014 and builds on previous activity the board has undertaken individually and as a group. It also complements a series of master classes the chairman has developed to help the board learn from the experiences of other successful teams and individuals.

As part of the Monitor enforcement action the trust commissioned an independent review of its board leadership, effectiveness, capacity and capability. The review was carried out at a time when the trust was making changes to the board, appointing to key roles, and embedding further changes to the organisation's structure. The board received this report in February and was pleased that the independent review shared its view that once fully embedded the changes we had begun to make prior to the review will strengthen governance in the organisation.

In response to the independent advisor's recommendations the board has agreed an action plan against which it tracks improvements to governance processes on a monthly basis. The advisor will return to the trust in autumn 2015 to take a view on how well the changes have been embedded.

The trust is also working with the independent advisor and Paul Stanton on a year-long programme of board development to support new executive and non-executive board members. This will involve a baseline assessment of skills, experience and competencies of all board members.

Individual directors have had detailed appraisals in their roles using a range of techniques. An appraisal process is in place with regular review of objectives set by the chief executive. The chairman appraises the performance of the non-executives and makes recommendations to the Council of Governors, while the chairman's appraisal is led by the senior independent director who makes a recommendation to the Council of Governors.

We consider we have the appropriate balance and completeness in the board's membership to meet the requirements of an NHS foundation trust. The board maintains its register of interests and can confirm there are no material conflicts of interest in the board. A copy is available to members of the public by contacting the chairman's office at The James Cook University Hospital.

The trust has not arranged appropriate insurance to cover the risk of legal action against its directors.

As far as the directors are aware, there is no relevant audit information of which the auditors are unaware. The directors have also taken all of the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Duty of Candour

The Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 (the 2014 Regulations) came into force on 27 November 2014, bringing new statutory provisions regarding duty of candour and fit and proper persons.

The updated act places a statutory requirement on health service bodies to act in an open and transparent way in relation to care and treatment provided to patients.

It also places a duty on NHS providers not to appoint a person, or allow an individual to continue to be an executive director or equivalent, or non-executive director, under a number of given circumstances.

In line with the updated act, the trust's current arrangements were reviewed by the director of workforce, who found the organisation already behaves in a way that meets the majority of the responsibilities, and this was discussed at the Board in December.

It was agreed that to fully comply with the regulations, all board appointments should make a specific pre-employment declaration, and that each board member should make an individual declaration that they meet the Fit and Proper Person test (which will be updated annually). All current board members have made the appropriate declarations.

BOARD OF DIRECTORS

Board of Directors - non executive directors	Board meetings	Audit	Remuneration committee	Nominations committee	Council of governors
 **Deborah Jenkins MBE** Deborah became chairman of the trust in August 2008 Deborah is also chief executive of TDI – The Derwent Initiative – a national charity which promotes an inter-agency response to sexual offending – a visiting professor on leadership to the University of Newcastle and chair of the Barnard Castle Vision Partnership. She was awarded the MBE in 1995 for services to urban regeneration and has previously worked on Teesside for The Industrial Society and Common Purpose.	14/14		3/3	1	5/5
 **David Kirby - Deputy Chairman** David Kirby (deputy chairman) - joined the trust board in June 2005 and is a chartered public finance accountant.	12/14	5/5	3/3		5/5
 **Hugh Lang** 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. He has particular interests in the long term economic development of the region and the key drivers required to deliver positive growth. (current tenure ends December 2017)	12/14	3/5	3/3		-
 **Brenda Thompson** Brenda has been a non-executive director since 2008 and is an executive member for children's services at Middlesbrough Council. (current tenure ends August 2015)	13/14		2/3		-
 **Henrietta Wallace** Henrietta joined us as a non-executive director in August 2007 and her tenure ended in July 2014. She has an MSc in public health from the London School of Hygiene and Tropical Medicine, a BA in human sciences from Oxford and gained a scholarship to St John's College in Oxford in 1984.	5/7	2/2	1/1		-
 **Jonathan Smith** Jonathan is an experienced IT director and change leader currently running a technology change and interim management IT consultancy. He moved to the North east to join Northgate PLC as IT director and has now forged local links with both business and the NHS. He joined the trust as a non-executive director in June 2013 and has a keen interest in supporting and driving the positive transformation work underway.	10/14	1/2	1/3		-

Board of Directors - non executive directors	Board meetings	Audit	Remuneration committee	Nominations committee	Council of governors
 **Maureen Rutter - senior independent director** 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 in September 2013, she was an appointed governor of the trust (tenure ends 31 August 2016)	13/14		2/3	1	5/5
 **Amanda Hullick** Amanda was appointed as a non-executive director with the trust 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. An Australian by birth, Amanda is married with two children and lives in York.	5/6	2/2	2/2		3/3

Board of Directors - executive directors	Board meetings	Audit	Remuneration committee	Nominations committee	Council of governors
 **Professor Tricia Hart** Professor Tricia Hart was appointed chief executive of South Tees on 1 January 2013. A previous nurse, midwife, community nurse and health visitor, Tricia has over 40 years NHS experience. Tricia was the nursing representative on the national working party that produced the Caldicott documentation on 'Patient Identifiable Data' and was the nursing representative on the expert working party chaired by Professor Sir Liam Donaldson that produced the documentation, 'Organisation with a Memory'. Tricia was the expert nurse panel member into the care provided by Mid Staffordshire NHS Foundation Trust and also worked alongside Sir Robert Francis on the second stage of the Public Inquiry. Following the publication of the Public Inquiry report Tricia was invited to jointly lead with Ann Clwyd MP on the Department of Health's National Review of Complaints Handling. Tricia was awarded the national award for inspirational leadership in 2009 and has been named by the HSJ as one of the top 100 clinical leaders in the NHS (ranked number 10), one of the top 50 chief executives and also one of the most inspirational women in healthcare. Tricia is also patron of the Infection Prevention Society, a director of the North East and North Cumbria Academic Health Science Network and a visiting professor at both Durham University and Teesside University.	13/14	1	2		5/5
 **Professor Robert Wilson** Professor Wilson was appointed as medical director in May 2010 and retired in March 2015. He has worked at the trust since 1988 and was appointed as a consultant surgeon in 1990. Previous roles in the trust include cancer research lead, director of research and development, deputy medical director and chief of service for surgery.	9/14				-

BOARD OF DIRECTORS

	Board of Directors - executive directors	Board meetings	Audit	Remuneration committee	Nominations committee	Council of governors
	**Richard Wight** Richard was the former chief of service for surgery at the trust before taking up the post of medical director in April 2015, following the retirement of Professor Rob Wilson. He is also an ENT consultant.					
	**Chris Newton** Chris Newton was previously the chief finance officer of NG Bailey – one of the UK's leading providers of building services for the public and private sector. He joined the trust in January 2012 and following a restructure of the executive team in September 2014 he now also takes responsibility for a number of corporate services, including finance, performance, procurement, estates, planning, technology, strategy, contracting, and workforce/HR. He is also the deputy chief executive.	10/14	4			4/4
	**Ruth Holt** Ruth joined the trust in July 2013 as director of nursing and quality assurance and was previously the director of nursing/associate director with the NHS Confederation. She has a wealth of experience in both acute and community settings and has previously held the senior nursing post at Leeds (2006-2012) and South Manchester (2001-2006). Her portfolio now concentrates on nursing following the appointment of a director of quality.	13/14				-
	**Caroline Parnell** Caroline took up her post of director of communication and engagement in September 2014. A former journalist, Caroline 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 North East. She has 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.	7/7	2			3/3
	**Siobhan McCardle** Siobhan McCardle – took up the executive post of director of transformation in April 2015 to lead our developing transformation office, working with staff across our community and hospital services to identify and deliver opportunities to work more efficiently and drive out waste. 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.	-				-
	**Maxime Hewitt-Smith** Maxime has been the acting director of finance and performance since December 2014 and joined the organisation as a deputy director of the team.	4/4	1			1/1

Board of Directors - executive directors	Board meetings	Audit	Remuneration committee	Nominations committee	Council of governors
 **Ruth James** 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.	2/2	1			1/1
 **Jill Moulton** Jill Moulton took up the post of director of planning in July 1997 and was previously assistant director of planning. Following organisational re-structure, this directorate is now called service strategy and infrastructure. Jill was a voting director of the board until September.	7/7				-
 **Susan Watson** Susan was appointed as the director of operational services in April 2008 and was subsequently chief operating officer for the directorate until September 2014, when following a restructure of the executive team, she became director of integration. (Left in December 2014)	6/7	1			2/2
 **Chris Harrison** Chris joined the trust in February 2012. He has over 20 years of human resources experience and was previously the director of HR and organisational development at North East Ambulance Service.	6/7				1

AUDIT COMMITTEE

The audit committee is responsible for monitoring and reviewing matters such as the integrity of financial statements of the trust, our internal financial controls and the internal audit function.

The committee is chaired by the trust's non-executive/deputy chairman and during the year had the following non-executive directors in its membership as below:

- Mr David Kirby - chairman
- Mrs Amanda Hullick (from September 2014)
- Mr Hugh Lang
- Mr Jonathan Smith (from November 2014)
- Ms Henrietta Wallace (until July 2014)

Its terms of reference are approved by the Board of Directors and reviewed each year. The committee has an annual business plan which shows how it plans to discharge its responsibilities under its terms of reference and the business plan is monitored throughout the year.

There were five formal meetings in-year and minutes of each meeting, along with any recommendations, are reported to the Board by the chairman of the audit committee. The audit committee presents an annual report detailing its work to the Board each year.

The audit committee reviewed significant risks in-year which have included:

- Management override of control and fraud in revenue/expenditure recognition
- Financial sustainability of the trust and
- Valuation of property, plant and equipment

These have been considered through the presentation of the external audit plan and discussions with our external auditors PricewaterhouseCoopers LLP.

AUDIT COMMITTEE

The main duties of the audit committee throughout the year were:

Financial reporting

The audit committee monitored the integrity of the financial statements of the trust and any formal announcements relating to the trust's financial performance, reviewing significant financial reporting judgments contained in them.

The committee received and recommended to the Board of Directors for approval the trust accounts and annual governance report and the charitable funds accounts for 2014/2015.

In considering the full set of financial statements the committee noted that:

- There were no external audit adjustments proposed which required amendments to be made to the financial statements in order to achieve an unqualified opinion
- The unadjusted misstatements identified were below the level of materiality individually and collectively
- The explanations received and financial reporting during the year was consistent with both the statements presented and the going concern statement

Consequently the committee was able to recommend adoption of the statements to the Board without amendment.

Significant items of judgement

There were two significant items of judgement discussed by the audit committee in-year:

- The draft going concern statement was presented to audit committee members at its informal accounts briefing on 11 May 2015, where this was reviewed. The going concern statement was received at the full audit committee on 20 May 2015 where it was discussed and approved for recommendation to the Board of Directors.
- At its meeting on 27 November 2014, the committee reviewed the exclusion of VAT from the valuation of trust land and buildings. The committee 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 committee was informed that this revision to the valuation had been discussed with the external auditor and the District Valuation Service had been contacted to provide a valuation. The committee agreed the change in valuation to exclude VAT from 1 April 2014 was appropriate.

Governance, risk management and internal control

The committee reviewed the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the trust's activities (both clinical and non-clinical) that supported the organisation's objectives.

The committee received the trust's assurance framework and various audit reports concerning these matters. Reports were received outlining the progress made in planned counter fraud work and general issues concerning the NHS counter fraud service (CFS).

The committee received updates on controls and processes around budgetary spend and the cost improvement programme (CIP). The committee reviewed the system and processes for CQC registration.

The committee also reviewed the findings of any other relevant significant assurance functions, both internal and external to the trust and considered the implications to the governance of the trust.

Internal audit

The committee ensured there was an effective internal audit function established by management that met mandatory internal audit standards and provided appropriate independent assurance to the audit committee, chief executive and the Board of Directors. The committee received the internal audit plan, internal audit annual report and progress reports.

Internal audit was provided by Audit North (a not-for-profit provider to the public sector in the North of England of which the trust was a member in 2014/2015) with direct reporting to the director of finance and performance and a regular reporting link to the audit committee.

External audit

PwC are the external auditors for the trust and were appointed through a tendered process in 2011 by the Council of Governors in a joint exercise with the audit committee. The appointment was for a three-year term with a one plus one year extension available under the terms of the contract subject to the agreement of both parties.

The total annual contract value for 2014/2015 is split as follows:

1. Financial statements external audit fee - £47,950
2. Fees for audit of consolidation with charity - £5,150
3. Going concern - £7,000
4. Quality accounts fee - £11,950
5. PFI options and CoSRR governance reviews - £46,950

The accounts for 2014/2015 were the fourth year audited during the audit contract term.

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.

Appointment of Auditors

During the year the audit committee and Council of Governors discussed the benefits of tendering the external audit service at the same time as the internal audit and counter fraud service. The Council of Governors agreed this approach and, following a tender process, appointed KPMG as the trust external auditors, commencing from 2015/2016. PwC were appointed by the director of finance and performance as the trust internal auditors, commencing from 2015/2016 and Audit North as counter fraud providers.

All appointments were for a three-year term, with a one plus one year extension available under the terms of the contract, subject to the agreement of both parties. The audit committee supported the process for each appointment.

Arrangements by which staff raise concerns

The audit committee reviewed arrangements by which staff of South Tees Hospitals NHS Foundation Trust may raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters. The committee recommended to the Board, that it should consider how it receives whistleblowing incidents, action taken and the outcome.

Currently staff can raise concerns through the reporting concern at work policy (p39) which can be escalated to Board level under step three if it is felt the matter is so serious it cannot be discussed with a line manager or senior management. Concerns at this level are initially raised through the assistant director of human resources (employee relations) who will make the executive team aware in the first instance. Executive directors will then make the decision to inform the board if appropriate.


Pressing numbers on a phone
Therapist's aim
To improve your ability to manipulate objects with the hand
Client's aim
To improve your ability to manipulate objects with your hand
Therapist's instructions
Position the patient in sitting with a list of numbers and a mobile phone on the table in front of them. Instruct the patient to read the numbers from the list and press the corresponding numbers on the keypad using their index finger
Client's instructions
Position yourself sitting with a list of numbers and a mobile phone on the table in front of them. Practice reading the numbers from the list and pressing the corresponding numbers on the keypad using your index finger
Progressions and variations

REMUNERATION REPORT

The following section is the unaudited part of the remuneration report. The audited section is on pages 102 to 104

Annual statement on remuneration

The Board of Directors has an established remuneration committee. Its membership is made up of all the board's non-executive directors including the chairman (who chairs the committee).

Details about the chairman and non-executive directors and their attendance at remuneration committee meetings are available in the Board of Directors section of the annual report.

The committee is responsible for setting the terms and conditions of office, including remuneration (pay and benefit entitlements) and allowances of the executive directors of the board as well as non-voting directors, which during 2014/2015 constituted the director of human resources and director of IT and health records. It also monitors and evaluates the performance of executive directors.

It does not have a direct role in relation to pay of the chairman and other non-executive directors as this responsibility lies with the Council of Governors, guided by Monitor's Code of Governance for NHS Foundation Trusts.

Between April 2014 and March 2015 the remuneration committee met three times to agree and oversaw the implementation of a number of changes to the executive director team.

In July 2014, the chief executive put forward a proposal to make significant changes to the make-up of the executive director team and individuals' portfolios, which was agreed by the committee. The changes were part of the trust's 'Continuing the Journey' programme to ensure that the organisation has the structures and processes in place to support clinical centres in their development as robust business units.

REMUNERATION REPORT

These changes were implemented in September and resulted in:

- The director of finance taking responsibility for a number of corporate services, including finance, performance, procurement, estates, planning, technology, strategy, contracting, and workforce/HR. This resulted in a change to the job title to director of finance and performance.
- The director of human resources reporting to the director of finance and performance and changing the job title to director of workforce
- The director of service strategy and infrastructure role being dis-established.
- The chief operating role being dis-established
- The creation of a director of transformation role
- The company secretary portfolio increasing to take responsibility for communication, engagement, volunteers, the trust's charity, and Trinity holistic centre. This resulted in a change to the job title to director of communication and engagement.
- The creation of two non-voting director roles – director of business innovation and director of integration.

In December the committee also agreed a proposal to make a further change to the executive team with the creation of a director of quality role, allowing the director of nursing and medical director who had previously shared responsibility for quality, to be able to focus on key nursing and medical workforce issues. As a result of the change the post of deputy director of quality assurance was dis-established

To support the changes the committee considered remuneration packages for executive directors at its meetings in October and December. In 2008/2009 the committee agreed a process for determining executive directors pay using job evaluation scores to set the job size and calculating each salary as a percentage of the chief executive's salary based on the relative score. The committee did not make any amendments to the process in 2014/2015 but did ask for a benchmarking exercise to be carried out by the company secretary.

The benchmarking exercise looked at the salaries for similar roles in trusts across the North East, as well as within similar sized organisations across the country. The director of finance and performance, director of communication and engagement, and director of quality are not common roles so there was little benchmarking information freely available therefore to support the determination of those salaries.

The trust sought advice from a leading UK recruitment company, which has assisted the trust in appointing to key executive and non-executive posts over the last three years.

In line with previous board level appointments - both executive and non-executive – the trust worked with the recruitment agency to identify candidates for the director of transformation and director of quality, attracting interest from across the country.

Caroline Parnell was appointed internally as the director of communication and engagement as the new role constituted more than 50% of her previous post as company secretary/ executive assistant to the chief executive. As a result of the changes that post was dis-established.

As well as making decisions about the changes to the executive director team the committee, at the start of 2014/2015, also received a report from the chief executive on her assessment of the performance of individual directors against their agreed objectives.

Given the economic climate the committee agreed that there should be no cost of living rise or incremental progression for any executive director.

The remuneration of the non-executive directors, including the chair, was set by the governors in 2009 when the organisation became an NHS foundation trust and following a market testing exercise. Governors have not been minded to change the salaries and there has been no request from the non-executive directors to do so.

During 2014/2015 the non-voting director of IT and health records retired and, as a result of the changes to the executive directors' portfolios, the responsibilities of that role were absorbed into the portfolio of the director of finance and performance.

The director of business innovation and director of integration also left the organisation in-year and the committee decided not to appoint to those non-voting roles with their responsibilities absorbed into the roles of other directors and senior managers in the organisation.

As the director of business innovation and director of integration did not have voting influence in directing or controlling the major activities of the trust after September 2014, details of their salaries have not been included in this remuneration report.

The director of workforce and the director of IT and health records were also not voting members of the board, so their remuneration details are not included in this report.

In March 2015, Professor Robert Wilson retired as medical director and deputy chief executive. Mr Richard Wight was appointed to the role of medical director on a salary commensurate with those duties and the director of finance and performance took on the responsibilities of deputy chief executive.

Executive director appointments are not time limited as they are appointed by the remuneration committee of the Board on a permanent basis. The period for service notice is three months, apart from the chief executive, which is six months.

Termination payments are usually contractual but may be varied by the decision of the remuneration committee and depend on Treasury approval.

Contractual provision for early termination is not appropriate as the contracts are not fixed term. Liability for early termination is, therefore, not calculated. The only exception to the arrangement is the chief executive's contract, which is a four-year fixed contract and reviewed at the end of each year with no liability for early termination.

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 nine years. Any term beyond six years is subject to rigorous review by the Council of Governors.

Remuneration of senior managers and policy on senior management contracts

The Council of Governors decides on the remuneration of the non-executive directors including the chairman. In line with best practice and Monitor guidance, the nomination committee market tested salaries and other terms and conditions at the time we became an NHS foundation trust. There have been no changes to non-executive directors' salaries, terms and conditions since then.

The remuneration committee of the Board, sets the policy and authorises the appointment, administration and other terms and conditions for executive directors. The committee, which is made up of non-executive directors, is to ensure the organisation can attract, retain, and motivate executive directors while at the same time, ensuring cost effectiveness. Proper regard to the trust's circumstances, performance and comparative information from within the NHS are taken into account.

Advice about national guidance, trust protocol and other related matters is provided to the committee by the director of communication and engagement, in delivering her responsibilities as company secretary.

Pay and conditions of other trust employees, who are subject to Agenda for Change, are taken into account when setting the remuneration of senior managers.

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 chair agrees objectives for the non-executive directors and in line with recommendations from an independent review of Board governance, the trust will introduce a quarterly appraisal process for non-executive directors in 2015/2016.

Executive directors performance is appraised against agreed annual objectives on a quarterly basis by the chief executive. As a result of the independent review, during 2015/2016 the chairman will also 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 quarterly basis.

In July, the chief executive provides an annual report to the remuneration committee on the performance of each executive director. This forms the basis of any annual salary discussions.

Remuneration not subject to performance conditions

Performance bonus payments have historically been in line with the levels set by the Department of Health. However in recent years, the remuneration committee has taken into account the financial position of the trust in deciding not to pay performance bonuses to any executive directors.

Service contracts for senior managers

The details of the service contracts for our senior managers are shown in the following table. No executive directors were released by the trust to undertake additional employment during the reporting period.

All of our executive directors are required to give three months' notice, apart from the chief executive which is six months, and any lesser period must be approved by the remuneration committee which would assess the risk to the continuity of business. Non-executive directors can terminate their contract at any time.

Senior managers' remuneration and pension benefits are related in the tables on the following pages.

The key components of the remuneration package for senior managers include:

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

Salaries are determined in line with the Agenda for Change scheme. Notice periods are standard in the trust depending on the level of a role. Standard contracts have a notice period of one month whereas senior managers have an extended notice period of three 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 2014/2015 directors' total expenses were £3,964.42 compared to £9,532.23 in 2013/2014. Eight directors out of ten claimed expenses.

The total expenses claimed by governors was £567.22 compared to £688.20 in 2013/2014. The total number of governors who claimed expenses within this period were nine out of a 35 eligible throughout the year.

REMUNERATION REPORT

Salary and allowances

2014/2015						
Name and title	Salary and fees (bands of £5,000)	Taxable benefits (to the nearest £100)	Performance related bonus (bands of £100)	Long-term performance related bonus (bands of £5,000)	Pension related benefits (bands of £2,500)	Total
	£000	£000	£000	£000	£000	£000
Ms Deborah Jenkins MBE, chairman	50 - 55					50 - 55
Mr David Kirby, non-executive member	20 - 25					20 - 25
Ms Henrietta Wallace, non-executive member	0 - 5					0 - 5
Mrs Brenda Thompson, non-executive member	10 - 15					10 - 15
Mr Hugh Lang, non-executive member	10 - 15					10 - 15
Mrs Amanda Hullick, Non-executive member	5 - 10					5 - 10
Mr Jonathan Smith, non-executive member	10 - 15					10 - 15
Mrs Maureen Rutter, senior independent director /non-executive member	10 - 15					10 - 15
Mr Chris Newton, director of finance	170 - 175	25				170 - 175
Mrs Maxime Hewitt-Smith, Acting Director of Finance and performance	40 - 45				60 - 62.5	100 - 105
Ms Ruth James, director of quality	15 - 20				67.5 - 70	80 - 85
Mrs Jill Moulton, director of service strategy and infrastructure	55 -60	23			0*	55 - 60
Miss Ruth Holt, director of nursing / quality assurance	130 - 135				27.5 - 30	160 - 165
Mrs Caroline Parnell, director of communications and engagement	60 - 65	7			75 - 77.5	135 - 140
Mrs Susan Watson, chief operating officer	55 - 60				42.5 - 45	100 - 105
Professor Tricia Hart, chief executive	220 - 225				0*	220 - 225
Professor Rob Wilson, medical director	220 - 225					220 - 225
Band of highest paid director's total remuneration (£'000)	220 - 225					
Median total remuneration	21,792					
Ratio	10.2					

The figures for taxable benefits relate to lease cars.

Changes to the board implemented in September 2014 meant that Jill Moulton and Susan Watson were no longer voting members of the board. As they did not have voting influence in directing or controlling the major activities of the trust after this point, in-year details of their salary have only been included in this remuneration report up to September. The director of workforce was also not a voting member of the board, so his remuneration details are not included in this report.

A change has been included within the statements for a payment to the director of service strategy and infrastructure who will leave the trust with effect from 15 May 2015. The payment of £275,798 comprises the cost of statutory redundancy to the end of the period of notice, commuted to pension, a payment in lieu of accrued untaken holiday entitlement, payment in lieu of an untaken long-service award and a payment in lieu for outstanding contractual entitlements.

* In accordance with Monitor's NHS Foundation Trust Annual Reporting Manual s7.51, where the calculations for pension-related benefits result in a negative value the result should be reported as zero. The figures calculated in 2013/2014 are shown as reported at the time.

The median total remuneration is a calculation based on trust employees as at 31 March 2015. 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.

- Ms Henrietta Wallace left the trust on 31 July 2014
- Mrs Susan Watson left the trust on 15 December 2014
- Mrs Amanda Hullick commenced in post on 1 September 2014, so no prior year information is provided

	2013/2014						
	Salary and fees (bands of £5,000)	Taxable benefits (to the nearest £100)	Performance related bonus (bands of £100)	Long-term performance related bonus (bands of £5,000)	Pension related benefits (bands of £2,500)	Total	Name and title
	£000	£000	£000	£000	£000	£000	
	50 - 55					50 - 55	Ms Deborah Jenkins MBE, chairman
	10 - 15					20 - 25	Mr David Kirby, non-executive member
	10 - 15					10 - 15	Ms Henrietta Wallace, non-executive member
	10 - 15					10 - 15	Mrs Brenda Thompson, non-executive member
	10 - 15					10 - 15	Mr Hugh Lang, non-executive member
							Mrs Amanda Hullick, Non-executive member
	10 - 15					10 - 15	Mr Jonathan Smith, non-executive member
	5 - 10					5 - 10	Mrs Maureen Rutter, senior independent director /non-executive member
	155 - 160	22				160 - 165	Mr Chris Newton, director of finance
							Mrs Maxime Hewitt-Smith, Acting Director of Finance and performance
							Ms Ruth James, director of quality
	130 - 135	17			(15 - 17.5)	115 - 120	Mrs Jill Moulton, director of service strategy and infrastructure
	95 - 100				95 - 97.5	190 - 195	Miss Ruth Holt, director of nursing / quality assurance
							Mrs Caroline Parnell, director of communications and engagement
	135 - 140				(10 - 12.5)	120 - 125	Mrs Susan Watson, chief operating officer
	220 - 225				1,037.5 - 1,040	1,260 - 1,265	Professor Tricia Hart, chief executive
	215 - 220					215 - 220	Professor Rob Wilson, medical director
	220 - 225						Band of highest paid director's total remuneration (£'000)
	21,132						Median total remuneration
	10.5						Ratio

- Mrs Caroline Parnell commenced in post on 1 September 2014, so no prior year information is provided
- Mrs Ruth James commenced in post on 23 February 2015, so no prior year information is provided

Mrs Maxime Hewitt-Smith assumed the role of acting director of finance and performance from 1 December 2014, so no prior year information is provided

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 organisations workforce.

The banded remuneration of the highest paid director at South Tees Hospitals NHS Foundation Trust in the financial year 2014/2015 was £224,687 (2013/2014 £224,766). This was 10.2 times (2013/2014 10.5 times) the median remuneration of the workforce, which was £21,792 (2013/2014 £21,132).

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 2014/2015, 6 (2013/2014 4) employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,100 to £265,294 (2013/2014 £14,294 to £271,352). The starting point for the ranges for the financial periods are 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.

REMUNERATION REPORT

Pension benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2014 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2014 (bands of £5,000)	Cash equivalent transfer value at 31 March 2014	Cash equivalent transfer value at 31 March 2013	Real increase / (decrease) in cash equivalent transfer value	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
Professor Tricia Hart, chief executive	(£2.5 - £5)	(£7.5 - £10)	£110 - £115	£335 - £340	2529	2393	17	0
Mrs Susan Watson, chief operating officer	£0 - £2.5	£5 - £7.5	£50 - £55	£150 - £155	965	860	62	0
Mrs Jill Moulton, director of service strategy and infrastructure	(£0 - £2.5)	(£0 - £2.5)	£45 - £50	£145 - £150	968	909	14	0
Miss Ruth Holt, director of nursing / quality assurance	£0 - £2.5	£2.5 - £5	£40 - £45	£130 - £135	764	686	44	0
Mrs Maxime Hewitt- Smith, acting director of finance and performance	£2.5 - £5	£7.5 - £10	£5 - £10	£15 - £20	62	33	27	0
Mrs Ruth James, director of quailty	£2.5 - £5	£7.5 - £10	£30 - £35	£100 - £105	586	493	68	0
Mrs Caroline Parnell, director of comunications and engagement	£2.5 - £5	£7.5 - £10	£15 - £20	£55 - £60	347	267	67	0

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

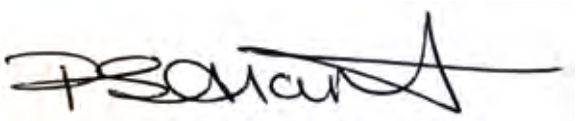
Mr Christopher Newton, director of finance and performance and Professor Rob Wilson, medical director, are not included in the detail above as they have both chosen to opt out of the NHS Pension Scheme.

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.



Chief executive

4 June 2015

COUNCIL OF GOVERNORS

Our Council of Governors forms an integral part of the governance structure within the trust and is the 'voice' of local people, setting the direction for the future of our services based on members' views, particularly in relation to strategic direction.

Governors do not undertake operational management of NHS foundation trusts; rather they provide challenge to the unitary board of directors and hold the board to account, via the non-executive directors, for its performance.

Our Council of Governors is made up of 34 governors, the majority of which are elected by our members to represent patients, service users, staff and the general public.

The remainder are appointed from key local organisations, such as local councils and clinical commissioning groups. This make-up includes 21 elected seats and 13 nominated seats as outlined below:

Elected

- Public – Hambleton and Richmondshire (5), Middlesbrough (5), Redcar and Cleveland (5). rest of England (1)
- Patient and/or carer (2)
- Staff (3)

Nominated

- Key external partners nominated onto the Council of Governors (13)

The statutory duties of governors are set out in the National Health Service Act 2006 and the Health and Social Care Act 2012 and are as follows:

From the National Health Service Act 2006:

- Appoint and, if appropriate, remove the chair or other non-executive directors
- Decide the remuneration and allowances, and the other terms and conditions of office, of the chair and the other non-executive directors
- Approve the appointment of the chief executive
- Appoint and, if appropriate, remove the NHS foundation trust's external auditor
- Receive the trust's annual accounts, any report of the auditor on them and the annual report

In preparing the NHS foundation trust's forward plan, the Board of Directors must also have regard to the views of the Council of Governors.

COUNCIL OF GOVERNORS

From the Health and Social Care Act 2012:

- Hold the non-executive directors individually and collectively to account for the performance of the Board
- Represent the interests of the members of the trust as a whole and of the public.
- Approve 'significant transactions'
- Approve an application by the trust to enter into a merger, acquisition, separation or dissolution.
- Decide whether the trust's private patient work would significantly interfere with the trust's principal purpose i.e. providing goods and services for the health service in England or the performance of its other functions.
- Approve any proposed increases in private patient income of 5% or more in any financial year.
- Approve amendments to the trust's constitution

It is the responsibility of the Council of Governors to hold the Board of Directors to account via the non-executive directors. To support this, most non-executive directors attend Council of Governor meetings to help build strong working relationships with both appointed and nominated governors and the senior independent director is always in attendance.

In line with the annual planning programme determine Monitor, the trust develops a yearly plan based on its three-year financial recovery plan and five-year strategic plan. Governors are provided with regular information about the planning process and are consulted on the annual plan, as well as the trust's annual quality account priorities.

The annual plan sets the trust's objectives for the year and regular progress updates on delivery are provided to the Council of Governor meetings, along with updates on progress against quality, operational and financial targets set nationally and locally. These reports mirror what is provided to the Board of Directors on a monthly basis.

In 2014/2015, the Council of Governors met five times, all of which were attended by the chairman who is responsible both for the leadership of the Board and the Council.

The Board of Directors maintains a close working relationship with the governors and wider membership in a number of ways. Key executive directors attend each meeting to give governors detailed reports and updates on progress against performance, quality and financial targets as well as other relevant areas of responsibility and issues key to the on-going success of the trust.

The Board also notifies the Council of Governors on any public interest/public attention disclosures.

Where possible, all governors use their personal and professional networks to canvas the opinion of the trust's members and the public on the trust's forward and annual plan and other key issues – and these are shared with the Board through the executive director lead.

Papers for all governor meetings are also made available to the public – in advance – on the trust's website and regular communication is shared with members through emails and a quarterly newsletter.

In line with their statutory duties, governors also led the recruitment of a new non-executive director Amanda Hullick and are currently involved in the recruitment of a further three new non-executive directors due to be formally appointed in July 2015.

As the senior independent director, Mrs Rutter has, with the support of Mrs Jean Herbert, lead governor, undertaken the process of appraising the performance of the chairman during 2014/2015, taking on board the views of the Council of Governors and Board of Directors.

When considering the appointment of non-executive directors, the council take into account the views of the board and the nominations committee on the qualifications, skills and experience required for each position.

It is not just through their statutory role that governors add value to the organisation. Over the last year they have also been involved in a whole range of other activities within the trust including:

- Joined a non-executive director on an independent review panel of the trust's complaints
- Actively involved in the recruitment of Siobhan McArdle as director of transformation and Ruth James as director of quality
- Regularly taking part in patient safety walkabouts as well as pre-CQC assessment ward visits alongside executive and non-executive directors
- Being part of the PLACE team inspecting all of the trust's properties
- Joining the judging panel for the trust's annual staff awards
- Attending key internal conferences and events including our annual Nightingale conference for nursing and the cancer conference.

As set out in Monitor's code for governance for NHS foundation trusts, there is a requirement for a mechanism to be in place for the resolution of any disagreements between the Board of Directors and Council of Governors.

In the first instance, it is the responsibility of the chairman, as leader of both forums, to attempt to lead to a consensus. Failing that, the next formal step would be for the chairman to receive formal representation from the senior independent director and/or lead governor and seek to arrive at a mutually acceptable position. In 2014/2015 the trust has not needed to have recourse to such a mechanism.

Paragraph 10C of schedule 7 of the NHS Act 2006 makes provision for governors to remove a governor from Council for any of the reasons set out in the constitution of the trust. This power was not exercised during the year.

Due to a number of changes to the membership of the Council of Governors during 2014/2015, a formal assessment of the collective performance of the council was deferred until 2015/2016 when new governors are expected to be in place, inducted and provided with training on their roles and responsibilities.

Details of how governors discharge their duties are made available to the public via the annual report, quarterly membership magazine and the trust's website.

In March 2015, elections were held for six public governors in the following constituencies – three in Middlesbrough, three in Redcar and Cleveland – plus a staff governor. The election results were as follows:

- Middlesbrough – Alan Parton (re-elected), Geraldine Hart and Gillian Spensley from eight candidates (turnout 20.2%)
- Redcar and Cleveland – William Davis and John Race (both re-elected) and David Wood from six candidates (23.2%)
- Staff – Michelle Payne (newly elected) from two candidates (8.9%)

A further two public constituencies - Hambleton and Richmondshire (4 seats) and patient and/or carer (two seats) – were uncontested and automatically filled by the following candidates:

- Hambleton and Richmondshire – Plym Auty and Noel Beal (re-elected), Stella Kilvington and Dr John Wilkinson
- Patient and/or carer – Elaine Lewis (re-elected) and Grant Reid

The trust holds a register of governors' interests which is available to members of the public by contacting the chairman's office at The James Cook University Hospital, telephone 01642 854151.

As part of the Health and Social Care Act 2012, we are also required to include information on the expenses of directors (which is in the unaudited part of the remuneration section) and governors. In 2014/2015, the total expenses claimed by governors was £567.22 compared to £688.20 in 2013/2014.

COUNCIL OF GOVERNORS

Council of Governors meetings

Elected governors	Tenure	Constituency	5 meetings from April 2014 to March 2015
*Plym Auty	3 years from April 2015	Hambleton and Richmondshire	4/5
*Noel Alasdair Beal	3 years from April 2015	Hambleton and Richmondshire	5/5
Janet Crampton	3 years from April 2012 (tenure ended March 2015)	Hambleton and Richmondshire	2/5
*Jean Herbert	3 years from April 2014	Hambleton and Richmondshire	4/5
Ivan Stephenson	3 years from April 2013 (Retired December 2014)	Hambleton and Richmondshire	0/3
Stella Kilvington	3 years from April 2015	Hambleton and Richmondshire	NA
John Wilkinson	3 years from April 2015	Hambleton and Richmondshire	NA
Valerie Harrison	3 years from November 2013 (Retired February 2015)	Middlesbrough	3/4
*Norman Leslie	3 years from April 2014	Middlesbrough	1/5
Keith Martin	3 years from May 2012 (tenure ended March 2014)	Middlesbrough	4/5
Caroline Newton	3 years from November 2013	Middlesbrough	3/5
*Alan Parton	3 years from April 2015	Middlesbrough	4/5
Geraldine Hart	3 years from April 2015	Middlesbrough	NA
Gillian Spensley	3 years from April 2015	Middlesbrough	NA
*William Davis	3 years from April 2015	Redcar and Cleveland	4/5
Alan Leighton	3 years from April 2012	Redcar and Cleveland	2/5
*John Race	3 years from April 2015	Redcar and Cleveland	5/5
*Peter Sotheran	3 years from April 2014	Redcar and Cleveland	2/5
*Jacqueline Wesson	3 years from April 2014	Redcar and Cleveland	3/5
David Wood	3 years from April 2015	Redcar and Cleveland	NA
*Elaine Lewis	3 years from April 2015	Patient and/or carer of patient	4/5
Grant Reid	3 years from April 2015	Patient and/or carer of patient	NA
Angela Seward	3 years from November 2013	Rest of England	5/5
Jonathan Broughton	3 years from December 2012	Staff	4/5
Julie Harris	3 years from April 2012 (tenure ended March 2014)	Staff	3/5
Julie O'key	3 years from April 2014	Staff	3/5
Michelle Payne	3 years from April 2015	Staff	NA

Appointed governors	Tenure	Partner organisation	5 meetings from April 2014 to March 2015
Prof Mark Shucksmith	Tenure commenced October 2013	Newcastle University	2/5
Councillor Sheelagh Clarke	3 years from 2012 (stepped down February 2015)	Redcar and Cleveland Council	3/4
Peter Race	Tenure commenced July 2013	South Tees CCG	5/5
Tony Hall	Tenure renewed October 2014	North Yorkshire County Council	1/2
Professor David Hunter	Tenure renewed 2012	Durham University	2/5
David Williams	Tenure commenced March 2014	Hambleton, Richmondshire and Whitby CCG	2/5
Prof Eileen Martin	Tenure commenced November 2014	Teesside University	1/2
Paul Crawshaw	Tenure commenced November 2014	Healthwatch	2/2

* Denotes where existing governors have been re-elected

MEMBERSHIP

NHS foundation trusts provide for greater local accountability to patients and service users, local people and NHS staff. The principles behind NHS foundation trusts build on the sense of ownership that many local people and staff feel for their hospital and other health services.

As a foundation trust, we have a duty to engage with our local communities and encourage people to become members of our organisation. We also have to take steps to ensure our membership is representative of the communities we serve.

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 – and these are broken down into:

- **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/carer 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

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.

Anyone aged 16 or over from the above groups is eligible to become a member and at the end of March, our membership (excluding staff) dropped slightly from 5,343 to 5,193 although this did remain representative within the ethnic and socio-economic groups.

The Board of Directors is required to monitor how representative the trust's membership is and this responsibility has been delegated to the executive director of communication and engagement.

While we have a membership target of recruiting 500 new members each year, 136 new people were signed up in 2014/2015. Staffing changes mean we no longer have a dedicated membership officer to proactively drive forward recruitment, but governors have considered how best to take recruitment forward and agreed that for 2015/2016 it will be focused on internal events at our hospital sites, and working more closely with our charity and patient and carer engagement teams to encourage people to become members.

More information about becoming a member is available on the trust's website at 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

MEMBERSHIP

Membership breakdown

Public constituency	2014/2015	2015/2016 estimate
As at start (1 April)	4,698	
New members	136	100
Members leaving	259	200
Year-end (31 March)	4,575	
Public constituency - breakdown by catchment		
Hambleton and Richmondshire	1,389	
Middlesbrough	1,422	
Redcar and Cleveland	1,442	
Rest of England	322	
Total		
Staff constituency		**2015/2016 estimate**
As at start (1 April)	8,926	
New members		
Members leaving		
Year-end (31 March)		
Patient constituency		
As at start (1 April)	645	
New members	0	0
Members leaving	27	25
Year-end (31 March)	618	
Public constituency*	**Number of members**	**Eligible membership**
Age (years):		
0-16	2	5,529
17-21	149	25,481
22-65	2,740	332,983
66+	2,096	
Unknown	206	
Ethnicity		
White	4,779	344,180
Mixed	15	3,834
Asian	124	11,965
Black	16	2,245
Other	16	1,701
Unknown	147	
Socio-economic groupings		
AB	889	50,848
C1	1,964	72,570
C2	1,171	49,107
DE	582	102,881
Unknown	92	

* For the purposes of the membership report, the public constituency population breakdown excludes 'Rest of England' and concentrates on our three immediate catchment areas

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 2015 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 for meeting all statutory requirements and adhering to guidance issued by Monitor in respect of governance and risk management.

Some aspects of risk are delegated to the trust's executive directors:

- The director of quality was appointed on 23 February 2015 and is accountable for the assessment and improvement of quality and patient safety and ensuring effective risk management. The director of quality works closely with the other executives to maintain the system of internal control.
- The medical director is the responsible officer and is accountable for the local clinical governance processes in the trust, focusing on the conduct and performance of doctors. The medical director is also the Caldicott Guardian, responsible for information governance risks and is the accountable officer for controlled drugs.
- The director of nursing is responsible for infection prevention and control and is the senior information risk owner. The director of nursing was overall lead for risk management and patient safety until 23 February 2015 when the board responsibility for risk management transferred to the director of quality.
- The director of nursing is also responsible for business continuity planning and emergency planning. This responsibility previously rested with the chief operating officer who left the organisation in December 2014.
- 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 finance is also the executive lead for workforce, performance management and information technology.
- The transformation director took up post on 7 April 2015 and is responsible for the development and delivery of the trust's transformation programmes to ensure achievement of the organisation's strategic aims.
- The executive directors are supported in the management of risk by the assistant director of quality assurance, the trust incident and risk manager, the head of information governance and the trust solicitor.

The delivery of clinical activities is managed within a structure of seven clinical centres supported by the corporate directorates. Each clinical centre is led by a triumvirate consisting of chiefs of service, managing director and head of nursing. All chiefs of service, clinical directors and managers have delegated responsibility for the management of risk and patient safety in their areas. Recognising and managing risk is integral to their day-to-day management responsibilities.

- 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

ANNUAL GOVERNANCE STATEMENT

The trust recognises the importance of supporting staff. All employees, including members of the Board, clinicians, managers, and 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 two 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 risk management strategy outlines how quality governance 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.

The organisation's risk appetite was recently reviewed and updated at the Board of Directors meeting in April 2015. The risk management policy specifies that risks which score 15 or higher, using the National Patient Safety Agency five by five risk matrix, will be escalated for review by the quality assurance committee. The risk management strategy will be updated to include the revised risk appetite statement below:

- 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 strategy is supported by a range of detailed trust policies and accompanying guidance. The risk management policy was updated during 2014/2015 to reflect the revised clinical centre structure and to clarify the framework for monitoring and escalation of risk. The 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
- The use of risk register movement charts to show how risk ratings have changed as risks are managed

- A dedicated risk management team supporting the risk management process
- Training processes to support staff to deliver their risk management objectives and
- A clearly defined committee structure that supports the risk management process
- The committee structure comprises of:
- The audit committee which supports the Board by critically reviewing the governance and assurance processes on which the Board places reliance
- The finance and investment committee was established during 2014/2015 as a sub-committee of the Board. Its role is to maintain robust financial management by monitoring financial performance and making recommendations to the Board of Directors as appropriate
- 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. The quality assurance committee is also responsible for assuring the Board on the effective management of risk and play a key role in the risk escalation process
- The patient safety sub-group reports to the quality assurance committee. Its role is to monitor the delivery of patient safety improvement initiatives which support the delivery of the trust's objectives in relation to safety and quality and to review themes and trends from incidents to identify patient safety concerns and ensure actions are taken to address any issues identified
- The role of the patient experience sub-group is to review patient experience feedback, complaints and PALs. This group reports to the quality assurance committee
- The workforce sub-group has responsibility for assuring workforce development, workforce planning and staff health and wellbeing
- The clinical standards sub-group ensures agreement and delivery of the highest clinical standards throughout the trust

Quality of care and patient safety is the core transformational theme which underpins the development of the trust's values and objectives. Each Board meeting starts with a patient story. 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.

During 2015/2016 the trust established a transformation team to provide support to the delivery of the transformation programme which underpins the achievement of cost improvement initiatives. Risks to quality arising from cost improvement initiatives are assessed using a standard 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 director and are monitored by the quality assurance committee.

The performance against Monitor's continuity of service risk rating 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 accuracy of clinically coded data and
- Administrative data items, related to the patient's care pathway

The trust undertakes a number of processes to validate and provide assurance of the quality of the data used within the trust:

- Internal programme of specialty level clinical coding audits
- Live validation of clinically coded data
- 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 uses a number of sources external to the trust to facilitate this including:

- Internal audit data validation and data quality reviews. In 2014/2015 these were:
  - Emergency readmissions within 28 days of discharge from hospital (May 2014)
  - Community 18-week referral to treatment target (February 2015)
  - Community end of life (February 2015) and
  - End to end income lifecycle (April 2014)
- HSCIC – SUS data quality dashboards
- CHKS – Signpost – data quality indicators

The data quality team review information on the Health and Social Care Information Centre and CHKS websites routinely to highlight any issues which require further investigation.

The management of risk is monitored at all levels within the organisation. There is a rolling programme of presentations from clinical centres and corporate directorates to the quality assurance committee to review local risk management arrangements and to receive a report on risks managed on clinical centre and corporate directorate risk registers. Minutes of these meetings are reported through the committee structure to the Board.

Each month, the executive directors review strategic risks to the corporate objectives which are identified on the assurance framework, this is then presented to the Board of Directors. To address recommendations from an internal audit review of the risk management process all new red risks are now reviewed by the quality assurance committee and the risk management policy has been revised during 2014/2015 to include a clear framework for accountability to manage and escalate risk. The committee identifies any risks for escalation to Board for consideration as a corporate risk. An audit trail of these decisions is recorded in the minutes and in the electronic risk register system.

The information governance steering group ensures that the trust complies with legislation and standards relating to information risks and is chaired by the trust senior information risk owner (SIRO). 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 managing director 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 incident and serious incident policies and are escalated via the information governance (IG) toolkit as mandated nationally. No level 2 incidents occurred during 2014/2015; therefore none were reported via IG toolkit reporting tool.

ANNUAL GOVERNANCE STATEMENT

The trust has successfully achieved a minimum of level 2 on the 45 standards of the IG toolkit. The trust overall IG compliance score for 2014/2015 was submitted as 80% green – satisfactory.

- 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 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 processes set out above, in particular the standardised approaches, the on-going training, reporting and monitoring mechanisms, have allowed the trust to embed risk management in the activity of the trust.

The trust's assurance framework sets out the following:

- What the organisation aims to deliver (corporate/strategic objectives)
- Factors which could prevent those objectives been achieved (principal risks)
- Processes in place to manage those risks (controls)
- The extent to which the controls will reduce the likelihood of a risk occurring (likelihood) and
- The evidence that appropriate controls are in place and operating effectively (assurance)

In October 2013, Monitor informed the trust of its decision to open a formal investigation into the trust's compliance with its licence. This investigation was opened due to governance concerns arising primarily out of the trust's failure to meet the referral to treatment target (RTT) for three consecutive quarters and Monitor also identified concerns about 'never events' and the trust's performance against the Clostridium difficile target. The trust responded to these concerns in November 2013 and has subsequently delivered and sustained throughout 2014/2015, compliance with the 18-week referral to treatment target and has reported one never event in 2014/2015. Monitor confirmed that it was satisfied with the actions taken in respect of these issues. With regards to Clostridium difficile the trust did not achieve the required improvement and failed to meet the 2014/2015 threshold ending the year with 76 cases against a target of no more than 49 cases.

The two-year financial plan for 2014 - 2016 submitted in June 2014 forecast a worsening position from a forecast £4.9million deficit excluding impairments (£4.3million including impairments) at the year-end in 2013/2014 to a projected £29.4million deficit in 2014/2015 excluding impairments (£34.9million including impairments). The plan set out that £29.4million was a worst case figure and that action was being taken to reduce the deficit through recovery plans.

In May 2014, working with McKinsey, the trust commenced an intensive process to develop a financial recovery programme under the banner of 'Continuing the Journey.' The initial plan submitted in June 2014 included efficiencies amounting to £11.8million and a further £10.0million was then identified to take the planned total efficiency savings to £21.8million for 2014/2015.

In July 2014 Monitor notified the trust that it considered the trust to be in breach of its licence and was to take enforcement action in respect of:

- 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
- Commission a board governance review

The trust's financial position and reducing Clostridium difficile have been the major risks faced by the trust in 2014/2015.

A detailed three-year recovery plan describing how the trust planned to return to a continuity of services risk rating of 3 was submitted to Monitor in September 2014. The risks associated with the delivery of the plan for 2014/2015 were mitigated through rigorous budgetary control and management of cost improvement plans through the transformation office with regular reports to the management group and the Board of Directors.

The recovery plan included a planned deficit of £18.4million for 2014/2015 excluding impairments and restructuring (£29.1 million including impairments and restructuring). The trust ended the year £11.4million ahead of plan. In addition, the trust delivered £26million of efficiencies against the target £21.8million set in the recovery plan - of which £22.5million was recurring. Although this was a significant improvement, the trust is looking to deliver £36million of efficiencies in 2015/2016 and the organisation must continue to maintain the current momentum in order to deliver these challenging financial targets.

On the basis of the improved performance in 2014/2015 and the programme of service transformation planned for 2015/2016, the trust is forecasting that it will achieve the 2015/2016 element of the recovery plan.

The position with Clostridium difficile remains challenging. The Clostridium difficile action plan has been revised and updated during the year and the trust commissioned further external reviews to advise on the content of the plan and to review the governance of the infection prevention and control processes. The trust is also working with its PFI partner to review and improve cleaning standards following an independent review by Pierce Management Services that demonstrated that there was room for improvement. The Board has been updated every month on progress with the financial plan and Clostridium difficile through individual reports and review of the corporate risk register.

Monitor has recently issued draft variations to the terms of the enforcement undertakings accepted from the trust in July 2014. The variation is to clarify the requirements relating to the delivery and assurance of a revised Clostridium difficile action plan. Specifically Monitor requires:

- A revised Clostridium difficile action plan setting out details of actions to be taken, milestones and the intended outcomes. The revised action plan will include metrics and key performance indicators (KPIs) as are necessary to provide assurance on the implementation of the revised plan
- The trust is to obtain external assurance of the revised plan by an expert in infection control. The identity of that expert is to be agreed with Monitor
- By a date to be agreed with Monitor, obtain from the expert a further report on the trust's implementation of the revised plan. The scope of this report is to be agreed with Monitor and
- To provide monthly reports to Monitor on the implementation of the revised plan until the trust returns to compliance with the agreed Clostridium difficile trajectory

Actions to respond to these requirements are in progress and will be reviewed at monthly meetings with Monitor.

The winter of 2014/2015 saw significant increases in demand for accident and emergency (A&E) services nationally, this increase resulted in the trust failing to achieve the A&E waiting time target for quarter 3 and quarter 4 - a position replicated across the country. A&E waiting time continues to be a concern for quarter 1 of 2015/2016. The trust has commissioned external support for the redesign of the emergency care pathway which will reduce avoidable admissions, streamline flow of patients through the front of house, reduce length of stay and improve discharge. These improvements, together with work the trust is doing in collaboration with local CCGs to redesign community services, will support achievement of the A&E waiting times in the remainder of 2015/2016.

During 2014/2015, the trust commissioned an independent review of its governance arrangements using Monitor's well led framework for governance reviews. The findings of the review identified a number of areas of good practice including the focus by the Board and the wider organisation on provision of high quality care, the focus on organisational development and the openness and responsiveness to feedback and learning. There were also a number of areas of significant concern where improvement was required, these were:

- Clarification of the portfolios of the executive team following the changes to the structure of this team
- It was recognised that a number of improvements had been made to the performance management arrangements but that there needed to be consistency in the governance arrangements in each clinical centre
- Board scrutiny and debate should be strengthened to ensure all directors fully participate as corporate directors
- Improvement in Board reporting to provide integrated performance and financial reporting and ensuring that actions are robustly tracked and actioned
- Improvement in accountability and engagement of staff to support the success of the programme of transformation

A number of processes which underpin financial governance had been strengthened prior to the review including the development of the finance system, restructure of the finance team and a review of business case prioritisation. These were recognised in the findings of the review with a recommendation for further focus on increased financial scrutiny and debate, strengthening budget management processes, increasing financial support to the clinical centres and progressing service line reporting.

An action plan to address the recommendations of the review has been submitted to Monitor. A number of actions have been completed including the establishment of the finance and investment committee, the restructure of the finance and transformation teams to provide improved support to clinical centres and the introduction of an integrated quality, finance and performance report. Progress with the action plan is monitored quarterly by the Board of Directors and through the monthly PRM meetings with Monitor.

The assurance framework and risk register did not describe any significant gaps in control/assurance during 2014/2015. The position with the risks described above was closely monitored during the year and the controls applied were reviewed and revised as the factors influencing the risks changed.

As part of its inspections of hospitals in England to ensure they are meeting the national standards of quality and safety, the Care Quality Commission (CQC) conducted a four-day inspection in December 2014 across all trust sites – the James Cook and Friarage hospitals, community primary care hospitals and community services.

Draft reports were received in February 2015 and the trust subsequently submitted a number of comments on factual accuracy. The CQC provided verbal feedback on the content of the final reports on 26 May 2015. The James Cook University Hospital and Friarage Hospital have a rating of 'requires improvement' and community services are rated as 'good.' We understand that, overall, the trust will be rated as requires improvement. Safety and effectiveness were rated as requires improvement. Well led, responsiveness and caring were rated as good.

The CQC guidance published in the appendices to the provider handbook states that for trusts where Monitor is taking regulatory action, the overall trust rating will normally be limited to 'requires improvement' at best.

There are 115 individual ratings which are aggregated to give the overall position; of these 3 are 'outstanding', 94 are 'good' and 18 are 'requires improvement'. The key areas for improvement are:

- documentation of do not attempt cardio-pulmonary resuscitation decisions
- accuracy of patient records
- the safe handling and administration of medication
- compliance with mandatory training
- ensuring appropriate staffing levels and
- actions to address the findings of the College of Emergency Medicine audits

ANNUAL GOVERNANCE STATEMENT

A quality summit for the trust, CQC, Monitor and local commissioners to review the findings of the reports and agree an action plan is scheduled for June 2015. The action plan will be monitored and reported to the Board through the quality assurance committee.

The CQC intelligent monitoring report is reviewed when published and reported by exception to the quality assurance committee. The trust has introduced bi-annual CQC-style in-house inspections which have been very well received by staff and are a good source of on-going assurance of compliance, this is in addition to the ward accreditation system which was introduced in 2014/2015 and uses a set of standards based on the CQC requirements against which the wards are assessed and assigned a quality rating, there is rolling programme of assessments across the year.

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 trust has a comprehensive system that sets strategic and annual objectives and has appointed the transformation director to lead the further development of the organisation's strategy. 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. Within these targets, the trust includes specific cost improvement programmes which will be delivered through rigorous budgetary control and the transformation of services.

The trust has a robust monitoring system to ensure that it delivers the objectives it identifies. Ultimate responsibility lies with the Board who monitor performance through reports to its monthly meetings. Underpinning this is a system of monthly reports on financial and operational information to the trust's executive management group, clinical centres and other management units. Reporting at all levels includes detail on the achievement against cost improvement targets.

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.

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. 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 2014/2015 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 2014/2015:

- Sign up to safety (patient safety) - reducing avoidable harm by 50% over 3 years with a specific focus on:
  - Reducing pressure ulcers
  - Reducing harm from falls
  - Reducing HCAI and
  - Reducing incidents of missed and delayed diagnosis
- Right care, right place, right time (clinical effectiveness)
  - Identification and management of deterioration in condition and
  - Improve the experience of services users with dementia.
- At the heart of the matter (patient experience)
  - Listening and learning, improving how we respond to complaints and patient feedback including a focus on improving communication.

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 identifying the initiatives which will drive improvements and the measurements which will be used to gauge progress. A mid-year progress report on the quality priorities is presented to the quality assurance committee and the Council of Governors. The data used in the quality report is taken from the regular quality and performance reports presented to Board.

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 mechanism 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) that is used to manage the patients on the elective pathway. The technical processes to produce the PTL have validation checks built in to them and a further manual validation check is undertaken before the report is distributed.

The information services team have full procedural documentation that the team follow 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 which is reviewed every two years so that the processes for the management of waiting lists is standardised. The internal audit programme includes reviews of waiting lists; the most recent of these was the community referral to treatment data which was completed in February 2015.

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 have provided a signed limited assurance report on the content of the quality report and mandated indicators in the annual report. The report includes an adverse conclusion regarding the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator.

We have acknowledged the issues flagged in the limited assurance report, and in relation to the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator we will put the following actions in place during the forthcoming year:

- Duplicate patients have been removed from the report with immediate effect
- Information team to develop the report with additional checks built in
- Refresher training and updated training documentation for users of the clinical system
- Clarification of validation process in the 18 week tracking team

The signed limited assurance report will be submitted to Monitor by 4 June 2015.

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 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 (SIC).

For the 2014/2015 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 and processes which internal audit has commented on positively. These being:

- key financial systems
- information governance toolkit and
- IT infrastructure controls

Internal audit found that some progress had been made in respect of the actions arising from the limited assurance reports issues in 2013/2014 albeit further work is required. The majority of the other audits conducted during the year resulted in limited assurance, this reflects the risk based nature of the internal audit plan and in forming his opinion the head of internal audit considered the relative materiality of the systems where limited assurance opinions have been assigned.

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.

ANNUAL GOVERNANCE STATEMENT

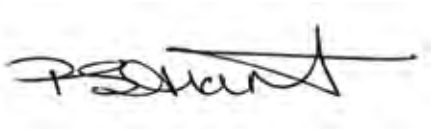
I am pleased to report that the head of internal audit opinion is that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and inconsistent application of controls put the achievement of particular objectives at risk.

The following groups and committees are involved in maintaining and reviewing the effectiveness of the system of internal control:

- The Board of Directors has overall accountability for delivery of patient care, statutory functions and Department of Health requirements
- Audit committee oversees the maintenance of an effective system of internal control and reviews the annual governance statement and
- Quality assurance committee ensures that a fully integrated approach is taken when considering whether the trust has in place systems and processes to support individuals, teams and corporate accountability for the delivery of safe patient centred, high quality care. The committee considers the assurance framework and corporate risk register and identifies new corporate risks for escalation to the Board of Directors
- Review and assurance mechanisms are in place and the trust continues to develop 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
- 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

Conclusion

The trust has not identified any significant control issues for the financial year ending 31 March 2015, 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 – Professor Tricia Hart
4 June 2015

South Tees Hospitals NHS
NHS Foundation Trust

QUALITY REPORT

2014-2015

"Providing seamless, high quality, safe healthcare for all."

together we do the amazing

CONTENTS

PART ONE
STATEMENT ON QUALITY FROM THE CHIEF EXECUTIVE

Top quality patient care is integral to our overarching mission at South Tees Hospitals NHS Foundation Trust and means a continual commitment to patient experience, safety and clinical outcomes and being resolute about the pursuit of excellence for our patients.

This year has been a challenging one for us – notably our Monitor investigation and taking forward our three-year financial recovery plan - and the more challenging the environment it is, the more important a focus on quality becomes.

Our work on reducing infection, particularly our rate of Clostridium difficile, remains an absolute priority after we failed to meet our annual target in 2014/2015. This was a huge disappointment to us and we are fully committed to turn this position around through our work with commissioners, GPs, external experts and staff.

However we are still increasing our reputation as a leader in quality improvement and patient safety and, as chief executive, I am proud of our achievements to-date and, with the Board, will continue to drive further improvements forward.

This year the Board endorsed the trust's five pledges for the 'Sign up to Safety' campaign which aims to reduce avoidable harm in the NHS over the next three years by 50% - all of which cross over into our quality report.

As part of this we have introduced STAQC – the South Tees Accreditation for Quality of Care – a quality assessment framework to support our nursing teams to improve the care given to our patients as well as building strength into the nursing profession – and also established a pressure ulcer collaborative.

The trust is a member of the 'Open and honest care: driving improvement' programme in which we have made a commitment to publish a set of patient outcomes, patient experience and staff experience measures so that patients and the public can see how we are performing in these areas.

STATEMENT ON QUALITY FROM THE CHIEF EXECUTIVE

I am pleased to say the feedback we get from patients in national quality reports - such as the inpatient survey and accident and emergency survey – remains consistently positive and this is also reflected in the number of national awards and accolades staff received. We achieved our best ever results in the national cancer patient survey and were, subsequently, asked to be part of a pioneering 'buddy scheme' to help other NHS trusts in England to improve cancer patients' experience of care.

We're also improving patient outcomes. Results from the Sentinel stroke national audit programme placed The James Cook University Hospital as the best performing stroke centre in the North east, while our TARN (Trauma Audit and Research Network) scores show that, as a major trauma centre, we are saving more lives.

Good environments are also extremely important so we were delighted to become the first NHS trust in the country to receive five Macmillan quality environment marks (MQEM), which recognise excellence in the physical environments designed and built for cancer care.

Our journey to 'standardise' continues and this year we rolled out 'vital signs' monitoring – a clinical technology system to help staff deliver safer, higher quality, more efficient care to their patients – following a successful £1million bid to the Nursing Technology Fund. We will continue to embrace technology alongside our work to develop new integrated models of care through partnership working.

A four-day inspection by the Care Quality Commission in December also found no serious concerns or enforcement actions. Their full report will be discussed in detail at a quality summit in June.

In terms of the Monitor investigation, we were notified in July that the regulator was to take enforcement action against the breach of the Clostridium difficile target and continuity of services risk rating. In response we have developed a Clostridium difficile action plan (which was subject to external assurance) developed and submitted a financial recovery plan to return the trust to an acceptable continuity of services risk rating of 3 within three years and commissioned an external independent review of Board governance.

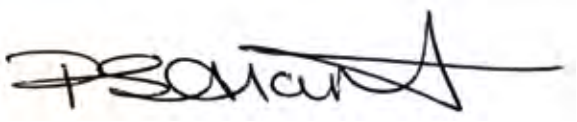
Our financial position and challenging Clostridium difficile target were the trust's major risks in 2014/2015 and Monitor recently issued draft variations to its original terms of enforcement action, specifically relating to Clostridium difficile.

We will now produce a revised Clostridium difficile action plan setting out details of actions to be taken, milestones and the intended outcomes. This will include metrics and key performance indicators (KPIs) to provide assurance on the implementation of the revised plan.

The trust will also obtain external assurance of the revised plan by an expert in infection control (to be agreed with the regulator) and, by a date agreed with Monitor, obtain from the expert a further report on the trust's implementation of the revised plan. The scope of this report will be agreed with Monitor and reviewed monthly until the trust returns to compliance with the agreed Clostridium difficile trajectory.

Of course there are always areas where we can improve and we have set ourselves some challenging targets in our quality account to make that happen. Open organisations are also safer organisations, and being open and transparent about where things are not working well - and why - will help the people who use our services and our partners see that we are working hard to address the issues.

I am pleased that the Board of Directors has reviewed the 2014/2015 quality report and I can confirm that to the best of my knowledge the information in this document is accurate. Our vision is to make this trust the best place for patients to be treated and for staff to work and I hope this quality report provides you with a clear vision about how important quality improvement, patient safety and patient and carer experience are to us all.



Professor Tricia Hart – chief executive
4 June 2015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PART TWO
PRIORITIES FOR IMPROVEMENT AND STATEMENTS OF ASSURANCE

PRIORITIES FOR IMPROVEMENT

Quality of care and patient safety is one of the core themes which underpin the trust's values and objectives. Our focus must be on how we can create a culture across the trust where every member of staff provides the best, most compassionate care for every patient, every time, and delivers services we would be happy to receive ourselves or for our family and friends. The trust has identified key areas for improvement and has been monitoring and reporting on progress as discussed in the section below.

Review of progress with the 2014/2015 quality priorities

In last year's quality account we identified the following areas for quality improvement focus:

Sign up to safety	Right care, right place, right time	At the heart of the matter
• Reduce the number of pressure ulcers acquired during our care • Reduce all forms of healthcare associated infection • Standardise for safety • Ensuring the right numbers of staff with the right skills to meet our patients' needs	• Improving the recognition and treatment of the deteriorating patient • Improving nutrition for patients in our care with dementia • Reducing unnecessary waits for treatment • Improving access to care, when it's needed, seven days per week	• Caring with compassion and kindness • Listening and learning; improving how we respond to complaints
Supported by our clinical strategy		

PRIORITIES FOR IMPROVEMENT

The following section summarises the progress made against the goals identified for each priority area:

Sign up to Safety

Reduce the number of pressure ulcers acquired during our care

Around 187,000 patients every year in the UK develop pressure damage while in hospital and with around 700,000 people in the UK affected by pressure ulcers the financial burden to the health economy is estimated to be between £1.4 - 2.1billion per year (4% of total NHS expenditure). Around 80-95% of pressure ulcers are considered to be preventable with pressure ulcer prevention included in domain 5 of the NHS Outcomes Framework 2014/2015. The impact to the individual should not be underestimated, with increased length of hospital stay/ requirement to access community services, pain, psychological distress and loss of dignity frequently reported.

Our goals were:

- To eliminate category 3 and 4 pressure ulcers which develop in our care over the next 3 years and
- To make a 50% reduction of avoidable category 2 pressure ulcers

The South Tees pressure ulcer prevention collaborative was established in May 2014. This multi-professional steering group, including commissioners, meets on a monthly basis and reports to the patient safety sub-group. The steering group is responsible for overseeing the six identified work streams listed below and the overarching action plan.

- Engagement, ownership and culture
- Prevention strategy
- Equipment
- Education
- Reporting and learning
- Partnership

A collaborative approach had been adopted to engage and bring teams together to introduce change in order to achieve improvement. This approach has been successfully used in other organisations, acknowledging that engagement, ownership and a change in culture is fundamental to securing improvements. Learning from others is extremely valuable and is a strategy being actively pursued via both existing and new networks.

Progress made in 2014/2015

- During 2014/2015 there has been an overall reduction of 10% in category 2 pressure ulcers and a 26% reduction in category 3 and 4 pressure ulcers. This will continue as a quality priority into next year as this is a three-year goal for the trust and will build on the progress made to date
- A director/deputy director of nursing-led case review panel is undertaken for all category 3 and 4 pressure ulcer cases. These are presented to the panel by the clinical matrons and sister/charge nurses. The attendance of frontline staff actively encourages the sharing of learning. Performance is also discussed at director of nursing-led clinical standards meetings
- Specific learning and action is assigned to the ward/ department/locality involved, with themes reported to the collaborative leads to influence the action plan to be assured of wider organisational learning
- Learning and sharing practice with other organisations has been a key feature of the work of the collaborative and there will be continued emphasis in this area during 2015/2016

Reduce all forms of healthcare acquired infections

Reducing healthcare acquired infections (HCAI) has always featured as a priority in the quality report and its continued inclusion reflects the importance that the organisation places on this.

Our goals were

- No cases of MRSA bacteraemia
- No more than 49 trust-attributed Clostridium difficile cases
- Year-on-year reduction in MSSA

Progress made in 2014/2015

This priority has proved challenging for the trust with only one of the above goals achieved. During 2014/2015 there were four cases of healthcare acquired MRSA against a target of no cases and 76 cases of healthcare acquired Clostridium difficile against a target of 49. There was one less case of healthcare acquired MSSA in 2014/2015 (27 cases) than in 2013/2014 (28 cases).

The HCAI strategy review has commenced and will be finalised following external review in 2015/2016. A revised hand hygiene data collection tool commenced in October 2014 with a focus on hand hygiene competencies for all clinical staff and the hand hygiene posters were updated in February 2015.

A cleaning services review group was established alongside monthly board to board meetings with Carillion/Endeavour in January 2015. The trust's internal auditors, Audit North, completed an audit in June 2014 and external review was completed in February 2015. The report identified discrepancies between the reported cleaning by Carillion/ Endeavour and the external review. The trust is in dialogue with Carillion/Endeavour and a further external review is being commissioned.

Clinical incident review panels have continued for all trust-attributed Clostridium difficile cases. Lessons learnt are shared at directorate/centre meetings, infection prevention and control action group (IPAG), clinical matron forum and newly formed weekly HCAI performance meetings and from January 2015 the panels have been led by the clinical centres.

There has been an increase in monthly antibiotic prescribing audits in each inpatient area and results are shared in the monthly board report. A revised drug sheet was implemented in September 2014 and to improve the prescribing and administration of antibiotics two campaigns were launched in June 2014. Twice weekly antibiotic ward rounds are completed at The James Cook University Hospital site.

Standardise for Safety

By identifying key processes and standardising those processes, we will reduce variation and achieve more consistent outputs. Through management of the variation in inputs we release time, remove waste, reduce risk and achieve a more reliable process.

Our goals were:

- To use rapid process improvement methodology to standardise eight pre-determined processes
- To continue supporting clinical areas in the adoption of the productive series as part of the Time to Care initiative
- Embed understanding of human factors, the environmental, organisational and job factors, and individual characteristics which influence behaviour at work, across all disciplines to promote critical behaviours that underpin a safety culture
- To actively seek opportunities to standardise processes and practice

Progress made in 2014/2015

Eight rapid process improvement workshops (RPIW) took place during this year as listed below.

- Recruitment
- Rehabilitation centre
- Medicine reconciliation
- Percutaneous endoscopic gastrostomy (PEG) feeding tubes
- Patient advocacy and liaison service (PALS)
- Nursing risk assessment documentation
- Capacity and demand in cardiothoracic surgery
- Surgical admission unit adult pathway

The workshops run for five days and follow 12 weeks of planning. They are then reported on at 30 days, 60 days, 90 days, 120 days and then at a year.

A selection of the improvements realised through this process are outlined below:

- A demonstrable reduction in the number of days patients are waiting for an in house urgent operation in cardiothoracic surgery
- A 50% reduction in the pathway for patients with a feeding gastrostomy; and
- A reduction in the time taken from admission to complete nursing risk assessment documentation

The productive series has been used to review and standardise the 'know how you are doing' and 'patient status at a glance' boards on the wards. This enables consistent reporting of performance and patient information across the organisation. This resource is also available on the intranet to allow wards and departments to access as they require it.

An education resource for human factors with a standardised set of slides has been developed to be used across the organisation. Human factors awareness is included in mandatory training, and all new nurses receive an education session on human factors as do junior doctors. In addition to this the organisation is conducting a safety culture survey and this will be used to target interventions.

Nursing assessment documentation has been standardised across the organisation and work is on-going to standardise the urinary catheters and needle free connectors used within the trust.

Ensuring the right numbers of staff with the right skills to meet our patients' needs

The requirement to ensure nurse staffing levels are safe and sufficient to meet patient need is clearly an imperative. The Francis enquiry (2013) and subsequent Government response 'Hard Truths' (2014) have emphasised the need to get staffing levels right, with seminal papers from Keogh (2013) and Berwick (2013) clearly linking nurse staffing levels to patient safety, outcome and experience. Inadequate nurse staffing has been a recurring theme in organisations where patient care has been found to be substandard.

Board ownership is very clear with the National Quality Board (2013) setting out explicit expectations in terms of Board ownership and public visibility, advocating a twice yearly public Board level discussion to ratify and agree nurse staffing levels.

Our goals were:

- Quarterly establishment review of nurse staffing in adult inpatient areas with a formal report to the Board
- A monthly update to Board which includes details of the planned and actual nursing and midwifery staffing. This information will be included in the workforce report
- Implement a standard template to display information about nurses, midwives and care staff planned and present in each clinical setting on each shift to be accompanied by an escalation plan to be used 24/7 when the actual staffing levels fall short of those planned
- Explore available tools to review nurse staffing levels in the community setting

PRIORITIES FOR IMPROVEMENT

Progress made in 2014/2015

Quarterly establishment reviews have taken place in adult inpatient areas using the safer nursing care tool (SNCT) (Shelford Group, 2013). This is the most commonly used methodology and in October 2014 was endorsed by NICE as the toolkit to be used alongside the NICE guidelines on safe staffing for adult inpatient areas.

Formal reports have been presented to the Board of Directors in May, July, October 2014 and January 2015. They are publicly available on the safe staffing section of the trust internet site. The findings of the reviews are being used within clinical centres to inform safe staffing discussions and make establishment changes based on the findings.

Monthly updates have been provided to the Board of Directors in the performance report since June 2014 in relation to the planned and actual nursing and midwifery staffing levels.

A standard template is in use to display information about nurses, midwives and care staff planned and present in each clinical setting on each shift and is accompanied by an escalation plan which is used 24/7 when the actual staffing levels fall short of those planned.

Data collection has been completed within the paediatric inpatient areas using the SCAMPS tool (Scottish Children's Acuity Measurement in Paediatric Settings) (NMWWPP 2011). This validated tool was developed and tested in paediatric areas across Scotland and considers all areas of care and intervention required by both the child and family which has an impact on staffing requirements. NHS Scotland are analysing our data through their national platform to produce recommended staffing establishments.

NICE published recommendations for safe staffing in midwifery settings in February 2015. A review and report will be presented to the Board of Directors in early 2015/2016. Tools for use in community nursing teams are less well developed. NICE guidance for this area is in development and timeframes for publication are yet to be confirmed.

Right care, right place, right time

Priority five - Improving the recognition and treatment of the deteriorating patient

The recognition, response and treatment of patients who are acutely unwell continues to be a priority from last year. Early recognition may reduce the number of patients who require critical care or facilitate their early admission which in turn may improve their outcome.

Our goals were:

- Increased appropriateness and timeliness of intervention for patients leading to better patient outcomes
- Reduction in cardiac arrest calls
- Reduction in number of adverse clinical events

Progress made in 2014/2015

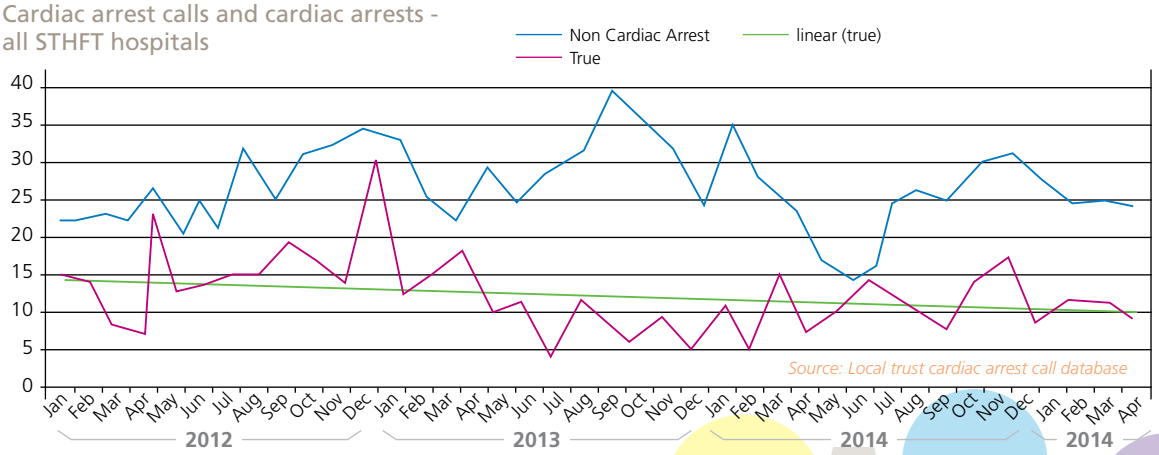
The implementation of VitalPAC, a clinical system to record physiological observations otherwise known as vital signs, to all adult acute hospital wards was completed in December 2014 in line with the determined timescales from NHS England. Initial improvements in patient safety have been seen in relation to completeness of physiological observations and accuracy of recording. With increased accuracy of recording we have increased ability to recognise sick patients and escalate appropriately.

Analysis of data available from this system will be used to target training and education to improve the care of the deteriorating patient.

The critical care outreach team was introduced into the trust in October 2013 and has been fully operational at The James Cook University Hospital since April 2014 and at the Friarage Hospital since June 2014. Preliminary quantitative and qualitative data is positive. Unexpected deaths and cardiac arrests in ward based environments have declined post introduction.

The majority of patients referred to the service have high NEWS (National Early Warning Score) scores on the wards and improve within the ward environment without the need for further escalation of care.

Cardiac arrest calls and cardiac arrests - all STHFT hospitals



Source: Local trust cardiac arrest call database

Improving the nutrition of patients with dementia

The importance of food for people with dementia is so much more than just ensuring their nutrition. Food preferences and the rituals that surround eating are important to the identity of the person with dementia.

Often when people have dementia they look for things in their life which give them comfort and a feeling of wellbeing and food is one of the most important comforts. At the same time their nutritional needs must be catered for so it is vital to understand how they are experiencing their dementia and the impact it has on their daily life.

It is fundamental therefore to focus on the individual to understand how best to optimise their nutritional intake.

Age UK calls for the following steps to be implemented in hospitals to ensure that patients have a good diet:

1. Hospital staff must listen to older people, their relatives and carers
2. All ward staff must become 'food aware'
3. Hospital staff must follow their own professional codes and guidance from other bodies
4. Older people should be assessed for signs or danger of malnourishment on admission and at regular intervals during their stay
5. Introduce 'protected mealtimes'
6. Implement and monitor a 'red tray' system (whereby the standard brown tray is replaced with a red one to make nurses more aware of the nutritional needs of the patient)
7. Use volunteers where appropriate

Some of the good practice recommended by Age UK is embedded in the culture of the organisation, for example protected mealtimes, red trays and assessment. Further work is required to personalise the nutritional care of the patient suffering from dementia. Our actions for 2015/2016 seek to address some of these issues.

Our goals were:

- To ensure patients with dementia eat well and achieve a good nutritional intake
- To optimise the eating experience for patients with dementia and their carers
- To provide patients and carers with clear information around food availability to meet their needs

Progress made in 2014/2015

The introduction of coloured crockery across the organisation has been extended as funding has been made available and is now in place on eight additional wards at The James Cook University Hospital (2, 5, 8, 9, 28, 29, 36, and 11).

The use of coloured crockery has been shown to increase the amount of food eaten in patients with dementia. If any further funding becomes available the trust will look at replacing current stock on remaining wards across the hospital where appropriate and coloured crockery has now been implemented across the whole of the Friarage Hospital.

A pilot involving the use of coloured beakers and mugs for patients with dementia has been undertaken which went well. Remaining funds from the crockery budget will now be used to purchase stock for the rest of the hospital, so that relevant wards have adequate supply for appropriate patients.

Café style picture menu books are being piloted on three wards (10, 12 and 34) with positive anecdotal feedback. Progress with hospital picture menus has been delayed due to printing quality issues. 'Visual aid picture menus' are at the final stage of production and will be piloted on wards 2, 10, 12 and 34, with support of the dementia educators.

Community dining rooms have been re-established at Redcar Primary Care Hospital, East Cleveland Primary Care Hospital and the Rutson ward.

An information leaflet for staff has been developed as part of the dementia awareness training which includes a section on managing problems with eating and drinking. Dementia training is also to be included in the annual housekeeper training (due to be delivered March/April 2015) and further ward-based 'nutrition and hydration' training is to be developed and delivered during 2015/2016 by the dementia educators.

The "forget-me-not" leaflet has been introduced for patients with dementia. It is filled in by the patient, with help from staff where necessary, to help everyone who looks after them understand what is important to the patient. It includes sections on food likes/dislikes and what the patient likes to drink. Patients are encouraged to incorporate any special diets that they are on, for example a soft diet.

Reducing unnecessary waits for treatment

The trust aims to ensure that patients are treated within 18 weeks of referral for routine treatment and that patients diagnosed with cancer commence their treatment within 62 days of their initial referral.

Our goals were:

- Delivery of the sustainability plan for 18 week referral to treatment target
- Delivery of the cancer 62-day action plans
- To explore with the North East Cancer Network (NECN) and neighbouring trusts ways of reducing delays in tertiary referrals

Progress made in 2014/2015

The trust has consistently met the required standard for all three 18 week waiting time targets in 2014/2015. These are for admitted pathways, non-admitted pathways and incomplete pathways (see page 180 for detail). There are a small number of specialties that are non-compliant with the admitted target - cardiothoracic surgery, orthopaedics, plastic surgery and urology, all of which are working through specific actions to improve compliance and are performance managed against specific trajectories.

All cancer targets have been met with the exception of the 62-day screening targets in two quarters. This has been challenging for the organisation (see page 180 for detail). A region wide meeting was held in February 2015 to discuss some of the more problematic pathways such as urology, lung, colorectal, Human papilloma virus (HPV) and upper gastrointestinal cancer. The feedback from this event will be provided to the NHS England national clinical director for cancer, as part of the work being looked at by the national task force group. A further meeting with the director of North of England cancer network and representatives from Newcastle upon Tyne Hospitals NHS Foundation Trust took place in April 2015 to discuss how delays in tertiary referrals can be improved.

PRIORITIES FOR IMPROVEMENT

Performance is reported monthly at the Board of Directors meeting and at the transformational board meetings and is shared with all local clinical commissioning groups (CCGs) with exceptions discussed at contract management board meetings. Variances to specialty level performance will also be discussed at the monthly performance reviews with the clinical centres and these meetings start in April 2015.

Improving access to care, when it's needed, seven days per week

To ensure the trust is delivering consistent safe, high quality care seven days a week it is necessary for the organisation to consider different ways of working. NHS England has published ten clinical standards for urgent and emergency care that patients should expect to receive seven days a week. This work intends to focus initially on urgent and emergency care and there will be a requirement for trusts to publish and demonstrate how the standards are being met.

Our goals were

- To establish the current position across the organisation with the 10 clinical standards and
- To develop a strategic approach for the organisation to improve access to care based on the identified areas for improvement.

Progress made in 2014/2015

The transformation board approved the establishment of a seven day services forum and clinical reference group in November 2014. Progress is tracked through reports against key milestones on a bi-monthly basis. A work plan was agreed for 2014/2015 and nine out of ten objectives are green which means the organisation achieved 90% of the work identified by the end of the year.

The objectives set for standard 4 – handover - have been rolled into 2015/2016 as the work could not be fully completed in year.

Diagnostics services except cellular pathology are provided seven days a week for urgent cases, work is on-going to extend this for non-urgent cases. Solutions for the capacity issues in MRI and ultrasound are being explored. Physiotherapy and occupational therapy offer six day working.

The analysis of quarterly CQUIN audits will be used as a tool to support development of the work plan for 2015/2016. A strategic approach has been adapted linking with existing programmes of work, for example IMPRoVE and the transformation programme. Contracts for 2015/2016 will need to demonstrate progress to implement at least five of the ten clinical standards within the resources available. It is anticipated that all ten standards will be included in contracting with effect from 2016/2017.

As part of the 2015/2016 plan the aim is to strengthen engagement with local authorities, social care providers, primary care and the voluntary sector. The aim of this work is to provide education and awareness of seven day services and the national expectations around delivery of the ten clinical standards.

At the heart of the matter

Caring with compassion and kindness

Compassion in practice defines the enduring values that underpin good care. The fact that compassion in practice is a priority in the 2014/2015 quality account is consistent with the high priority the organisation places on delivering services with compassion.

The value placed on care delivered with kindness and compassion from the perspective of the patient / carer is well documented and clearly unquestionable.

Our goals were:

- Value-based recruitment for all band 5 registered nurses
- Continue to embed the use of patient stories, specifically utilise innovative ways of engaging staff through patient experience in the pressure ulcer collaborative, dementia strategy and healthcare associated infections (HCAI) improvement work
- Deliver dementia awareness training to an additional 20% of clinical staff (20% were trained in 2013/2014)
- Development of a clinical strategy to deliver high quality care incorporating detailed plans against the 6Cs
- Extend the roll-out of therapeutic volunteers to other clinical centres

Progress made in 2014/2015

Value-based recruitment is now established for band 5 registered nurses with monthly assessment centres firmly embedded.

The value of patient stories is recognised in the organisation - every board meeting starts with a patient presenting their story which ensures patient focus remains at the centre of organisational ethos. Work is on-going to include these in the pressure ulcer collaborative, dementia strategy and HCAI improvement work as this has been difficult to achieve in-year.

To date, 1,900 staff have received dementia awareness training. This number includes therapeutic volunteers and student nurses. In addition to this, approximately 130 staff attended the quarterly fundamentals of care study days led by the clinical matrons.

The role of the therapeutic care volunteer (TCV), who provide support and reassurance to patients with dementia at mealtimes, has continued to spread to all clinical centres with 208 active volunteers in post, 23 currently in process and approximately 120 registered for our next training event.

Two of the TCVs have been appointed as care makers and will act as ambassadors for the 6Cs throughout the organisation. The care makers are able to link national policy with frontline practice inspiring others to deliver excellent patient centred care.

In the friends and family test 93% of patients in inpatient areas and 87% in A&E would recommend our services. This is discussed in more detail on page 174.

Further discussion within the organisation has concluded that the clinical strategy should be developed as an integral part of the transformation programme, recovery plan and annual plan rather than as a stand-alone document.

Priority ten - Listening and learning; improving how we respond to complaints

Both nationally and within the organisation it is recognised that complaints provide essential and helpful information for continuous service improvement. However it is clear that sometimes the process for making complaints can be confusing. The trust is committed to making this process as easy as possible and using the lessons learned to improve the service provided to our patients.

Our goals were:

- To improve the time it takes to respond to complaints, with the aim of 80% of complaints responded to within 25 working days by September 2014
- To improve the quality of the responses to complaints
- To use the information proved by complainants to improve the services provided
- To improve patient access to adequate information to enable them to make a complaint
- To improve staff competency to address patients concerns at both the local level and through the more formal process

Progress made in 2014/2015

Responding to complaints in a timely manner is an objective which the trust has found difficult - against the 25 working day closure goal for complaints the trust achieved compliance of 9.5% during 2014/2015 against a target of 80%. Many of the complaints received are complex in nature and therefore require longer to answer. However, there are opportunities for improvement within our current processes.

Following a visit to another NHS organisation, considerable opportunity to change our current process has been identified. A meeting of the trust's managing directors has been scheduled by the director of quality to discuss and agree how we go forward and it has been agreed to trial a new approach in one centre.

A monthly independent complaints review panel meeting which includes non-executives and patient representatives, has been established and uses the Patient Association's standards for good complaint handling to assess and review the quality of a number of randomly selected complaint responses.

The standard operating procedures for complaint handling have been updated and the independent complaints review panel has identified improvements to the complaints record sheet which have subsequently been made, making it easier for the clinical centres to use.

A weekly complaints meeting between centre links and the patient relations department has been re-instated and a monthly investigative training programme aimed at ward managers and above, which incorporates complaints and incident investigation processes, commenced February 2015.


ECOLAB
I deserve clean care
#safeHANDS
Jules

PRIORITIES FOR IMPROVEMENT

2015/2016 Priorities for Improvement

Quality priorities

The trust continually strives to improve the quality of care we provide to our patients and there are a number of workstreams and priorities within the organisation to support this. Each year the organisation consults with staff, patients and external stakeholders to identify the priorities that they feel are important to include in this document, focusing on the three dimensions of quality of care, patient safety, clinical effectiveness and patient experience.

Following a consultation event held with clinical commissioning groups, Healthwatch and members of the public, along with an analysis of complaints, PALS, friends and family test feedback and staff views, a list of the subject areas were compiled and discussed at the quality assurance committee and the priorities below were agreed at the Board of Directors in March 2015.

Staff	Questionnaires distributed to the wards, clinical teams and at appropriate meetings
Patients	Issues identified in local and national surveys Local clinical audits Complaints and PALS data Choices website Incident data Friends and family test feedback
Council of Governors	Direct feedback at Council of Governors meeting
External Stakeholders	Engagement event held with representatives from local clinical commissioning groups, health engagement networks and Healthwatch Incidents reported by external organisations

Quality priorities 2015/2016

Sign up to safety	Right care, right place, right time	At the heart of the matter
• Reduce avoidable harm by 50% over three years • Falls • Pressure ulsers • HCAI • Missed diagnosis	• Improving the recognition and treatment of the deteriorating patient	• Improving care for people with dementia through accurate assessment of need and person centred care planning • Listening and learning; improving how we respond to complaint and patient feedback

Supported by our clinical strategy

PRIORITIES FOR IMPROVEMENT

The detail of the work linked to each priority area is described below:

Sign up to safety

Priority : Reducing avoidable harm by 50% over three years

Why we chose this priority:

NHS England research suggests around 10% of patients will experience an adverse event and half of these are considered avoidable. Over a million patient safety incidents are reported to the National Reporting and Learning System (NRLS) each year however it is likely that this is an underestimate of the true burden of harm.

The cost of harm cannot be underestimated and NHS organisations are being encouraged to subscribe to the 'Sign up to Safety' campaign which involves setting out plans for reducing avoidable harm.

The areas of avoidable harm that the trust will focus on over the next three years are;

- Pressure ulcers – This is a continuation of the quality priority from 2014/2015 to further reduce pressure ulcers
- Falls – inpatient falls that result in harm
- Missed diagnosis
- Healthcare acquired infections (HCAI) – MRSA, Clostridium difficile and MSSA

Goals :

- Eliminate category 3 and 4 pressure ulcers which develop in our care over the next three years and make a 50% reduction of avoidable category 2 pressure ulcers
- Reduce the numbers of falls per 1,000 bed days
- Reduce harm from falls (classified moderate and above)
- Minimise serious incidents due to HCAI
- Reduce trust-apportioned MRSA and Clostridium difficile
- Ensure that diagnostic test results of all patients are communicated to, and received by, the appropriate registered health professional
- Ensure registered health professionals design and implement "safety net" procedures for their speciality

How will we do this?

- Increase the percentage of patients who undergo a falls risk assessment on admission and increase fallsafe care bundle compliance
- Increase the number of staff who complete falls training and introduce a falls lead for each centre
- Fully implement and monitor actions from the trust-wide Clostridium difficile recovery plan
- Change the way we collate hand hygiene audit data and review audit on antimicrobial stewardship
- Complete a cleaning service review
- Centre-led clinical incident review panels for Clostridium difficile
- Review, update and enforce trust policy G97 - Communicating and acting of diagnostic results policy
- Monitor incidents involving missed diagnosis reported through Datix
- Spread good practice and learning of safety net processes in existing operation within some trust speciality teams

How will we know how we have done?

- Monthly performance reports
- Audits
- Performance meetings

Who will this be reported to?

Infection prevention action group

Quality assurance committee

Transformation Board

Board of Directors

Patient safety sub-group

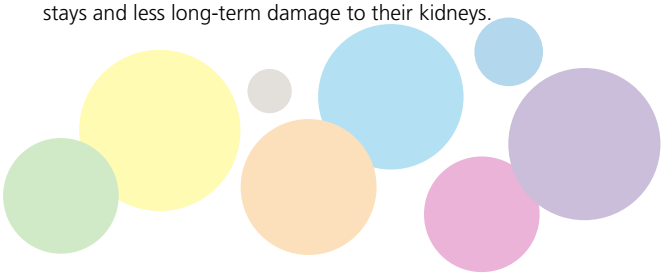
Right care, right place, right time

Priority : Improving the recognition and treatment of the deteriorating patient

Why we chose this priority:

The recognition, response and treatment of patients who are acutely unwell continues as a priority from last year. We will focus particularly on patients with sepsis and community acquired pneumonia (CAP). Early recognition may reduce the number of patients who require critical care or facilitate their early admission which in turn may improve their outcome.

Identification of patients with acute kidney injury (AKI, a sudden and recent reduction in a person's kidney function) will allow faster, more appropriate care and may lead to shorter hospital stays and less long-term damage to their kidneys.



Goals :

- **Increased appropriateness and timeliness of intervention for patients leading to better patient outcomes, particularly for those with sepsis, CAP or AKI**
- **Reduction in cardiac arrest calls**
- **Reduction in number of adverse clinical events**

How will we do this?

- Development of the use of VitalPAC, an electronic system for recording patient observations, implemented last year
- Development of the role of the critical care outreach team, recruited last year, across both acute sites
- Roll-out of educational programmes for healthcare professionals for these conditions
- Use of data collected on sepsis, CAP and AKI to guide improvement work

How will we know how we have done?

- National CQUIN scheme measures for sepsis and AKI
- CAP measures indicating implementation of NICE guidance
- Use of VitalPAC to guide support for staff to manage deteriorating patients
- Quarterly key performance indicator reports to acutely ill patient group

Who will this be reported to?

Acutely ill patient group

Quality assurance committee

Board of Directors

At the heart of the matter

Priority: Improving care for people with dementia through accurate assessment of needs and person-centred care planning

Why we chose this priority:

Work to improve care and experience for people with dementia in our acute and community services is a strategic priority. In response the trust has launched a five-year dementia strategy that provides a clear deliverable plan and mechanisms to monitor and chart service improvements and patient experience.

The strategy has been developed in consultation with local carers, dementia charities and patient feedback. It is based on current best practice advocated by the National Institute for Health and Clinical Excellence, the Royal College of Psychiatrists and the Dementia Action Alliance.

The aims of the dementia strategy are:

1. Modernise our approaches to communicating, seeking and acting on feedback from people with dementia and their carers
2. Become a dementia-friendly organisation with environments and processes that cause no avoidable harm to patients with dementia
3. Deliver person-centred care that supports the patient with dementia and their care
4. Develop partnerships to improve care and outcomes
5. Develop a skilled and effective workforce, with recognised levelled competency, able and unafraid to champion compassionate person centred care

Each strategic aim is underpinned with markers of best practice. These markers of best practice align with the standards of the national dementia audit. Work to meet these standards of best practice is being progressed by clinical centres and corporate workstreams who report to the dementia assurance board. However a recent internal quality assurance audit concurred with findings outlined by the CQC in "Cracks in the Pathway" published in 2014.

In hospitals inspected by the CQC they found that 56% of assessments of a person's needs was poor or variable. In 61%, families and carers were not being involved, and most concerning was the lack of governance arrangements to monitor care. In 28% of hospitals inspected, aspects of variable or poor practice in the way providers monitored the quality of dementia care was found. These statistics demonstrate a clear continued need for the trust to monitor and improve care for people with dementia.

How will we do this?

- **Training in dementia care for all staff**. Each year of the dementia strategy 20% of the current work force will be trained. Additionally tier two training (dementia champions) will be offered each month. Training will include a focus on person-centred care planning.
- **Embed in the 'forget me not' document in practice.** Although already launched this internal patient identifier symbol is not being used uniformly across the trust. Leadership actions to standardise will improve person centred care planning.

- **Trial the use of a blue 'forget me not' pillowcase.** If successful develop a care bundle for trust-wide use
- **Improved management of pain.** Matrons will lead on monthly pain audits to ensure people with dementia receive appropriate pain assessments and where indicated medicines are administered or omitted in line with trust policy and best interest principles
- **Focused work and leadership to improved clinical assessments particularly with regard to assessment of dementia needs, nutrition, continence and pain.** Strengthen links and crossover with ward accreditation process and matrons' key performance indicators
- **Improved internal reporting of dementia specific indicators.** Patient safety incidents in the dementia population to be monitored and reported. Dementia specific indicators to be included on ward dashboards to improve internal governance
- **Nutrition in dementia** - continue initiatives with 2014/2015 quality account via the food and nutrition steering group. This includes the roll-out of coloured crockery, pictorial snack menu, the development of a carers information leaflet, feeding time volunteers and the documentation and support of nutritional preferences and routines within clinical care
- **Partnership working with carers.** Develop internal guidance/policy which will clarify the trust position and partnership with carers
- **External partnerships to improve care.** Work in collaboration with external partners to develop a dementia care pathway

How will we know how we have done?

The monitoring mechanism will be to the quality assurance sub-group via the dementia assurance board. Each clinical centre will report progress and exceptions. Corporate work and audit results will also be presented and monitored by the dementia assurance board.

In-year audits and patient involvement include:

- Quarterly matrons KPIs (dementia specific audit)
- Ward accreditation audit (STAQ) which includes patient feedback
- Quality assurance dementia audit (bi-annually)
- National audit of dementia
- Patient and carers feedback (PALS, carers surveys, complaints etc)

Who will this be reported to?

- Dementia assurance board
- Quality assurance committee
- Board of Directors

Priority: Listening and learning : improving how we respond to complaints and patient feedback

Why we chose this priority:

This priority has continued from last year and the aim is to build on the work already started. The organisation recognises that it can further improve its complaint handling process improving the quality of responses, timeliness and experience for the complainant, and will be working with clinical centres and patients to do this. Complaints are also recognised as a real opportunity for quality improvement and combined with further development of other patient feedback mechanisms, will be used to improve the quality of care and patient experience.

How will we do this?

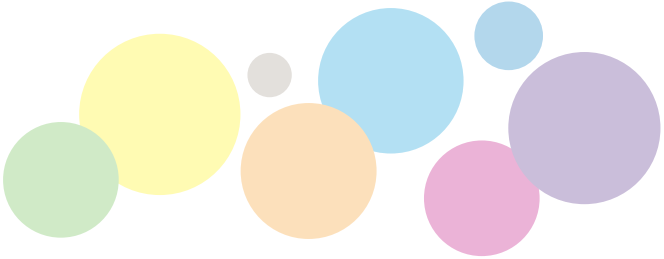
- Map current patient and carer engagement activities and identify gaps to inform the development of a patient and carer engagement strategy
- Strengthen the patient experience team
- Improve the timeliness of responding to formal complaints, with 80% receiving a response within 25 working days
- Reconfiguration of the central team to support the complaint handling process
- 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

How will we know how we have done?

- Monthly complaints report, monitoring timeliness of responses
- Improve patient experience with 95% of patients likely or extremely likely to recommend the trust using the friends and family test
- Patient experience reports
- Quarterly quality report, examining trends and themes
- National patient surveys
- Local patient surveys/feedback

Who will this be reported to?

- Board of Directors
- Quality assurance committee
- Patient experience sub-group



STATEMENTS OF ASSURANCE FROM THE BOARD

Review of services

During 2014/2015, 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 2014/2015 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 2014/2015.

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 2014/2015, there were 35 national clinical audits and five national confidential enquiries covered relevant health services that the South Tees Hospitals NHS Foundation Trust provides.

During that period, South Tees Hospitals NHS Foundation Trust participated in 100% of the 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 South Tees Hospitals NHS Foundation Trust was eligible to participate in during 2014/2015 are as follows: see table below

The national clinical audits and national confidential enquiries that the trust was eligible to participate in, and for which data collection was completed during 2014/15 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	Type of audit	Target	Number entered
Acute Care					
Adult critical care (case mix programme - ICNARC CMP)	✓	✓	Every patient	All applicable	Continuous data collection (100%)
Mental Health (CEM)	✓	✓	Snap shot	Maximum 50 cases per site	50 cases both Friarage Hospital and The James Cook University Hospital (100%)
National joint registry	✓	✓	Every patient	All applicable	100%
National emergency laparotomy audit (NELA)	✓	✓	Every patient	All applicable	71% at Friarage Hospital 100% at James Cook University Hospital (figures at end of February 2015)
Severe trauma (Trauma Audit & Research Network)	✓	✓	Every patient	All applicable	100% at end of Q3 2013/2014 (awaiting Q4 data)
Audit of transfusion in children and adults with sickle cell disease	✓	✓	Every patient	All applicable	Anticipate target being met – additional information supplied as requested
National community acquired pneumonia (BTS)	✓	✓	snapshot	Minimum target of 30 cases per site	Anticipate target being met
Pleural procedures - BTS national 2014	✓	✓	Snapshot	All applicable	29 cases trust-wide
Cancer					
Bowel cancer (NBOCAP)	✓	✓	Every patient	All applicable	
Head and neck oncology (DAHNO)	✓	✓	Every patient	All applicable	
National lung cancer (NLCA)	✓	✓	Every patient	All applicable	

Title	Eligible	Participated	Type of audit	Target	Number entered
Cancer					
Oesophago-gastric cancer	✓	✓	Every patient	All applicable	
National prostate cancer audit	✓	✓	Every patient	All applicable	
Heart					
Acute myocardial infarction and other ACS (MINAP)	✓	✓	Every patient	All applicable	Estimated (100% - 1400)
Adult cardiac surgery (ACS)	✓	✓	Every patient	All applicable	Estimated 1060 (100%)
Cardiac arrhythmia (heart rhythm management audit)	✓	✓	Every patient	All applicable	Estimated1550 (100%)
Coronary angioplasty (interventions) audit	✓	✓	Every patient	All applicable	Estimated (100% 1783)
National heart failure audit	✓	✓	Every patient	All applicable	350 Estimated (65%)
Intensive care national audit and research (ICNARC) data - for cardiothoracic ICU	✓	✓	Every patient	All applicable	Estimated 1115 (100%)
National cardiac arrest audit	✓	✓	Snapshot	All applicable	183 (100%) at end of February 2015, anticipate 100% for 2014/2015
National vascular registry	✓	✓	Every patient	All applicable	Continuous data collection
Long-term conditions					
National diabetes footcare audit (NDFA, part of NDA)	✓	✓	Every new patient	All applicable	45
Inflammatory bowel disease	✓	✓	Snapshot	All applicable	No update available
National chronic obstructive pulmonary disease (COPD) audit programme – pulmonary rehabilitation	✓	✓	Snapshot	All applicable	Data collection on-going, anticipate 100% participation
Rheumatoid and early inflammatory arthritis	✓	✓	Snapshot	All applicable	No update available
Renal replacement therapy (renal registry)	✓	✓	Snapshot	All applicable	Continuous data collection
UK Cystic Fibrosis registry	✓	✓	Every patient	All applicable	Continuous data collection
Older People					
Assessing for cognitive impairment in older people (CEM)	✓	✓	Snapshot	All applicable	44 James Cook, 60 Friarage
National hip fracture database (FFFAP)	✓	✓	Every patient	All applicable	435 (100%) to-date, anticipate 100% participation
Sentinel stroke national audit programme (SSNAP)	✓	✓	Every patient	All applicable	100%

STATEMENTS OF ASSURANCE FROM THE BOARD

Title	Eligible	Participated	Type of audit	Target	Number entered
Women and children					
National neonatal audit (NNAP)	✓	✓	Every patient	All applicable	Continuous data collection
Paediatric intensive care (PICANet)	✓	✓	Every patient	All applicable	145 cases (100%) to date
Diabetes - paediatric	✓	✓	Snapshot	All applicable	140 cases (100%)
Initial management of the fitting child (CEM)	✓	✓	Snapshot	Up to 50 per site	James Cook 42, Friarage 6 (no more eligible cases)
Epilepsy 12	✓	✓	Snapshot	All applicable	100%
Fitting Child (CEM)	✓	✓	Snapshot	All applicable	Friarage 6 cases, James Cook 42 cases
National confidential enquiries (NCE):					
The national maternal, newborn and infant review programme (MBRRACW-UK)	✓	✓	Every patient	All applicable	Continuous data collection
NCEPOD gastrointestinal haemorrhage	✓	✓	Snapshot	All applicable	2 (66%)
NCEPOD sepsis study	✓	✓	Snapshot	All applicable	3 (75%) Study remains open
NCEPOD lower limb amputation	✓	✓	Snapshot	All applicable	5 (100%)
NCEPOD tracheostomy study	✓	✓	Snapshot	All applicable	31 (86%)

The reports of 18 national clinical audits were reviewed by the provider in 2014/2015 and the trust intends to take the following actions to improve the quality of healthcare provided:

Title of audit	Review and action plans/recommendations
NCEPOD alcohol-related liver disease	The following actions were recommended: • Raise the profile of the alcohol harm reduction committee. • An audit should be carried out on the completion of current forms relating to alcohol misuse and see if actions were identified and carried out on someone identified as alcohol dependant. • Get commissioners involved on alcohol-related issues and carry out a joint piece of work with them.
NCEPOD tracheostomy study	The trust is compliant with many of the key recommendations and is working towards standardisation of tracheostomy products, with some variation required for different anatomies and long-term tracheostomy requirements on a named patient basis.
National adult asthma audit (BTS)	The following changes in practice are being put in place: 1. Inhaler technique review. - a. Implementing formal assessment by the respiratory nurse on admission and then before discharge. b. Follow-up of asthma patients in ARAS clinic in 2-4 weeks after discharge/ inhaler technique video produced – to disseminate throughout trust. 2. Written asthma action plan - a. To be provided by the nurse or doctor when assessing fitness for discharge and inhaler technique before discharge. b. Also, to be provided at the acute respiratory assessment service (ARAS) clinic review.
NCEPOD subarachnoid Haemorrhage (SAH)	The trust is working on the following recommendations: 1. Written protocols for management in secondary care 2. Written/formal transfer protocols 3. Regional meeting every quarter; idea floated, discuss with regional referring hospital 4. Securing aneurysm within 48hours - this is already in the practice. 5. Regionally networking for neuroradiology, in process 6. Consultant review, better documentation and consenting. Standard template for SAH patients
National care of the dying in acute hospital audit	An end of life care group was formed which will report via quarterly reports into the clinical standards sub-group. The group met for the first time on 1 September 2014, the lead has been attending clinical standards sub-group with an action plan and is now a member of this group.
BTS national chronic obstructive pulmonary disease (COPD) audit	The department is looking at ways of improving the number of patients seen by a respiratory specialist and improving the care plans for this group of patients.
National dementia audit	Following dissemination of the report, clinical centres were asked to develop action plans to address areas for improvement, further clinical education was provided and regular reporting to the Board of Directors.

STATEMENTS OF ASSURANCE FROM THE BOARD

The reports of 18 national clinical audits were reviewed by the provider in 2014/2015 and the trust intends to take the following actions to improve the quality of healthcare provided:

Title of audit	Review and action plans/recommendations
National diabetes inpatient audit (NaDIA)	The department has submitted a business case for an extra foot clinic and the team is hoping to hold two diabetes study days a year which will also concentrate on insulin prescription cards. The following actions are being taken to address concerns highlighted. • Review all reported prescription errors to identify and address any emerging patterns. To use the incident reporting system to review prescription errors and identify emerging patterns, providing extra training where required. • Allocate more diabetes specialist nurse time for both staff and patient education
National review of asthma deaths	The following actions are being implemented following review of the findings. • Audit annually in the month of March to be presented in May coinciding with World Asthma Day • Asthma discharge proforma to be used • Electronic prescribing surveillance to be discussed with CCG • Ensure appropriate review prior to discharge or referral to ARAS • Work with CCG for an integrated asthma care pathway
National audit of inflammatory bowel disease (IBD)	The team is working on the development of patient pathway, assessments of patients experience and patient education. However there are some measures that are harder to achieve due to physical constraint such as the number of toilets per patient, shortage of key personnel – eg counsellors/ clinical psychologists and lack of IT infrastructure
Sentinel stroke national audit programme (SSNAP)	The major deficit in current stroke service provision is in specialist rehabilitation after discharge from hospital. A stroke early supported discharge team is being implemented in 2015/2016 but there are still concerns about the provision of speech and language therapy.
Intensive care national audit and research center (ICNARC) case management program dataset (CMPD)	Reports reviewed – no changes in practice required
BTS national audit of emergency oxygen	The requirement to prescribe oxygen is to be included in the trust-wide teaching programme for junior doctors
Paediatric intensive care (PICANet)	Reports back from national body state the trust has excellent data submission rates
National paediatric diabetes audit	The following actions are being pursued following review of the findings: • Improved data collection with further team training from Hicom (system providers) to use Twinkle (audit system) • Three-monthly governance meetings with current audit results available at each meeting • Included information on HbA1c on all patient letters to support reducing target, therefore providing a consistent message • High HbA1c policy developed locally to provide intensive support for patients and families • Continued service development optimising skill levels and use of new technologies.

Title of audit	Review and action plans/recommendations
BTS national audit - community acquired pneumonia (CAP)	1. Continuing teaching sessions for the acute medicine and respiratory teams. Consider incorporating CAP educational session to the trust-wide generic skills teachings, participating in the CLARITY project. 2. Consider re-introducing a proforma for CAP management. 3. All patients with severe CAP should have bacteriology samples taken prior to antibacterial treatment started (legionella/pneumococcus) - as action 1 4. Antibacterial treatment started within four hours of presentation to hospital - as action 1
Non-invasive ventilation (NIV - BTS)	Generally the findings from this audit were positive but feedback to staff will be provided about the importance of giving the oxygen card to the patient.
BTS national audit paediatric Asthma	The following actions are going to be taken following review of the findings: • Investigate the higher readmission rate and look at history and /or follow up arranged. • Patient education on asthma management during admission and early review with specialist nurse or respiratory team where repeated readmission is evident • Interval symptoms to be documented as part of history taking by medical staff • Education sessions and update to be delivered to medical staff • Information and education needed to ensure recognition and early treatment of symptoms. • The specialist nurse team to deliver education updates to staff on the management of asthma including use of management plans and education checklist . • Reinstate link nurse system to promote and improve documentation. • Further training required to ensure that all information required is documented including whether there is smoking in the household

STATEMENTS OF ASSURANCE FROM THE BOARD

Local clinical audits

The reports of 18 local clinical high risk audits reviewed by South Tees Hospitals NHS Foundation Trust in 2014/2015 are shown below, and the trust intends to take the following actions to improve the quality of healthcare provided.

Title of audit	Reports/actions
Do not attempt cardio pulmonary resuscitation (DNACPR) audit	A number of issues were identified with the completion of these forms and the current process is being reviewed.
Sepsis audit	There is still a lot of work to be carried out but figures are improving compared to when the audit took place in 2007/2008 with the following improvements being made: • They have looked at the guidelines and pre-hospital pathway with GPs and North East Ambulance service. • Took part in both local and national audits. • Screening tool devised in 2009. • Audits have taken place annually. • Integrated the neuro and general sepsis charts. • Identified patients of sepsis and have improved coding of these patients. • Baseline reduction in mortality over time of doing training. • Building in acutely ill patient pathway. • Sepsis being taught in the five-year for the undergraduates. • Piloting sepsis trolleys on ward 15. • Outreach team – requesting sepsis box on wards and auditing use at the same time to give real-time feedback. • 98% compliance on pilot ward (sepsis trolley) on patient receiving antibiotic within the first hour, thanks to staff.
Are patients adequately consented for dermatological procedures	• Following review of the findings, the use of the WHO checklist has been introduced to all surgical lists undertaken with the department and all clinicians.
Head and neck SALT service benchmarking audit (pre-treatment assessment)	In order to meet the national standards and peer review, further staffing is required. The following actions will be taken to facilitate this: • Discussion with ENT surgeons • Presentation of audit • Meetings with Macmillan, ENT managers and clinical commissioning groups
Audit of information given to patients and GPs after a diagnosis of melanoma	Following review of the findings a melanoma checklist has been introduced. This can be included in the patient's notes during the appointment during which the diagnosis is explained to the patient. This acts as an aide memoire to ensure all the relevant information is discussed.

Title of audit	Reports/actions
Record keeping audit ENT outpatients	Clinicians need to ensure that there is identifiable signature, designation and registration number – such as a name stamp, that they record 24 hour time entry and initials of consultant in charge and to use trust agreed abbreviations
MRSA and Clostridium difficile pathway audit	The following areas have been highlighted to staff to improve compliance. These have been incorporated into the HCAI action plan and the Clostridium difficile campaign. 1. First page details on all pathways to be completed in all cases 2. All pathways to be completed untill the current day 3. Date and time of isolation to be documented 4. Appropriate STOP signs to be used 5. Correct version of the pathway to used 6. Doors to single rooms to be kept closed
Dementia strategy quality assurance audit	The audit results will inform training and future dementia audits and service improvement priorities. The re-audit will be repeated in July 2015.
Primary care hospital falls audit	Recommendations • If assessment not fully completed the details should be recorded elsewhere, if not recorded on the falls risk assessment then it should be recorded that it has been completed, and where it has been recorded eg. NEWS chart. • Scripts for nurses to follow for the common themes of actions which should be put into place • If staff are unable to complete the lying and standing blood pressure due to a genuine clinical reason, this should be documented and the reason why stated. • To monitor training through employee on-line as e-roster should populate this. • Re-education on the AMTS section of the falls risk assessment • Re-education on the dizziness/postural hypotension and medications actions section of the risk assessment.
Medicines policy and prescribing audit	The following improvements are required ; • Review of the medicines policy to ensure clarity on correct discontinuation of medication and the importance of recording specifics with regards to 'when required' medication. • Education of junior doctors at trust induction. • Continual training and updates provided on prescribing according to the policy
Haemodialysis vascular access and related infections	The changes in practices are as follows: • Appointment of a vascular access nurse • Starting a vascular access MDT with the vascular surgeons and vascular radiologists. • Results will be audited regularly
Are we appropriately identifying small for gestational age babies	Review of the findings has resulted in the following changes • The unit has introduced gestation-related optimal weight (GROW) charts to improve recording of symphysis fundal height (SFH) • Staff have been re-trained in the mechanism of measuring SFH and plotting on customised growth charts in an aim to standardise the care and reduce variance.

STATEMENTS OF ASSURANCE FROM THE BOARD

Title of audit	Reports/actions
Management of bacterial UTI in patients with catheters	The following recommendations were made following this audit: 1) Not to perform urine dip as diagnostic test for suspected in UTI in patients with long-term catheter. 2) To change the catheter before starting antibiotics
The use of McKinley T34 syringe driver 4th audit cycle	The following recommendations were made: 1. It is imperative that the correct infusion lines are used with the McKinley T34 subcutaneous infusion device – this is included in the McKinley T34 syringe protocol. 2. The use of syringe additive labels rather than drug additive labels.
Aetiological investigations of infants with congenital hearing loss identified through new-born screening	Generally the findings from this audit were positive, although most investigations were completed on time further work is required to ensure all take place on time.
An audit to review the documentation of anaesthetic risks discussed with patients pre-operatively	Recommendations: • Anaesthetic department to trial pre-printed anaesthetic charts, with risks listed as per AAGBI and RCoA guidance. • Anaesthetist to ensure that the consent forms have been satisfactorily completed as part of the pre-op "safer surgery" checklist. Feedback through anaesthesia department.
Adequacy and quality of child protection medical reports	Recommendations: Use of a proforma helps with compulsory data capture and completion of the report.
Pressure ulcer audit, community nursing (Tees)	The following actions were identified, • Distribute an aide memoire for care of patients with pressure ulcers to include photography of wound, pain care plan, categorisation of pressure ulcer • To recirculate standard operating procedure for recording information on the electronic system and identify training needs.

Participation in clinical research

The number of patients receiving relevant health services provided or sub-contracted by South Tees Hospitals NHS Foundation Trust in 2014/2015 that were recruited during that period to participate in research approved by a research ethics committee was 2,546.

In addition, we are supporting 31 'commercial' research studies, This is the second-highest number of studies in the region. Studies range from complex interventional trials involving small numbers (often only two or three people) to large non-interventional studies. In 2013/2014, 99 of the 161 studies we recruited participants to were interventional studies.

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 abreast of the latest possible treatment options and recognise that active participation in research leads to improved patient outcomes. We remain committed to testing and offering the latest medical treatments and techniques

Our active engagement in research is reflected by the high number of research studies we are undertaking. In 2013/2014 we ranked as one of the top 40 NHS trusts in the country for the number of 'recruiting' National Institute for Health Research (NIHR) portfolio studies.

In 2014/2015, to-date we have recruited participants to 190 NIHR portfolio studies, the second-highest number of any partner organisation in the North-east and North Cumbria clinical research network (CRN NE&NC). Together with other research studies (eg. 'non-portfolio' research and studies in 'follow-up') we are supporting over 300 projects.

Income from participation in research continues to rise despite the challenging financial climate. NIHR income of £2.3million was allocated for 2014/2015 to deliver NIHR portfolio research combined commercial and non-commercial research income, £758,960 to end of quarter four. NIHR research grant awards to the value of £2,243,565 are spread over a five-year period

These awards are for the delivery of two research for patient benefit (RfPB) grants and one Health Technology Assessment (HTA) funded trial:

1) **'HIT AAA',** (RfPB) High-intensity interval exercise training before abdominal aortic aneurysm repair. This study is an assessment of whether high-intensity interval exercise training leads to better outcomes in abdominal aortic aneurysm repair.

2) **MAVRIC** - (RfPB) Manubrium Limited mini sternotomy versus conventional sternotomy for aortic valve replacement: a randomised controlled trial. This is a surgical trial to determine the proportion of patients who receive a post-operative red blood cell transfusion within seven days of aortic valve replacement (AVR) via manubrium-limited ministernotomy or conventional sternotomy.

3) **UK FROST,** NIHR HTA-funded study of three different interventions for patients with 'frozen shoulder'.

Earlier HTA funded trials include the recently published 'ProFHER' study. Together with researchers from Teesside University and the University of York, Professor Rangan, clinical professor in trauma and orthopaedic surgery at The James Cook University Hospital, secured over £1.25million funding from the National Institute for Health Research's Health Technology Assessment Programme (HTA project number: 06/404/53) in 2008 to lead the largest randomised clinical trial (ProFHER) to-date on proximal humerus (shoulder) fractures. This was the UK's first nationwide clinical trial on shoulder fractures and the research revealed no significant difference between surgery and no surgery and could lead to considerable savings for the NHS.

Goals agreed with commissioners - use of the CQUIN payment framework

A proportion of the South Tees Hospitals NHS Foundation Trust's income in 2014/2015 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 payment (CQUIN) framework.

Further details of the agreed goals for 2014/2015 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.

The table below demonstrated the income conditional upon achievement of the CQUIN measures and the payment received by the trust for the last two financial years

	Income conditional upon achievement of the CQUIN measures	Payment received by the trust
2013/2014	£10,712,339	£10,165,150
2014/2015	£11,010,158	£10,594,052

STATEMENTS OF ASSURANCE FROM THE BOARD

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:

"The CQC has registered South Tees Hospitals NHS Foundation Trust to provide services"

The Care Quality Commission **has not** taken enforcement action against South Tees Hospitals NHS Foundation Trust during 2014/2015.

South Tees Hospitals NHS Foundation Trust has not participated in any special reviews or investigations by the Care Quality Commission during the reporting period.

As part of its inspections of hospitals in England to ensure they are meeting the national standards of quality and safety, the Care Quality Commission (CQC) conducted a four day-inspection in December 2014 across all trust sites - the James Cook and Friarage hospitals, community primary care hospitals and community services. Draft reports were received in February 2015 and the trust subsequently submitted a number of comments on factual accuracy. The CQC provided verbal feedback on the content of the final reports on 26 May 2015. We understand that overall, the trust will be rated as requires improvement. Safety and effectiveness were rated as requires improvement. Well led, responsiveness and caring were rated as good.

The CQC guidance published in the appendices to the provider handbook states that for trusts where Monitor is taking regulatory action, the overall trust rating will normally be limited to 'requires improvement' at best.

There are 115 individual ratings which are aggregated to give the overall position; of these three are 'outstanding', 94 are 'good' and 18 are 'requires improvement'.

The key areas for improvement are:

- documentation of do not attempt cardio-pulmonary resuscitation decisions
- accuracy of patient records
- the safe handling and administration of medication
- compliance with mandatory training
- ensuring appropriate staffing levels and
- actions to address the findings of the College of Emergency Medicine audits

A quality summit for the trust, CQC, Monitor and local commissioners to review the findings of the reports and agree an action plan is scheduled for June 2015. The action plan will be monitored and reported to the Board through the quality assurance committee.

NHS number and general medical practice code validity

South Tees Hospitals NHS Foundation Trust submitted records during 2014/2015 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
- 99.3% for accident and emergency care
- Included the patient's valid General Medical Practice Code was:
- 100% for admitted patient care
- 100% for outpatient care
- 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.

Annual IG mandatory training compliance has been achieved with an overall score of 90.24%.

South Tees Hospitals NHS Foundation Trust's information governance assessment report overall score for 2014/2015 was 80% and was graded green.

Clinical coding

The trust was not subject to the Payment by Results clinical coding audit during the reporting period by the Audit Commission.

REPORTING AGAINST CORE INDICATORS

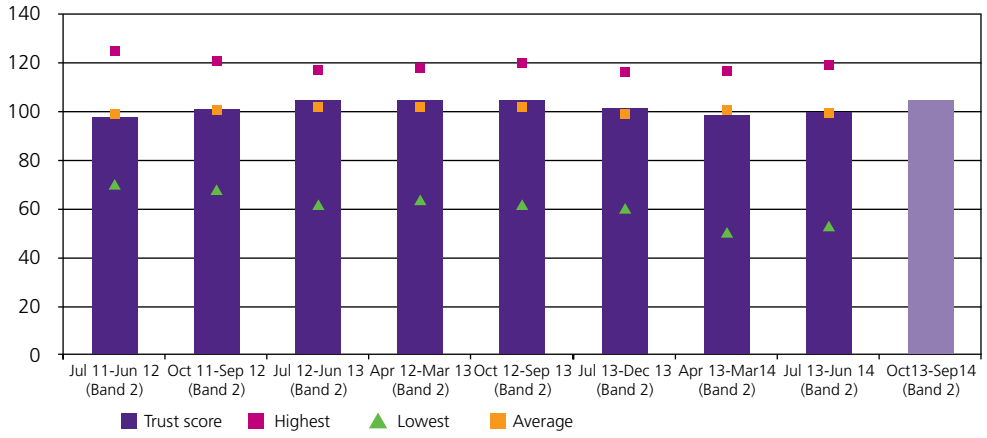
In addition to the progress with our locally identified quality priorities and our performance against national performance targets, we also monitor measures from the NHS outcome framework.

The data reported below is the publicly available data from the NHS Information Centre for Health and Social Care; 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.

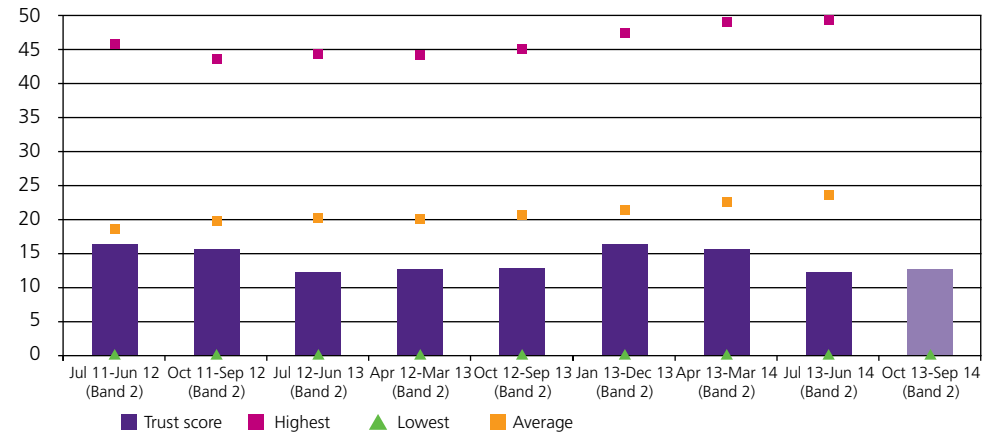
The NHS outcome framework has five domains within which are grouped together measures for monitoring progress, the selection that are required to be included in the quality account are described below under the heading of the relevant domain.

Domain 1 - Preventing people from dying prematurely

a. Summary hospital-level mortality indicator (SHMI)



b. Percentage of patient deaths with palliative care coded at either diagnosis or specialty level



Data source: NHS Health and Social Care Information Centre

The 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. The percentage of patient deaths with specialist palliative care codes has risen to about 18% following the fall during 2012/2013 to 12%.

The 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 co-ordinate 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 has reviewed their processes for identifying patients and recording their input into the care of individual patients. This has resulted in the percentage of patients deaths with specialist palliative care coded at either diagnosis or specialty level rising to a figure closer to the national average.

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 focussing 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. Further analysis of the outcome data from this work will be completed in early 2015/2016.

Domain 2 - Enhancing quality of life for people with long-term conditions

No applicable indicators

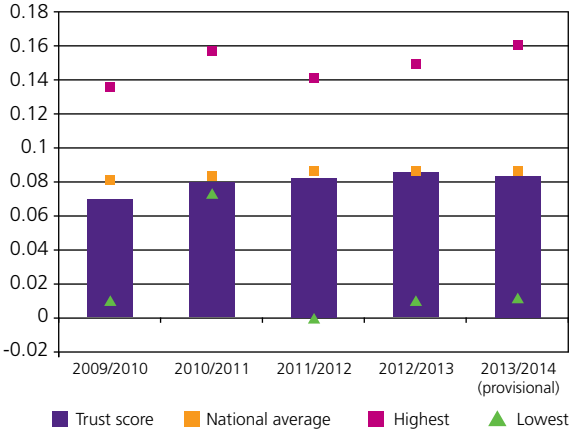
Domain 3 - Helping people to recover from episodes of ill health or following injury

Patient reported outcome measures (PROMs)

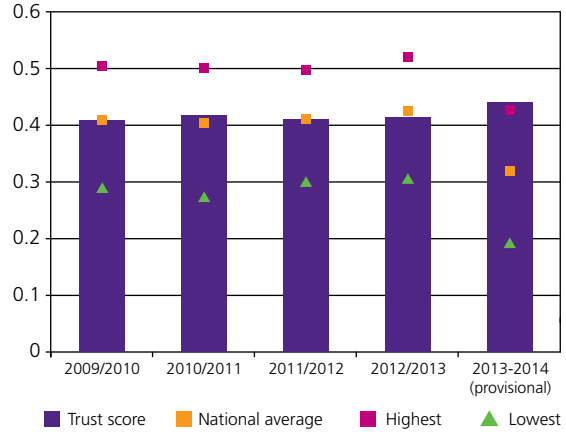
PROMs measure a patient's health status or health-related quality of life at a single point in time and are collected through short, self-completed questionnaires. This health status information is collected from patients through PROMs questionnaires before and after a healthcare procedure and provides 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.

Groin hernia patient reported outcome measures - health gain score



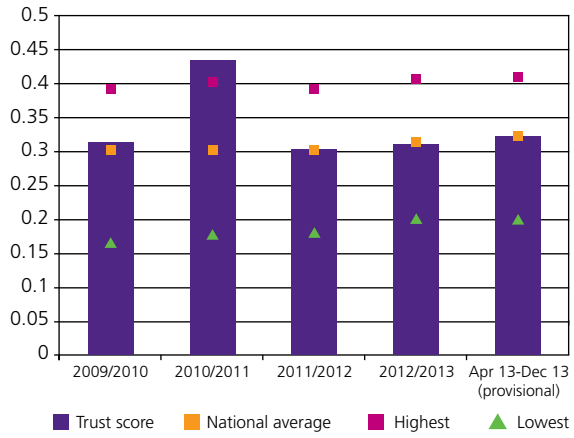
Hip replacement patient reported outcome measures - health gain score



REPORTING AGAINST CORE INDICATORS

Varicose vein patient reported outcome measures - health gain score

Knee replacement patient reported outcome measures - health gain score



Data source: NHS Health and Social Care Information Centre

The 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, the scores achieved show that the trust is performing in line with national averages and indicates that patients are benefitting from these procedures. No score is reported for varicose veins as the returns from patients have been too low.

The 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

Emergency re-admission within 28 days of discharge (age 16 and over)

Emergency re-admission within 28 days of discharge (age 0-15)

Data source: 2009/2010, 2010/2011, 2011/2012 NHS Information Centre for Health and Social Care, 2012/2013 and 2013/2014 local patient administration system

The 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 0-15 is lower than the national average. This is in spite of paediatric services having an open access day unit facility where children who have been a recent acute admission or with chronic conditions can return to the hospital if they deteriorate and the high level of deprivation found amongst the population served by the trust (Middlesbrough has 13 out of 23 electoral wards in the top 10% most deprived wards in England).

The adult re-admission score is approximately the same as the national average. However at least one third of these re-admissions are patients that receive care and are discharged on the same day. This is a model of care that the trust has been promoting over the last three years.

The South Tees Hospitals NHS Foundation Trust is taking the following actions to improve these percentages, and so the quality of its services; working with the wider health economy on schemes that will reduce the number of avoidable re-admissions through closer working with voluntary services, social services and GPs. The trust case managers support patients at higher risk of readmission, and the rapid response team in the community has carried out a lot of work to improve the pathway of care for these patients.

Domain 4 - Ensuring people have a positive experience of care

Responsiveness to the personal needs of patients

Data source: NHS Information Centre for Health and Social Care

Responsiveness to personal needs (national inpatient survey)

The South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons. The trust has a strong patient safety culture which is reflected by the trust score for safe, high quality co-ordinated care being in the top 20% of trusts for 2013/2014. The trust is waiting for the release of the 2014/2015 results.

The 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 continues to use patient feedback to improve its services. The result of this national survey is used alongside a programme of local patient experience surveys to identify areas for improvements.

REPORTING AGAINST CORE INDICATORS

Staff who would recommend the trust as a provider of care to their family and friends

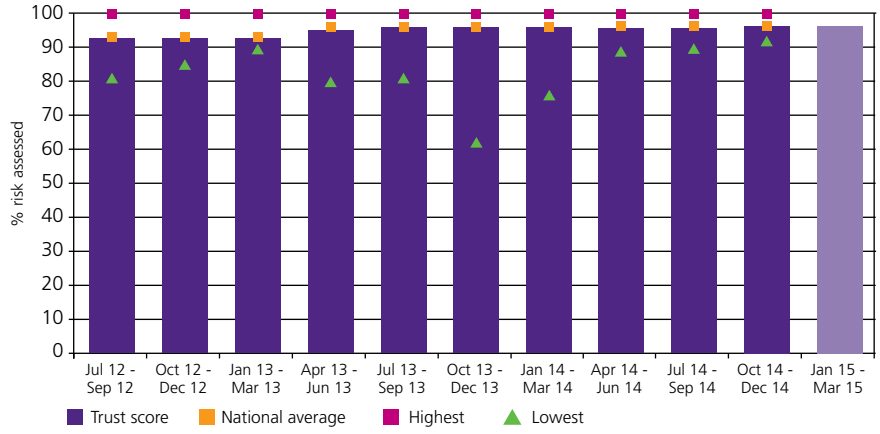
Data source: NHS Information Centre for Health and Social Care

The South Tees Hospitals NHS Foundation Trust considers that this data is as described for the following reasons. The trust is recognised as having a strong patient safety culture and this is reflected in staff recommendation of the organisation which is consistently higher than the national average. Information on patient safety and clinical outcomes is readily available for staff to access at ward level through 'how are you doing' boards and the trust emphasises the patient at the centre of its values and objectives.

The South Tees Hospitals NHS Foundation Trust intends to take the following actions to improve this percentage, and so the quality of its services. The staff friends and family test is now undertaken on a quarterly basis and used to identify further opportunities to improve the experience of staff. The trust recognises the critical role of organisational culture in improving the safety and effectiveness of services and we are committed to promoting critical behaviours within teams and encouraging challenge where appropriate. The trust will be using a survey tool to measure the dimensions of the patient safety climate: leadership, policies and procedures, staffing, communication, and reporting. This survey will form part of a wider safety cultural assessment programme.

Domain 5 – Treating and 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

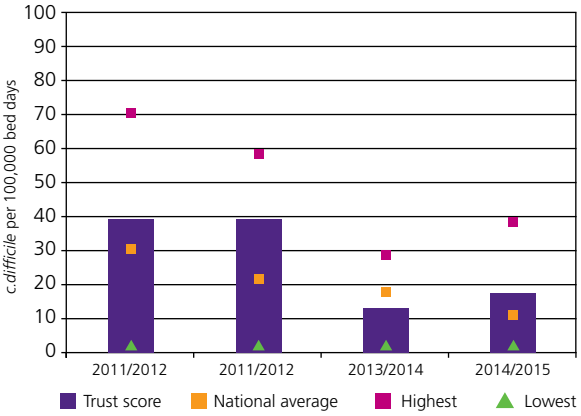


Data source: NHS Information Centre for Health and Social Care

The 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 two years.

The 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.

Rate per 100,000 bed days of cases of Clostridium difficile infection reported within the trust amongst patients aged 2 or over.



Data source: NHS Information Centre for Health and Social Care

The 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 however, although in line with the national average, Clostridium difficile rates are a current challenge.

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 Clostridium 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.

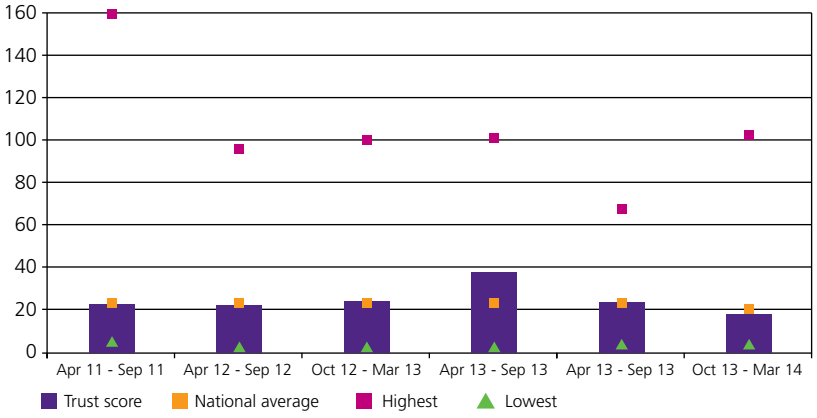
Environmental audits and enhanced intervention of any area identified as having increased incidence is completed with any suspected outbreaks investigated if there are clusters of two or more linked cases. Audits of all cases where Clostridium difficile contributed to the death of a patient are completed.

Extensive awareness events have taken place to increase the focus on prevention such as robust cleaning, effective hand hygiene and adherence to antibiotic prescribing. The trust commissioned two external reviews in December 2013 which provided assurance around current processes and policies with some further recommendations which have been incorporated into the trust's action plan.

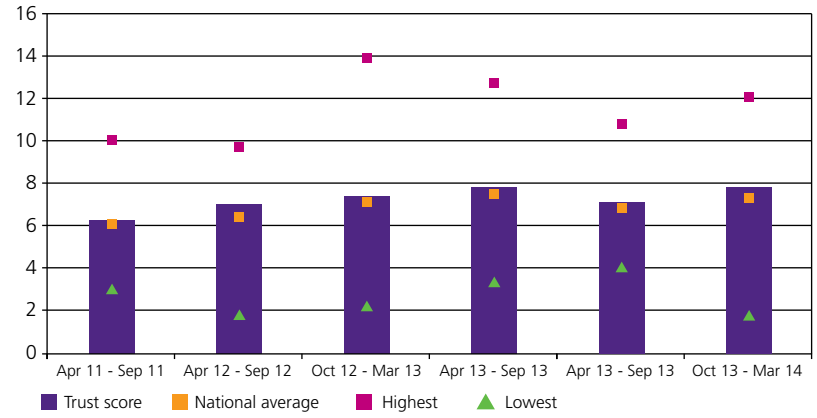
REPORTING AGAINST CORE INDICATORS

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

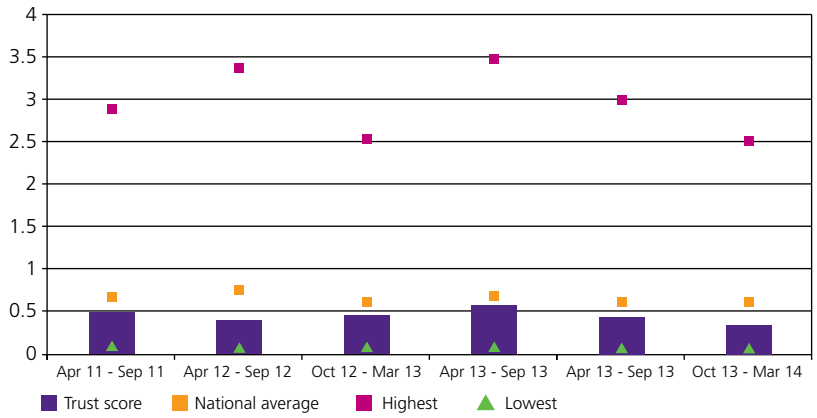
Number of patient safety incidents that resulted in severe harm or death



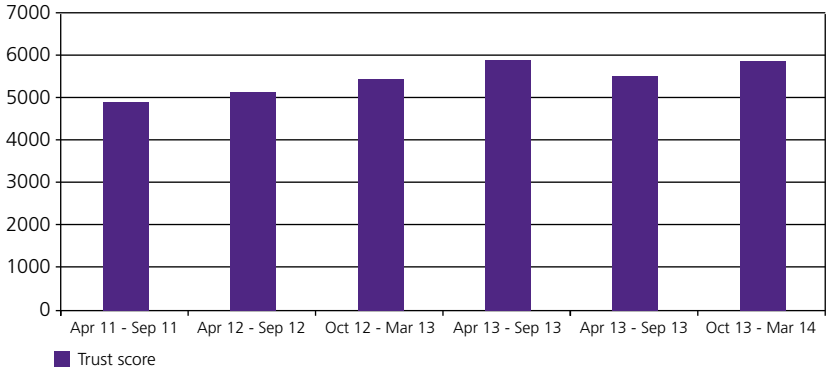
Rate of patient safety incidents reported per 100 admissions



% of patient safety incidents that resulted in severe harm or death



Number of patient safety incidents



Data source: NHS Information Centre for Health and Social Care

The 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 the 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.

The South Tees Hospitals NHS Foundation Trust has taken the following actions to improve this number, and so the quality of its services by review and development of the systems for reporting and feeding back on the actions taken as a consequence of incidents. A number of bespoke incident forms have been developed for specific incident types including pressure ulcer and medication related incidents to ensure specific detail is collected in respect of these event types and the incident reporting system includes an automatic feedback to staff that report incidents.

PART THREE
OTHER INFORMATION

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

This section of the quality account contains a review of our quality performance during 2014/2015. It also includes and 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 the 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, Council 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 2014/2015. These have been selected as the key indicators by the Board that demonstrate the quality of care provided by this organisation.

Patient Safety

Reducing healthcare associated infections (HCAI)

One of our key clinical priorities is to protect patients, visitors and staff from the risk of healthcare-associated infections (HCAI) caused by bacteria (germs).

We actively support the implementation of infection prevention and control practices (IPC) to tackle healthcare-associated infections, which includes such infections as MRSA and Clostridium difficile. IPC main focus includes hand hygiene, environmental cleaning, antimicrobial prescribing, intravenous line care and bespoke infection prevention control training.

The trust has a zero-tolerance approach to poor hand hygiene and failure to adopt best practices. Regular audits are carried out in wards and departments to check that staff comply with our strict hand hygiene policies and every clinical staff member is required to complete a hand hygiene competency.

There are signs and posters at the entrances to wards and other clinical areas to remind everyone – patients and visitors as well as staff – to clean their hands. Environmental and patient equipment cleaning, antimicrobial prescribing and intravenous line care are all subject to regular audits and weekly HCAI performance meetings are held to monitor compliance.

The trust's mandate to infection prevention and control is:

- Ensure all staff working in the trust have appropriate infection control knowledge, skills and behaviour
- Ensure all infection prevention and control staff have the skills and training to maximise their potential and use their expertise
- Ensure patients, carers and the public are informed of infection prevention and control issues and associated decision-making in the trust

In 2014/2015, our goal was to continue to minimise the number of MRSA bacteraemia and Clostridium difficile by:

- Having no MRSA bacteraemia cases
- Reducing the number of Clostridium difficile cases to 49 or less (across both the hospital and community settings)

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Trust apportioned MRSA bacteraemia	6	2	0	4*	4
Trust apportioned Clostridium difficile infection	125	67	49	57	76

Data source: National definition - Trust apportioned MRSA counts and trust-apportioned Clostridium Difficile counts – PHE website (www.phe.org.uk)
*This figure has increased from 3 to 4 following a review that confirmed that the case under discussion was trust apportioned.

Unfortunately we have seen a rise in the number of Clostridium difficile cases. In response, the trust has sought external support to review practices and has continued to implement an extensive Clostridium difficile recovery plan reported monthly to Board.

Reducing falls

Patient falls are among the most common patient safety incidents reported in hospitals and are a leading cause of death in people ages 65 or older. The trust has joint falls management policies with both NHS Tees and NHS Hambleton, Richmondshire and Whitby commissioners which aim, as far as possible, to reduce the incidence of falls and fall-related injuries for the populations served.

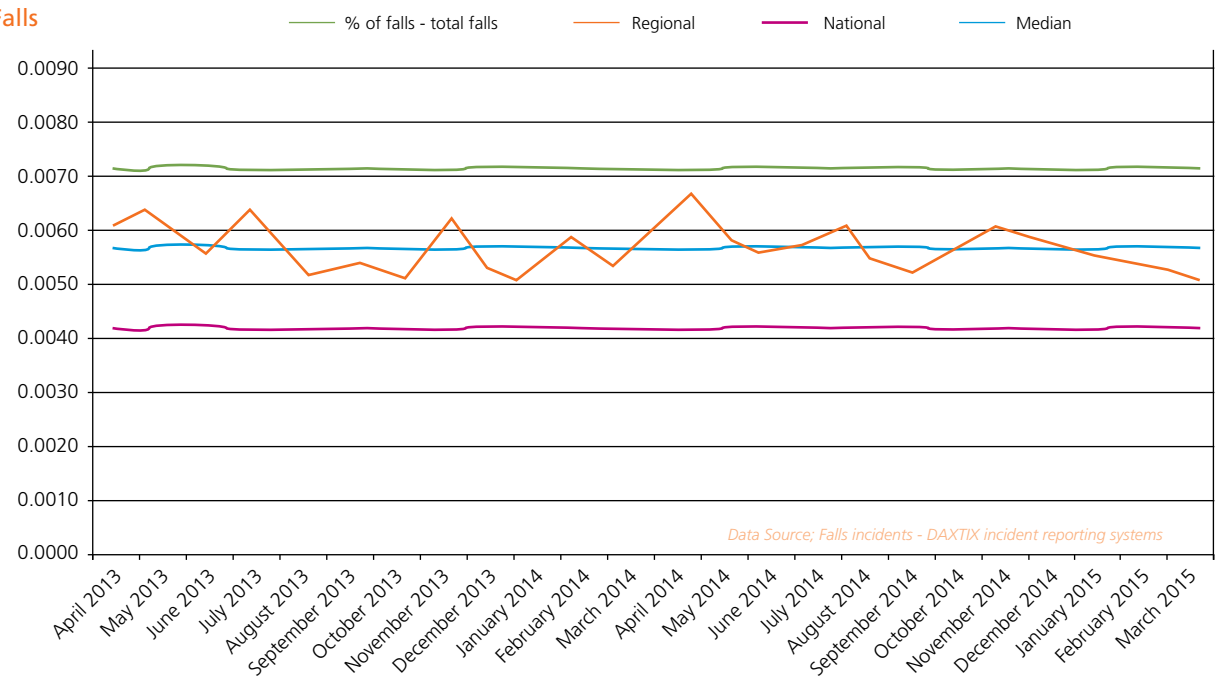
The following shows the performance over the last five years:

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Falls incidents reported in South Tees acute hospitals	2,162	2,075	2,220	1,773*	1,936
Falls incidents reported in South Tees community hospital	NA	NA	288	270	283
Falls per 1000 bed days	6.14	6.66	6.26	5.6*	5.8

Data source; Falls incidents - DATIX incident reporting system
Bed days - local patient administration system
*This figure differs from the previous report due to an update in incidents finally approved since previous report.

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

Falls



	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Falls incidents reported in South Tees acute hospitals setting	26	34	35	31	32
Falls resulting in a fracture in South Tees community hospitals setting	NA	NA	9	5	4
% of falls that result in a fracture in South Tees Hospitals NHS Trust	1.20%	1.64%	1.75%	1.76%	1.62%

Data Source; Falls incidents - DATIX incident reporting system
NB. Numbers have changed for 2012/2013 from the previous year's report due to internal data validation.

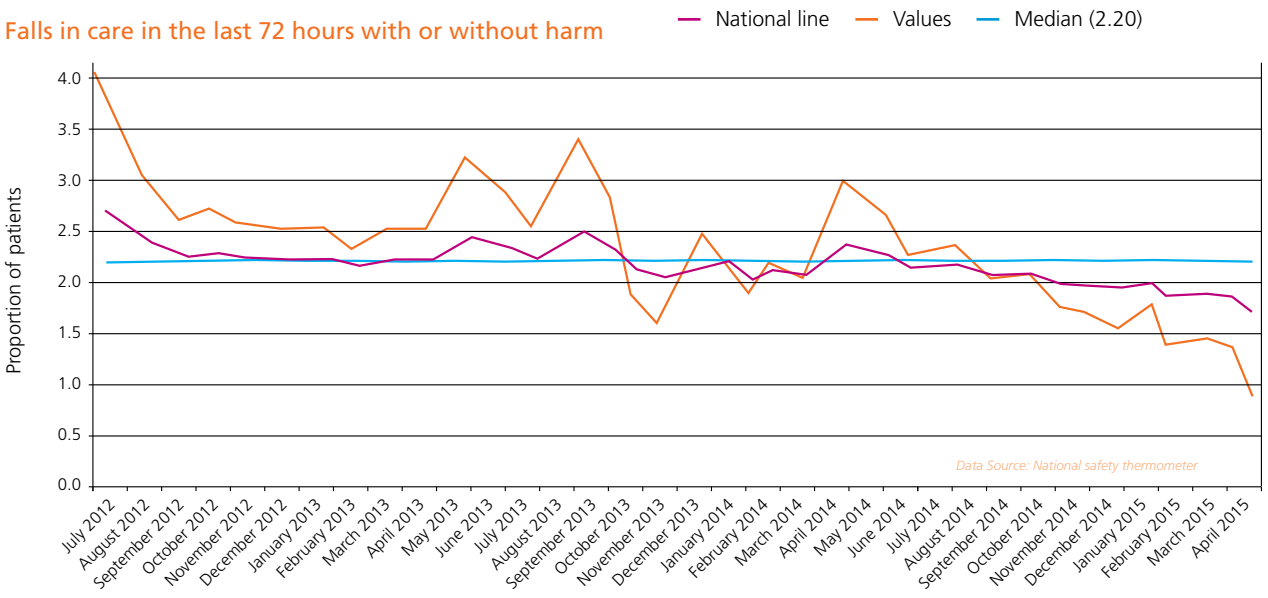
While the actual number of patient falls has increased, so has the number of patient admissions and outlier bed days. When taking into account additional activity the rate of falls is 5.8 falls per 1,000 bed days compared to 5.6 falls per 1000 bed days at the same point last year. The overall number of fractures sustained has not risen but there has been a small increase in the number of patients who sustain a fractured neck of femur. Clinical opinion is that frailty and complexity of patients is a significant factor in sustaining hip fracture as a result of a fall.

The mode of patient falls shows that the increases have occurred while patients are mobilising or going to the toilet. Since the purchase of new beds with bedrails we are no longer seeing an increase at 3am, and the times that patients fall reflects national data with an increase around 6am. In terms of national benchmarking, the average numbers of falls in a district general hospital, rather than a trust of our complexity, is 5.6 falls per 1000 bed days and community hospitals range from 8-12 falls per 1000 bed days.

There is some concern that the completion of risk assessments has reduced (92%) and needs to be improved. Review of the various falls meetings and the introduction of a committed lead for each centre is planned to further drive improvements across the trust.

The graph below demonstrates that the trust is in line with national position for falls as measured through the national safety thermometer.

Falls in care in the last 72 hours with or without harm



AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

Improving discharge management

This continues to be a high priority in the organisation, both in ensuring good quality discharge for patients and improving patient flow. A number of opportunities for improvement were identified, these included:

- Increased patient involvement in the discharge process - the patient held discharge checklist should be given to every patient or the patient's carer/relative as soon as possible following admission – the clinical matrons are responsible for monitoring compliance
- Reducing delays in the availability of take home medications - there was no baseline data to measure any improvement. However a recent snapshot audit demonstrated that the writing of the scripts often does not happen until the day of discharge
- Standardisation of processes - the standardisation and streamlining of processes has improved the patient pathway and reduced delays for patients waiting for:
  - a nursing assessment
  - social work assessment
  - placement in a community hospital
  - placement in an intermediate care facility

It is evident that all inpatient areas now use the patient status at a glance (PSAG) boards and the use of the boards has been standardised throughout the organisation

- Better planning and co-ordination of the discharge process - this is difficult to measure although all adult wards display the patients planned discharge date and the ready for discharge date on the PSAG board. It is evident from a recent snapshot audit that the PSAG boards are used for progressing the patient's journey toward discharge.
- Increased support for complex discharges - all adult inpatient areas use the discharge framework and the wards that are not covered by a case manager will escalate complex patients to the case management team lead.

A number of discharge workshops took place during 2013/2014 to review current practice and identify improvements focussing on patient centred discharge and transfer processes - 43 clinical teams attended the discharge workshops. These were structured to allow the teams to focus on their own practice and design solutions that would work in their environment.

The workshops resulted in a number of improvements; reduction in delayed discharges, an increase in the use of the planned discharge date and better communication within the ward teams.

In addition to this the organisation has implemented some "time to think beds" for those patients that require some extra time to choose a nursing home. In addition to this the clinical commissioning group commissioned ten 'time to think beds' for the winter period

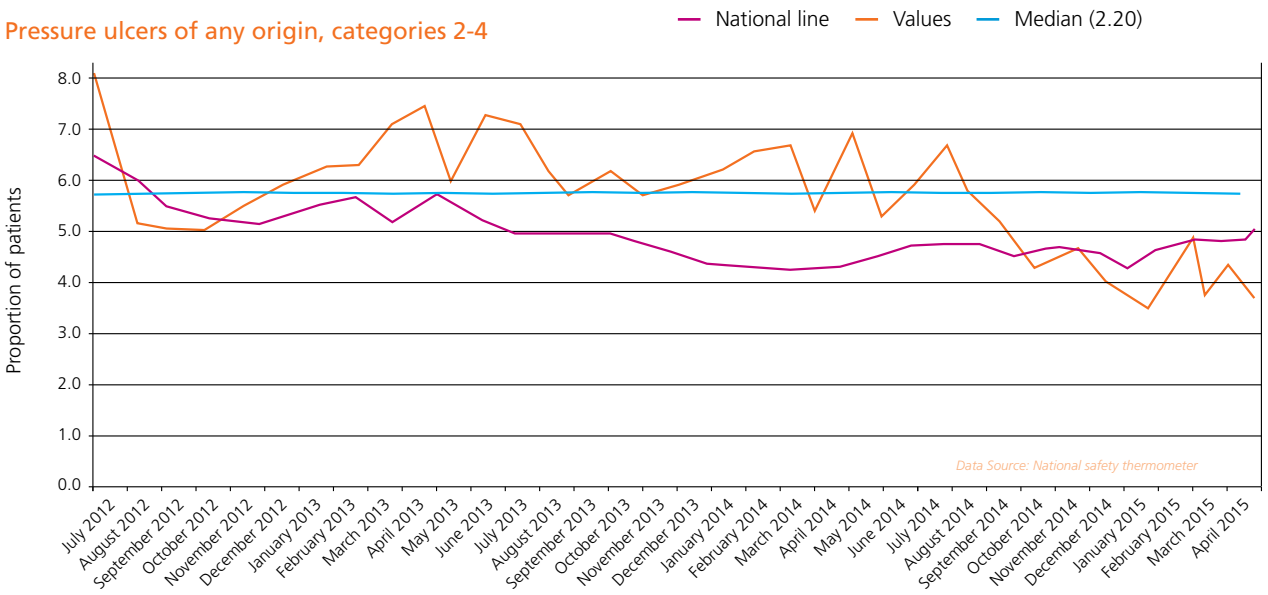
Improving wound care / skin integrity

Pressure ulcers (sometimes known as bed sores) are recognised as one of the key indicators of safe care and as such the organisation places a high priority on prevention and treatment.

As can be seen from the progress with this as a quality priority (see page 130), there is a lot of work taking place in the organisation that has resulted a reduction in the number of incidents reported.

In previous years, point prevalence audits have been undertaken in conjunction with one of our bed suppliers. We now use the national safety thermometer data to measure prevalence.

The graph following demonstrates the trust's performance with the national position. During 2014/2015, the trust has improved its position by 16%, therefore achieving the CQUIN target, moving from a prevalence of 6.39% between October 2013 and March 2014 to a prevalence of 5.39% between November 2014 and March 2015.



This continues to be a quality priority for the organisation as further improvements can be made. Page 138 outlines the targets and actions associated with this.

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.

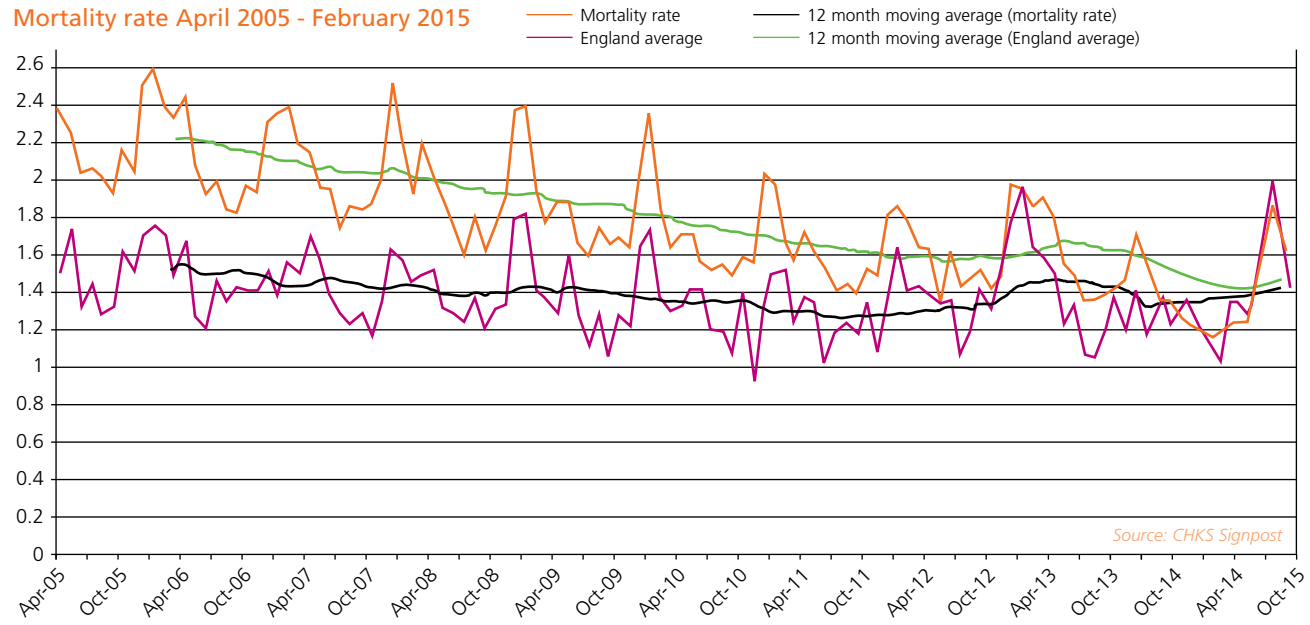
Risk adjusted measures can take account of the different levels of risk to some extent. They are calculated by estimating the risk of death for each patient with specific medical conditions and comparing the actual death rate in this group with the total estimated rate that can be expected from the predicted 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) and the risk adjusted mortality index (RAMI), are standard nationally defined measures that are routinely monitored. Although similar in approach, these three measures vary in their specifics and so produce different results.

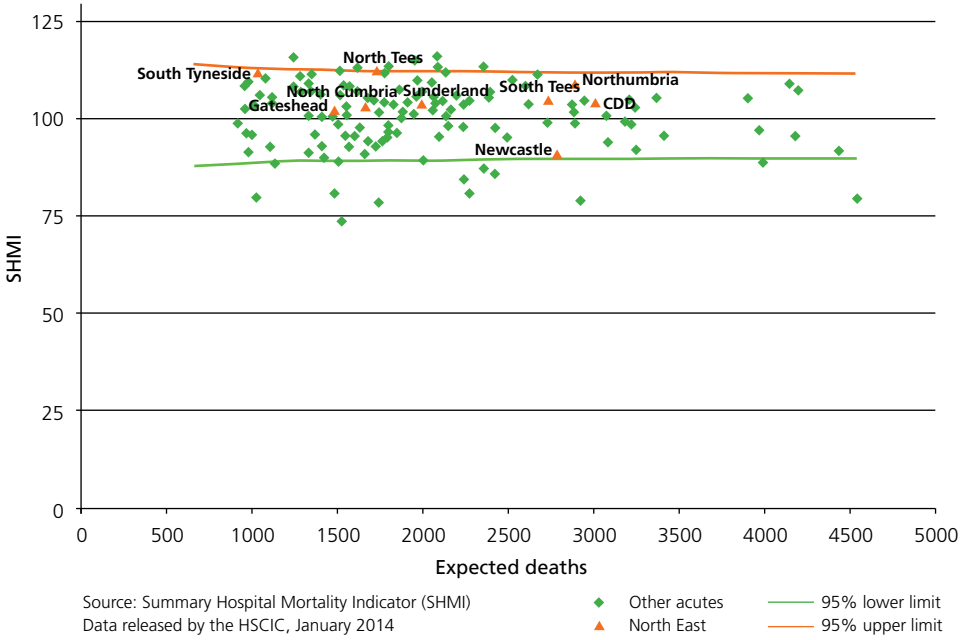
Unadjusted mortality measures the number of deaths as a percentage of patient inpatient and daycase spells, excluding well babies (less than 28 days old). It is most useful for seeing the pattern of deaths through time. Looking at the trend from April 2005 to March 2015 it can be seen that a winter peak is experienced in most years. The peak in January 2015 has been severe but short and reflects the amount of respiratory infections in the community.

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

Unadjusted mortality rate April 2005 – March 2015 including rolling 12 month averages.



SHMI with banding using 95% Control Limits and with adjustment for over-dispersion

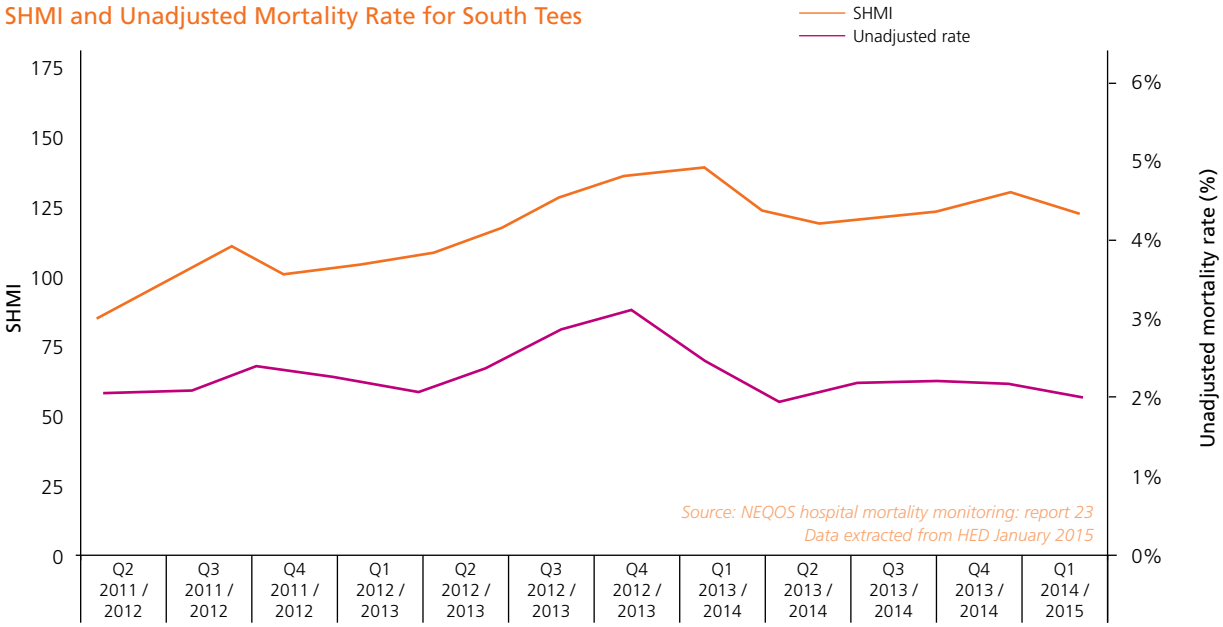


Source: Summary Hospital Mortality Indicator (SHMI)
Data released by the HSCIC, January 2014

Other acutes
North East
95% lower limit
95% upper limit

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 101. 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

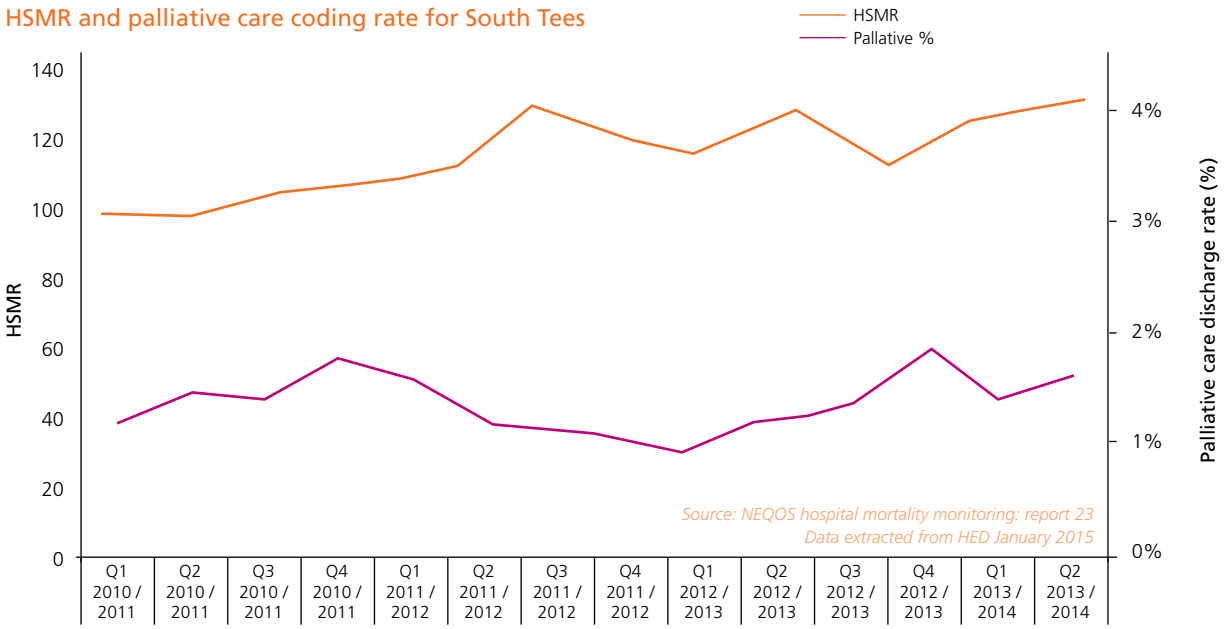


The SHMI is monitored on a quarterly basis and broadly reflects the unadjusted rate for deaths included in the SHMI. It has stayed around the average level of 100 and so is 'as expected'.

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).

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

HSMR and palliative care coding rate for South Tees



The December 2014 CQC Intelligent Monitoring Report identifies HSMR as an elevated risk. The HSMR averages 110 for the last four points (October 2013 to September 2014). HSMR does not include patients that are coded as receiving specialist palliative care. The relatively low rate of specialist palliative care coding (the trust is in lowest fifth of trusts nationally) is adversely affecting the HSMR.

There has been a review of coding practices to try to ensure that all patients who receive specialist palliative care are included and while this led to an increase in the numbers of patients coded as receiving palliative care this has not been sustained. Further work will be needed to ensure that the HSMR more accurately reflects the trust's position in future data publications.

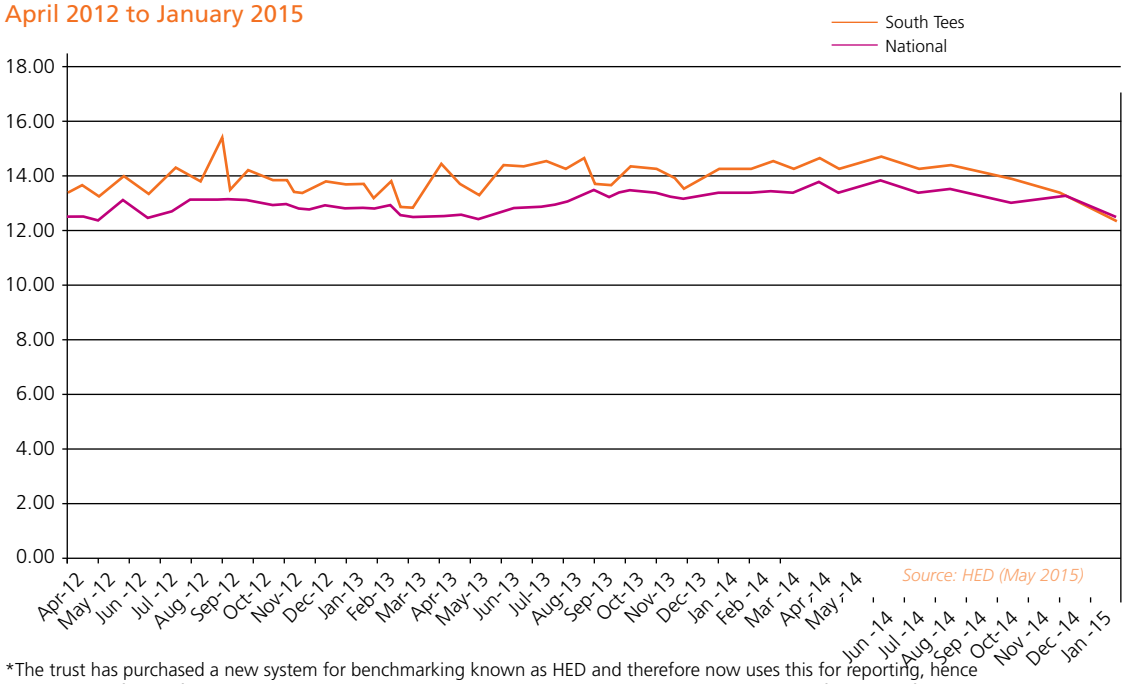
The December 2014 CQC Intelligent Monitoring Report also identified the composite indicator: In-hospital mortality musculoskeletal conditions as a risk. The trust investigated this and believes that the rise in the indicator was caused by a small rise in the number of cancer patients admitted with musculoskeletal pain or other problems and does not relate to the quality of musculoskeletal services.

Re-admissions

There are two main measures used to monitor re-admissions. Re-admissions within 28 days as discussed on page 38 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 following graph demonstrates that the re-admission rate has stayed static over the period reported.

30 day readmission rate following an unplanned admission (PbR) April 2012 to January 2015



*The trust has purchased a new system for benchmarking known as HED and therefore now uses this for reporting, hence the change in format from last year. This data includes ambulatory care patients which were excluded from the information presented in previous years

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.

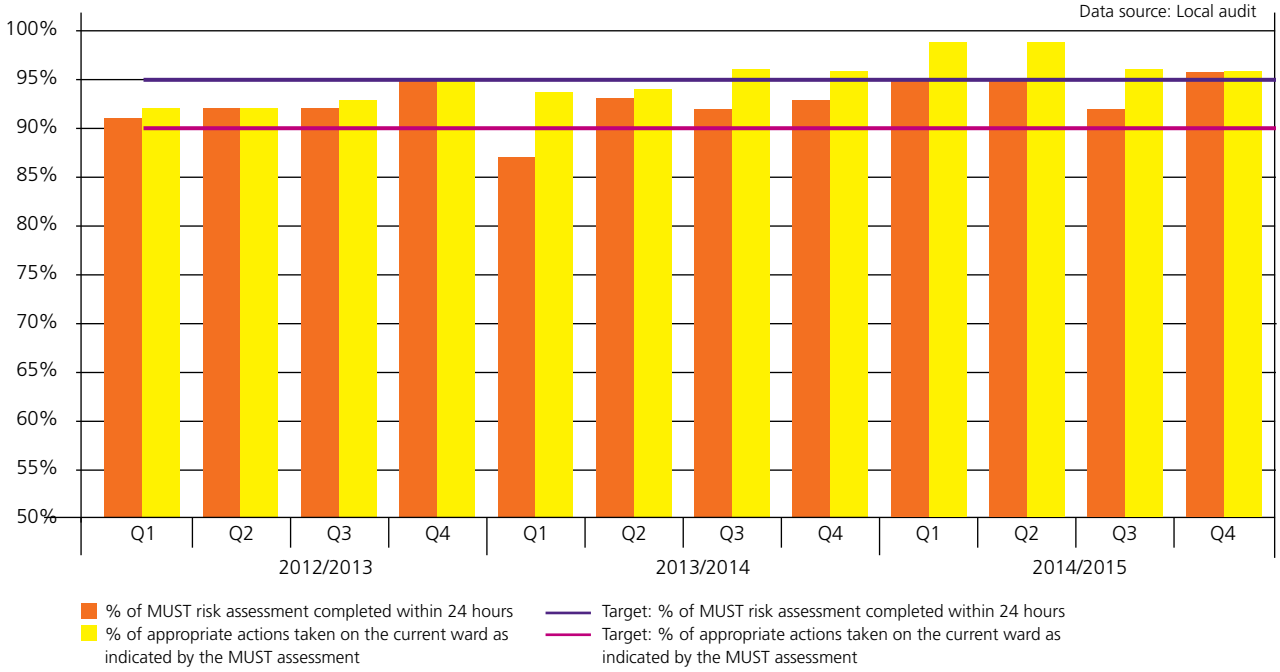
Nutrition and hydration – getting the balance right

Good nutritional care is a matter of quality with considerable benefits especially for patients with long-term conditions and those with other conditions such as stroke, pressure ulcers and falls.

Patients are assessed on admission using the MUST tool which is a validated screening tool which is suitable to detect malnutrition for the majority of adult patients. The following graph demonstrates the compliance with using the tool and taking the appropriate actions.

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

Compliance with MUST assessments



The nutrition team has staff from medicine, nursing, dietetics and pharmacy and through working together provides the best support for our patients helping speed up their recovery and protect their future health. The introduction of the new nursing documentation and nutritional care plans has seen improvement in compliance with MUST assessments in the last two quarters.

The nutrition steering committee oversee the work being done in the organisation, supporting the delivery of the key priorities identified for the year. The focus for 2014/2015 has been specifically on nutritional care of people with dementia. The work that has been done through the year is described on page 133 and the plans for the coming year are outlined on page 140.

Patient experience

Friends and family test

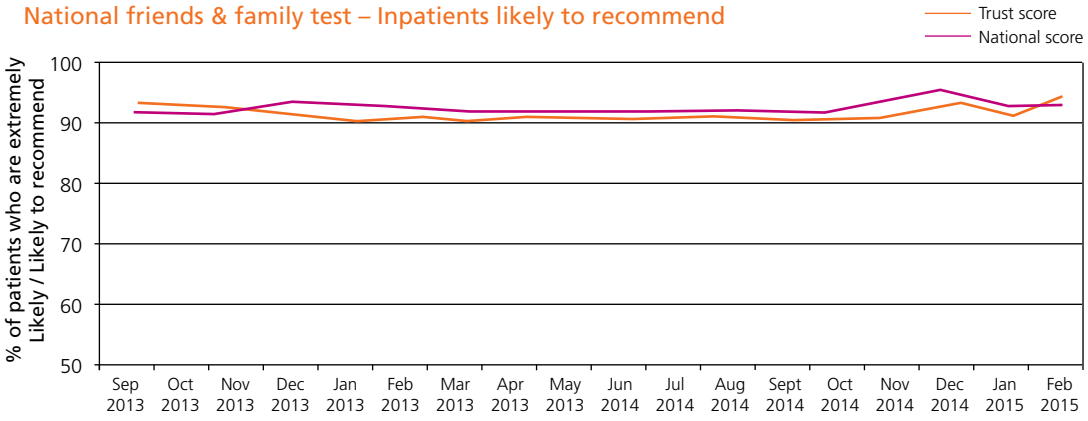
The NHS friends and family test provides an important opportunity for patients to feedback on the care and treatment they have received at the trust and helps us to improve services.

Introduced in 2013, it asks patients whether they would recommend hospital wards, accident and emergency and maternity departments to their friends and family if they needed similar care or treatment.

During 2014/2015 the inpatient response rate has increased towards the 40% CQUIN target for March 2015. The NHS England review of the patient FFT, published in July 2014, recommended a move away from the Net Promoter Score (NPS) and the introduction of a simpler scoring system in order to increase the relevance of the FFT data for NHS staff, patients and members of the public. Based on the findings of the review, NHS England is now calculating and presenting the FFT results as a percentage of respondents who would/would not recommend the service to their friends and family. This change was introduced on 2 October 2014. We are currently performing in-line with the national average with a score of 93.4% of inpatients likely to recommend for January 2015.

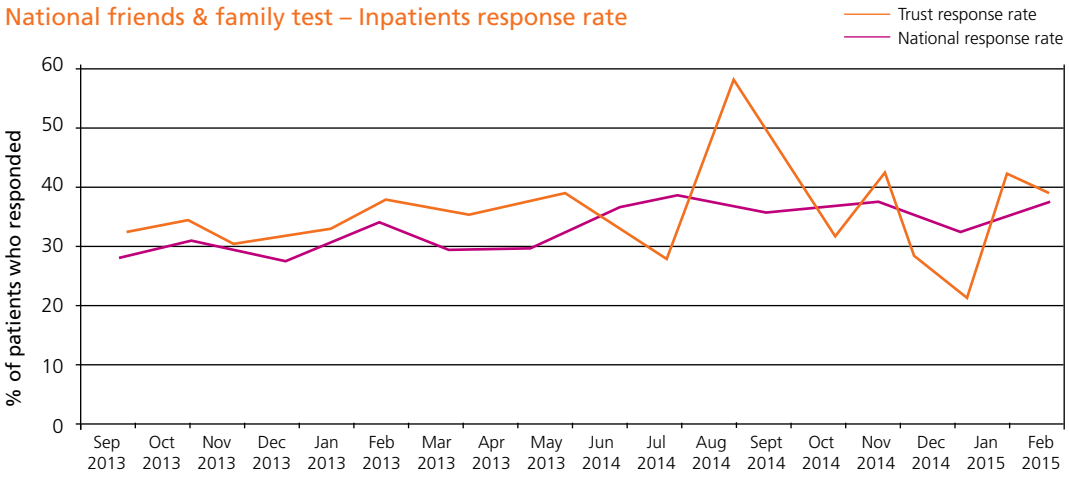
During 2014/2015 the inpatient response rate has increased towards the 40% CQUIN target for March 2015. The NHS England review of the patient FFT, published in July 2014, recommended a move away from the Net Promoter Score (NPS) and the introduction of a simpler scoring system in order to increase the relevance of the FFT data for NHS staff, patients and members of the public. Based on the findings of the review, NHS England is now calculating and presenting the FFT results as a percentage of respondents who would/would not recommend the service to their friends and family. This change was introduced on 2 October 2014. We are currently performing in-line with the national average with a score of 93.4% of inpatients likely to recommend for January 2015.

National friends & family test – Inpatients likely to recommend



Data source: North East Quality Observatory System – NHS England Friends & Family Test Scorecard

National friends & family test – Inpatients response rate



Data source: North East Quality Observatory System – NHS England Friends & Family Test Scorecard

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

We have found obtaining feedback from patients in accident and emergency more difficult and during October 2014 we introduced a SMS and IVM survey system, which means that patients receive either a text message or an automated message on their landline. This system has enabled better analysis of comments received and the response rate is improving over time.

Listening to and acting on complaints and concerns

Poor communication often lies at the heart of many NHS complaints and can lead to patients and their families feeling increased anxiety, vulnerability and powerlessness. Getting it right is a cornerstone of providing quality health care so we want to ensure we identify every opportunity where this could be improved upon.

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 make improvements in the areas that patients and their families say matter most to them.

During the period 2014/2015 we received 471 formal complaints compared to 391 formal complaints in the same period during 2013/2014 (Data source: Datix incident reporting system). This increase is in-line with national trends however responding to these formal complaints is not without challenge.

The standard response time to complainants is set at 25 working days. However the trust has not achieved the target for 80% of complaints to be closed in this time period. It is increasingly clear the management and handling of complaints varies significantly across the organisation with varying degrees of success. Some of the processes and systems do not support an effective streamlined approach to managing complaints with significant duplication and waste at different stages. As a result of this a number of measures are being implemented that will result in a systematic approach to the management and analysis of incidents, complaints, PALS, claims and information governance.

Some of the improvements to-date include:

- Review of complaints policy (completed in association with the Patient Association)
- Review of complaints and root cause analysis training incorporating a more investigatory approach – delivered monthly
- Business case to support the purchase of a specific web-based module which will standardise systems and processes and reduce duplication
- Strengthening links between the patient relations team and clinical centres and departments
- All patient information leaflets reviewed and updated
- Standardised meet and greet introduced and signposting regarding how to raise concerns at ward/department level
- Profile raised among clinical teams of availability of patient advocacy services
- Independent complaint review panel meets monthly

Further actions to be implemented in 2015/2016 are:

- Purchase of the complaints module in Datix to reduce duplication of work
- Reconfiguration of the patient safety team to provide a link for each clinical centre
- Agree a response time with the complainant particularly when the complaint is complex or the complainant requests a meeting

The progress made to date and the further actions in place should improve the timeliness and quality of the responses and therefore address the issues raised by Healthwatch in their feedback.

A total of 11 requests were received by the Parliamentary and Health Service Ombudsman, whose role is to investigate complaints where individuals feel they have been treated unfairly or have received a poor service.

Of these, three were not upheld, one was partially upheld and four the trust is still awaiting a decision from the Ombudsman. The remaining three were cases the trust had assisted external organisations – two were requests for information only and one the trust awaits a decision from the Ombudsman.

We also had 1,689 PALS enquiries, a slight increase on the previous year. This figure excludes advice, enquiries and compliments. During the past year a new system for monitoring and handling PALS enquiries has been introduced which has had a positive effect on the trust response times.

National patient surveys

During 2014/2015, the trust received reports from three national patient surveys, the findings of each are summarised below.

National Inpatient survey

The Care Quality Commission's annual survey of inpatients was carried out in-year which asked people to give their opinions on the care they received, including information provided by staff, whether they were given enough privacy, the cleanliness of their wards, and their discharge arrangements.

Responses were received from 425 patients aged 16 and above who had stayed in hospital at least overnight, a response rate of 52% which was higher than the national average (47%).

Results were around the same as last year and, again, the organisation was rated highly for patients' overall views and experiences during their time with us with quite a number of areas scoring in the top 20% of performing trusts. There were three specific questions – out of 70 – where we fell into the bottom 20%:

- Patients did not share a sleeping area with patients of the opposite sex - 73% (the threshold for the lowest scoring 20% of all trusts was 79%)
- Patients did not share a bathroom/shower with patients of the opposite sex – 79% (the threshold for the lowest scoring 20% of all trusts was 83%)
- Patients did not feel threatened by other patients or visitors during their stay – 96% (the threshold for the lowest scoring 20% of all trusts was 96%)

We will now triangulate the organisation's staff survey and other patient data to identify whether there are any common themes relating to patient experience or quality of care concerns and will develop an action plan, specifically looking in detail at why patients still perceive that mixed gender rooms, bathrooms and bays are still in use and also at the 4% of our patients who responded that they felt threatened by other patients.

Accident and emergency department survey

In December, the Care Quality Commission published the results from the fifth accident and emergency survey, and the trust was one of 12 in the country which achieved 'better than expected' results for more than 20% of the 35 questions.

A&E is one of the eight core services the CQC inspects and rates in acute hospitals, and patients' experiences of care are a key aspect in determining these ratings. The national findings are presented under the questions inspectors ask about accident and emergency departments: are they safe, caring, effective and responsive to people's needs.

At South Tees, 850 patients who were seen in our accident and emergency departments at the James Cook and Friarage hospitals in January, February and March 2014, were asked to take part and our response rate was 32%.

Overall we had very positive results and were in the top 5% nationally in a number of areas – first examination, time to discuss health problems, confidence and trust in doctors and nurses, privacy, medication side effects explained and experience.

Encouragingly, more than eight of out ten respondents (83%) said their overall experience was good and a breakdown of the results is as follows:

Caring: Most of the questions (22 out of 35) relate to 'caring' and the results are, overall, encouraging as 90% of patients reported that they were treated with respect and dignity all of the time and 85% 'definitely' had confidence and trust in the doctors and nurses examining them.

Safe: Half (50%) of patients waited less than 15 minutes to speak to a doctor or nurse when they first arrived, with 82% waiting less than one hour to be examined by a doctor or nurse. Less than four in 10 patients (38%) arrived at accident and emergency in an ambulance and 5% said they waited over 30 minutes for their care to be handed over to the staff, with 1% experiencing waiting times of over an hour.

Effective: More than eight out of ten patients (85%) said they got their pain relief medication within 30 minutes, although 9% who requested pain relief medication waited for more than 30 minutes. 73% of patients thought that staff did everything to control their pain.

Responsive: In total 79% of patients said that their visit to the department lasted less than four hours and the vast majority (88%) reported having enough privacy when being examined or treated.

Small changes which have been made in the department have also had a big impact on patients, for example ensuring privacy at reception areas but we recognise more work still needs to be done in some areas, for example having better triangulation with other data sources in the trust and reducing self-referral rates to accident and emergency by working with our health and social care partners.

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

National cancer patient experience survey

The trust received its best ever results in the national cancer patient experience survey, with nine out of ten cancer patients rating their care at The James Cook University Hospital and Friarage Hospital as "very good" or "excellent" with some departments achieving 100% patient satisfaction in a number of areas, including the head and neck team which received maximum marks in several categories including privacy and dignity, providing understandable answers and doing everything possible to control the side effects of chemotherapy.

More than 700 patients completed the questionnaire - a response rate of 66% - and were asked to rate their whole experience – from seeing their GP and having diagnostic tests through to the care and treatment they received in hospital, access to staff, the quality of information given and the discussion and inclusion into clinical research trials.

Our organisation was above - or equal to - the national average in 55 out of 63 questions and scored particularly highly when it came to privacy and dignity, information given to GPs and perceptions of staffing levels.

Key results showed:

- 90% of patients said the care they received was excellent or very good
- 86% had confidence and trust in all the doctors treating them
- 90% said staff gave a complete explanation of what would happen during their operation
- 92% said they received understandable answers to important questions all/or most of the time

The survey also highlighted a couple of areas that could be improved such as providing patients with more information on financial help and any possible future side effects of their treatment.

Cancer 'buddy scheme'

The trust's results in the national cancer survey led to us being among the first in the country to be part of a pioneering "buddy scheme' to help other NHS trusts in England to improve cancer patients' experience of care.

The buddy scheme is being run by NHS Improving Quality - the national NHS improvement organisation – with the aim to spread and accelerate innovative practice via peer to peer support and learning and our organisation is currently mentoring University Hospitals Bristol NHS Foundation Trust to help them learn from what we do and help to improve their patients' experience of care.

It is hoped the scheme will lead to a reduction in national variation in cancer patients' experiences and all the trusts involved have volunteered to take part in the improvement programme.

Our work with University Hospitals Bristol NHS Foundation Trust, with support from NHS Improving Quality, involves developing improvement plans specific to their individual needs which will be implemented between February and July 2015.

At the end of the scheme, an evaluation will be carried out to measure the impact of the improvement plans with a report published towards the end of 2015.


Obs details

AN OVERVIEW OF THE QUALITY OF CARE BASED ON PERFORMANCE IN 2014/2015 AGAINST INDICATORS

MONITOR compliance framework 2013/2014	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2014/15 Target
Healthcare associated infections							
Clostridium difficile year on year reduction of infection rates	141	125	67	49	57	76	49
Cancer							
Cancer waits 2 week wait target	95.4%	93.6%	93.7%	94.7%	95.3%	94.3%	93%
2 week wait breast symptom referrals - % seen within 2 weeks	96.3%	96.2%	95.9%	96.5%	96.5%	94.5%	93%
Cancer wait 31 day wait for first definitive treatment for all cancers	98.6%	98.1%	98.8%	99%	98.3%	97.9%	96%
Cancer wait 31 day wait for subsequent drug treatments for all cancers	100%	99.9%	100%	99.6%	99.4%	99.6%	98%
Cancer wait 31 day wait for subsequent surgery treatments all cancers	98.8%	98.8%	99.1%	98.0%	98.6%	98.4%	94%
Cancer wait 31 day wait for subsequent radiotherapy treatments all cancers	NA	99.5%	98.7%	98.4%	98.9%	99.1%	94%
Cancer wait 62 day wait for the first definitive treatment for all cancers	88.3%	85.2%	86.9%	86.4%	84.7%	85.3% A	85%
Cancer wait 62 day wait following consultant upgrade	NA	NA	NA	NA	94.2%	89.8%	90%
Cancer wait 62 day wait for treatment of all cancers referred from a National screening service.	92.5%	94.7%	94.5%	92.8%	94.8%	92.6%	90%
18 weeks referral to treatment time (RTT)							
Admitted patients	93.3%	95.4%	92.1%	91.1%	86.7%	93.3%	90%
Non-admitted patients	98.6%	98.8%	98.8%	99.0%	98.7%	98.4%	95%
Incomplete pathways				94.0%	94.6%	95.2% A	92%
Accident & Emergency							
4 hour maximum wait in A&E from arrival to admission, transfer or discharge	98.9%	98.4%	97.5%	95.9%	96.7%	94.9%	95%
Community care data completeness							
Referral to treatment information				82.4%	93.9%	98.5%	50%
Referral information				68.2%	98.2%	98.9%	50%
Activity information				64.4%	98.8%	99.9%	50%
Self-certification against compliance with requirements regarding access to healthcare for people with a learning disability.	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	

The figures in this table show the cumulative year end position to enable comparison from year to year.

Reporting to Monitor is quarterly, and during 2014/2015 there have been some compliance issues when performance was assessed over the quarter;

In Quarter 1 one measure was not met

- Clostridium difficile - performance was 15 cases against a target of 13

In Quarter 2 two measures were not met:

- Cancer wait 62-day wait for the first definitive treatment of all cancers referred from a National screening service - performance was 89.7% against a target of 90%
- Clostridium difficile - performance was 24 cases against a target of 25

In Quarter 3 three measures were not met:

- Accident and emergency maximum waiting time of four hours from arrival to admission, transfer or discharge – performance was 93.66% against a target of 95%
- Clostridium difficile - performance was 50 cases against a target of 37
- Cancer wait 62-day wait for the first definitive treatment of all cancers following consultant upgrade- performance was 73.4% against a target of 90%

In Quarter 4 these measures were not met:

- Accident and emergency maximum waiting time of four hours from arrival to admission, transfer or discharge – performance was 93.6% against a target of 95%
- Clostridium difficile - performance was 76 cases against a target of 49
- Cancer wait 62-day wait for the first definitive treatment of all cancers referred from a national screening service - performance was 84.6% against a target of 90%
- Cancer wait 62-day wait for the first definitive treatment of all cancers following consultant upgrade- performance was 89.4% against a target of 90%

Ⓐ The 2014/15 local data has been subject to limited assurance using the following definitions:

Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways

Numerator: The number of patients on an incomplete pathway at the end of the reporting period who have been waiting no more than 18 weeks

Denominator: The total number of patients on an incomplete pathway at the end of the reporting period.

The external auditors have provided a signed limited assurance report on the content of the quality report and mandated indicators in the annual report. The report includes as adverse conclusion regarding the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator.

We have acknowledged the issues flagged in the limited assurance report and in relation to the percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator we will put the following actions in place during the forthcoming year:

- Duplicate patients have been removed from the report with immediate effect
- Information team to develop the report with additional checks built in
- Refresher training and updated training documentation for users of the clinical system
- Clarification of validation process in the 18-week tracking team

Percentage of patients receiving first definitive treatment for cancer within 62-days following an urgent GP (general dental practitioner or general medical practitioner) referral for suspected cancer within a given period for all cancers (ICD-10 C00 to C97 and D05)

Numerator: Number of patients receiving first definitive treatment for cancer within 62 days following an urgent GP (general dental practitioner or general medical practitioner) referral for suspected cancer within a given period for all cancers (ICD-10 C00 to C97 and D05)

Denominator: Total number of patients receiving first definitive treatment for cancer following an urgent GP (general dental practitioner or general medical practitioner) referral for suspected cancer within a given period for all cancers (ICD-10 C00 to C97 and D05)

ANNEX ONE

Statements from clinical commissioning groups and Healthwatch

Statement from South Tees Clinical Commissioning Group

Re: Quality Account 2014/2015

NHS South Tees Clinical Commissioning Group (STCCG) is pleased to provide a response to the trust's quality account 2014/2015 and would like to thank the trust for inviting the commissioner 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 Darlington Clinical Commissioning Group and 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 CCG's view is that the information provided within the annual quality account is an accurate and fair reflection of the trust's performance for 2014/2015, recognising that this has been another challenging year with continued scrutiny from the external regulator Monitor due to the trust's financial position and concern regarding the increase in the number of cases of Clostridium difficile.

The CCGs would like to acknowledge the work undertaken by staff and commend their commitment, professionalism and enthusiasm in the delivery of the 2014/2015 priorities, specifically in relation to the trust's ambition to reduce the number of hospital acquired pressure ulcers recognising the positive work undertaken by the pressure ulcer collaborative, the engagement of clinical staff in dementia awareness training, and the patient centred values evidenced in the delivery of service improvement promoting the use of patient stories within the organisation.

Commissioners fully recognise the efforts and focus STHFT has had and its commitment to reducing all forms of healthcare associated infections (HCAI), including external reviews and scrutiny. Along with the STHFT the CCGs remain concerned about the trust's HCAI performance and the impact on quality and patient experience and will continue to monitor the implementation and delivery of the trust recovery plan as a priority in 2015/2016.

The trust has also been open and transparent in explaining the difficulties associated with its own ambitious target to respond in a timely manner to complaints within 25 working days by September 2014. Commissioners are fully supportive of the trust's continued commitment to achieve the target of 80% in 2015/2016 which aims to improve patient experience, and would like to see the trust aspire to 100% in future years.

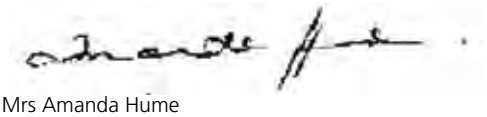
The CCGs support and welcome the priorities identified for 2015/2016, which reflects the trust's consideration of 2014/2015 achievements, areas for further improvement, and ambition for improving the quality of its services and the experience of its patients. They also link in with the commissioners commissioning intentions. The CCGs are also sighted on the trust plans to improve discharge management and improve patient outcomes which although not identified as a quality priority will be an area of interest the CCGs will monitor and review in 2015/2016.

Commissioners are very supportive of the continued focused attention on the reduction in avoidable harm, the actions that will lead to improved outcomes. We would like to see more explicit reference to how the trust will sustain improvements in HCAI performance given the failure of the trust to meet its C Diff target in both 2013/2014 and 2014/2015.

During 2014/2015, the CCG has also refreshed its approach to examining quality issues with the trust, with an emphasis on more focused in depth analysis of specific issues; involving CCG GPs and trust clinical staff at bi-monthly clinical quality review group (CQRG) meetings. This has encouraged and promoted the trust's duty of candour. In addition the CCGs commissioner inspection visits to the trust have been welcomed by STHFT, and commissioners have gained an insight and assurances of the quality of care being delivered to patients.

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 2015/2016.

Yours sincerely,



Mrs Amanda Hume
Chief Officer
NHS South Tees Clinical Commissioning Group

CC: Ali Wilson, Chief Officer, NHS Hartlepool and Stockton-on-Tees Clinical

Commissioning Group

Martin Phillips, Chief Officer, NHS Darlington Clinical Commissioning Group

Statement from Healthwatch Middlesbrough

Re: Draft quality account for 2014/2015 for South Tees NHS Foundation Trust

Healthwatch Middlesbrough appreciate the opportunity to comment on the above document. We can confirm that we have consulted on the draft report 2014/2015 of South Tees Hospitals NHS Foundation Trust (the trust).

The quality account was circulated to the Healthwatch Middlesbrough Executive Board for comments. The chair of Healthwatch Middlesbrough, board members and staff were all offered the opportunity to comment and feedback.

Overall, Healthwatch Middlesbrough welcomes the opportunity to respond to the draft quality account and would hope it will continue to reflect the views of residents.

It is clear from the report that you value the opinions of your patients and carers and we applaud the active way in which you involve them in helping shape future services and improvements.

We do have the following comment:-

Following an 'Enter & View' Healthwatch Middlesbrough has recently provided recommendations and comments relating to priority six – improving the nutrition of patients with dementia. Healthwatch Middlesbrough applauds the inclusion of the 'red tray' system and the 'forget-me-not' leaflet system for patients with dementia in the priorities.

Priority 10 - Responding to complaints in a timely manner is an objective which the trust has found difficult; against the 25 working day closure goal for complaints the trust achieved compliance of 9.5% during 2014/2015 against a target of 80%. This 70.5% shortfall in the set target is a concern. One of the most common complaints received by Healthwatch Middlesbrough regarding this is the fact people feel that responses from the trust are generic and not personal to the person.

Yours sincerely,

Professor Paul Crawshaw - Healthwatch Middlesbrough Chair

Statement from Hambleton, Richmondshire & Whitby CCG

Re: Quality account 2014/2015

NHS Hambleton, Richmondshire and Whitby Clinical Commissioning Group (HRWCCG) is pleased to provide a response to the trust's quality account 2014/2015 and would like to thank the trust for inviting commissioners to contribute to its development this year. The CCG welcome the opportunity to review and comment on South Tees NHS Foundation Trust quality account for 2014/2015 and would like to offer the following commentary.

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 CCG's view is that the information provided within the annual quality account is an accurate and fair reflection of the trust's performance for 2014/2015, recognising that this has been a challenging year with scrutiny from the external regulator Monitor, particularly with regards to the financial challenges and concerns around healthcare associated infection rates (HCAIs).

Commissioners assumed a position of heightened surveillance throughout 2014/2015 and held bi-monthly clinical quality review group (CQRG) meetings with the trust in collaboration with South Tees Clinical Commissioning Group (STCCG). This enabled timely robust clinical challenges to be presented in response to key quality concerns as they arose and through constructive dialogue a number of quality issues were identified and progressed; underpinned by a commitment from all partners to monitor outcomes that evidence sustained quality improvements.

HRWCCG particularly acknowledge the progress made and efforts to focus improvement activity in relation to patient safety and experience, through specified targeted reduction in pressure ulcers for example and amending the complaints process to ensure issues are heard and responded to appropriately within agreed timeframes. The incidence of pressure ulcers has reduced in-line with the trust's aspiration, although this has been partly assisted by a redesigned reporting framework which brings them more in to line with other neighbouring trusts and the CCG anticipate seeing this improvement reflected in prevalence figures going forward in to 2015/2016 to be assured that learning is being wholly embedded into practice.

Furthermore a number of initiatives have been implemented to recognise earlier and improve the care given to the deteriorating patient, yet the CCG is pleased to note that this alongside a commitment to further reduce pressure ulcers remains a priority for 2015/2016.

In order to widen the potential for learning the trust has also developed a number of collaborative groups to review practices and discuss concerns in areas such as serious incidents, pressure ulcers and HCAI. However the CCG would encourage the trust to seek out opportunities to enable them to be more outward facing to help collectively address the quality issues across pathways of care in both primary and secondary services.

Disappointingly, efforts to reduce HCAI rates appear to have been largely ineffective over 2014/2015. Despite a huge internal focus on reducing HCAI rates by engaging with stakeholders and external experts and NHS England setting improvement objectives, current C.diff rates at STHFT have surpassed those levels seen in 2013/2014 and exceeded the year-end threshold target for 2014/2015 by 55%.

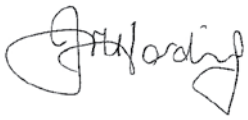
In addition to drawing interest from Monitor, the CCG acknowledge this must also be hugely disappointing for the trust and will continue to work with them and support the implementation of recommendations from external experts to ensure learning is reflected in practice. As nationally mandated C.diff objectives remain tight for 2015/2016 the CCG recognise this will pose a significant challenge to the trust and will remain sensitive, but responsive to the need for timely, progressive action.

The CCG therefore supports and welcome the priorities identified for 2015/2016, which should enable the trust to progress its plans for improving the quality of its services and the experience of its patients. They also link in with the commissioners commissioning intentions.

As commissioners we know that the next couple of years will be financially challenging for the trust. We look forward to working in partnership with them in order to monitor any impact this may have on the quality of services provided and to ensure the trust continues to improve in 2015/2016.

Please do not hesitate to contact me should you have any queries or require any further information

Yours sincerely



Jo Harding
Senior Delivery Manager/ Lead Nurse
Hambleton, Richmondshire & Whitby CCG

Statement from North Yorkshire County Council Scrutiny of Health Committee

Quality account 2014/2015

Please accept this letter as comments from the North Yorkshire Scrutiny of Health to be included in your final quality account (QA) 2014/2015.

Whilst it is difficult for us to check the factual information and the accuracy of the statistics, we note the trust's Information Governance assessment report score for 2014/15 was 80%. It was graded satisfactory.

We broadly support and welcome the priorities for improvement in 2015/2016 and feel the QA demonstrates the trust's commitment and open and honest approach toward improving quality.

We would, however, like to make the following observations on the priorities for 2015/2016:

Sign up to safety

Whilst on one hand it is pleasing to see that prevention of pressure ulcers is being carried forward as a priority from 2014/2015 it is nevertheless disappointing that progress has not been made as was envisaged. The incidence of pressure ulcers is a key indicator of the quality of fundamental care. Similarly whilst on one hand it is reassuring that reducing healthcare acquired infections continues to be a priority, on the other hand it is a concern that previous efforts have not fully addressed the problem as was envisaged.

Right care, right place, right time

We feel future QAs could provide additional impetus on the trust's work to improve accessibility to its services. We have in mind the potential for centres away from The

James Cook University Hospital such as the Friarage Hospital in Northallerton to be centres of excellence for elective surgery. We feel the community hospitals could be used for outpatient clinics, routine surgery, rehabilitation and physiotherapy. The

trust could also use its QA to drive forward how it works across the health and social care system to help integrate care and provide care more locally, particularly as the trust serves such a large catchment area.

At the heart of the matter

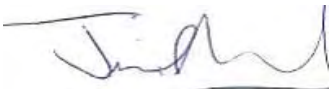
As discussed above under sign up to safety, whilst it is reassuring that work to improve how the trust responds to complaints continues to be a priority, it does raise questions as to whether more should have been done in 2014/2015 to improve the situation. It is a worry that formal complaints increased from 391 in 2013/2014 to 471 in 2014/2015 – a 20% increase.

Over the last three years the Scrutiny of Health has been extensively involved with the trust over the changes to maternity and children's services at the Friarage Hospital in Northallerton. Throughout the consultation phase a consistent reason for change put forward by the trust was its difficulty in recruiting consultant paediatricians and obstetricians. Indeed this problem has meant that the newly established paediatric short stay assessment unit at the Friarage Hospital has not been able to operate with the opening hours as were originally planned. The trust may wish to consider whether future QAs could be used to drive forward initiatives to tackle recruitment difficulties.

Our final comment relates to the format of the QA. A performance summary, presented in tabular format or as a dash board covering the various priorities, performance targets would be useful. If it covered a series of QAs it could be used to track performance over more than just one year. We acknowledge that there is now more or less a standard template for QAs so this may not be possible.

I hope you feel the above comments are constructive in respect of this year's QA and they inform the work of the trust in general. We would welcome an opportunity to work with you to explore how the suggestions above could be taken forward with a view to them being taken into account in the QA for future years.

Yours sincerely



County Councillor Jim Clark
Chairman – North Yorkshire County Council Scrutiny of Health Committee

The report acknowledges the comments made by Healthwatch in relation to complaints, no other changes were made to the report in response to the feedback received.

ANNEX TWO

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 2010 as amended 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.

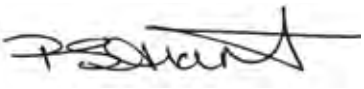
In preparing the quality report, directors are required to take steps to satisfy themselves that:

- the content of the quality report meets the requirements set out in the NHS Foundation Trust annual reporting manual 2014/2015 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 2014 to April 2015
  - Papers relating to quality reported to the Board over the period April 2014 to April 2015
  - Feedback from the NHS South Tees Clinical Commissioning Group dated 14/05/2015
  - Feedback from the NHS Hambleton, Richmond and Whitby Clinical Commissioning Group dated 27/04/2015
  - Feedback from local Healthwatch organisations dated 30/04/2015
  - Feedback from the governors dated 20/05/2015
  - Feedback from the Overview and Scrutiny committee dated 13/05/2015
  - The trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 01/05/2015
  - The 2014 national patient survey
  - The 2014 national staff survey
  - The head of internal audit's annual opinion over the trust's control environment dated 22 May 2015
  - CQC Intelligent Monitoring Report dated December 2014
- 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) as well as the standards to support data quality for the preparation of the quality report (available at 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

4 June 2015
Deborah Jenkins – chairman



4 June 2015
Professor Tricia Hart – chief executive

ANNEX THREE

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).

ANNEX FOUR

Glossary of terms

18 Week RTT (referral to treatment)
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 trusts, primary care trusts 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.
Visit: www.audit-commission.gov.uk/Pages/default.aspx

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

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.
Visit: www.dh.gov.uk/en/publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_091443

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 inpatient 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
Healthcare associated infections. These 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.

Health Act
An Act of Parliament is a law, enforced in all areas of the UK where it is applicable. The Health Act 2009 received Royal Assent on 12 November 2009.

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.

Monitor
The independent regulator responsible for authorising, monitoring and regulating NHS foundation trusts.

NCEPOD
National Confidential Enquiry into Patient Outcome and Death.
Visit: http://www.ncepod.org.uk/

National Institute for Health and Clinical Excellence
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

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

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.
Visit: www.cqc.org.uk/usingcareservices/ healthcare/ patientsurveys.cfm

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.

ANNEX FOUR

Glossary of terms

Patient
Those in receipt of healthcare.

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.

Periodic reviews
Periodic reviews are reviews of health services carried out by the Care Quality Commission (CQC). The term 'review' refers to an assessment of the quality of a service or the impact of a range of commissioned services, using the information that the CQC holds about them, including the views of people who use those services.
Visit: www.cqc.org.uk/guidanceforprofessionals/healthcare/nhsstaff/ periodicreview2009/10.cfm

Providers
Providers are the organisations that provide relevant health services, for example NHS trusts 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 trusts 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 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.
Visit: www.ic.nhs.uk/services/the-secondary-uses-service-sus/using-this-service/ data-quality-dashboards

Service user
An individual who uses a healthcare 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), The James Cook University Hospital (JCUH) and from April 2011 community services in Hambleton, Richmondshire, Middlesbrough, Redcar and Cleveland.

Specialist
Someone devoted to the care of a particular part of the body, or a particular aspect of diagnosis, treatment or care.

Independent Auditors' Limited Assurance Report to the Council of Governors of South Tees Hospitals NHS Foundation Trust on the Annual Quality Report

We have been engaged by the Board 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 (the 'Quality Report') for the year ended 31 March 2015 and the specified performance indicators contained therein.

Scope and subject matter

The indicators for the year ended 31 March 2015 subject to limited assurance (the "specified indicators"); marked with the symbol Ⓐ in the Quality Report, consist of the following national priority indicators as mandated by Monitor:

Specified Indicators	Specified indicators criteria
Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period	Quality Report page 180-181
Maximun waiting time of 62 days from urgent GP referral to first treatment for all cancers	Quality Report page 180-181

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 assessment criteria referred to on pages 188 of the Quality Report (the "Criteria"). The Directors are also responsible for their assertion and the conformity of their Criteria with the assessment criteria set out in the NHS Foundation Trust Annual Reporting Manual ("FT ARM") issued by the Independent Regulator of NHS Foundation Trusts ("Monitor"). In particular, the Directors are responsible for the declarations they have made in their Statement of Directors' Responsibilities.

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 does not incorporate the matters required to be reported on as specified in Annex 2 to Chapter 7 of the FT ARM and the "Detailed requirements for quality reports 2014/15";
- the Quality Report is not consistent in all material respects with the sources specified below; and
- the specified indicators have not been prepared in all material respects in accordance with the Criteria and the six dimensions of data quality set out in the "2014/15 Detailed guidance for external assurance on quality reports".
- We read the other information contained in the Quality Report and consider whether it is materially inconsistent with:
- Board minutes for the financial year, April 2014 and up to April 2015;
- Papers relating to quality report reported to the Board over the period April 2014 to April 2015;
- Feedback from the NHS South Tees Clinical Commissioning Group dated 14/05/2015
- Feedback from the NHS Hambleton, Richmond and Whitby Clinical Commissioning Group dated 27/04/2015
- Feedback from Local Healthwatch organisations dated 30/04/2015
- Feedback from the Governors dated 20/05/2015
- Feedback from the Overview and Scrutiny committee dated 13/05/2015
- The Trust's complaints report published under regulation 18 of the Local Authority Social Services and NHS Complaints Regulations 2009, dated 01/05/2015
- The 2014 national patient survey
- The 2014 national staff survey
- The Head of Internal Audit's annual opinion over the Trust's control environment dated 22/05/2015
- Care Quality Commission Intelligent Monitoring Report dated December 14

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 Board of Governors of South Tees Hospitals NHS Foundation Trust as a body, to assist the Board of Governors in reporting South Tees Hospitals 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 2015, to enable the Board of Governors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the indicators. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors as a body and South Tees Hospitals NHS Foundation Trust for our work or this report save 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 '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:

- reviewing the content of the Quality Report against the requirements of the FT ARM and "Detailed requirements for quality reports 2014/15";
- reviewing the Quality Report for consistency against the documents specified above;
- obtaining an understanding of the design and operation of the controls in place in relation to the collation and reporting of the specified indicators and performing walkthroughs to confirm our understanding;
- based on our understanding, assessing the risks that the performance against the specified indicators may be materially misstated and determining the nature, timing and extent of further procedures;
- making enquiries of relevant management, personnel and, where relevant, third parties;
- considering significant judgements made by the NHS Foundation Trust in preparation of the specified indicators;
- performing limited testing, on a selective basis of evidence supporting the reported performance indicators, and assessing the related disclosures; and
- reading the documents.

A limited assurance engagement is less 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 impact 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 thereof, may change over time. It is important to read the Quality Report in the context of the assessment criteria set out in the FT ARM the "Detailed requirements for quality reports 2014/15 and the Criteria referred to above.

The nature, form and content required of Quality Reports are determined by Monitor. This may result in the omission of information relevant to other users, for example for the purpose of comparing the results of different NHS Foundation Trusts.

In addition, the scope of our assurance work has not included governance over quality or any indicators other than those specified in the section above.

Basis for Adverse Conclusion – Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period

The Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator requires the measurement of patients' waiting times from their referral date, and the indicator is calculated as an average of monthly reported performance. In our testing of this indicator, we have found an unacceptable level of errors. These related to the incorrect inclusion or exclusion of pathways in the data set, some duplicate pathways being recorded in the data set and an instance where a pathway had been omitted from the data set due to incorrect manual adjustment.

Conclusions (including adverse conclusion on the Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator)

In our opinion, because of the significance of the matters described in the Basis for Adverse Conclusion paragraph, the Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period indicator has not been prepared in all material respects in accordance with the criteria.

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 2015,

- The Quality Report does not incorporate the matters required to be reported on as specified in Annex 2 to Chapter 7 of the FT ARM and the "Detailed requirements for quality reports 2014/15";
- The Quality Report is not consistent in all material respects with the documents specified above; and
- The Maximum waiting time of 62 days from urgent GP referral to first treatment for all cancers indicator has not been prepared in all material respects in accordance with the Criteria and the six dimensions of data quality set out in the "Detailed guidance for external assurance on quality reports 2014/15".

PricewaterhouseCoopers LLP

Newcastle upon Tyne

04 June 2015

The maintenance and integrity of South Tees Hospitals NHS Foundation Trust's website is the responsibility of the directors; the work carried out by the assurance providers does not involve consideration of these matters and, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the reported performance indicators or criteria since they were initially presented on the website.

South Tees Hospitals NHS
NHS Foundation Trust

ANNUAL ACCOUNTS

2014-2015

"Providing seamless, high quality, safe healthcare for all."

together we do the amazing

Statement of the Chief Executive's Responsibilities as the Accounting Officer of South Tees Hospitals NHS Foundation Trust

The NHS 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 Monitor.

Under the NHS Act 2006, Monitor has directed South Tees Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. 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 NHS Foundation Trust Annual Reporting Manual and in particular to:

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting 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 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.*

Signed:

Professor Tricia Hart
Chief Executive

Date: 4 June 2015

Independent auditors' report to the Council of Governors of South Tees Hospitals NHS Foundation Trust

Report on the financial statements

Our opinion

In our opinion, South Tees Hospitals NHS Foundation Trust's ("the Trust's") Group financial statements and Parent Trust's financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Trust's affairs as at 31 March 2015 and of the Group's and Parent Trust's income and expenditure and Group's and Parent Trust's cash flows for the year then ended; and
- have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosures made in note 1.3.1 (Accounting Policies – Going Concern) to the financial statements concerning the Trust's ability to continue as a going concern.

The Trust is forecasting a deficit in 2015/16 of £13.7m after recognising a cost reduction programme of £36m and it will continue to need additional funding. Notwithstanding the deficit, the Trust has not been informed that there is any prospect of intervention or dissolution action from Monitor or the Department of Health within the next 12 months. The Trust is currently taking forward discussions with Monitor and the Department of Health over its additional funding requirements. However, there is no certainty that the cost reduction programme will be achieved or that the additional funding will be obtained and this indicates the existence of a material uncertainty that may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

What we have audited

The Group's and Parent Trust's financial statements comprise:

- the Consolidated and Parent Trust's Statement of Financial Position("SOFP") as at 31 March 2015;
- the Consolidated and Parent Trust's Statement of Comprehensive Income ("SOCI") for the year then ended;
- the Consolidated and Parent Trust's Statement of Cash Flows for the year then ended;
- the Statement of Changes in Taxpayer's Equity for the year then ended for the Group and the Parent Trust; and
- the notes to the financial statements, which include the accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is the NHS Foundation Trust Annual Reporting Manual 2014/15 ("ARM") issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Our audit approach

Overview

- Overall Group materiality: £5.8m million which represents 1% of total revenue.

- In establishing our overall approach we assessed the risks of material misstatement and applied our professional judgement to determine the extent of testing required over each balance in the financial statements.
- We audited the consolidated accounts, the Trust accounts and the Trust's subsidiary (South Tees Hospitals Charitable and Associated Fund) accounts.

Our key areas of focus during the audit are set out below:

- Going concern;
- Risk of management override of controls;
- Risk of fraud in revenue and expenditure recognition; and
- Valuation of Property, Plant and Equipment.

South Tees Hospitals NHS Foundation Trust context

South Tees Hospitals NHS Foundation Trust provides a range of specialist regional services to over 1.5 million people in the Tees Valley, parts of Durham, North Yorkshire and Cumbria. The Group has a particular expertise in heart disease, trauma, neurosciences, renal services, cancer services and spinal injuries.

The Trust runs The James Cook University Hospital in Middlesbrough and the Friarage Hospital in Northallerton. It also runs community services in Hambleton, Richmondshire, Middlesbrough, Redcar and Cleveland.

The Trust's principal commissioners are:

- South Tees Clinical Commissioning Group ("CCG");
- the Cumbria, Northumberland, Tyne and Wear Area Team; and
- Hambleton, Richmondshire and Whitby CCG.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	*How our audit addressed the area of focus*
Going Concern	
Refer to pages 216-217 of the Annual Governance Statement, Notes 1.3.1 to the financial statements and pages 13 and 15 of the Annual Report. We are required to consider whether the Directors presumption that the Trust is a going concern is appropriate. With respect to meeting its liabilities as they fall, the Trust has reported a deficit of £16.8m for the financial year ended 31	We read and considered managements going concern paper that was reported to the Audit Committee in May 2015. We read Board meeting minutes and confirmed with management that no application had been made or was intended to be made to the Secretary of State to dissolve the Trust. We read the Trust's correspondence with Monitor and have not

Area of focus	How our audit addressed the area of focus
March 2015 and has a cash balance of £11.1m. The Trust has prepared an income and expenditure budget and the resultant cash flow forecast for the next financial year. These show that after the cost improvement programmes of £36m the Trust will continue to have a deficit of £13.7m and will need additional cash funding in February 2016 of £10m and will continue to have a Continuity of Services Risk Rating ("COSRR") rating of 1.	identified any intention to dissolve the Trust. We focused our work on the Trust's financial projections for 2015/16 which forecast a deficit of £13.7m. We considered the income and expenditure assumptions included within the projections and assessed their reasonableness based on: • Discussing the Trust's Transformation Programme with the Transformation Director; • Comparison with the income and expenditure assumptions used by other Trusts in their projections for 2015/16; • Benchmarking of the Cost Improvement Plan ("CIP") levels with other Trusts and considered the Trust's recent performance; • Inspection of the contracts under negotiation with the CCGs and Local Area Teams, comparing the value to 2014/15 contracted values which show income is to be contracted at a similar level to 2014/15, accommodating pricing deflation and increased demand. We considered the cash flow projections which were generated from the income and expenditure review considered above, and; • We note that the Trust is in receipt of financial support from the Department of Health and we have agreed the receipt of the £10.5m working capital loan in March 2015 back to supporting information; • We noted that the Trust has a further cash need of £10m in February 2016 – management have informed us that they are agreeing a facility to cover this with Monitor and the Department of Health; and • We have performed sensitivity analysis of the cash flow projections. We also tested the management's forecasting accuracy by: • Comparing the revised plan projections for 2014/15 to the actual income and expenditure recognised subsequently; • Critically assessing the performance of the Trust's CIP target against the final position. Our conclusion in relation to going concern is documented in the Emphasis of Matter paragraph noted above.
Management override of control We focussed on this area because there is a heightened risk due to : • The expectation of ongoing financial challenges in future years; • The number of significant judgemental areas	*Journals* Our journals work was carried out using a risk based approach. We used data analysis techniques to identify the manual journals with a combination of characteristics. The journal characteristics we considered were: • unusual users, unusual times and unusual days;

Area of focus	How our audit addressed the area of focus
including: provisions for claims against the Trust; provisions for doubtful debts; accruals; income from incomplete patient spells and maternity pathways at the year-end; and • The timing and complexity of the intra-NHS balance reconciliation process.	• material income transaction posted to the SOCI; • material journals affecting the SOFP and journals greater than one quarter materiality affecting the SOCI posted in key reporting periods; • key word searches based on our expertise; and • key word searches for possible related party transactions. We traced these journal entries to the supporting documentation (for example, invoices, cash receipts and payments) and found the journals posted to be supported by that documentation and consistent with it. We also conducted testing over a sample of automatic journals to ensure that those marked as automatic journals were in fact automatic journals. Our testing did not identify any issues. *Estimates* For each significant estimate, we: • Understood the rationale for the transaction to confirm that the asset or liability was appropriately recognized in line with the requirements of the ARM; • Considered the basis for each calculation and the underlying assumptions to confirm that they were appropriate and that the estimate is not materially misstated; • Tested a sample of transactions from within the underlying data to source documentation; and • Performed a 'look back' test to compare the estimates made at 31 March 2014 to the actual amounts in the year in order to test the Trust's historical estimating accuracy. Our testing did not identify any issues. *Other procedures* We performed unpredictable procedures to identify whether there was any evidence to suggest that management had circumvented controls in order to manipulate the financial statements. Our testing did not identify any issues.
Risk of fraud in revenue and expenditure recognition *See note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates relating to the recognition of income and expenditure and notes 2-5 for further information.* We focussed on this area because there is a heightened risk, due to: • the pressures surrounding the financial position and sustainability of the Trust in future years, hence an incentive to defer revenue and recognise as much expenditure as possible in 2014/15;	We have evaluated the accounting policy for income and expenditure recognition to ensure that it is consistent with the requirements of the ARM and noted no issues in this respect. *Income* We performed detailed testing on revenue transactions. In particular we: • tested a sample of transactions around the year-end to verify that they had been recorded in the correct accounting period; • obtained an understanding of and evaluated the key

Area of focus	How our audit addressed the area of focus
• The Trust's principal source of income is from Clinical Commissioning Groups ('CCG's) and NHS England ("NHSE"). The contracts with CCGs are negotiated annually with variations to contracts made for additional funding that becomes available during the year. • the inherent complexities in a number of contractual arrangements entered into by the Trust; • the timing and complexity of the intra-NHS balance reconciliation process; and • a number of areas of expenditure involving estimation such as provisions. *PFI* The annual unitary payment for the Trust's PFI scheme is material and the accounting for the PFI scheme is complex. There are a number of judgmental areas and assumptions used by management in the development of the PFI financial accounting model.	revenue controls; • read contracts with a sample of commissioners for 2014/15 and also tested a sample of contract variations; • tested a sample of other income invoices, tracing them through to receipt of cash; • performed detailed testing on a sample of the deferred income streams (particularly the maternity pathway funding) to confirm that they have been recorded in the correct period; and • agreed a sample of contracted CCG and NHSE income amounts recognised to signed contracts and correspondence between the Trust and the CCG regarding the 'true up' receipt (being the total of contracted income plus income for activity over and above the contracted activity levels). *PFI Expenditure* We used our PFI expertise to review the PFI entries and disclosures to confirm these are materially accurate. We agreed all unitary charge payments made by the Trust in the year to supporting invoices and cash payments. We also agreed the PFI finance lease interest costs recognised in the financial statements to the Trust's PFI accounting model which we had previously examined and was consistent with the requirements of the FT ARM. We have not identified any material errors. *Non-PFI Expenditure* We obtained an understanding of the key expenditure controls that the Trust operates. For a sample of transactions recognised during the year and, around (both before and after) the year end, we confirmed that the expenditure had been recognised in line with the accounting policies and in the correct accounting period by agreeing the transactions to the supporting invoice and cash payments. *Intra-NHS balances* We obtained the Trust's mismatch reports received from Monitor, which identified balances that were disputed by the counterparty. We then checked that management had investigated all disputed amounts and discussed with them the results of their investigation and the resolution. We read correspondence with the counterparties, which validated these results. We then considered the impact that the remaining disputed amounts had on the Trust's financial statements and determined that there was no material impact. Our testing did not identify any evidence of material fraud or manipulation of the Trust's results.

Area of focus	How our audit addressed the area of focus
Valuation of Property, Plant and Equipment *Management's accounting policies, key judgements and use of experts relating to the valuation of the Trust's estate are disclosed in note 1 to the financial statements.* *The Trust is required to regularly revalue its assets in line with Monitor's Annual Reporting Manual.* We have focused on Property, Plant and Equipment ('PPE') as it represents the largest balance in the parent Trust's financial statements at 31 March 2015, the net book value of PPE is £245.4m. All property, plant and equipment is measured initially at cost, with land and buildings subsequently measured at fair value. Valuations are performed by a professionally accredited expert, in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual, and performed with sufficient regularity to ensure that the carrying value is not materially different from fair value at the balance sheet date. In the current year, there have been three key aspects to the revaluation of PPE: • The Trust has de-recognised VAT on the estate, as the majority of the estate is held under a PFI agreement, and therefore VAT is not relevant. This valuation resulted in a downward valuation of £33.5m. • The Trust has also recognised the uplift in value of the estate that has resulted from increase in the Building Cost Index ('BCI'), which resulted in an upward valuation of £33.8m. • The Trust also reviewed its estate to identify if any of it had been leased to or is being used by others, and identified the need to reduce the Gross Internal Area (' GIA') of the estate by c2%, which resulted in an immaterial downward valuation.. There has also been other net impairments recognised in the year of £3.9m. Consequently, the overall outcome of this is that the estate has reduced by c£6.7m. This has been recognised as £2.1m through the revaluation reserve and a £4.6m impairment loss through the statement of comprehensive income. The specific areas of risk are: • accuracy and completeness of detailed information on assets provided to the valuation expert – most significantly the floor plans, on which the valuation of hospital properties is routinely based ; • the methodology, assumptions and underlying data used by the valuation expert; and • the accounting transactions resulting from this	*Valuations:* We obtained and read the relevant sections of the full valuation performed by the Trust's Valuers. We used our own valuations expertise to evaluate and challenge the assumptions and methodology applied in the valuation exercise. We found the assumptions and methodology applied to be consistent with our expectations. We checked that the valuer had a UK qualification and was part of an appropriate professional body and was not connected with the Trust. We considered, based on our knowledge of the Trust obtained during our audit, whether the Trust had any future plans that would impact on the usage (and, hence, valuations) of the properties. Our testing did not identify any such matters. The valuation of the premises estate is affected by gross internal area. We obtained and read management's working papers to identify changes in floor area from our original detailed testing completed in 2011/12. As there has been a reduction in gross internal area in 2014/15 we agreed a sample of the reductions to supporting evidence. We reviewed the valuation report and client working papers and tested a sample of in-year valuation movements recognised by the Trust. This included an assessment of the downward valuation of £33.5m to de-recognise the VAT on the estate, the gross internal area reduction and the BCI uplift of £33.8m. We considered the accounting treatment regarding the three key aspects to the revaluation of PPE and the adequacy of the disclosures in notes 1.3 (critical accounting judgements and key sources of estimation in applying the Trust's accounting policies) and 9.3 (PPE revaluation) to the accounts. We did not identify any issues. *Additions and disposals:* We tested a sample of new additions in the year to confirm they had been appropriately valued – this involved agreement back to supporting invoice. We also tested a sample of disposed assets and agreed the disposal to supporting documentation. *Depreciation and useful lives:* We reviewed the useful lives of the assets, comparing the remaining lives of assets to other Foundation Trusts. We identified that the useful life of assets is on average lower than the other Trusts. Testing focused on the useful lives of buildings which had been updated in 2014/15 based on the Valuation report. We concluded that the asset lives had been appropriately applied to premises, and in line with the valuation report. To test the depreciation expense recognised in the year, we recalculated the expense for a sample of assets, taken into account the updated useful lives for buildings. This testing

Area of focus	How our audit addressed the area of focus
valuation.	identified no issues.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the environment in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, consistent with last year, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£5.8m (2014: £5.5m).
How we determined it	1% of revenue
Rationale for benchmark applied	We have applied this benchmark, which is a generally accepted measure when auditing not for profit organisations, because the Trust's revenue is a key measure of its financial performance and of interest to the Council of Governors and other users of the financial statements."

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £250,000 (2014: £250,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Other required reporting in accordance with the Audit Code for NHS foundation trusts

Opinions on other matters prescribed by the Audit Code for NHS foundation trusts

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15.

Consistency of other information

Under the Audit Code for NHS foundation trusts we are required to report to you if, in our opinion:

• information in the Annual report and Accounts ("Annual Report") is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Trust acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page22, in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance, that they consider 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 is materially inconsistent with our knowledge of the Group's and Parent Trust acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on pages 95-97, as required by provision C.3.9 of the NHS Foundation Trust Code of Governance, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

- the Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2014/15 or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider, nor have we considered, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have no exceptions to report arising from this responsibility

Economy, efficiency and effectiveness of resources

The Audit Code for NHS Foundation Trusts requires us to report where we have not been able to satisfy ourselves that the NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Monitor concluded in July 2014, that South Tees Hospitals NHS Foundation Trust failed to establish and effectively implement systems or processes to ensure compliance with its duty to operate effectively, economically and efficiently; and for effective financial decision making, management and control. The three elements that led to this breach related to C. difficile occurrence that was not in compliance with the Trust's annual objective, financial sustainability, and board governance. In addition we note that the Trust was inspected by the Care Quality Commission (CQC) in December 2014. Whilst the formal report on this inspection has not yet been released, we understand that it is likely to have an overall rating of 'requires improvement'.

As a result of the matters discussed in the notice issued by Monitor as referred to above and the observations of the CQC, we are unable to satisfy ourselves that South Tees Hospitals NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Quality report

Also under the Audit Code for NHS Foundation Trusts we are required to report to you if we have qualified, on any aspect, our opinion on the Quality Report. We have issued an adverse conclusion on the mandated Quality Report indicator 'Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period'. In our opinion this indicator has not been prepared in all material respects in accordance with the assessment criteria set out within the NHS Foundation Trust ARM. Our certificate is qualified in this respect.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of chief executive's responsibilities as the accounting officer of South Tees Hospitals NHS Foundation Trust , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15.

Our responsibility is to audit and express an opinion on the financial statements in accordance with the National Health Service Act 2006, the Audit Code for NHS Foundation Trusts issued by Monitor and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council of Governors of South Tees Hospitals NHS Foundation Trust as a body in accordance with paragraph 24 of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the Group's and Parent Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

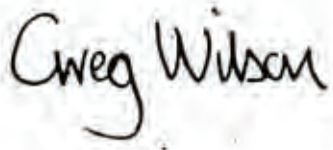
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Qualified Certificate

As reported above we are not able to conclude that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the financial period. Furthermore, as noted above, we have issued on adverse conclusion on the Quality Report indicator 'Percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period'; which is included on pages 180-181.

We certify that we have completed the audit of the financial statements in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.



Greg Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
4 June 2015

(a) The maintenance and integrity of the South Tees Hospitals NHS Foundation Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO SOUTH TEES HOSPITALS NHS FOUNDATION TRUST ON THE NHS FOUNDATION TRUST CONSOLIDATION SCHEDULES

We have examined the NHS foundation trust consolidation schedules (FTCs) numbered 1 to 40 of South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2015, which have been prepared by the Director of Finance and acknowledged by the Chief Executive.

This report is made solely to the Board of South Tees Hospitals NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 (the Act) and for no other purpose.

In our opinion these consolidation schedules are consistent with the statutory financial statements.

Our opinion on the statutory financial statements included an explanatory paragraph because of the fundamental uncertainty relating to going concern.

Signature:

Date: 4 June 2015

Name of auditor/firm: PricewaterhouseCoopers LLP

Address: Central Square South, Orchard Street, Newcastle upon Tyne, NE1 3AZ

Annual Governance Statement 2014/15

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 2015 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 for meeting all statutory requirements and adhering to guidance issued by Monitor in respect of governance and risk management.

Some aspects of risk are delegated to the trust's executive directors:

- The director of quality was appointed on 23 February 2015 and is accountable for the assessment and improvement of quality and patient safety and ensuring effective risk management. The director of quality works closely with the other executives to maintain the system of internal control.

- The medical director is the responsible officer and is accountable for the local clinical governance processes in the trust, focusing on the conduct and performance of doctors. The medical director is also the Caldicott Guardian, responsible for information governance risks and is the accountable officer for controlled drugs.

- The director of nursing is responsible for infection prevention and control and is the senior information risk owner. The director of nursing was overall lead for risk management and patient safety until 23 February 2015 when the board responsibility for risk management transferred to the director of quality.

- The director of nursing is also responsible for business continuity planning and emergency planning. This responsibility previously rested with the chief operating officer who left the organisation in December 2014.

- 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 finance is also the executive lead for workforce, performance management and information technology.

- The transformation director took up post on 7 April 2015 and is responsible for the development and delivery of the trust's transformation programmes to ensure achievement of the organisation's strategic aims.

- The executive directors are supported in the management of risk by the assistant director of quality assurance, the trust incident and risk manager, the head of information governance and the trust solicitor.

The delivery of clinical activities is managed within a structure of seven clinical centres supported by the corporate directorates. Each clinical centre is led by a triumvirate consisting of chiefs of service, managing director and head of nursing. All chiefs of service, clinical directors and managers have delegated responsibility for the management of risk and patient safety in their areas. Recognising and managing risk is integral to their day-to-day management responsibilities.

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, and 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 two 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 risk management strategy outlines how quality governance 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.

The organisation's risk appetite was recently reviewed and updated at the Board of Directors meeting in April 2015. The risk management policy specifies that risks which score 15 or higher, using the National Patient Safety Agency five by five risk matrix, will be escalated for review by the quality assurance committee. The risk management strategy will be updated to include the revised risk appetite statement below:

- 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 organisations strategic direction and sustainability, the likelihood of it materialising and the effect on the organisations 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 strategy is supported by a range of detailed trust policies and accompanying guidance. The risk management policy was updated during 2014/2015 to reflect the revised clinical centre structure and to clarify the framework for monitoring and escalation of risk. The 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
- The use of risk register movement charts to show how risk ratings have changed as risks are managed
- A dedicated risk management team supporting the risk management process
- Training processes to support staff to deliver their risk management objectives; and
- A clearly defined committee structure that supports the risk management process

The committee structure comprises of:

- The audit committee which supports the Board by critically reviewing the governance and assurance processes on which the Board places reliance
- The finance and investment committee was established during 2014/2015 as a sub-committee of the Board. Its role is to maintain robust financial management by monitoring financial performance and making recommendations to the Board of Directors as appropriate
- 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. The quality assurance committee is also responsible for assuring the Board on the effective management of risk and play a key role in the risk escalation process
- The patient safety sub-group reports to the quality assurance committee. Its role is to monitor the delivery of patient safety improvement initiatives which support the delivery of the trust's objectives in relation to safety and quality and to review themes and trends from incidents to identify patient safety concerns and ensure actions are taken to address any issues identified
- The role of the patient experience sub-group is to review patient experience feedback, complaints and PALs. This group reports to the quality assurance committee
- The workforce sub-group has responsibility for assuring workforce development, workforce planning and staff health and wellbeing
- The clinical standards sub-group ensures agreement and delivery of the highest clinical standards throughout the trust

Quality of care and patient safety is the core transformational theme which underpins the development of the trust's values and objectives. Each Board meeting starts with a patient story. 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.

During 2014/2015 the trust established a transformation team to provide support to the delivery of the transformation programme which underpins the achievement of cost improvement initiatives. Risks to quality arising from cost improvement initiatives are assessed using a standard 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 director and are monitored by the quality assurance committee.

The performance against Monitor's continuity of service risk rating 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 accuracy of clinically coded data and

- Administrative data items, related to the patient's care pathway

The trust undertakes a number of processes to validate and provide assurance of the quality of the data used within the trust:

- Internal programme of specialty level clinical coding audits
- Live validation of clinically coded data
- 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 uses a number of sources external to the trust to facilitate this including:

- Internal audit data validation and data quality reviews. In 2014/2015 these were:

    - Emergency readmissions within 28 days of discharge from hospital (May 2014)
    - Community 18-week referral to treatment target (February 2015)
    - Community end of life (February 2015) and
    - End to end income lifecycle (April 2014)

- HSCIC – SUS data quality dashboards
- CHKS – Signpost – data quality indicators

The data quality team review information on the Health and Social Care Information Centre and CHKS websites routinely to highlight any issues which require further investigation.

The management of risk is monitored at all levels within the organisation. There is a rolling programme of presentations from clinical centres and corporate directorates to the quality assurance committee to review local risk management arrangements and to receive a report on risks managed on clinical centre and corporate directorate risk registers. Minutes of these meetings are reported through the committee structure to the Board.

Each month, the executive directors review strategic risks to the corporate objectives which are identified on the assurance framework, this is then presented to the Board of Directors. To address recommendations from an internal audit review of the risk management process all new red risks are now reviewed by the quality assurance committee and the risk management policy has been revised during 2014/2015 to include a clear framework for accountability to manage and escalate risk. The committee identifies any risks for escalation to Board for consideration as a corporate risk. An audit trail of these decisions is recorded in the minutes and in the electronic risk register system.

The information governance steering group ensures that the trust complies with legislation and standards relating to information risks and is chaired by the trust senior information risk owner (SIRO). 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 managing director 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 incident and serious incident policies and are escalated via the information governance (IG) toolkit as mandated nationally. No Level 2 incidents occurred during 2014/2015; therefore none were reported via IG toolkit reporting tool.

The trust has successfully achieved a minimum of level 2 on the 45 standards of the IG toolkit. The trust overall IG compliance score for 2014/2015 was submitted as 80% green – satisfactory.

- 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 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 processes set out above, in particular the standardised approaches, the on-going training, reporting and monitoring mechanisms, have allowed the trust to embed risk management in the activity of the trust.

The trust's assurance framework sets out the following:

- What the organisation aims to deliver (corporate/strategic objectives)

- Factors which could prevent those objectives been achieved (principal risks)

- Processes in place to manage those risks (controls)

- The extent to which the controls will reduce the likelihood of a risk occurring (likelihood) and

- The evidence that appropriate controls are in place and operating effectively (assurance)

In October 2013, Monitor informed the trust of its decision to open a formal investigation into the trust's compliance with its licence. This investigation was opened due to governance concerns arising primarily out of the trust's failure to meet the referral to treatment target (RTT) for three consecutive quarters and Monitor also identified concerns about 'never events' and the trust's performance against the Clostridium difficile target. The trust responded to these concerns in November 2013 and has subsequently delivered and sustained throughout 2014/2015, compliance with the 18-week referral to treatment target and has reported 1 never event in 2014/2015. Monitor confirmed that it was satisfied with the actions taken in respect of these issues. With regards to Clostridium difficile the trust did not achieve the required improvement and failed to meet the 2014/2015 threshold ending the year with 76 cases against a target of no more than 49 cases.

The two-year financial plan for 2014 - 2016 submitted in June 2014 forecast a worsening position from a forecast £4.9million deficit excluding impairments (£4.3million including impairments) at the year-end in 2013/2014 to a projected £29.4million deficit in 2014/2015 excluding impairments (£34.9million including impairments). The plan set out that £29.4million was a worst case figure and that action was being taken to reduce the deficit through recovery plans.

In May 2014, working with McKinsey, the trust commenced an intensive process to develop a financial recovery programme under the banner of 'Continuing the Journey.' The initial plan submitted in June 2014 included efficiencies amounting to £11.8million and a further £10.0million was then identified to take the planned total efficiency savings to £21.8million for 2014/2015.

In July 2014 Monitor notified the trust that it considered the trust to be in breach of its licence and was to take enforcement action in respect of:

- 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

- Commission a board governance review

The Trust's financial position and reducing Clostridium difficile have been the major risks faced by the Trust in 2014/2015.

A detailed three-year recovery plan describing how the trust planned to return to a continuity of services risk rating of 3 was submitted to Monitor in September 2014. The risks associated with the delivery of the plan for 2014/2015 were mitigated through rigorous budgetary control and management of cost improvement plans through the transformation office with regular reports to the management group and the Board of Directors.

The recovery plan included a planned deficit of £18.4million for 2014/2015 excluding impairments and restructuring (£29.1 million including impairments and restructuring). The trust ended the year £11.4million ahead of plan. In addition, the trust delivered £26million of efficiencies against the target £21.8million set in the recovery plan - of which £22.5million was recurring. Although this was a significant improvement, the trust is looking to deliver £36million of efficiencies in 2015/2016 and the organisation must continue to maintain the current momentum in order to deliver these challenging financial targets.

On the basis of the improved performance in 2014/2015 and the programme of service transformation planned for 2015/2016, the trust is forecasting that it will achieve the 2015/2016 element of the recovery plan.

The position with Clostridium difficile remains challenging. The Clostridium difficile action plan has been revised and updated during the year and the trust commissioned further external reviews to advise on the content of the plan and to review the governance of the infection prevention and control processes. The trust is also working with its PFI partner to review and improve cleaning standards following an independent review by Pierce Management Services that demonstrated that there was room for improvement. The Board have been updated every month on progress with the financial plan and Clostridium difficile through individual reports and review of the corporate risk register.

Monitor has recently issued draft variations to the terms of the enforcement undertakings accepted from the trust in July 2014. The variation is to clarify the requirements relating to the delivery and assurance of a revised Clostridium difficile action plan. Specifically Monitor requires:

- A revised Clostridium difficile action plan setting out details of actions to be taken, milestones and the intended outcomes. The revised action plan will include metrics and key performance indicators (KPIs) as are necessary to provide assurance on the implementation of the revised plan

- The trust is to obtain external assurance of the revised plan by an expert in infection control. The identity of that expert is to be agreed with Monitor

- By a date to be agreed with Monitor, obtain from the expert a further report on the trust's implementation of the revised plan. The scope of this report is to be agreed with Monitor and

- To provide monthly reports to Monitor on the implementation of the revised plan until the trust returns to compliance with the agreed Clostridium difficile trajectory

Actions to respond to these requirements are in progress and will be reviewed at monthly meetings with Monitor.

The winter of 2014/2015 saw significant increases in demand for accident and emergency (A&E) services nationally, this increase resulted in the trust failing to achieve the A&E waiting time target for quarter 3 and quarter 4 - a position replicated across the country. A&E waiting time continues to be a concern for quarter 1 of 2015/2016. The trust has commissioned external support for the redesign of the emergency care pathway which will reduce avoidable admissions, streamline flow of patients through the front of house, reduce length of stay and improve discharge. These improvements, together with work the trust is doing in collaboration with local CCGs to redesign community services will support achievement of the A&E waiting times in the remainder of 2015/2016.

During 2014/2015, the trust commissioned an independent review of its governance arrangements using Monitor's well led framework for governance reviews. The findings of the review identified a number of areas of good practice including the focus by the Board and the wider organisation on provision of high quality care, the focus on organisational development and the openness and responsiveness to feedback and learning. There were also a number of areas of significant concern where improvement was required, these were:

- Clarification of the portfolios of the executive team following the changes to the structure of this team

- It was recognised that a number of improvements had been made to the performance management arrangements but that there needed to be consistency in the governance arrangements in each clinical centre

- Board scrutiny and debate should be strengthened to ensure all directors fully participate as corporate directors

- Improvement in Board reporting to provide integrated performance and financial reporting and ensuring that actions are robustly tracked and actioned

- Improvement in accountability and engagement of staff to support the success of the programme of transformation

A number of processes which underpin financial governance had been strengthened prior to the review including the development of the finance system, restructure of the finance team and a review of business case prioritisation. These were recognised in the findings of the review with a recommendation for further focus on increased financial scrutiny and debate, strengthening budget management processes, increasing financial support to the clinical centres and progressing service line reporting.

An action plan to address the recommendations of the review has been submitted to Monitor. A number of actions have been completed including the establishment of the finance and investment committee, the restructure of the finance and transformation teams to provide improved support to clinical centres and the introduction of an integrated quality, finance and performance report. Progress with the action plan is monitored quarterly by the Board of Directors and through the monthly PRM meetings with Monitor.

The assurance framework and risk register did not describe any significant gaps in control/assurance during 2014/2015. The position with the risks described above was closely monitored during the year and the controls applied were reviewed and revised as the factors influencing the risks changed.

As part of its inspections of hospitals in England to ensure they are meeting the national standards of quality and safety, the Care Quality Commission (CQC) conducted a four-day inspection in December 2014 across all trust sites – the James Cook and Friarage hospitals, community primary care hospitals and community services.

Draft reports were received in February 2015 and the trust subsequently submitted a number of comments on factual accuracy. The CQC provided verbal feedback on the content of the final reports on 26 May 2015. The James Cook University Hospital and Friarage Hospital have a rating of 'requires improvement' and community services are rated as 'good.' We understand that, overall, the trust will be rated as requires improvement. Safety and effectiveness were rated as requires improvement. Well led, responsiveness and caring were rated as good.

The CQC guidance published in the appendices to the provider handbook states that for trusts where Monitor is taking regulatory action, the overall trust rating will normally be limited to 'requires improvement' at best.

There are 115 individual ratings which are aggregated to give the overall position; of these 3 are 'outstanding', 94 are 'good' and 18 are 'requires improvement'. The key areas for improvement are:

- documentation of do not attempt cardio-pulmonary resuscitation decisions
- accuracy of patient records
- the safe handling and administration of medication
- compliance with mandatory training
- ensuring appropriate staffing levels and
- actions to address the findings of the College of Emergency Medicine audits

A quality summit for the trust, CQC, Monitor and local commissioners to review the findings of the reports and agree an action plan is scheduled for June 2015. The action plan will be monitored and reported to the Board through the quality assurance committee.

The CQC intelligent monitoring report is reviewed when published and reported by exception to the quality assurance committee. The trust has introduced bi-annual CQC-style in-house inspections which have been very well received by staff and are a good source of on-going assurance of compliance, this is in addition to the ward accreditation system which was introduced in 2014/2015 and uses a set of standards based on the CQC requirements against which the wards are assessed and assigned a quality rating, there is rolling programme of assessments across the year.

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 trust has a comprehensive system that sets strategic and annual objectives and has appointed the transformation Director to lead the further development of the organisation's strategy. The Board of Directors sets the organisations 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. Within these targets, the trust includes specific cost improvement programmes which will be delivered through rigorous budgetary control and the transformation of services.

The trust has a robust monitoring system to ensure that it delivers the objectives it identifies. Ultimate responsibility lies with the Board who monitor performance through reports to its monthly meetings. Underpinning this is a system of monthly reports on financial and operational information to the trust's executive management group, clinical centres and other management units. Reporting at all levels includes detail on the achievement against cost improvement targets.

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.

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. 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 2014/2015 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 2014/2015:

- Sign up to safety (patient safety) - reducing avoidable harm by 50% over 3 years with a specific focus on:

    - Reducing pressure ulcers
    - Reducing harm from falls

- Reducing HCAI and
- Reducing incidents of missed and delayed diagnosis

- Right care, right place, right time (clinical effectiveness)

  - Identification and management of deterioration in condition; and
  - Improve the experience of services users with dementia.

- At the heart of the matter (patient experience)

  - Listening and learning, improving how we respond to complaints and patient feedback including a focus on improving communication.

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 identifying the initiatives which will drive improvements and the measurements which will be used to gauge progress. A mid-year progress report on the quality priorities is presented to the quality assurance committee and the Council of Governors. The data used in the quality report is taken from the regular quality and performance reports presented to Board.

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 mechanism 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) that is used to manage the patients on the elective pathway. The technical processes to produce the PTL have validation checks built in to them and a further manual validation check is undertaken before the report is distributed.

The information services team have full procedural documentation that the team follow 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 which is reviewed every 2 years so that the processes for the management of waiting lists is standardised. The internal audit programme includes reviews of waiting lists; the most recent of these was the community referral to treatment data which was completed in February 2015.

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 Monitor by 29 May 2015.

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 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 (SIC). For the 2014/2015 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 and processes which internal audit has commented on positively. These being:

- key financial systems
- information governance toolkit and
- IT infrastructure controls

Internal audit found that some progress had been made in respect of the actions arising from the limited assurance reports issues in 2013/2014 albeit further work is required. The majority of the other audits conducted during the year resulted in limited assurance, this reflects the risk based nature of the internal audit plan and in forming his opinion the head of internal audit considered the relative materiality of the systems where limited assurance opinions have been assigned.

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.

I am pleased to report that the head of internal audit opinion is that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and inconsistent application of controls put the achievement of particular objectives at risk.

The following groups and committees are involved in maintaining and reviewing the effectiveness of the system of internal control:

- The Board of Directors has overall accountability for delivery of patient care, statutory functions and Department of Health requirements

- Audit committee oversees the maintenance of an effective system of internal control and reviews the Annual Governance Statement and

- Quality assurance committee ensures that a fully integrated approach is taken when considering whether the trust has in place systems and processes to support individuals, teams and corporate accountability for the delivery of safe patient centred, high quality care. The committee considers the assurance framework and corporate risk register and identifies new corporate risks for escalation to the Board of Directors

Review and assurance mechanisms are in place and the trust continues to develop 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

- 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

Conclusion

The trust has not identified any significant control issues for the financial year ending 31 March 2015, 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…….. Date: 4 June 2015

Foreword to the Accounts

South Tees Hospitals NHS Foundation Trust

The accounts for the year ended 31 March 2015 have been prepared by South Tees Hospitals NHS Foundation Trust under Schedule 7 of the National Health Service Act 2006, paragraphs 24 and 25 and in accordance with directions given by Monitor, the sector regulator for health services in England.

Signed:

Professor Tricia Hart
Chief Executive

Date: 4 June 2015

Statement of Comprehensive Income for the year ended 31 March 2015

		GROUP		TRUST	
	NOTE	**2014/15 £000**	2013/14 £000	**2014/15 £000**	2013/14 £000
Operating income	3	**578,776**	550,547	**577,685**	549,068
Operating expenses	4	**(577,510)**	(537,404)	**(575,837)**	(535,486)
OPERATING SURPLUS		**1,266**	13,143	**1,848**	13,582
FINANCE COSTS:					
Finance income	7	**205**	203	**62**	61
Finance costs - financial liabilities	8	**(15,806)**	(15,171)	**(15,806)**	(15,171)
Finance costs - unwinding of discount on provisions		**(5)**	(4)	**(5)**	(4)
PDC dividends payable		**(2,930)**	(2,802)	**(2,930)**	(2,802)
NET FINANCE COSTS		**(18,536)**	(17,774)	**(18,679)**	(17,916)
Movement in fair value of investment property and other investments	14	**303**	246	**0**	0
DEFICIT FOR THE YEAR		**(16,967)**	(4,385)	**(16,831)**	(4,334)
Other comprehensive income					
Will not be reclassified to income and expenditure:					
Gain from transfer by absorption from demising bodies		**0**	957	**0**	957
Impairments		**(18,587)**	0	**(18,587)**	0
Revaluation gains on property, plant and equipment		**15,936**	7,341	**15,936**	7,341
TOTAL OTHER COMPREHENSIVE (EXPENSE) / INCOME		**(2,651)**	8,298	**(2,651)**	8,298
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		**(19,618)**	3,913	**(19,482)**	3,964

The notes on pages 229 to 276 form part of these accounts.

Statement of Financial Position as at 31 March 2015

		GROUP		TRUST	
		31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	NOTE	**£000**	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	9	**245,362**	246,790	**245,362**	246,790
Intangible assets	10	**4,264**	1,935	**4,264**	1,935
Trade and other receivables	17	**1,838**	1,853	**1,838**	1,853
Other investments	14	**5,540**	5,262	**0**	0
Total non-current assets		**257,004**	255,840	**251,464**	250,578
Current assets					
Inventories	15	**7,835**	7,942	**7,835**	7,942
Trade and other receivables	17	**53,107**	40,510	**53,410**	40,474
Cash and cash equivalents	16	**12,816**	17,854	**11,142**	16,133
Total current assets		**73,758**	66,306	**72,387**	64,549
Total assets		**330,762**	322,146	**323,851**	315,127
Current liabilities					
Trade and other payables	18	**(56,834)**	(49,992)	**(56,696)**	(49,882)
Borrowings	19	**(19,344)**	(8,057)	**(19,344)**	(8,057)
Provisions	22	**(2,704)**	(470)	**(2,704)**	(470)
Total current liabilities		**(78,882)**	(58,519)	**(78,744)**	(58,409)
Total assets less current liabilities		**251,880**	263,627	**245,107**	256,718
Non-current liabilities					
Borrowings	19	**(150,367)**	(143,069)	**(150,367)**	(143,069)
Provisions	22	**(1,735)**	(1,891)	**(1,735)**	(1,891)
Total non-current liabilities		**(152,102)**	(144,960)	**(152,102)**	(144,960)
Total assets employed		**99,778**	118,667	**93,005**	111,758
Financed by taxpayers' equity:					
Public dividend capital		**156,178**	155,449	**156,178**	155,449
Income and expenditure reserve		**(121,275)**	(104,810)	**(121,275)**	(104,810)
Revaluation reserve		**31,626**	34,643	**31,626**	34,643
Other reserves		**26,476**	26,476	**26,476**	26,476
Others' equity					
Charitable fund reserve	13	**6,773**	6,909	**0**	0
Total taxpayers' equity		**99,778**	118,667	**93,005**	111,758

The financial statements on pages 225 to 276 were approved by the Board on 26 May 2015 and signed on its behalf by:

Signed:  (Chief Executive) Date: 4 June 2015

Signed:  (Director of Finance) Date: 4 June 2015

Statement of changes in Taxpayers Equity for the year ended 31 March 2015

	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
Taxpayers' equity at 1 April 2013	154,107	(102,424)	28,293	26,476	106,452	6,960	113,412
Changes in taxpayers' equity for 2013/14							
(Deficit)/surplus for the year	0	(4,334)	0	0	(4,334)	(51)	(4,385)
Transfer by modified absorption: gain on transfer from demising bodies	0	957	0	0	957	0	957
Revaluation gains and impairment losses on property, plant and equipment.	0	0	7,341	0	7,341	0	7,341
Total comprehensive (expense) / income for the year	0	(3,377)	7,341	0	3,964	(51)	3,913
Public dividend capital received	1,444	0	0	0	1,444	0	1,444
PDC adjustment for cash impact of legacy transfer	(102)	0	0	0	(102)	0	(102)
Other transfers between reserves	0	991	(991)	0	0	0	0
Taxpayers' equity at 31 March 2014	155,449	(104,810)	34,643	26,476	111,758	6,909	118,667
Taxpayers' equity at 1 April 2014	155,449	(104,810)	34,643	26,476	111,758	6,909	118,667
Changes in taxpayers' equity for 2014/15							
Deficit for the year	0	(16,831)	0	0	(16,831)	(136)	(16,967)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	(2,651)	0	(2,651)	0	(2,651)
Total comprehensive expense for the year	0	(16,831)	(2,651)	0	(19,482)	(136)	(19,618)
Public dividend capital received	15,129	0	0	0	15,129	0	15,129
Public dividend capital repaid	(14,400)	0	0	0	(14,400)	0	(14,400)
Other transfers between reserves	0	366	(366)	0	0	0	0
Taxpayers' equity at 31 March 2015	156,178	(121,275)	31,626	26,476	93,005	6,773	99,778

Note: Additional PDC received by the Trust during the year related to funding from the Department of Health for investment in Nursing technology. 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 cashflows for the year ended 31 March 2015

		GROUP		TRUST	
	NOTE	**2014/15 £000**	2013/14 £000	**2014/15 £000**	2013/14 £000
Cash flows from operating activities					
Operating surplus from continuing operations		**1,266**	13,143	**1,848**	13,582
Non-cash income and expense					
Depreciation and amortisation	4	**13,580**	14,155	**13,580**	14,155
Impairments	4	**22,030**	3,418	**22,030**	3,418
Reversal of impairments	3	**(17,878)**	(4,004)	**(17,878)**	(4,004)
(Increase)in trade and other receivables	17	**(8,409)**	(5,736)	**(8,367)**	(5,961)
Decrease in inventories	15	**107**	352	**107**	352
Increase/ (decrease) in trade and other payables	18	**2,271**	(2,457)	**2,104**	(2,580)
Increase/(decrease)in provisions	22	**2,073**	(63)	**2,073**	(63)
Other movements in operating cash flows		**(186)**	25	**(453)**	176
Net cash generated from operations		**14,854**	18,833	**15,044**	19,075
Cash flows from investing activities					
Interest received	7	**205**	313	**62**	171
Purchase of intangible assets	10	**(2,734)**	(205)	**(2,734)**	(205)
Purchase of property, plant and equipment	9	**(12,327)**	(13,546)	**(12,327)**	(13,546)
PFI lifecycle prepayments		**(4,173)**	(5,281)	**(4,173)**	(5,281)
Sales of property, plant and equipment		**(49)**	6	**(49)**	6
Net cash used in investing activities		**(19,078)**	(18,713)	**(19,221)**	(18,855)
Cash flows from financing activities					
Public dividend capital received		**15,129**	1,444	**15,129**	1,444
Public dividend capital repaid		**(14,400)**	0	**(14,400)**	0
Public dividend capital received adjustment for adsorption transfer of receivables		**0**	(102)	**0**	(102)
Loans received		**24,900**	11,100	**24,900**	11,100
Loans repaid		**(3,017)**	(1,989)	**(3,017)**	(1,989)
Capital element of finance lease rental payments		**(1,681)**	(1,867)	**(1,681)**	(1,867)
Capital element of private finance initiative obligations		**(3,309)**	(2,363)	**(3,309)**	(2,363)
Interest paid	8	**(793)**	(695)	**(793)**	(695)
Interest element of finance leases	8	**(792)**	(738)	**(792)**	(738)
Interest element of private finance initiative obligations	8	**(14,221)**	(13,738)	**(14,221)**	(13,738)
PDC dividend paid		**(2,630)**	(2,585)	**(2,630)**	(2,585)
Net cash used in financing activities		**(814)**	(11,533)	**(814)**	(11,533)
Decrease in cash and cash equivalents		**(5,038)**	(11,413)	**(4,991)**	(11,313)
Cash and cash equivalents at 1 April		**17,854**	29,267	**16,133**	27,446
Cash and cash equivalents at 31 March	16	**12,816**	17,854	**11,142**	16,133

NOTES TO THE ACCOUNTS

1. Accounting policies

Monitor has directed that the accounts of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual, which shall be agreed with HM Treasury. Consequently, the accounts have been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2014/15 issued by Monitor. 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, plant and equipment, intangible assets, inventories 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 Generally Accepted Accounting Principles (UK GAAP). 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.

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.

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 with effect 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 Trusts 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.

Basis of asset impairments - an assessment is made each year as to whether an asset has suffered an impairment loss. VAT has been excluded from the full trust estate asset valuations from 1 April 2014. The Trust estate is split between PFI and non-PFI assets in the proportion of 85% and 15%. This significant management judgement was made on the basis that the majority of the James Cook Hospital is under a PFI arrangement and there was no VAT liability on construction in 2003. 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 this development if it had been part of the Trusts assets at the date of the development.

d) 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 deficit in 2015/16 amounting to £13.7 million with a borrowing requirement of £17.5 million. In total, in 2014/15 the Trust has borrowed £14.4 million (£7.2 million as Interim Capital and £7.2 million as Interim Revenue Support) from the Department of Health in February 2015 and a further £10.5 million at the end of March in advance for 2015/16 to fund trust commitments in early April. The Interim Support was converted into loan funding on 23 March 2015 with £7.2 million becoming interest only with repayment of the principal due in March 2020 and the remaining £7.2 million being on repayment terms commencing at the end of September 2015 and concluding in March 2030.

Of the £10.5 million drawdown in March 2015, £3 million was repaid in April and it is anticipated that the final drawdown of borrowing in 2015/16 will take place in February 2016. The Trust has set testing efficiency targets in 2015/16 which includes cost improvement plans amounting to £36.0 million. The Trust believes that this forward plan provides a realistic assessment of the Trust’s position.

The Trust recognised that there was an urgent need to develop a wider programme for delivery of recurrent savings and to derive benefits from transformational change. The Trust has, therefore, formed a Transformation Team to build on the work undertaken by McKinsey & Company and develop these cost reduction programmes with the aim of delivering a stable financial plan.

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 that includes an advance of funds for 2015/16. The Trust is taking forward discussions with the Department of Health over the additional funding requirement expected to amount to £10 million in February 2016. Although support has been received, there is no certainty that the efficiencies required in 2015/16 will be delivered or the additional funding will be obtained in 2015/16 and this indicates the existence of a material uncertainty that may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

The Trust is currently subject to enforcement action from Monitor regarding its financial sustainability, Board governance and target breaches. In 2014/15 the Trust submitted a Recovery Plan to Monitor that outlined an underlying deficit of £18.4 million (excluding impairments and restructuring costs). At the year end the Trust reported a £7.0 million deficit, an improvement of £11.4 million on the Recovery Plan. The Trust has demonstrated significant progress during 2014/15 and continues to provide monthly performance updates to Monitor.

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 2015 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.

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.

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.

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 2015 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 at 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). Information detailing the impact of this revaluation is available in Note 9.3 to the Accounts.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are 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 the District Valuer as at 1 April 2014.

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.

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 NHS Foundation Trust Annual Reporting 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 income 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 amortised over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment.

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

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. 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’.

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.

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 -1.9% in the short term to 2.2% 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 1.8% 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 2014/15 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 CO2 emissions. The Group and Trust is registered with the CRC scheme and has surrendered to the Government an allowance for every tonne of CO2 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 £12 per tonne of CO2 emissions.

1.17 Financial Instruments and financial liabilities

1.17.1 Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-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

All other financial liabilities, after initial recognition, are measured at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. 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.

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

The Group's functional currency and presentational currency is sterling. A transaction which is 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.

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 standards and interpretations have been issued by the IASB and are not required to be followed until 2015/16.

- IFRIC 21 Levies;
- IFRS 9 Financial Instruments Assets and Liabilities
- IFRS 13 Fair Value Measurement;
- IFRS 15 Revenue from contracts with customers;
- IAS 19 Employer contributions to defined benefit pension schemes (amendment);
- IAS 36 Recoverable amount disclosures (amendment); and
- Annual improvements 2012 and 2013.

The impact of these accounting standards is not known and cannot be reasonably estimated.

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, 2015, 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 £517.753 million under contracts with commissioners during the year (£498.915 million in 2013/14) from Clinical Commissioning Groups and NHS England, which equates to 90% (91% in 2013/14) 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	
	2014/15 £000	2013/14 £000	**2014/15 £000**	2013/14 £000
Elective income	**105,586**	99,237	**105,586**	99,237
Non elective income	**111,350**	113,275	**111,350**	113,275
Outpatient income	**76,338**	74,540	**76,338**	74,540
Other NHS clinical income	**164,671**	155,236	**164,671**	155,236
Accident and emergency income	**15,948**	15,356	**15,948**	15,356
Community services	**51,668**	51,631	**51,668**	51,631
Private patient income	**1,718**	1,714	**1,718**	1,714
Other non-protected clinical income	**323**	100	**323**	100
Total income from activities	**527,602**	511,089	**527,602**	511,089
Research and development	**3,333**	3,538	**3,333**	3,538
Education and training	**15,480**	14,648	**15,480**	14,648
Charitable and other contributions to expenditure	**935**	1,743	**935**	1,743
Non-patient care services to other bodies	**2,819**	3,567	**2,819**	3,567
Reversal of impairments of property, plant and equipment	**17,878**	4,004	**17,878**	4,004
Profit on disposal of tangible fixed assets	**0**	6	**0**	6
Charitable fund - incoming resources	**1,091**	1,479	**0**	0
Other income*	**9,638**	10,473	**9,638**	10,473
	51,174	39,458	**50,083**	37,979
Total income from continuing operations	**578,776**	550,547	**577,685**	549,068

* Other income includes consideration arising from car parking charges £2.258 million (2013/14 £3.017 million), income in respect of recovered staff costs £0.823 million (2013/14 £0.839 million), staff accommodation £1.038 million (2013/14 £1.038 million), clinical tests £0.682 million (2013/14 £ 0.684 million), crèche services £0.687 million (2013/14 £0.674 million) and catering £0.238 million (2013/14 £0.214 million).

Under the Terms of Authorisation the Group's total activity income from Commissioner Requested Services amounts to £525.561 million (2013/14 £503.069 million). All other activity income relates to Non-Commissioner Requested Services.

3.2 Income from activities by source

	2014/15 £000	2013/14 £000
Group and Trust		
NHS foundation trusts	**2,683**	2,589
NHS trusts	**5**	5
Clinical Commissioning Groups and NHS England	**517,753**	498,915
Local authorities	**2,555**	4,996
Non-NHS - overseas patients (non-reciprocal) (*)	**189**	182
Non-NHS - private patients	**1,718**	1,714
Non-NHS - other	**421**	259
NHS Injury Scheme	**2,278**	2,429
Total income from activities	**527,602**	511,089

(*) 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 £0.127 million (£0.060 in 2013/14). There were no additions to the provision for the impairment of receivables (no increase in 2013/14) and the value written off in year amounted to £0.071 million (£0.071 million in 2013/14).

Injury cost recovery is subject to a provision for impairment of receivables of 18.9% (2013/14 15.8%) to reflect expected rates of collection

4. Operating expenses

4.1 Operating expenses comprise:

	GROUP		TRUST	
	2014/15	2013/14	**2014/15**	2013/14
	£000	£000	**£000**	£000
Services from NHS Foundation Trusts	**4,510**	3,972	**4,510**	3,972
Services from NHS Trusts	**108**	89	**108**	89
Services from other NHS bodies	**6,647**	6,883	**6,647**	6,883
Purchase of healthcare from non NHS bodies	**7,641**	7,915	**7,641**	7,915
Employee expenses - executive directors	**1,110**	1,144	**1,110**	1,144
Employee expenses - non-executive directors	**150**	151	**150**	151
Employee expenses - staff	**332,894**	327,809	**332,894**	327,809
Employee expenses - charitable fund	**381**	416	**0**	0
Drug costs	**47,239**	43,217	**47,239**	43,217
Supplies and services - clinical	**67,857**	62,973	**67,857**	62,973
Supplies and services - general	**26,958**	26,312	**26,958**	26,312
Research and development	**124**	142	**124**	142
Establishment	**5,182**	5,913	**5,182**	5,913
Transport	**2,380**	1,957	**2,380**	1,957
Premises	**19,000**	17,085	**19,000**	17,085
Provision for impairment of receivables	**202**	15	**202**	15
Increase in other provisions	**1**	125	**1**	125
Change in provisions discount rate	**0**	100	**0**	100
Inventories written down	**114**	43	**114**	43
Depreciation of property, plant and equipment	**13,054**	13,780	**13,054**	13,780
Amortisation of intangible assets	**526**	375	**526**	375
Impairments of property, plant and equipment	**22,020**	3,418	**22,020**	3,418
Impairments of intangible assets	**10**	0	**10**	0
Audit fees				
- audit services - statutory audit	**60**	45	**60**	47
- audit services - charitable fund	**10**	5	**0**	0
Audit related assurance services	**59**	16	**59**	16
Clinical negligence	**7,605**	8,163	**7,605**	8,163
Loss on disposal of other property, plant and equipment	**106**	104	**106**	104
Legal fees	**367**	405	**367**	405
Consultancy costs	**3,440**	756	**3,440**	756
Training, courses and conferences	**1,034**	881	**1,034**	881
Patient travel	**99**	108	**99**	108
Early retirements	**744**	260	**744**	260
Redundancy	**2,598**	155	**2,598**	155
Hospitality	**26**	35	**26**	35
Insurance	**664**	663	**664**	663
Losses, ex gratia and special payments	**341**	224	**341**	224
Other resources expended - charitable fund	**1,282**	1,497	**0**	0
Other	**967**	253	**967**	251
	577,510	537,404	**575,837**	535,486

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 17 February 2015.

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	**2014/15**	2013/14
	£000	£000
Group and Trust		
Minimum lease payments	**720**	686
	720	686

Total future minimum lease payments	**2014/15**	2013/14
	£000	£000
Payable:		
Not later than one year	**612**	655
Between one and five years	**116**	116
Total	**728**	771

5. Employee expenses and numbers

5.1 Employee expenses (including Executive Directors' costs)

	2014/15			2013/14
Group and Trust	**Total**	**Permanently employed**	**Other**	Total
	£000	**£000**	**£000**	£000
Salaries and wages	**270,679**	**269,885**	**794**	264,603
Social security costs	**20,967**	**20,967**	**0**	20,851
Pension costs - defined contribution plans employer contributions to NHS Pensions	**30,967**	**30,967**	**0**	31,128
Termination benefits	**2,598**	**2,598**	**0**	155
Agency/contract staff	**11,734**	**0**	**11,734**	12,740
Charitable fund staff	**381**	**381**	**0**	416
Total staff costs	**337,326**	**324,798**	**12,528**	329,893
Costs capitalised as part of assets	**(343)**	**(343)**	0	(369)
Total staff costs excluding capitalised costs	**336,983**	**324,455**	**12,528**	329,524

The executive costs covers 9 directors and consists of salaries amounting to £0.991 million, employers NI contributions £0.119 million and employers superannuation contributions £0.101 million. Included within these values the highest paid director receives a salary amounting to £0.225 million, employers NI contributions £0.029 million and employers superannuation contributions £0.031 million. The trust agreed an exit package with a director amounting to £0.276 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

	2014/15		2013/14
Group and Trust	**Total**	**Permanently Employed**	Permanently Employed
	Number	**Number**	Number
Medical and dental	**878**	**878**	837
Administration and estates	**1,393**	**1,393**	1,419
Healthcare assistants and other support staff	**431**	**431**	426
Nursing, midwifery and health visiting staff	**2,682**	**2,682**	2,641
Nursing, midwifery and health visiting learners	**1,047**	**1,047**	1,009
Scientific, therapeutic and technical staff	**1,266**	**1,266**	1,236
Other	**135**	**135**	150
Total	**7,832**	**7,832**	7,718
Number of staff (WTE) engaged in capital projects (included above)	**8**		8

Note: the figures represent the Whole Time Equivalents as opposed to the number of employees.

5. Employee expenses and numbers

5.3 Staff exit packages

Exit package cost band	2014/15			2013/14		
Group and Trust	**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**	**11**	**12**	0	1	1
£10,000 to £25,000	**2**	**9**	**11**	1	1	2
£25,001 to £50,000	**5**	**1**	**6**	2	2	4
£50,001 to £100,000	**3**	**2**	**5**	1	1	2
£100,001 to £150,000	**0**	**0**	**0**	0	1	1
£150,001 to £200,000	**1**	**0**	**1**	0	0	0
> £200,001	**0**	**0**	**0**	0	1	1
Total number of exit packages by type	**12**	**23**	**35**	4	7	11
Total resource cost £000	**587**	**340**	**927**	161	541	702

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

	2014/15		2013/14	
	Agreements number	**Total value of agreements £000**	**Agreements number**	**Total value of agreements £000**
Mutually agreed resignations (MARS) contractual costs	0	0	3	54
Early retirements in the efficiency of the service contractual costs	23	340	3	260
Contractual payments in lieu of notice	0	0	1	227
Total	23	340	7	541

5.5 Retirements due to ill-health

During 2014/15 there were 11 (2013/14, 13) 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 £0.708 million (2013/14, £1.049 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 NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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 as at the end of the reporting period.

Actuarial assessments undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015, is based on the valuation data as at 31 March 2012, updated to 31 March 2015 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, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

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

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed by the Government Actuary for the year ending 31 March 2004, at which point the national deficit amounted to £3.3 billion. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

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

The 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 2016.

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	
	2014/15 £000	2013/14 £000	**2014/15 £000**	2013/14 £000
Interest on bank accounts	**62**	61	**62**	61
Charitable fund - investment income	**143**	142	**0**	0
	205	203	**62**	61

8. Finance costs

8.1 Finance costs - interest expenses

	2014/15 £000	2013/14 £000
Group and Trust		
Loans from Foundation Trust Financing Facility	**793**	695
Finance leases	**792**	738
Finance costs in PFI obligations		
- Main finance cost	**8,959**	9,170
- Contingent finance costs	**5,262**	4,568
Total	**15,806**	15,171

8.2 Impairment of assets (property, plant and equipment)

Group and Trust	**2014/15 £000**	2013/14 £000
Impairment of PPE	**22,020**	3,418
Impairment of intangible assets	**10**	0
Reversal of impairments of PPE	**(17,878)**	(4,004)
Total	**4,152**	(586)

Further information on impairments is available within Note 9.3 to the Accounts.

9. Property, plant and equipment

9.1 Property, plant and equipment comprise of the following:

2014/15	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
Cost or valuation at 1 April 2014	3,966	304,501	1,410	3,035	71,978	52	14,712	2,338	401,992
Additions purchased	0	0	0	6,378	3,514	0	307	105	10,304
Additions leased	0	0	0	5,490	1,885	0	0	0	7,375
Additions donated and government granted	0	46	0	368	593	0	0	0	1,007
Impairment charged to lease liability	0	0	0	0	0	0	(210)	0	(210)
Impairments charged to revaluation reserve	0	(18,371)	(216)	0	0	0	0	0	(18,587)
Reclassifications	0	6,491	0	(8,141)	642	0	1,008	0	0
Disposals	0	0	0	0	(6,468)	0	(178)	(24)	(6,670)
Revaluation surpluses	0	15,923	13	0	0	0	0	0	15,936
Cost or valuation at 31 March 2015	**3,966**	**308,590**	**1,207**	**7,130**	**72,144**	**52**	**15,639**	**2,419**	**411,147**
Accumulated depreciation at 1 April 2014	0	100,198	112	118	42,993	44	9,817	1,920	155,202
Disposals	0	0	0	0	(6,411)	0	(178)	(24)	(6,613)
Impairments	0	21,978	0	0	0	0	42	0	22,020
Reversal of impairments	0	(17,847)	(31)	0	0	0	0	0	(17,878)
Provided during the year	0	5,539	38	0	6,102	2	1,257	116	13,054
Accumulated depreciation at 31 March 2015	**0**	**109,868**	**119**	**118**	**42,684**	**46**	**10,938**	**2,012**	**165,785**
Net book value at 1 April 2014									
Owned	3,966	23,089	1,298	1,342	23,977	0	2,344	305	56,321
Private Finance Initiative	0	176,729	0	1,283	0	0	0	0	178,012
Finance Lease	0	1,459	0	0	2,830	0	2,265	0	6,554
Government granted	0	764	0	292	918	0	236	63	2,273
Donated	0	2,262	0	0	1,260	8	50	50	3,630
Net book value total at 1 April 2014	**3,966**	**204,303**	**1,298**	**2,917**	**28,985**	**8**	**4,895**	**418**	**246,790**
Net book value at 31 March 2015									
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**
Net book value total at 31 March 2015	**3,966**	**198,722**	**1,088**	**7,012**	**29,460**	**6**	**4,701**	**407**	**245,362**

9. Property,plant and equipment (continued)

9.2 Prior year - Property, plant and equipment comprise of the following:

2013/14	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
Cost or valuation at 1 April 2013	3,966	291,980	1,399	2,420	69,766	52	12,172	2,471	384,226
Transfer by modified absorption	0	0	0	0	25	0	830	0	855
Additions purchased	0	0	0	1,632	5,700	0	329	0	7,661
Additions leased	0	0	0	5,113	493	0	888	0	6,494
Additions donated and government granted	0	0	0	0	509	0	51	0	560
Reclassifications	0	5,191	0	(6,130)	497	0	442	0	0
Disposals	0	0	0	0	(5,012)	0	0	(133)	(5,145)
Revaluation surpluses	0	7,330	11	0	0	0	0	0	7,341
Cost or valuation at 31 March 2014	**3,966**	**304,501**	**1,410**	**3,035**	**71,978**	**52**	**14,712**	**2,338**	**401,992**
Accumulated depreciation at 1 April 2013	0	94,968	133	118	41,988	40	7,905	1,897	147,049
Disposals	0	0	0	0	(4,908)	0	0	(133)	(5,041)
Impairments	0	2,804	0	0	0	0	614	0	3,418
Reversal of impairments	0	(3,951)	(53)	0	0	0	0	0	(4,004)
Provided during the year	0	6,377	32	0	5,913	4	1,298	156	13,780
Accumulated depreciation at 31 March 2014	**0**	**100,198**	**112**	**118**	**42,993**	**44**	**9,817**	**1,920**	**155,202**
Net book value at 1 April 2013									
Owned	3,966	22,479	1,266	873	22,599	1	2,419	430	54,033
Private Finance Initiative	0	169,742	0	787	0	0	0	0	170,529
Finance Lease	0	2,161	0	0	3,514	0	1,727	0	7,402
Government granted	0	445	0	0	220	0	107	84	856
Donated	0	2,185	0	642	1,445	11	14	60	4,357
Net book value total at 1 April 2013	**3,966**	**197,012**	**1,266**	**2,302**	**27,778**	**12**	**4,267**	**574**	**237,177**
Net book value at 31 March 2014									
Owned	**3,966**	**23,089**	**1,298**	**1,342**	**23,977**	**0**	**2,344**	**305**	**56,321**
Private Finance Initiative	**0**	**176,729**	**0**	**1,283**	**0**	**0**	**0**	**0**	**178,012**
Finance Lease	**0**	**1,459**	**0**	**0**	**2,830**	**0**	**2,265**	**0**	**6,554**
Government granted	**0**	**764**	**0**	**292**	**918**	**0**	**236**	**63**	**2,273**
Donated	**0**	**2,262**	**0**	**0**	**1,260**	**8**	**50**	**50**	**3,630**
Net book value total at 31 March 2014	**3,966**	**204,303**	**1,298**	**2,917**	**28,985**	**8**	**4,895**	**418**	**246,790**

9.3 Property, plant and equipment - revaluation

Revaluation exercises were undertaken as at 31 March, 2015 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, 2014, for changes in building cost indices and location factors during the year.

The Trust undertook a revaluation exercise that started at the beginning of the financial year and concluded on 19 November 2014 to exclude VAT from the valuation with effect from 1 April 2014. This was undertaken on the basis that a significant redevelopment of the sites would take place utilising a PFI arrangement in line with the arrangement on the James Cook site. The reduction in the revaluation amounted to £33.542 million with £18.061 million charged to the revaluation reserve and the remainder to the Statement of Comprehensive Income. The revaluation decrease from this exercise included £28.973 million that related to PFI assets and £4.569 million relating to non-PFI assets.

The exercise at 31 March, 2015, identified a revaluation increase of £33.814 million, of which £17.335 million reversed previous charges to the Statement of Comprehensive Income.

9.4 Economic lives of property, plant and equipment

The remaining asset lives are as follows:

	Min life Years	Max life Years
Buildings excluding dwellings	1	78
Dwellings	14	51
Plant and machinery	1	12
Transport equipment	2	3
Information technology	1	8
Furniture and fittings	1	10

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, Transformation Board and with final approval through the Board of Directors. The full plan is included in the Annual Plan submitted to Monitor. The capital programme for the year amounted to £23.7 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

2014/15:	Computer software purchased	Assets under construction	Total
Group and Trust	**£000**	**£000**	**£000**
Gross cost at 1 April 2014	3,410	285	3,695
Additions purchased	465	734	1,199
Additions donated	966	700	1,666
Reclassifications	545	(545)	0
Gross cost at 31 March 2015	**5,386**	**1,174**	**6,560**
Accumulated amortisation at 1 April 2014	1,760	0	1,760
Provided during the year	526	0	526
Impairments charged to operating expenses	10	0	10
Accumulated amortisation at 31 March 2015	**2,296**	**0**	**2,296**
Net book value at 1 April 2014			
Purchased	1,384	285	1,669
Donated	266	0	266
Net book value total at 1 April 2014	**1,650**	**285**	**1,935**
Net book value at 31 March 2015			
Purchased	2,006	474	2,480
Donated	1,084	700	1,784
Net book value total at 31 March 2015	**3,090**	**1,174**	**4,264**

10.2 Prior year Intangible assets

2013/14:	Computer software purchased	Assets under construction	Total
Group and Trust	**£000**	**£000**	**£000**
Gross cost at 1 April 2013	2,804	707	3,511
Additions purchased	45	165	210
Additions donated	1	0	1
Reclassifications	587	(587)	0
Disposals	(27)	0	(27)
Gross cost at 31 March 2014	**3,410**	**285**	**3,695**
Accumulated amortisation at 1 April 2013	1,412	0	1,412
Provided during the year	375	0	375
Disposals	(27)	0	(27)
Accumulated amortisation at 31 March 2014	**1,760**	**0**	**1,760**
Net book value at 1 April 2013			
Purchased	1,283	707	1,990
Donated	109	0	109
Net book value total at 1 April 2013	**1,392**	**707**	**2,099**
Net book value at 31 March 2014			
Purchased	1,384	285	1,669
Donated	266	0	266
Net book value total at 31 March 2014	**1,650**	**285**	**1,935**

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	8

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:

2014/15:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2015	**10,192**	**11,407**	**2,658**	**261,022**	**285,279**
Accumulated depreciation at 31 March 2015	**9,435**	**7,818**	**977**	**84,650**	**102,880**
Net book value at 1 April 2014					
Finance lease	1,459	2,830	2,265	0	6,554
PFI	0	0	0	178,012	178,012
Net book value total at 1 April 2014	**1,459**	**2,830**	**2,265**	**178,012**	**184,566**
Net book value at 31 March 2015					
Finance lease	**757**	**3,589**	**1,681**	**0**	**6,027**
PFI	**0**	**0**	**0**	**176,372**	**176,372**
Net book value total at 31 March 2015	**757**	**3,589**	**1,681**	**176,372**	**182,399**

11.2 Prior year assets held under finance leases:

2013/14:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2014	**10,192**	**12,147**	**2,868**	**257,836**	**283,043**
Accumulated depreciation at 31 March 2014	**8,733**	**9,317**	**603**	**79,824**	**98,477**
Net book value at 1 April 2013					
Finance lease	2,161	3,514	1,727	0	7,402
PFI	0	0	0	170,529	170,529
Net book value total at 1 April 2013	**2,161**	**3,514**	**1,727**	**170,529**	**177,931**
Net book value at 31 March 2014					
Finance lease	**1,459**	**2,830**	**2,265**	**0**	**6,554**
PFI	**0**	**0**	**0**	**178,012**	**178,012**
Net book value total at 31 March 2014	**1,459**	**2,830**	**2,265**	**178,012**	**184,566**

Note: PFI arrangements includes assets constructed and financed through the PFI as part of the original scheme amounting to £71.894 million (31 March 2014, £72.585million) and assets owned and funded by the Group and Trust of £104.478 million (31 March 2014, £104.144 million).

12. Capital commitments

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

Group and Trust	**31 March 2015**	31 March 2014
	£000	£000
Property, plant and equipment	**788**	1,228
Intangible assets	**169**	954
Total	**957**	2,182

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 2015. The accounting date of the financial statements for the charitable fund is in line with the Trust date of 31 March 2015. Key financial information for the charitable fund is provided as follows:

13.1 Reserves

	31 March 2015	31 March 2014
	£000	£000
Restricted funds	**339**	183
Unrestricted funds	**6,434**	6,726
Total	**6,773**	6,909

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 2015	31 March 2014
	£000	£000
Summary Statement of Financial Position:		
Non-current assets	**5,540**	5,262
Current assets	**1,863**	1,952
Current liabilities	**(630)**	(305)
Net assets	**6,773**	**6,909**
Reserves	**6,773**	**6,909**
Summary Statement of Financial Activities:		
Income	**1,699**	2,471
Expenditure	**(2,138)**	(2,768)
Total	**(439)**	(297)
Net realised gains on investment assets and other reserve movements.	**303**	246
Net movement in funds	**(136)**	**(51)**

In 2014/15 eliminations consisted of a £0.465 million adjustment to income and expenditure for capital transactions (£0.850 million in 2013/14) and adjustments to working capital amounted to £0.381 million (£0.195 million in 2013/14).

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 2015 £000	31 March 2014 £000
Market value brought forward	**5,262**	5,042
Additions	**560**	587
Disposals	**(585)**	(613)
Net gain on revaluation	**303**	246
Market value at 31 March	**5,540**	5,262
Investments held:		
Bonds	**1,338**	1,514
Equities	**3,390**	3,180
Alternative assets	**270**	251
Other holdings	**542**	317
	5,540	5,262

15. Inventories

15.1 Inventories

	31 March 2015 £000	31 March 2014 £000
Group and Trust		
Drugs	**1,833**	1,639
Consumables	**5,972**	6,272
Energy	**30**	31
Total	**7,835**	7,942

15.2 Inventories recognised in expenses

	31 March 2015 £000	31 March 2014 £000
Group and Trust		
Inventories recognised as an expense	**111,129**	102,921
Write-down of inventories recognised as an expense	**114**	43
Total	**111,243**	102,964

16. Cash and cash equivalents

Group and Trust	Group		Trust	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
At 1 April	**17,854**	29,267	**16,133**	27,446
Net change in year	**(5,038)**	(11,413)	**(4,991)**	(11,313)
Balance at 31 March	**12,816**	17,854	**11,142**	16,133
Broken down to:				
Cash with the Government Banking Service	**11,115**	15,937	**11,115**	15,937
Commercial banks and in hand	**1,701**	1,917	**27**	196
Cash and cash equivalents as in statement of cash flows	**12,816**	17,854	**11,142**	16,133

17. Trade and other receivables

17.1 Trade and other receivables

Group and Trust	Group		Trust	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Current				
NHS receivables	**9,884**	5,682	**9,884**	5,682
Other receivables with related parties	**341**	1,378	**341**	1,378
Other trade receivables	**5,443**	4,243	**5,824**	4,243
VAT	**1,789**	2,127	**1,789**	2,127
Accrued income	**9,090**	6,499	**9,012**	6,463
Provision for the impairment of receivables	**(734)**	(631)	**(734)**	(631)
Prepayments	**27,294**	21,212	**27,294**	21,212
Total	**53,107**	40,510	**53,410**	40,474
Non-current				
Other receivables	**2,253**	2,275	**2,253**	2,275
Provision for the impairment of receivables	**(415)**	(422)	**(415)**	(422)
Total	**1,838**	1,853	**1,838**	1,853

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.

17.2 Receivables past their due date but not impaired

	31 March 2015	31 March 2014
	£000	£000
Ageing of impaired receivables		
Up to three months	**1,656**	2,687
In three to six months	**448**	104
Over six months	**294**	225
Total	**2,398**	3,016
Ageing of non-impaired receivables past their due date		
Up to three months	**8,432**	5,134
In three to six months	**425**	545
Over six months	**780**	284
Total	**9,637**	5,963

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.

17.3 Provision for impairments of receivables

	31 March 2015	31 March 2014
	£000	£000
Balance at 1 April	**1,053**	1,137
Amount utilised	**(106)**	(99)
Increase/(decrease) in provision	**202**	15
Balance at 31 March	**1,149**	1,053

The provision relates to outstanding Compensation Recovery Unit debts concerning Road Traffic Accidents (18.9% 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

	GROUP		TRUST	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
	£000	£000	**£000**	£000
Current				
Interest payable	**34**	30	**34**	30
NHS payables	**5,386**	4,107	**5,386**	4,107
Amounts due to other related parties	**2,664**	2,755	**2,664**	2,755
Other trade payables - revenue	**18,054**	19,499	**18,054**	19,694
Other trade payables - capital	**6,236**	1,820	**6,236**	1,820
Taxes payable (VAT, Income Tax and Social Security)	**8,225**	6,492	**8,225**	6,492
PDC payable	**615**	315	**615**	315
Accruals	**6,989**	8,127	**6,851**	7,822
Receipts in advance	**4,236**	2,568	**4,236**	2,568
Other payables	**4,395**	4,279	**4,395**	4,279
Total current trade and other payables	**56,834**	49,992	**56,696**	49,882

Other payables includes £4.390 million for outstanding pensions contributions (31 March 2014, £4.273 million).

19. Borrowings

Group and Trust	**31 March 2015**	31 March 2014
	£000	£000
Current		
Loans from Foundation Trust Financing Facility	**3,496**	3,017
Working capital loans from Department of Health	**10,500**	0
Obligations under:		
Finance leases	**1,648**	1,731
Private finance initiative contracts	**3,700**	3,309
Total current borrowings	**19,344**	8,057
Non-current		
Loans from Foundation Trust Financing Facility	**40,625**	29,721
Obligations:		
Finance leases	**4,227**	4,133
Private finance initiative contracts	**105,515**	109,215
Total non-current borrowings	**150,367**	143,069

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 £8.236 million (£8.762 million as at 31 March 2014). The Present Value of minimum lease payments included on the Group and Trust's Statement of Financial Position amounts to £5.875 million (£5.864 million at 31 March 2014), with the variance of £2.361 million (£2.898 million at 31 March 2014) 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 2015**	31 March 2014
	£000	£000
Within one year	**2,218**	2,454
Between one and five years	**5,113**	5,504
After five years	**905**	804
Less: finance charges allocated to future years	**(2,361)**	(2,898)
Present value of minimum lease payments	**5,875**	5,864
Net lease liabilities		
Not later than one year	**1,648**	1,731
Later than one year and not later than five years	**3,573**	3,753
Later than five years	**654**	380
	5,875	5,864

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 60,000m2 of new build with 11,000m2 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 £45.370 million per annum. An element of the payment is also set aside to fund lifecycle expenditure amounting to £5.191 million. In return the Trust receives guaranteed income of approximately £0.275 million in respect of mall retail units, laundry and catering income. Responsibility for the collection of car parking income transferred back to the Trust from 1 April 2014.

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:

	31 March 2015	31 March 2014
Group and Trust	**£000**	£000
Not later than one year	**12,382**	12,268
Later than one year, not later than five years	**42,712**	45,456
Later than five years	**162,577**	172,216
Sub total	**217,671**	229,940
Less: interest element	**(108,456)**	(117,416)
Total	**109,215**	112,524

Net PFI liabilities

Not later than one year;	**3,700**	3,309
Later than one year and not later than five years;	**10,547**	12,341
Later than five years	**94,968**	96,874
	109,215	112,524

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 £22.993 million (2013/14 £22.893 million).

The Trust is committed to the following annual charges:

	31 March 2015	31 March 2014
Group and Trust	**£000**	£000
Not later than one year	**23,587**	23,262
Later than one year, not later than five years	**94,348**	93,048
Later than five years	**330,218**	348,930
Total	**448,153**	465,240

22. Provisions

	Current		**Non-current**	
	31 March 2015	31 March 2014	**31 March 2015**	31 March 2014
Group and Trust	**£000**	£000	**£000**	£000
Pensions relating to staff	**121**	123	**1,123**	1,248
Legal claims	**287**	347	**612**	643
Redundancy	**2,296**	0	**0**	0
Total	**2,704**	470	**1,735**	1,891

	Pensions relating to staff	**Legal claims**	**Redundancy**	**Total**
Group and Trust	**£000**	**£000**	**£000**	**£000**
At 1 April 2014	1,371	990	0	2,361
Arising during the year	0	183	2,296	2,479
Utilised during the year	(131)	(230)	0	(361)
Reversed unused	0	(45)	0	(45)
Unwinding of discount	4	1	0	5
At 31 March 2015	1,244	899	2,296	4,439
Expected timing of cash flows:				
- not later than one year;	121	287	2,296	2,704
- later than one year and not later than five years;	433	122	0	555
- later than five years.	690	490	0	1,180
Total	1,244	899	2,296	4,439

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.

£90.607 million is included in the provisions of the NHS Litigation Authority at 31 March 2015, in respect of clinical negligence liabilities of the Group and Trust (2013/14 £76.439 million).

Redundancy

This provision relates to redundancy and voluntary severance costs arising from service restructures due to be delivered in 2015/16. 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	
Loans and receivables	**31 March 2015 £000**	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Trade and other receivables excluding non financial assets	**24,024**	17,171	**24,327**	17,135
Cash and cash equivalents at bank and in hand	**12,816**	17,854	**11,142**	16,133
Assets at fair value through income and expenditure				
Investments	**5,540**	5,262	**0**	0
Total	**42,380**	40,287	**35,469**	33,268

23.2 Financial liabilities

	GROUP		TRUST	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Borrowings excluding finance lease and PFI liabilities	**(54,621)**	(32,738)	**(54,621)**	(32,738)
Obligations under finance leases	**(5,875)**	(5,864)	**(5,875)**	(5,864)
Obligations under PFI contracts	**(109,215)**	(112,524)	**(109,215)**	(112,524)
Trade and other payables excluding non financial liabilities	**(43,758)**	(40,617)	**(43,620)**	(40,507)
Total	**(213,469)**	(191,743)	**(213,331)**	(191,633)

23.3 Maturity of financial liabilities

	GROUP		TRUST	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
In one year or less	**(63,102)**	(48,673)	**(62,964)**	(48,563)
In more than one year but not more than two years	**(7,825)**	(8,028)	**(7,825)**	(8,028)
In more than two years but not more than five years	**(37,979)**	(20,133)	**(37,979)**	(20,133)
In more than five years	**(104,563)**	(114,909)	**(104,563)**	(114,909)
Total	**(213,469)**	(191,743)	**(213,331)**	(191,633)

23.4 Fair values of financial assets – book value

Group and Trust	**31 March 2015 £000**	31 March 2014 £000
Non current trade and other receivables excluding non financial assets	**1,838**	1,853

23.5 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.

23.6 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 2015 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

The only significant event after the end of the reporting year was the part repayment on the working capital loan from the Department of Health amounting to £3 million.

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, 2015.

	Income £000	Expenditure £000	Receivables £000	Payables £000
NHS Cumbria CCG	868	11	115	22
NHS Darlington CCG	5,479	0	0	247
NHS Durham Dales, Easington and Sedgefield CCG	10,571	6	39	13
NHS Hambleton, Richmondshire and Whitby CCG	77,793	15	1682	322
NHS Harrogate and Rural District CCG	3,007	0	96	10
NHS Hartlepool and Stockton-on-Tees CCG	35,610	47	587	101
NHS North Durham CCG	1,123	0	0	66
NHS Scarborough and Ryedale CCG	623	0	0	17
NHS South Tees CCG	213,985	0	4,344	1,005
NHS Sunderland CCG	615	0	96	0
NHS Vale of York CCG	1,121	0	73	0
NHS England	210	1	105	0
Durham, Darlington and Tees Area Team	14,171	0	1,020	0
Cumbria, Northumberland, Tyne and Wear Area Team	147,166	0	7,107	0
North Yorkshire and the Humber Area Team	4,666	0	48	184
West Yorkshire Area Team	17	0	3	0
Department of Health	799	4	43	653
Health Education England	15,466	0	97	0
Other NHS bodies	3,030	442	959	98
County Durham & Darlington NHS Foundation Trust	244	1,358	272	1,364
Newcastle Upon Tyne Hospitals NHS Foundation	4,495	576	125	569
North Tees and Hartlepool NHS Foundation Trust	812	2,633	928	756
Northumbria Healthcare NHS Foundation Trust	1	102	556	659
Tees, Esk and Wear Valleys NHS Foundation Trust	1,388	253	92	38
Calderstones Partnership NHS Foundation Trust	0	52	0	276
Other Foundation Trusts	317	306	234	74
NHS Blood and Transplant	0	2,733	1	400
NHS Litigation Authority	0	8,047	0	9
NHS Property Services	607	6,742	435	902
NHS Business Services Authority	0	0	0	8
Other NHS WGA bodies	0	102	0	0

25. Related party information (continued)

	Income £000	Expenditure £000	Receivables £000	Payables £000
Middlesbrough Borough Council	1,751	2,616	2,342	453
North Yorkshire County Council	324	185	67	156
Redcar and Cleveland Borough Council	1,410	7	180	9
Hambleton Borough Council	0	357	451	0
HM Revenue and Customs	0	20,967	1,789	8,225
NHS Pensions Agency	0	30,967	0	4,960
NHS Professionals	5	3,253	3	383
Ministry of Defence	54	492	118	83
Other Central Government	223	7	52	0

Significant transactions and balances with all Whole of Government account bodies in 2013/14 are detailed below:

	Income £000	Expenditure £000	Receivables £000	Payables £000
NHS Cumbria CCG	799	0	16	0
NHS Darlington CCG	5,964	0	18	0
NHS Durham Dales, Easington and Sedgefield CCG	10,529	6	21	8
NHS Hambleton, Richmondshire and Whitby CCG	73,984	0	224	0
NHS Harrogate and Rural District CCG	2,737	0	74	0
NHS Hartlepool and Stockton-on-Tees CCG	34,828	47	393	47
NHS North Durham CCG	1,119	0	16	0
NHS Scarborough and Ryedale CCG	609	0	0	8
NHS South Tees CCG	212,694	0	2,193	0
NHS Sunderland CCG	487	0	272	0
NHS Vale of York CCG	1,157	0	86	0
NHS England	2,093	0	1,883	3
Durham, Darlington and Tees Area Team	11,039	0	0	117
Cumbria, Northumberland, Tyne and Wear Area	133,414	0	2,771	0
North Yorkshire and the Humber Area Team	5,889	35	938	0
West Yorkshire Area Team	0	0	473	0
Other NHS bodies	3,206	842	957	243
County Durham & Darlington NHS Foundation	246	973	287	1,563
Newcastle Upon Tyne Hospitals NHS Foundation	2,048	507	62	369
North Tees and Hartlepool NHS Foundation Trust	664	2,357	568	1,327
Northumbria Healthcare NHS Foundation Trust	3	144	578	87
Tees, Esk and Wear Valleys NHS Foundation	1,312	185	66	322
Other Foundation Trusts	325	405	233	97
Health Education England	14,736	0	450	0
NHS Blood and Transplant	64	3,156	1	281
NHS Litigation Authority	0	8,605	0	5
NHS Property Services	602	6,685	150	1,950
Other NHS WGA bodies	389	109	43	347
Middlesbrough Borough Council	2,483	2,989	354	477
North Yorkshire County Council	889	235	582	0
Redcar and Cleveland Borough Council	2,147	24	175	9
HM Revenue and Customs	0	20,851	2,127	6,492
NHS Pensions Agency	0	31,127	0	4,273
NHS Professionals	0	4,472	0	0
Other Central Government	340	727	85	52

None of the receivable or payable balances are secured. Amounts are usually due within 30 days and will be settled in cash.

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 Note 13 to the Accounts.

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. In the year transactions have been undertaken with the University of Durham, the University of Teesside and the North Cumbria Academic Health Science Network, as follows:

	2014/15				2013/14			
Organisation	Income	Expenditure	Receivables	Payables	Income	Expenditure	Receivables	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
University of Teesside	253	78	19	0	462	0	121	30
University of Durham	41	77	24	0	69	18	24	0
North Cumbria Academic Health Science Network	797	0	15	0	0	0	0	0

- Professor Tricia Hart is a director of the North East and North Cumbria Academic Health Science Network and a visiting professor at both the University of Durham and the University of Teesside.

- Professor Rob Wilson is a honorary professor of surgical science at the University of Durham.

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 £438 cash and cash equivalents at 31 March 2015 (No holdings at 31 March 2014) relating to monies held by the Group and Trust on behalf of patients.

The Group and Trust held £683,331 cash and cash equivalents at 31 March 2015 (£676,047 at 31 March 2014) 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 £1,765 cash and cash equivalents at 31 March 2015 (£5,992 at 31 March 2014) 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 accounts.

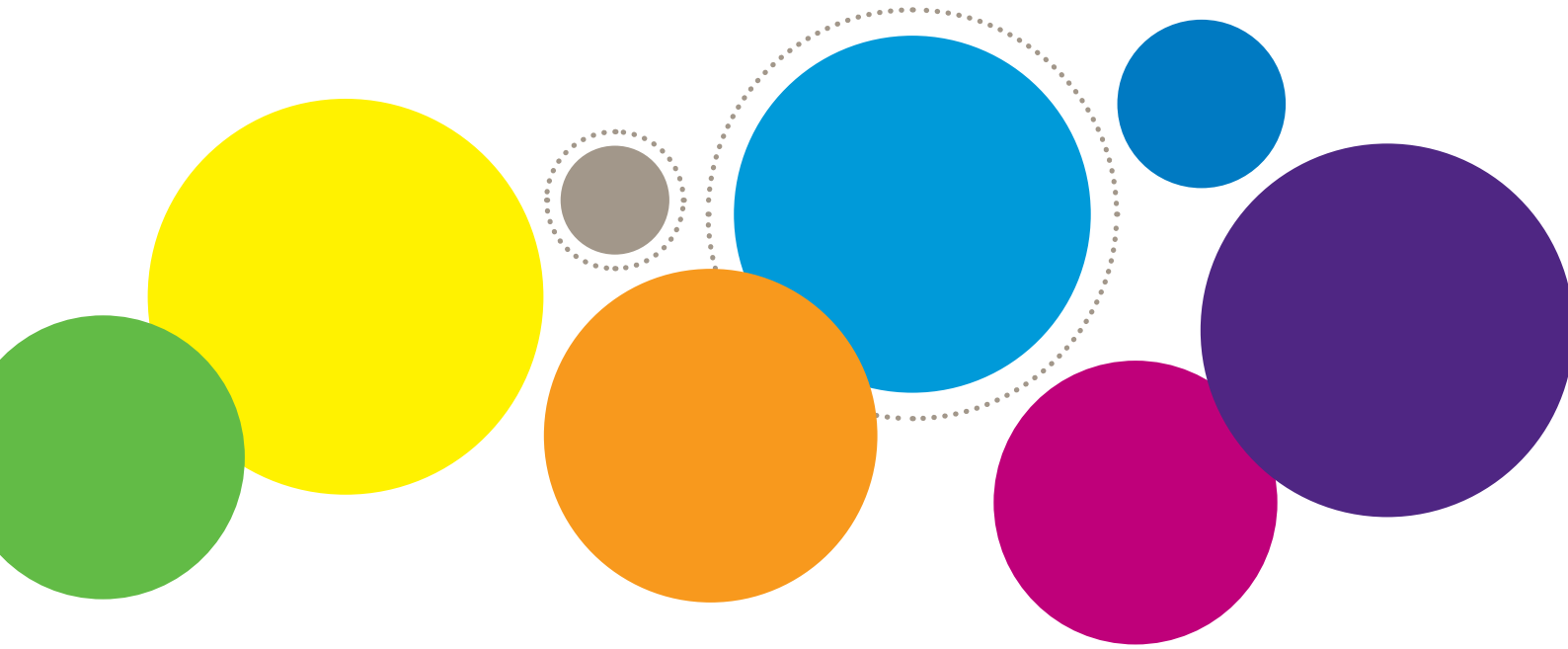
27. Losses and special payments

The total number and value of losses and special payments in year amounted to the following:

	2014/15		2013/14	
Group and Trust	**Number of cases**	**Total value of cases**	Number of cases	Total value of cases
		£000		£000
Losses:				
Losses of cash	**24**	**2**	27	2
Bad debts and claims abandoned	**205**	**108**	63	95
Damage to buildings, property as a result of theft, criminal damage etc.	**91**	**8**	129	12
Special payments:				
Ex gratia payments	**119**	**223**	141	264
Total	**439**	**341**	360	373

The amounts included above are reported on an accruals basis and exclude provisions for future losses.

There were no special severance payments (2013/14, 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.



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